CAPINFO

Capinfo Company Limited

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

(Stock Code：1075)

2014
Annual Report

INNOVATION AND REFORM

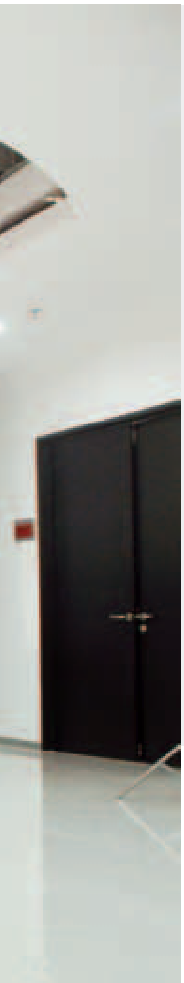
We have witnessed growing competition among industries as the pace of smart city construction accelerates. Against the backdrop of "Technology Guides the Future", scientific and technological innovation has become a major driving force behind the development of business. In 2014, adhering to the principle of "technological innovation and systematic reform", the Company continued to achieve business expansion and breakthrough in its development. During the reporting period, the Company made continuous efforts in enhancing its product innovation as well as R&D capabilities, with a view to strengthening its competitiveness. Efforts were also made to boost management innovation, improve operating efficiency and strengthen management effectiveness. In addition, the Company also continued to optimize its organizational structure and function, and to speed up the systematic reform. Thanks to the efforts of our operating management and all staff, the Company has accumulated some experience and resources, which paved the way for future scale development. In 2015, the Company will forge ahead along with its road of "innovation and reform", and be committed to pursuing healthy and sustainable development.

CONTENTS

COMPANY PROFILE

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

COMPANY PROFILE



As a famous smart city service provider in China, Capinfo has, through its professional IT service capability and high level of social responsibility, contracted the construction, operation and maintenance of various national key information technology application projects and livelihood projects. During the Group's past over decade of development, China has made rapid and tremendous progress in the development of information technology; we have witnessed and contributed to the growth of the PRC society. As of 31 December 2014, the Company had 1,588 employees and had established three branches and one representative office. Focusing on the government, medical care, transportation, finance and many other areas, Capinfo has established its presence in Northeast China, North China, East China and South China.

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

Corporate Mission

To create reliable online business environment;

To provide quality network application services.

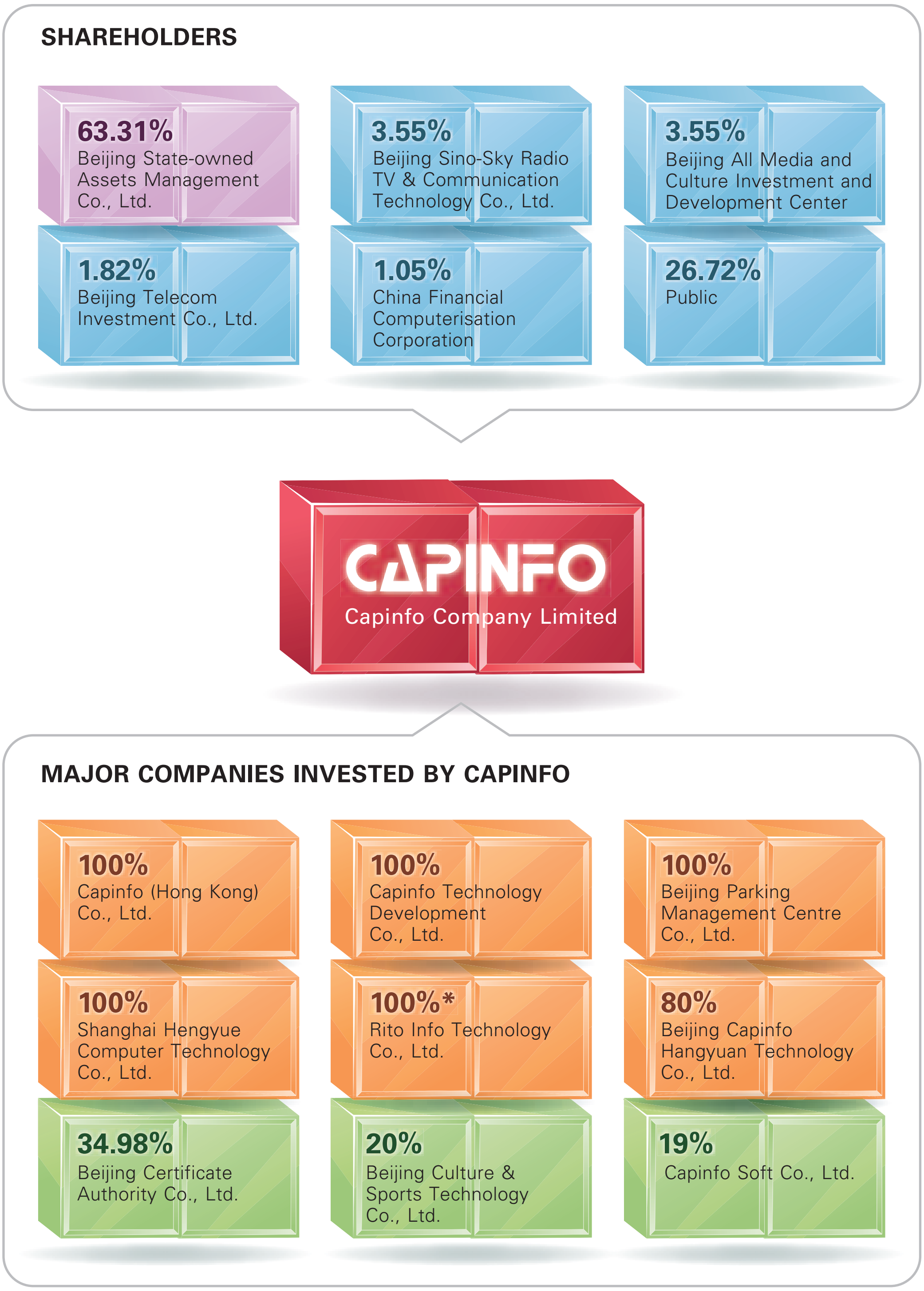
Corporate Vision

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

An innovator in integration and application of information resources.

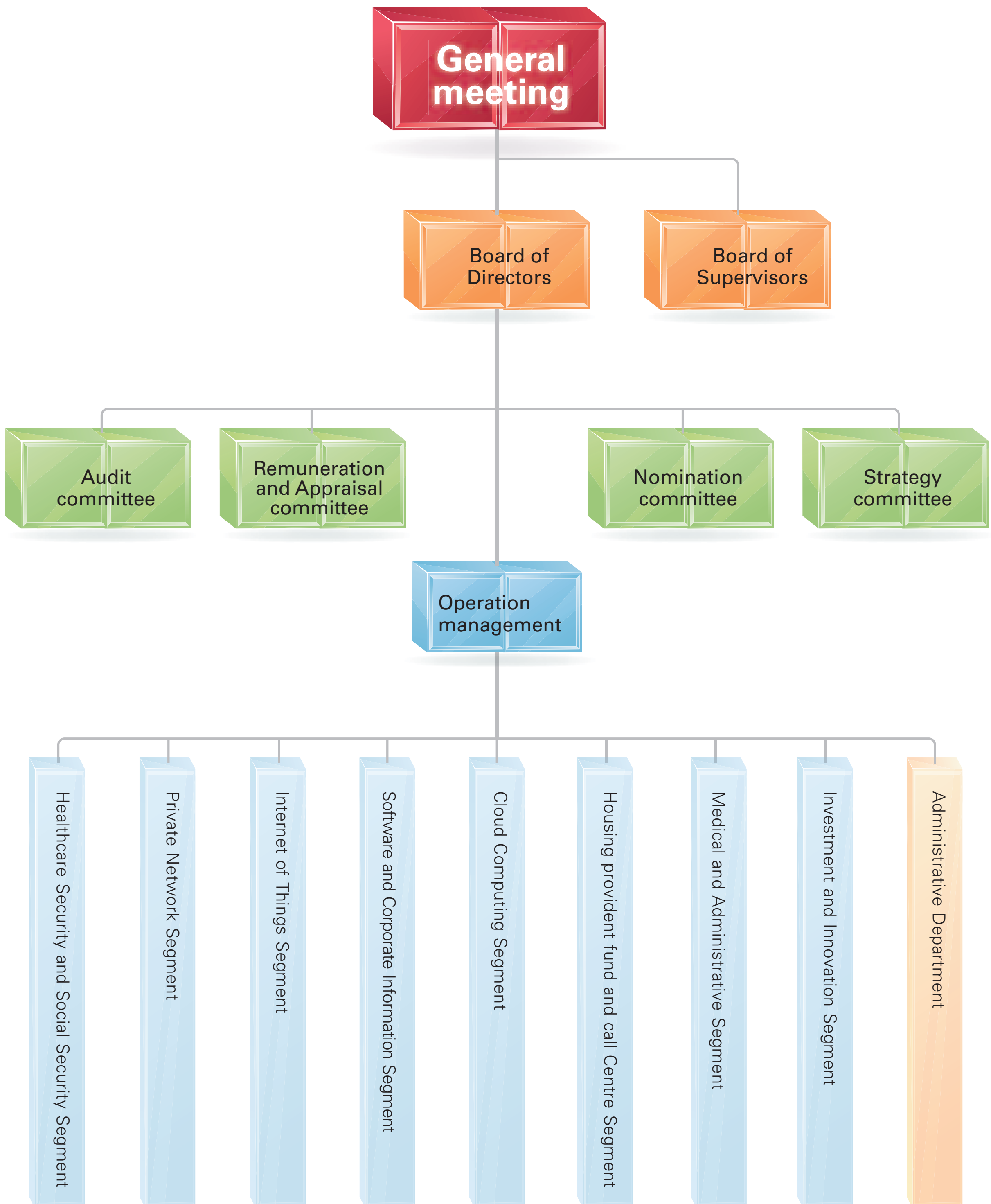
For more information of the Company

SHAREHOLDING STRUCTURE



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

CORPORATE STRUCTURE

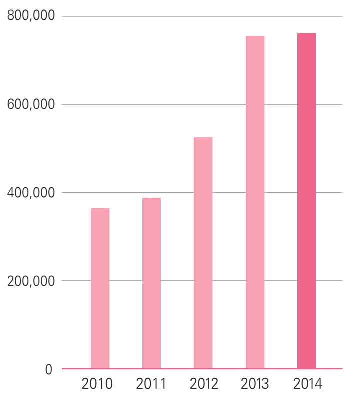


FIVE-YEAR FINANCIAL HIGHLIGHTS

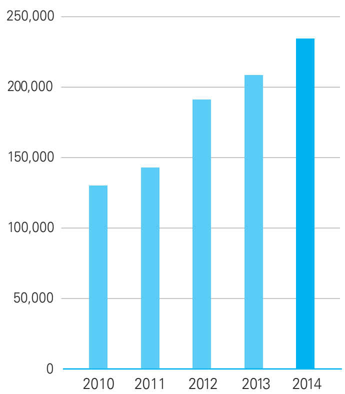
Unit: RMB'000

	2010	2011	2012	2013	**2014**
For the Year					
Revenue	363,666	388,536	526,097	754,830	**756,810**
Gross profit	129,816	142,876	191,002	208,335	**235,065**
Profit and total comprehensive income for the year attributable to owners of the Company	73,706	77,540	85,587	82,884	**70,383**
Earnings per share (RMB cents)					
From continuing and discontinued operations					
– Basic	2.54	2.68	2.95	2.86	**2.43**
Dividends per share (RMB cents)	3.20	1.20	1.30	1.30	**1.06**
– Interim dividend	2.05	–	–	–	**–**
– Final dividend	1.15	1.20	1.30	1.30	**1.06**
At Year-end					
Total assets	939,809	975,023	1,116,280	1,171,973	**1,528,762**
Net assets	721,705	750,657	786,660	831,891	**864,604**
Current liabilities	218,104	224,366	329,620	340,082	**550,003**
Financial Ratio					
Net gearing ratio (%)	0.88	0.73	0.58	0.44	**2.63**
Current ratio (times)	3.33	3.57	2.47	2.14	**1.57**

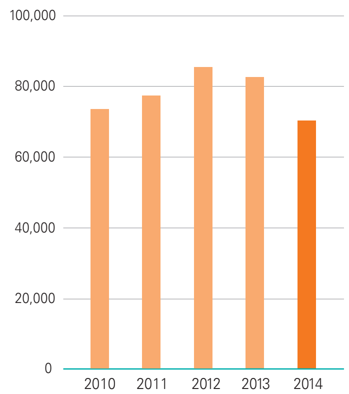
REVENUE



GROSS PROFIT



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



EVENT HIGHLIGHTS

Official operation of the consulting service hot line “96102” for Beijing hospital medical cards

JAN

BDS Monitoring Platform (北斗監控平臺) undertaken by the Group safeguarded the municipal Environment Sanitation Engineering Group for removing ice and snow

FEB

The Company launched a series of knowledge transfer trainings of 2014

MAR

The Company participated in the Negotiation Meeting for Science and Technology Cooperation of Yangzhou (揚州科技合作展示洽談會)

APR

The layout change of Beijing Supervision website undertaken by the Company was put on line

MAY

The Company was recognized as the “Engineering Centre of Chinese Smart City” (中國智慧城市工程中心)

JUN

The website www.capcloud.com.cn for online cloud product store was officially issued by the Company

JUL

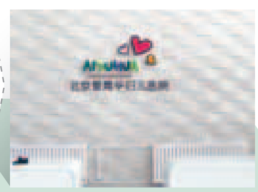
The Company successfully acquired Rito Info Technology Co., Ltd.

JUL

The Company successfully provided technical support for the first Rescuer Helicopter of Red Cross

SEP

Beijing Aiyuhua Hospital for Children and Women which the Company provided overall integration services was launched commencement



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CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I hereby present to you the 2014 annual report of Capinfo Company Limited. In 2014, in the face of the challenging environment of drastic adjustment in the conditions of the smart city industry, the Company made greater efforts in resources integration and took a proactive approach to systematic reform. As a result of these initiatives, the Group recorded a turnover of RMB756.8 million, representing an increase of 0.26% as compared with the corresponding period of last year. Profit attributable to shareholders amounted to RMB70.4 million, representing a decrease of 15.08% as compared with the corresponding period of last year, due to the increasing investments in market expansion as well as R&D activities.

CHAIRMAN'S STATEMENT

During the reporting period, the Company recorded steady growth of its traditional core businesses and smoothly completed the upgrading of various projects including Beijing E-Government network platform, Medical Insurance Information System, Social Security Card System and Electronic community service center in which way the brand of Capinfo has become increasingly deep-rooted. Relying on the Internet of Things platform, the Company has successfully undertook nearly 30 city security surveillance projects related to the urban safety and emphasized on the development of new technologies including "the whole network controllable 4G communications equipment" and "big data analysis support system based on log", forming the competitive strength with its own features in regard with smart city management and service. The Company has completed the construction of its cloud platform in three phases, with 3,000 virtual machines. Capitalizing on the "Cloud Movement in July" sales campaign, the Company has successfully promoted its self-developed "Cloud Package" products and expanded its market share of cloud service to various fields, including education, examination, administrative management and management of government affairs and the markets beyond Beijing, gradually building up our reliable, quality and effective service capabilities.

In 2014, the industry and market the Company engages in entered into a phase of adjustment. In response to these challenges, the management adhered to the principle of "industry-specific development", and put great emphasis on creating an ecological circle of group business. During the reporting period, the service channels covering Beijing, Shanghai, Guangzhou, Xiamen, Chongqing, Nanning and other core cities had been put in place, which were expected to facilitate our nationwide marketing of business, including our smart city solutions and cloud services. The Company also took a proactive approach to the top-level design and planning in relation to the construction of smart cities, and prepared for the recovering of market conditions by way of project reservation during its process of planning. During the reporting period, the Company has succeeded in acquiring Rito Info Technology Co. Ltd., which has further enhanced the fast customization development and service capability of enterprise customer base of the industry, and strengthened the Group's ability to withstand business risks.

During the year 2014, the Group stepped up its investment in various areas, such as software integrated platform, big data, Internet of Things as well as mobile applications, and obtained 18 software copyrights, 12 software product certificates and 2 patents. Promotion and application in respect of R&D was also progressing smoothly.

Through reflecting on the experience gained in 2014, the operational management intends to gain deeper insight into the future development strategy, and will be dedicated to the pursuit of sustained and robust development. Under this principle, the operational management will endeavor to push forward with technological innovation and systematic reform, explore path for "group specific development", establish the image of excellent "smart city application services operator", and reward our shareholders with outstanding results.

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

Dr. Wang Xu
Chairman & CEO

Beijing, the PRC
27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2014 is the fourth year of the Company's "twelfth five-year" Plan, and also a year of exploring business transformation and mechanism reform for the Company. Facing to the depressed economic situation home and abroad and the fierce industrial competition, under the leadership of the Board, the operation management intensified the resource integration, and entered into emerging markets through investment, merger and acquisitions, and fostered the integrated innovation capability, and made efforts to move forward to the high-end of industrial chain. Due to the enhanced market expanding, increased research and development investment, the Company reduced profits in 2014 as compared to the same period of the previous year.

Capinfo-Smart City

During the reporting period, the Company progressively carried out the construction of e-government for the Capinfo-Smart City. The E-Government network platform and the 4G wireless government internet of things project (the "Internet of Things"), the Beijing informatization infrastructure built and maintained by the Company has been safely and stably put into use. After continuous upgrading by the Company, the stability of the system has been improved, and this promoted the sharing and utilization of the city information resources. As of 31 December 2014, a total of more than eight thousand users have accessed to the E-Government network platform, including the Beijing Municipal Government and each bureaus, with the total cable length of more than two thousand kilometers. Internet of Things has built more than 300 stations, and the signal covers Beijing urban and suburb areas with coverage rate of 90%. Relying on the Internet of Things platform, the Company has successfully undertook nearly 30 city security surveillance projects related to the urban safety, among which the "gas monitoring system" and "big data analysis support system based on log" awarded the national patent. During the reporting period, the Company focuses on the Internet of Things, occupies the technology commanding height of Internet of Things middleware, the whole network controllable 4G communications equipment, seizes the project and product opportunities of gas monitoring, slag car management, vehicle-mounted DVR, individual 4G communications equipment and so on, making the breakthrough in the field of urban management and major activity security.

In 2014, the Company was responsible for the operation and maintenance of the Beijing Municipal Government portal website – Beijing-China Website Clusters (www.beijing.gov.cn), Capital's city information service website (www.beijing.cn) and eBeijing website (www.ebeijing.gov.cn), smoothly, and the websites realized the overall cloud migration, becoming the model demonstration of the Beijing Municipal Government cloud applications. At the same time, the Company was also responsible for the construction and operation of the WeChat public number of Beijing service mobile APP, the online business hall and the Beijing-China Website Clusters, further broadening the service channels and customer service scale. Leveraging on the safe, efficient and stable service, the Beijing-China Website Clusters has won the first prize of national government portal website evaluation for eight consecutive years.

MANAGEMENT DISCUSSION AND ANALYSIS

Smart Livelihood

Facilitating the pace of livelihood informatization, realizing the in-depth integration of informatization and livelihood application are one of the important instructions of the "Notice on Facilitating the Construction of Information Livelihood Project", and also an important strategic development direction of the Company. During the reporting period, the Beijing Medical Insurance Information System and the Beijing Social Security Card System established, operated and maintained by the Company went out smoothly. In order to improve the system performance, the Company updated and changed the hosting of the medical insurance system, and at the same time continued to update and rebuilt more than 10 sub-systems and scripts, including collection and payment subsystem, financial sub-system, which constantly improved the function of the system. As of 31 December 2014, the Company has issued more than 16 million social security cards and served more than 14 million medical insurance users. During the reporting period, the Company successfully obtained the personal accounts close project of Beijing Medical Insurance Information System, which further expanded the Group's service scope in the area of livelihood.

In order to speed up the expanding pace of housing information business across the country, the Company sets up the market expanding arrangement with the headquarter in Beijing supported by Guangzhou Branch, Chongqing Branch, Nanning Office and Shanghai Hengyue Computer Technology Co., Ltd., expanding the market share from point to the whole area. In order to improve the market competitiveness of housing information product, the Company continuously strengthens its technical strength, and develops a series of new public service products independently, among which the "CAPINFO Mobile Application System for Housing Provident Fund Public Services V1.0" was granted the software copyrights registration certificate issued by National Copyright Administration. Four software products including the "CAPINFO Housing Provident Fund Collection Manager V1.0" obtained the software product registration certificates. In addition, the "CAPINFO Housing Provident Fund Integrated Business Management System", which developed by the Company was awarded the third prize in Beijing Science and Technology Award and the "Best Solutions for Smart City", and was recognized by the National Ministry of Housing and Urban-Rural Development as the "Excellent Software for Urban-Rural Construction", which greatly improved the competitiveness of the housing information products of the Company.

The E-community business is one of the traditional core businesses of the Company. Currently, the electronic community service platform (www.96156.gov.cn) constructed, operated and maintained by the Company serves community management institutions at all levels in Beijing, providing to more than 13 million residents with over 200 items of convenience-featured community services such as home-care for the aged, marriage registration, household service, funeral and interment service etc.. In 2014, the Company successfully seized the opportunity that the pension (helping the disabled) ticket in Beijing transformed to card, making the E-community business further extend to the smart endowment service. During the reporting period, the "5A5S Tuanjiehu Smart Community Project" developed by the Company was awarded the "2014 China Top Ten Smart City Solutions" and the "Tuanjiehu Smart Community Project" was awarded the "Top Ten China Social Management Innovation in 2014" in the "9th China Overall Well-off Forum in 2014".

MANAGEMENT DISCUSSION AND ANALYSIS

Smart Medical Service

In 2014, with the advancement of medical reform policy, the smart medical was resurgent. The market of the industry is full of opportunities and challenges, the Company actively seeks business opportunities, and explores new profit growth points. During the reporting period, the Company progressively carried out the smart medical programs, and the "Medical HCRM System V1.0" system software independently developed by the Company obtained the computer software copyright registration certificate. Beijing hospital medical card project is successfully implemented in 26 Beijing hospitals with total issued cards of more than 2.54 million, providing great convenience for the non-insured patients in Beijing and non-local patients. The Company, based on the health care system, provides value-added services, including IT consulting and planning, technical training for medical institutions in Beijing, and the customers have been expanded to 50; at the same time the Company also provides HIS system construction and upgrade and other value-added services for hospitals.

During the reporting period, the informationization project of Beijing Aiyuhua Hospital for Children and Women ("Aiyuhua Hospital") which the Company provided overall integration services was successfully completed, and the hospital formally started the operation at the end of 2014, and the system runs in a steady way. Based on the construction experience of Aiyuhua Hospital, the Company successfully won the bid for the informatization project of Beijing Yingzhi Rehabilitation Hospital, laying a good foundation for the future long-term development of the Company in the field of smart medical.

Cloud Services and Product Research and Development

In recent years, the cloud computing has become rapidly popular, and the counterparts started the cloud deployment one after another, so the cloud computing market competition became more and more fierce. As early as 2012, the Company started the construction of the Beijing E-Government Internet Cloud Platform (CAPINFO Cloud Platform), and became the first Electronic Public Service platform demonstration project of the MIIT and Beijing. In 2014, CAPINFO Cloud Platform focused on the government departments at all levels, at the same time it provided Application Service Cloud for enterprises (SAAS) and provided Virtual Private Cloud (VPC) for large groups and institutions, and put CAPINFO Cloud Platform as the pilot in the course of reform of the Company. As of 31 December 2014, CAPINFO Cloud Platform infrastructure and cloud management platform passed the three-level evaluation of information system security protection level of the Ministry of Public Security, and the host of CAPINFO Cloud Platform also passed the certification of the MIIT. By leverage of the safe, stable, flexible and efficient cloud service capacity, the CAPINFO Cloud Platform has carried out more than 100 sets of public application services of the government and enterprises, providing high quality and reliable cloud computing service for the main government departments in Beijing and nearly 10 enterprises and institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

As the national key software enterprise and high-tech enterprise, the Company knows very well that possessing the competitive independent intellectual property products and implementing the continuous technological innovation are both the important foundations for improving the Company's core competitiveness and the power of the Company's sustainable development. In 2014, the Company continued to increase the investment in technology innovation and research, further strengthening the development and product exploration capabilities, combined with the market and customer needs, constantly enriched and improved the Company's product line. As of 31 December 2014, the Company obtained 117 software copyrights, 30 software products, 3 patents and 1 invention, laying a solid foundation for the Company's future development.

Investments, Mergers and Acquisitions

In recent years, with the further development of information technology and the increasing integration of information technology service, the market has transformed from the single enterprise competition to the whole industry chain competition with synergistic effect from integrated ecosystem. In 2014, the Company further speeded up the pace of investment, merger and acquisition, and acquired the share of Rito Info Technology Co., Ltd. ("Rito Info"). Rito Info is a leading enterprise in the field of tobacco informatization, therefore the acquisition will not only enrich the Company's business type, expand its market share, improve the performance, but also decentralise the operational risk, enhance market competitiveness, and promote the realization of the Company's overall strategy.

Prospect

With the increasing and intensified competition in information technology service industry, the development of new types of business causes potentially huge impact to the enterprises in the industry. During the reporting period, the Company speeded up the transformation pace to achieve scope development in the completion. As the information industry becomes the core of national strategy, many sectors appeared rare political development opportunities, and the industrial development comes into a new round of fast stage. In 2015, the Company's overall business development will also meet new opportunities.

In the new year, the Company will insist on the "collectivize" development strategy internally and externally, which further integrated the Company's management advantages in the field of IT service, strengthen the core business ability construction of cloud computing, big data, mobile internet and smart city, promoted the organizational marketing development ability, strengthen the marketing organizing arrangement, accelerated the market expansion and customer coverage, quickly and effectively expanded the scope of services and value contribution. At the same time, the Company will actively explore the reform direction of state-owned enterprises, and promote the reform implementation; enhanced the budget management and control of the project, optimized personnel structure, reduced the cost and increased the efficiency, enhancing the overall efficiency of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

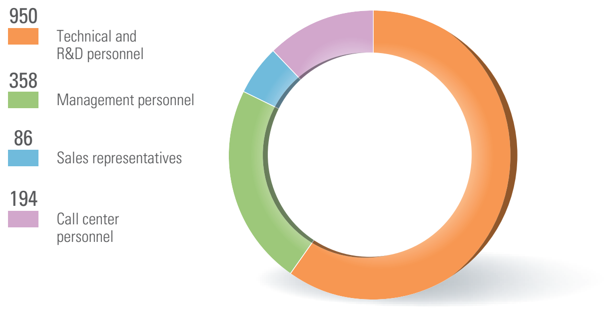
Human resources is the source of enterprise development, and the fundamental guarantee for the sustainable development of the Company. As an information technology enterprise, the Company has always adhered to the concept of "people-oriented" human resources management, attached great importance to the talent cultivation, created a better development space and promotion platform for employees.

As of 31 December 2014, the Group had a total of 1,588 employees (2013: 1,430), of whom 950 were technicians and product developers (2013: 889), 358 were administrators of each department (2013: 326), 194 were customer service staffs (2013: 141) and 86 were salesmen (2013: 74). The employee expenses of the Group was approximately RMB180.0 million (2013: RMB171.9 million). The growth in staff costs was lower than the growth of the number of staffs, mainly due to the facilities information of the acquisition and merger of the Company as of 31 December 2014 only included the staff expenses of two months.

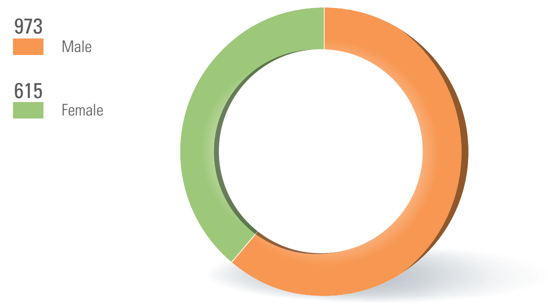
The Company always focuses on the talent training, and providing all kinds of professional skills and business management trainings for employees based on the Capinfo Institute. As of 31 December 2014, the Company has held the technical exchange trainings to America twice and 117 internal trainings with more than two thousand trainees, comprehensively improved the staffs' vocational skills and professional level. In 2015, in addition to enhancing the staff training, the Company will further improve construction of the compensation system, incentive and restraint mechanism and promotion channels, in order to encourage the enthusiasm and initiative of staffs, thus to comprehensively promote the work performance, and give full play to the maximum efficiency of human resources in the Company development.

MANAGEMENT DISCUSSION AND ANALYSIS

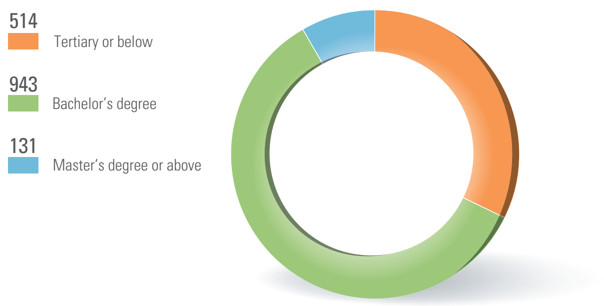
Statistical distribution chart of employees by functions



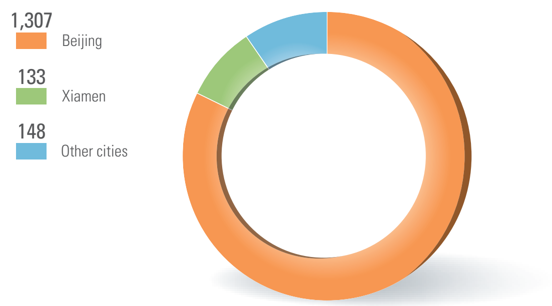
Statistical distribution chart by sex



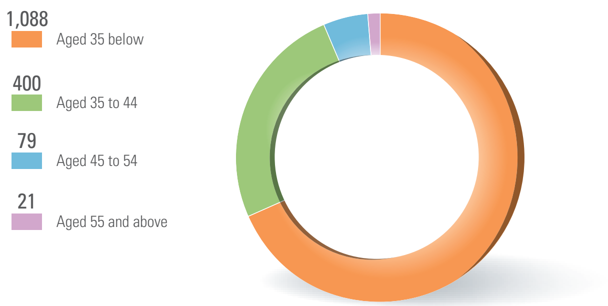
Statistical distribution chart by education



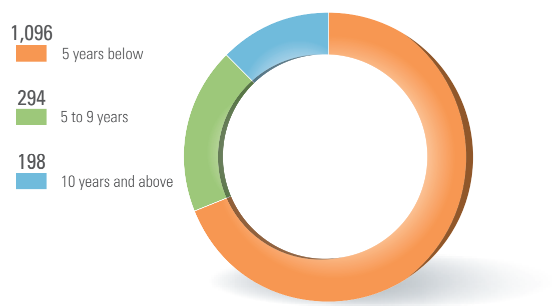
Statistical distribution chart by geographical areas



Statistical distribution chart by age



Statistical distribution chart by service years



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2014, facing to the complicated and changeable economic situation and the fierce market competition, the Company keeps paying efforts in renovation and reform, strengthening the construction of core business and organization system which supported the business scale development, speeding up the pace of investment, acquisition and merger, driving the transformation of business model. However, affected by factors such as the reducing of financial expense from government clients and the limited business, as well as the increased cost contribution on the R&D and marketing to make sure the sustainable development for business of the Company during the transitional period recorded a decrease. The Group achieved a turnover of RMB756.8 million for the year ended 31 December 2014, increased by 0.26% as compared with the corresponding period of last year; gross profit was RMB235.1 million, increased by 12.83% as compared with the corresponding period of last year; profit attributable to shareholders was RMB70.4 million, deceased by 15.08% as compared with the corresponding period of last year.

As of 31 December 2014, the core business of the Group accumulated a turnover of RMB337.1 million, representing an increase of 12.69% as compared with the corresponding period of last year, accounting for 44.54% (2013: 39.63%) of the total turnover of the Group; costs of core business was RMB240.7 million, representing an increase of 7.11% as compared with the corresponding period of last year, accounting for 46.13% (2013: 41.12%) of the total costs of the Group. The core businesses of the Group mainly include the smart city businesses such as the government projects that leveraged on the E-Governance network and the Internet of Things platform, the smart livelihood businesses such as the Beijing Medical Insurance Information System and the Beijing Social Security Card System as well as the Beijing-China website clusters and community service information system. The new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of RMB370.2 million, representing a decrease of 18.33% over the corresponding period of last year and accounting for 48.92% of the total revenue of the Group (2013: 60.06%); costs incurred by the new business was RMB256.3 million, representing a decrease of 17.88% over the corresponding period of last year and accounting for 49.12% (2013: 57.11%) of the total costs of the Group. New businesses of the Group mainly include housing information business, medical information business and E-Governance internet cloud platform. As of 31 December 2014, revenue from other main businesses of the Group was RMB49.5 million, representing an increase of 185.15% as compared to the same period of last year, accounting for 6.54% (2013: 0.31%) of the total revenue of the Group; costs from other main businesses was RMB24.8 million, representing an increase of 154.94% as compared to the same period of last year, accounting for 4.75% of the total costs of the Group (2013: 1.77%), which was mainly derived from the contribution of Rito Info and Beijing Capinfo Hangyuan Technology Co., Ltd..

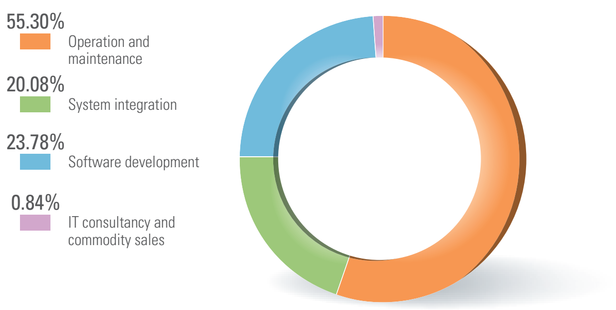
Other income of the Company amounted to RMB30.4 million, representing an increase of 7.16% over the corresponding period of last year, mainly represented the income from project research and development and property rental. Of which, income from project research and development amounted to RMB11.1 million, representing an increase of 10.88% over the corresponding period of last year. Rental income from Digital Beijing Building amounted to RMB12.0 million, representing an increase of 24.98% over the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

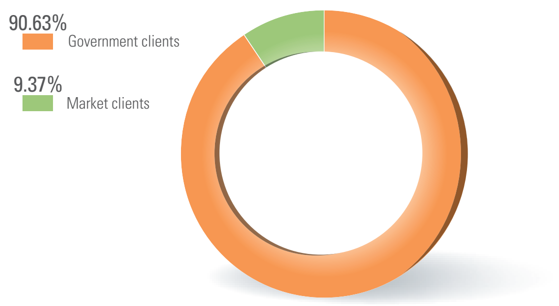
Other gains and losses of the Company amounted to RMB1.1 million, representing a decrease of 90.82% over the corresponding period of last year, mainly due to the impairment loss on assets of Capinfo Technology Development Co., Ltd. and the increase of changes in fair value of contingent consideration payable for the acquisition of Rito Info. Meanwhile, with a view to safeguard the smooth implementation of investment, acquisition and merger programme, the Company did not conduct any entrusted investment. During the reporting period, revenue from wealth management amounted to RMB0.8 million, representing a decrease of 94.65% over the corresponding period of last year; impairment loss on assets amounted to RMB4.6 million, representing an increase of RMB2.6 million over the corresponding period of last year; the changes in fair value of contingent consideration payable amounted to RMB2.3 million, while the corresponding period of last year was nil.

In respect to the Group's business model, the main businesses were divided into operation and maintenance, system integration, software development, IT consultancy and sales of commodities. Of which, revenue from operation and maintenance amounted to RMB418.5 million, representing an increase of 2.24% as compared with the corresponding period of last year and accounting for 55.30% of the total turnover of the Group (2013: 54.23%); revenue from system integration amounted to RMB152.0 million, representing a decrease of 50.00% as compared with the corresponding period of last year and accounting for 20.08% (2013: 40.26%) of the total turnover of the Group; revenue from software development amounted to RMB180.0 million, representing an increase of 603.66% as compared with the corresponding period of last year and accounting for 23.78% (2013: 3.39%) of the total turnover of the Group; revenue from IT consultancy and sales of commodities totaled RMB6.4 million, representing an increase of 33.51% as compared with the corresponding period of last year and accounting for 0.84% (2013: 0.64%) of the total turnover of the Group. In respect of industries which clients engaged in, government clients of the Group accounted for the largest share, with about 90.63% (2013: 98.28%) of the service and operation projects of the Group from government clients. In respect of regions of business expansion, our business coverage has extended from Beijing to 24 cities across the country, such as Shanghai, Guangzhou. However, the revenue of the Group was still derived mainly from Beijing, which accounted for 85.48% (2013: 98.62%) of the total revenue.

Business model



Customer distribution



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2014, the Group had total assets of RMB1,528.8 million, representing an increase of 30.44% over the corresponding period of last year. Equity attributable to shareholders of the parent company amounted to RMB864.5 million, representing an increase of 3.93% over the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 1.5 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3%. Both ratios reflected the sufficiency in financial resources of the Group. For the year ended 31 December 2014, the Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not exposed to fluctuations in exchange rates or any related hedges.

The Group's unsecured loan from government of RMB2.72 million, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bore interests at an average annualized interest rate of 3.35%. The short-term borrowings applies from China Merchants Bank was RMB20.0 million, bearing interests at an average annualized interest rate of 5.60%. Bank deposits, bank balance and cash of the Group amounted to RMB472.7 million, representing an increase of 7.88% over the corresponding period of last year. The fund was mainly used for the acquisition of Rito Info and construction injection for large projects.

Equity Investments

In 2014, the Group's share of results of associates was approximately RMB18.0 million, representing an increase of 21.93% over the corresponding period of last year, which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd. ("BJCA"). Currently, the listing procedures of BJCA progressed smoothly. During the reporting period, the Group has completed the acquisition of entire equity interest in Rito Info, which has been included in the consolidation scope of the Company as at 12 November 2014. During the reporting period, Rito Info contributed RMB18.6 million to the consolidated net profit.

Income Tax

Given that the Company was jointly accredited as a key software enterprise in the national planning layout for the year 2013-2014 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation, and was entitled to a reduced tax rate of 10% for enterprise income tax. In 2014, the income tax expense of the Group was RMB13.8 million, representing an increase of 40.68% over the corresponding period of last year, of which, the effect of under-provision in previous years for the current income tax was RMB5.7 million.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Dr. Wang Xu

Dr. Wang Xu (Chairman & CEO), aged 46, a senior engineer, was appointed as Executive Director & CEO since July 2001, he has deep and full knowledge to the business and operation management of the Company. He was elected as the chairman, chairman of the strategy committee and nomination committee by the Directors in June 2014, responsible for the organization of the Board, implementing the policies and operation target formulated by the Board and govern the overall operation and management of the Group. He also held public offices, including the vice chairman of Beijing Software Industry Association, vice president of Beijing Information Association, vice president of 4G Industry Union and vice president of Mobile Government Industry Union. Dr. Wang received his doctorate degree in management from the department of technical economics at School of Economics and Management of Tsinghua University in 1998 and joined the Company in the same year. He once served as vice president of the Company and has rich experience in management position.

NON-EXECUTIVE DIRECTORS

Mr. Wu Shengjiao

Mr. Wu Shengjiao, aged 37, was appointed as Non-executive Director since June 2014, and is currently the deputy general manager of the technology and modern manufacturing industry investment division of Beijing State-owned Assets Management Co., Ltd. Mr. Wu previously worked as accountant at PricewaterhouseCoopers, the project manager of New York International Capital Investment Company and the senior project manager of New World (China) Investment Limited. He has gained extensive experience in investment and financial management. Mr. Wu obtained a master degree in finance from the School of Finance of Renmin University of China in 2003.

Mr. Lu Lei

Mr. Lu Lei, aged 35, joined in the Company in June 2014 and was appointed as Non-executive Director since June 2012. Mr. Lu is currently the secretary of the Board, general counsel, authorized representative, member of the strategy committee, remuneration and appraisal committee, responsible for equity management, capital management, information disclosure, maintaining investor's relationship, legal affairs and other related works. Mr. Lu received a bachelor degree in mathematics and applied mathematics from Fudan University in 2003. Before joining the Company, he worked as planning manager of Beida Jade Bird Huayu International Information Technology Training Centre, project manager of Beijing Dayue Consulting Co., Ltd. and senior project manager of technology and modern manufacturing industry investment division of Beijing State-owned Assets Management Co., Ltd..

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT


Mr. Pan Jiaren

Mr. Pan Jiaren, aged 75, was appointed as Non-executive Director of the Company since July 2001. Mr. Pan is currently director of Beijing Sino-Sky Radio TV & Communication Technology Co., Ltd. Mr. Pan served successively as the vice-dean of the Institute of Design of the Ministry of Broadcasting and Television (MBT), the factory director of Shuang Qiao Equipment Manufacturing Plant of MBT and the head of Aerial Specialist Committee under the Science and Technology Committee of MBT. He has rich experience in corporate management. Mr. Pan graduated from the Faculty of Physics of Wuhan University in 1963 with a bachelor degree.


Mr. Shi Hongyin

Mr. Shi Hongyin, aged 48, a senior engineer, was appointed as Non-executive Director since December 2011. Mr. Shi is currently the head of research and development division of Beijing Media Network and a director of Beijing Gehua Cable TV Network Co., Ltd. (a company listed on the Shanghai Stock Exchange). He was the head of research division of Beijing All Media and Culture Group Co., Ltd.(北京北廣傳媒集團), the senior manager of professional development market research division of China Central Television and the vice director of corporate reform division of China National Nuclear Corporation. Mr. Shi graduated from Dongbei University of Finance and Economics in 1997 and obtained a master degree in economics.


Ms. Hu Sha

Ms. Hu Sha, aged 58, a senior accountant, was appointed as Non-executive Director since June 2012. Ms. Hu is currently the general manager of Beijing Telecom Investment Co., Ltd. Ms. Hu was a general manager of the Planning and Financial Department of China Netcom (now known as China Unicom), Beijing branch, head of the Beijing subdivision of the Audit Department of China Netcom Group, and general manager of the Planning Department of China Unicom, Beijing branch. Ms. Hu graduated from Xiamen University and obtained a degree of executive master of business administration (EMBA) in 2005.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Zhuo

Mr. Wang Zhuo, aged 55, a senior engineer, was appointed as Non-executive Director since July 2013 and is currently a director of China Financial Computerization Corporation. He is also a special prosecutor of The Supreme People's Procuratorate of the PRC and a member of Beijing Municipal Committee. He had worked for the Statistics and Analysis Department of The People's Bank of China. He was a director of Information Management Department with extensive experience in information technology management. Mr. Wang graduated from Tianjin University in 1998 and obtained a master degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jing

Mr. Chen Jing, aged 71, a professional engineer and an expert entitled to receive special contribution allowances from the State Council, was appointed as Independent Non-executive Director since October 2006 and is also the chairman of the remuneration and appraisal committee and a member of the audit committee, nomination committee and strategy committee. Mr. Chen also serves as part-time professor of South Western University of Finance and Economics, University of International Business and Economics and Xi'an Jiaotong University. For public services, Mr. Chen is currently a member of the Advisory Committee for State Informatization and a member of the Advisory Committee for Beijing Municipal Informatization. He grasps the advanced knowledge on informatization and has extensive experience in the management of informatization field. Mr. Chen graduated from Tsinghua University in 1967, with a bachelor degree in automatic control. He successively served as a director of science division of the People's Bank of China, office director of National Banking Informatization Leading Group, and chief of Chengdu Computer Application Institute of Chinese Academy of Sciences prior to joining the Company.

Ms. Zhou Liye

Ms. Zhou Liye, aged 52, registered accountant, was appointed as Independent Non-executive Director since June 2012 and is also the chairman of the audit committee. Ms. Zhou is currently a senior partner of Ruihua Certified Public Accountants, and holds concurrent positions as independent directors of Shenzhen Edifier Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange. Ms. Zhou was the director of the Materials Bureau of the Ministry of Energy, deputy chief accountant of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., and the standing vice president of Zhonghengxin Certified Public Accountants. She has extensive experience in auditing and finance management. Ms. Zhou received a master degree in financial management from Hunan College of Finance and Economics in 2000.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zeng Xianggao

Mr. Zeng Xianggao, aged 56, a fellow member of The Association of Chartered Certified Accountants, was appointed as Independent Non-executive Director since January 2011 and is also a member of the audit committee and the nomination committee. He is currently the proprietor of Kangyuan Zeng & Co. (Certified Public Accountants) and is also an independent non-executive director of China Financial International Investments Limited (a company listed on the Stock Exchange). Mr. Zeng was previously an accounting lecturer of Sun Yat-sen University at Guangzhou, and an audit and tax consultant of two international accounting firms in Hong Kong. He is familiar with the accounting, taxation and auditing practices in Hong Kong as well as in the PRC and has extensive management experience in these fields. Mr. Zeng graduated from the Renmin University of China in 1988 with a master degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004.

Mr. Gong Zhiqiang

Mr. Gong Zhiqiang, aged 43, was appointed as Independent Non-executive Director since June 2009 and is also a member of the audit committee and the remuneration and appraisal committee. Mr. Gong is currently a managing partner of Beijing S&P Law Firm. Mr. Gong previously worked in the Intermediate People's Court of Handan Municipality, Hebei Province and Beijing Hylands Law Firm. He has extensive experience in control of corporate legal risks. Mr. Gong graduated from Hebei University with a master degree in laws in 1995.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN TO THE BOARD OF SUPERVISORS

Mr. Di Guojun

Mr. Di Guojun, aged 53, was appointed as supervisor representing shareholders since June 2012 and was elected as Chairman to the Board of Supervisors by the supervisors. He is currently the financial controller and general manager of the Operation Planning and Finance Department of Beijing State-owned Assets Management Co., Ltd. Mr. Di was the manager of the Financial Department of China Merchants International Travel Corporation, manager of the Financial Department and assistant to general manager of China Merchants International Tourism Administration Corporation, and general manager of the Finance and Audit Department of Beijing State-owned Assets Management Co., Ltd.. Mr. Di graduated from Northwest University in 1968 where he received a bachelor degree in tourism economics.

SUPERVISORS

Mr. Liang Xianjun

Mr. Liang Xianjun, aged 38, was appointed as supervisor representing shareholders since June 2014, is currently the general manager of the audit division of Beijing State-owned Assets Management Co., Ltd. Mr. Liang previously served as the accountant of Beijing Automotive Research Institute, the financial executive of the capital of finance division of China Oceanwide Holdings Co.,Ltd. (中國泛海建設控股股份有限公司) and deputy general manager of Beijing Artists Management Corp., Ltd. He has gained extensive experience in financial management. Mr. Liang graduated from the Accounting Department of Beijing Jiaotong University in 2001 and obtained bachelor degree.

Ms. Xu Xiangyan

Ms. Xu Xiangyan, aged 42, an intermediate economist, was elected by staff as staff representative since May 2008. Ms. Xu is currently the director of the Board's office of the Company, Ms. Xu graduated from the School of Management of Tianjin University in 1998 with a master degree in Technology Economics. She joined the Company in the same year and served as vice manager of Capital Operation Center and Strategic Management Department, and General Manager of Investment Management Centre.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Wu Weidong

Ms. Wu Weidong, aged 46, she joined the Company in March 2013. She is currently the Vice-President of the Company and also the deputy secretary of the Party Committee and the secretary of discipline commission and chairman of the labour union, mainly responsible for administration, human resource, career development and training, the Party, and supervision of the discipline commission and labour union. Ms. Wu obtained a bachelor degree from Renmin University of China in society in 1991. Before joining the Company, Ms. Wu has been worked as human resources supervisor of the policy law office of Beijing Municipal Bureau of Personnel, minister of the Committee of Party Office of Huali Economy and Culture Development Company Limited (華理經濟文化發展公司) and the general manager of the human resource department of Beijing Science and Technology Park Construction (Group) Co. Ltd..

Mr. Yu Donghui

Mr. Yu Donghui, aged 42, joined the Company in June 1999, is currently the Vice-President of the Company, mainly responsible for medical insurance information, social security card application, E-Government Network and planning budget and project management of the Company. The project managed by Mr. Yu has been awarded "International Project Management (China) Winner". He has extensive first-hand experience in the management, operation and maintenance of large-scale projects. Mr. Yu graduated from Tsinghua University in 1999 with a master degree in materials processing engineering and joined the Company in the same year. He previously served as general manager of the network technology service center and business director of the Company.

Dr. Wu Bo

Dr. Wu Bo, aged 58, joined the Company in August 2000, is currently the Vice-President of the Company, mainly responsible for the general management of Capinfo Institute. Dr. Wu participated in the Doctor Student Training Program co-organized by the Bonn University in Germany and the Dalian University of Science and Technology in 1991 and received a doctorate degree. Prior to joining the Company, he worked as a scholar in the Physics Postdoctoral Scholar Circulation Station of Tsinghua University, and subsequently served as head of international department of Jitong Communication Co. Ltd., sales manager of the CLI Company of the United States of America, the Chairman of Beijing Taigu'er Mechanical and Electrical Technology Co., Ltd and the General Manager of Beijing Credit Management Company Limited.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zheng Zhiguang

Mr. Zheng Zhiguang, aged 60, joined the Company in February 2000, is currently the Vice-President of the Company and is mainly responsible for the overall management of the closing business of personal account of medical insurance of the Company. Mr. Zheng graduated in 1982 from Beijing University of Aeronautics & Astronautics (currently known as Beihang University) and received a bachelor degree in computer application. Prior to joining the Company, Mr. Zheng had served as head of the automatic software project of Shoudu Iron and Steel Company, general manager of system integration department of Beijing Software Company, the assistant to chief executive of Beijing Kasi Technology Industrial Group and general manager of Beijing Kasi New Technology Co., Ltd..

Mr. Gong Chengliang

Mr. Gong Chengliang, aged 43, joined the Company in April 1999, is currently the Vice-President of the Company and also the chairman of Rito Info Technology Co., Ltd., being the controlling subsidiary of the Company, mainly responsible for the co-ordination and management of product research and development, cloud service, E-community business and Beijing-China Website Clusters, and has extensive experience in technology and project management. Mr. Gong graduated from the Department of Precision Instruments and Mechanology of Tsinghua University with a master degree in 1999 and joined the Company in the same year. He previously held various positions in the Company including general manager of the technical support center.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is an information technologies and services supplier. Its businesses mainly include system integration, software development, IT planning and consultancy, IT operation and maintenance, etc. Leveraging on its comprehensive experience and abundant information resources, the Group participated in the construction, operation and maintenance of large-scale information application projects in Beijing and other regions across the country, and has established a widespread and exclusive IT service network over many years.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 79 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements on page 127 of this annual report.

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2014 and the past four financial years is set out in "Financial Highlights for Five Years" on page 6 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment acquired by the Group during the reporting period are set out in note 14 to the consolidated financial statements on page 115 of this annual report.

INVESTMENT PROPERTY

The investment property owned by the Company is situated at No. 12 Beichen West Road, Chaoyang District, Beijing, which is the office property on the fifth and sixth floor of Block A of Digital Beijing Building, with a gross floor area of 5,303.88 sqm. The property is currently let out for a term expiring on 19 December 2015. Details of the movements of the investment property of the Company during the reporting period are set out in note 15 to the consolidated financial statements on page 116 of this annual report.

DIRECTORS' REPORT

SHARE OPTIONS

The Share Option Scheme adopted by the Company has been lapsed on 17 August 2014, and details of which are set out in note 31 to the consolidated financial statements on page 128 of this annual report.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As of 31 December 2014, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred in Appendix 10 of the Listing Rules.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2014:

Name of controlling shareholder	Number of shares	Nature of interests	Approximate percentage to the issued share capital
Beijing State-owned Assets Management Co., Ltd.	1,834,541,756 domestic shares	Beneficial owner	63.31%

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, the Group did not purchase, sell or redeem any of the Company's listed securities.

COMPETING INTERESTS

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

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

During the reporting period, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases. The aggregate turnover attributable to the Group's five largest customers accounted for approximately 48.03% of the Group's total turnover, among which, the largest customer attributed approximately 19.17% of the Group's total turnover.

None of the Directors, their close associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or five largest customers.

MATERIAL LITIGATION AND ARBITRATION

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

CONNECTED TRANSACTIONS

The Company formulated Management System of Information Disclosure and Management System of Inside Information and Insiders, to regulate and enhance management over connected transactions. Led by the Board Secretary and the Company Secretary, the Board's office of the Company is responsible for daily reporting and reviewing of connected transactions. Connected transactions occurred during the reporting period are set out as follows:

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Annual Cap	Transaction amount for the year
1	Provision of network system operation and maintenance and services	Capnet Company Limited	Income	10.7	10.1
2	Purchase of hardware	Capnet Company Limited	Expenses	25.0	2.1
3	Purchase of network security system and services	Beijing Certificate Authority Co., Ltd.	Expenses	6.3	1.9
4	Lease of office premises	Beijing IC Design Park Co., Ltd.	Expenses	15.0	9.7

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

According to relevant regulations under the Listing Rules, transactions with the same related party shall be calculated on a consolidation basis. Therefore, the continuing connected transactions conducted among the Company, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") and Capnet Company Limited ("Capnet") should be calculated on a consolidation basis. As approved at the 30th meeting of the 5th Board of Directors held by the Company on 15 October 2014, the transaction caps for 2014 after consolidation should be RMB10.7 million. Breakdown of transactions is as follows:

(I) Continuing Connected Transactions between Capinfo Technology and Capnet

On 18 January 2013, with the approval at the 8th meeting of the 5th Board of Directors of the Company, Capinfo Technology and Capnet renewed the Network System Services Agreement, pursuant to which, Capinfo Technology provided Capnet with the network system operation and maintenance and services. The term of the agreement was extended to 31 December 2015. The Board of Directors approved that the annual caps for the year of 2014 was RMB6.3 million. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: Capinfo Technology is a wholly-owned subsidiary of the Company and Capnet is a holding subsidiary of Beijing State-owned Assets Management Co., Ltd. ("BSAM"), the controlling shareholder of the Company, with its 95% of equity interests owned by BSAM.

Transaction background: Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name registration, virtual space, web design and emails etc. In order to ensure to provide stable, safe and efficient services to its clients, Capnet engaged Capinfo Technology to build relevant network system and provide maintenance services for it.

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the directors who are employees of BSAM, a related party had abstained from voting on the resolution.

(II) Continuing Connected Transactions between the Company and Capnet

With the approval at the 30th meeting of the 5th Board of Directors, the Company entered into a Network System Service Agreement with Capnet as at 15 October 2014, to provide internet equipment leasing and system maintenance service to Capnet, with an agreed term expire on 15 October 2015, the transaction caps approved by the Board for the year ended 31 December 2014 was RMB4.4 million. The transaction has exempted from the approval of independent shareholders, the Company has made report and announcement according to the Listing Rules, and published on the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

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

Transaction background: Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name registration, virtual space, web design and emails etc. In order to ensure the stability of the system, Capnet leased our internet equipment and engaged the Company to provide maintenance services for it.

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the Director Wu Shengjiao (being employees of BSAM, a related party) had abstained from voting on the resolution.

2. Continuing connected transaction for hardware purchase

On 18 January 2013, with the approval at the 8th meeting of the 5th Board of Directors of the Company, Capinfo Technology and Capnet entered into the Hardware Purchase Framework Agreement, pursuant to which, Capinfo Technology purchased hardware products and relevant services from Capnet based on its business needs for the period up to 31 December 2015. As approved by the Board of Directors, the annual caps for 2014 was RMB6.1 million. On 1 August of the same year, with the approval at the 16th meeting of the 5th Board of Directors of the Company, Capinfo Technology and Capnet entered into the Supplemental Agreement to the Hardware Purchase Framework, pursuant to which, the Board of Directors approved that the annual caps of hardware purchase transaction amounts for 2014 was increased to RMB25.0 million in light of the boosted demand for hardware purchase due to the business growth of Capinfo Technology for the first half of the year. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: Capinfo Technology is a wholly-owned subsidiary of the Company and Capnet is a holding subsidiary of BSAM, the controlling shareholder of the Company, with its 95% of equity interests owned by BSAM.

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

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the Directors who are employees of BSAM, a related party had abstained from voting on the resolution.

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

As approved at the 23rd meeting of the 5th Board of Directors of the Company, the Company and Beijing Certificate Authority Co., Ltd. ("BJCA") entered into the Technical Service Framework Agreement on 27 March 2014 to re-engage BJCA to assist in developing network security system and products and to provide related technical services with a term expire on 31 December 2016. The Board of Directors approved that the annual caps for the year ended 31 December 2014 was RMB6.3 million. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: The Company and its controlling shareholder BSAM held approximately 34.98% and 36.66% interests in BJCA, respectively.

Transaction background: BJCA is principally engaged in the electronic certification business and technology development and related services in respect of information security, having obtained an outstanding business scale in the industry. Currently, along with the upgrading of information security and the higher demand of the clients for system security, the Company engaged BJCA to assist in developing network security system and products and to provide related technical services to ensure our network systems run safely and stably.

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the Directors who are employees of BSAM, a related party had abstained from voting on the resolution.

4. Continuing connected transaction for the office lease

With the approval at the 32nd meeting of the 4th Board of Directors, the Company and Beijing IC Design Park Co., Ltd. ("BIDP") renewed the Office Lease Agreement on 30 March 2012, with a term expire on 31 March 2015 and an aggregate floor area of 2,940.2 square meters leased at an annual rent of approximately RMB4.8 million.

At the same year, with the approval at the 34th meeting of the 4th Board of Directors of the Company, the Company and BIDP entered into the Office Lease Expanding Agreement on 8 May 2012, to lease another 1,292.53 square meters at an annual rent of approximately RMB2.7 million.

DIRECTORS' REPORT

After this, with the approval at the 16th meeting of the 5th Board of Directors, the Company and BIDP entered into the Office Lease Expanding Agreement on 1 August 2013 to lease another 980 square meters at an annual rent of approximately RMB2.2 million for a term until 31 March 2015.

Pursuant to which, the Company leases a floor area of 5,212.73 square meters for daily office use in BIDP. The Board eventually approved the caps of office lease transactions of RMB15.0 million for the year 2014. The above transactions were exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: BIDP is a wholly-owned subsidiary of the Company's controlling shareholder, BSAM.

Transaction background: BIDP is the National IC Design Beijing Industrial Base recognized by the Ministry of Science and Technology of China, providing comprehensive services to IC enterprises including professional technical service, training, financial support and office lease. BIDP is located in a centre of technology companies in Haidian District, Beijing for its convenient transportation, high quality of building and reasonable rent level.

Voting on resolution: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transactions. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective board resolution dates, the Directors who are employees of BSAM (a related party) had abstained from voting on the resolution.

Independent Auditor's Conclusion on the Continuing Connected Transactions Exempt from Independent Shareholders' Approval

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

1. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that transactions were not, in all material respects, in accordance with the pricing policies of the Group.

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions.

4. with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on page 41 of this annual report.

By Order of the Board

Dr. Wang Xu
Chairman & CEO

Beijing, the PRC
27 March 2015

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

To the Board of the Company,

As Independent Non-executive Directors ("IND") of the Company, we have been obeying the declaration and undertaking and have been performing their duties earnestly and diligently, in the interests of all its shareholders, strictly in accordance with the relevant laws and regulations since the date of appointment. In 2014, we maintained close communication with the management of the Company and proactively attended the relative meetings; had a better understanding of the production and standardized operation of the Company by staff meeting, on-the-spot investigation and communicate with the auditor; proactively attended the general meetings, board meetings and committee meetings to express impartial and objective independent advice on the material matters considered by relevant meetings.

Details of the performance of IND in 2014 are set out below, which will be presented to the shareholders at the Company's annual general meeting.

I. GENERAL INFORMATION ON IND

As the IND of the Company, we have the basic knowledge in respect of the operations of listed companies, have a good understanding of the relevant laws and regulations, and possess the necessary working experience and qualification for discharging their duties as IND. The Company currently comprises four IND, which is in line with the minimum number required under the Listing Rules. Our IND are respectively equipped with finance, laws, information-based professional knowledge and related experiences, and have been recognized by relevant regulatory authority in respect of their job qualifications.

II. DUTY OF THE IND FOR THE YEAR

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

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

(II) Operation of the Committees under the Board

The Board of the Company had a scientific composition, clarified duty and completed system, and the Articles of Independent Non-Executive Director were complied effectively. The Company formulated the Rules and Procedures of Board according to laws and regulations including the Companies Law and the Articles of Association. During the reporting period, all the procedures, rules and policies prescribed by the Rules and Procedures of Board were performed strictly.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

The four Committees under the Board, namely Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, regularly or irregularly convened meetings in accordance with their respective Articles, and conducted special discussion or research on resolutions regarding to significant matters before proposal to the Board for consideration, which not only assured the quality of the proposed resolutions, but also strengthened the communication between the Company, IND and related agencies, thus supported to improve the work efficiency of the Board and the scientific decision on significant matters, and played a positive role in further promoting the standardized operation of the Company.

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

(I) Connected Transaction and Information Disclosure

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

(II) External Guarantees and Appropriation of Funds

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

(III) Nomination and Remuneration of Directors

During the reporting period, Nomination Committee considered a resolution regarding to recommending the appointment of Mr. Wu Shengjiao as the Non-Executive Director of the Company by way of circulating in writing, and proposed the resolution to the Board and General Meeting for consideration. The procedure of nomination was in line with relevant provisions of the laws, regulations and the Articles of Association.

Option Incentive Plan of the Company expired on 17 August 2014. The IND proposed the Company to develop new incentive method, so as to fully activate the working enthusiasm of core management and technical personnel.

(IV) Results Preannouncement

During the interim period of 2014, results of the Company fell below the standard of past corresponding periods, which was due to various factors: government cut financial expenditure; projects of the Company experienced a slower progress than expectation; labor cost and leasing fee increased, etc. The Company issued the profit announcements in respect of anticipation of the declining results according to the Listing Rules and the Securities and Futures Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

(V) Appointment or Replacement of Auditors

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

(VI) Cash dividends and Other Investor Return

The Company has continuously distributed cash dividends since 2008 with accumulative dividends of RMB258.5 million (including tax). The Company pays attention to the investment return on shareholders, and sticks to long-term stable dividends policy.

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

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

In 2014, the Company was in line with the requirements of the laws, regulations and other standardized documents in terms of its standardized operation and corporate governance, and the IND did not make any objection to the resolutions proposed on the meetings of the Board and the Committees under it. Looking into the coming year, we wish the Company to further expand the market, promote the implementation of reform plan on the state-owned enterprises, to return to our shareholders with best results. Meanwhile, we will continue to protect the legal interest of the whole shareholders and especially the middle and small shareholders according to laws with good faith and diligence, to fully play the positive role as IND of listed company.

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

Independent Directors

Beijing, the PRC
27 March 2015

SUPERVISORS' REPORT

In 2014, all members of the Supervisory Committee of the Company performed their supervisory duties in accordance with the relevant provisions of the Companies Law and other laws and regulations as well as the Articles of Association, abided by the principle of good faith and continued to base their work on supervision over meetings and focus on supervision over financial matters, internal control and compliance, and therefore effectively maintained efficient operation of corporate governance and protected the interests of the shareholders, the Company and its employees.

SUPERVISORS' REPORT

I. MEETINGS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee signed meeting documents three times in the form of circulation, to take an effective supervision over the compliance of operation management of the Company. The Supervisory Committee reviewed the Report on the Continuing Connected Transaction for 2013, Report of the Supervisors for 2013, Independent Auditor's Report for 2013 and Interim Review Report for 2014 and Analysis Report on Finance and Operation, and confirmed the information contained therein. Meanwhile, the Supervisory Committee recommended Mr. Liang Xianjun as supervisor representing shareholders for the replacement of Mr. Xiao Jun.

II. OPERATION OF THE BOARD OF SUPERVISORS

During the reporting period, the Supervisors of the Company attended the 2013 AGM, and the Supervisors' Report of 2013 proposed was approved on the AGM. Meanwhile, the Supervisors of the Company attended to all Board Meetings and Committee Meetings under the Board of Directors, and made no objection to each report and contents proposed on the Meeting for consideration.

III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS

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

(I) Lawful Operation of the Company

The Board of Supervisors exercised supervision in routine work over the legal compliance and legality of the Company's operation and management. It had also exercised supervision over the work performance of the Company's Directors and management. During the reporting period, the Company conducted business according to the law and made continuous efforts to improve its internal control system; the decision-making procedures are in compliance with the relevant provisions of the laws, regulations and the Articles of Association.

(II) Authenticity of Financial Statements

During the reporting period, the Board of Supervisors carefully examined the Independent Auditor's Report for 2013 and Interim Review Report for 2014 and the Analysis Report on Finance and Operation, and supervised and inspected the Company's implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure. It is of the opinion that the financial reports of the Company gives a true and fair presentation of the financial position and operating results of the Company, the preparation procedure for the reports and decision-making and approval procedures are in compliance with the requirements of the laws and regulations, the Listing Rules and the Company's internal management system.

SUPERVISORS' REPORT

(III) Acquisition and Sale of Assets

During the reporting period, approved by the controlling shareholder, Beijing State-owned Assets Management Co., Ltd. in writing, the Company acquired all the equities of Rito Info Technology Co., Ltd. (referred as "Rito Info") in three phases and with a total consideration of RMB305.0 million, subject to adjustments. As of 31 December 2014, the Company had completed Phase I Transfer of 51% equities of Rito Info with a consideration of about RMB155.6 million. The Board of Supervisors considered that acquisition of Rito Info was in line with national policy and the whole strategic development trend, the decision procedure of acquisition was in compliance with the requirements of relevant laws and regulations, the Listing Rules and the internal management policy of the Company without any violation.

(IV) Implementation of Resolutions Passed at the General Meetings

During the reporting period, the Board of Supervisors conducted supervision and inspection over the implementation of resolutions passed at the general meetings by the Board and the management. The Board of Supervisors is of the opinion that the Directors and the management of the Company have diligently discharged their duties in accordance with the resolutions approved by the general meetings. None of the Directors and management of the Company were found to have violated any laws or regulations or the Articles of Association nor taken any act which were detrimental to the interests of the Company and shareholders in discharging their duties.

(V) Information Disclosure and Connected Transaction

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

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

(VI) Internal Control and Risk Management

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

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

SUPERVISORS' REPORT

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

By Order of the Board of Supervisors

Mr. Di Guojun
Chairman of the Board of Supervisors

Beijing, the PRC
27 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Good corporate governance serves as a foundation for the Company to improve its management. The Company pursues sound corporate governance and believes that good corporate governance is in the interests of the Company, shareholders and stakeholders. The Company considers excellent corporate governance as an important goal. With an aim to continuously improve its corporate governance level, the Company constantly improves its corporate governance practices and procedures, with a standardized and improved corporate governance structure established. It also strictly complies with the state laws and regulations, relevant regulatory requirements and Listing Rules as well as closely observes trends in regulatory changes in China and abroad. During the reporting period, the Company has adopted the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules as its own corporate governance code. For the year ended 31 December 2014, the Company has complied with all code provisions under the corporation code, provided the deviation as set out below:

Code Provision A.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As our president Dr. Wang Xu also takes the position of Chief Executive, the Company deviated the provision of the Code. The Board with a view that, with the deep undertaking and knowledge about the business of the Company, Dr. Wang could make timely and effectively appropriate decisions which could benefit for the shareholders as a whole. Meanwhile, the daily management of the Company shared by each vice president of respective business segment could share the duty of the Chief Executive to a large extent. The Board believes that, the current arrangement could ensure the effective operation and supervision of the existing business of the Company. Besides that, the Board will also regularly review the effectiveness of the corporate governance structure of the Company to determine whether need to make any adjustment, including the appointment of chief executive, so as to meet the business development target of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FRAMEWORK

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

CORPORATE GOVERNANCE REPORT

REGULATORY DOCUMENTS OF CORPORATE GOVERNANCE

The shareholders' general meetings, the Board meetings and committee meetings hereunder, the supervisory committee meetings are functioning efficiently pursuant to the Articles of Association and their respective rules and procedures and working instructions. At present, the Company's regulatory documents of corporate governance mainly include:

No.	Name of Document	No.	Name of Document
1	Articles of Association	11	Remuneration System of Directors and Supervisors
2	Rules and Procedures of Shareholders' General Meetings	12	Code for Securities Transactions
3	Rules and Procedures of Meetings of the Supervisory Committee	13	Operation Rules for Capital Management
4	Rules and Procedures of Meetings of the Board of Directors	14	Rules of Working Meetings of Chief Executive Officer
5	Articles of the Audit Committee	15	Information Disclosure Management System
6	Articles of the Remuneration and Appraisal Committee	16	Management System of Inside Information and Insiders
7	Articles of the Nomination Committee	17	Management System of the Internal Audit
8	Articles of the Strategy Committee	18	Procedures for Shareholders to Propose a Person for Election as Director
9	Articles of Independent Non-executive Directors	19	Administrative Measures on Press Release and Promotion
10	Articles of Secretary of the Board	20	Investor Relations Policy

EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

No.	Exceeding the requirements of code provisions of Corporate Governance Code of the Listing Rules
1	Nine out of the Eleven members of the Board are external Directors, so there is a strong independent element on the Board, which can effectively exercise independent judgement.
2	Two Independent Non-executive Directors of the Board are Certified Public Accountants.
3	All members of the audit committee are Independent Non-executive Directors with legal or accounting professional qualifications or relevant experience in the industry.
4	The management monitors the operating risks and the effectiveness of the internal control system of the Company on an ongoing basis.
5	The management submits internal control report to audit committee every quarter to confirm that the Company complies with a series of internal control systems, regulations and procedures.
6	The management submits report of internal control results to the Board every quarter so that the Board can assess the effectiveness of internal control and risk management of the Company.
7	The Company has formulated the code for securities transactions on terms no less exacting than that of the Model Code as set out in Appendix 10 of the Listing Rules.
8	The Company adopted fair information disclosure policy which explicitly explains the principles regarding provision of information to the public.
9	In addition to the liability insurance coverage for the Directors, the Company also purchased liability insurance for the supervisors and senior management.
10	The Company sent notice of convention of general meetings to the shareholders at least 45 days before the meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND GENERAL MEETINGS

Shareholders of the Company enjoy various rights entitled by laws, administrative regulations and the Articles of Association. General meeting is the organ of highest authority of the Company. The shareholders exercise their rights through general meetings. The Company formulated the Rules of Procedures for General Meetings to specify its written terms of reference so as to regulate the compliant operation of the general meetings. Full text of which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

The main responsibilities of the general meetings shall include the following:

- to decide on the Company's business policy and investment plans;
- to elect and replace Directors, to elect and replace supervisors acted by shareholder representatives and to decide remuneration of Directors and supervisors;
- to examine and approve the reports of the Board, reports of the Board of Supervisors, the Company's proposed annual budges and final accounts, the Company's profit distribution proposals and loss recovery proposals;
- to resolve on proposals of the increase or reduction of the Company's registered capital;
- to resolve on matters such as merger, division, dissolution and liquidation of the Company;
- to resolve on the issuance of the Company's bonds;
- to resolve on the appointment, removal or non-reappointment of the Company's accounting firm;
- to amend the Articles of Association;
- to resolve on the Company's external guarantees which shall be approved by a general meeting as required under laws, administrative regulations and the Articles of Association;
- to consider transactions which needs to be approved by a general meeting as provided in the Listing Rules;
- to consider and approve matters of changing the use of raised fund;
- to consider resolutions proposed by shareholder(s) who represent(s) 3% or above of the voting shares of the Company; and
- to resolve such other matters which, in accordance with laws, administrative regulations and the Articles of Association, shall be resolved by a general meeting.

PROCEDURES FOR CONVENING GENERAL MEETINGS AND SUBMITTING PROPOSALS

The contents of a proposal of the general meeting shall be within the duties and power of the general meeting with definite topics and specific matters for resolution and comply with the relevant provisions of laws, administrative regulations and the Articles of Association. In accordance with the Rules of Procedures for General Meetings of the Company, the following institutions or persons are eligible to submit proposals at general meetings:

- The Board, the Board of Supervisors, and shareholder(s) individually or collectively holding 3% or more of the Company's shares shall have the right to submit proposals to the Company.

- Shareholder(s) individually or collectively holding 3% or more of the Company's shares may submit an extempore proposal to the convener in writing 10 days prior to the date of convening the general meeting. Within 5 days after the receipt of the proposal, the convener shall issue supplementary notice of the general meeting in this regard. If this notice is received less than 25 days prior to the date of the general meeting of the Company, the Company shall consider adjourning the general meeting to comply with the period of 14 days notice of resolution as required by the Listing Rules.

- The convener shall not amend the proposals set out in the notice of general meeting or add any new proposals subsequent to the announcement of the notice of the general meeting.

- Where shareholder(s) individually or collectively holding 10% or more of the Company's shares propose to convene an extraordinary general meeting or a class shareholders' meeting, the shareholder(s) shall sign one or more written request(s) in identical form and content requiring the Board to convene an extraordinary general meeting or a class shareholders' meeting and state the subject of the meeting, and at the same time submit proposals to the Board.

General meetings convened during the reporting period are set out in the section headed Investors Relations on page 66 of this annual report.

BOARD OF DIRECTORS

The Board takes a conscientious and effective approach in leading and supervising the Company. All Directors are responsible for promoting the continuous business development of the Company in good faith and in the best interest of the Company. Members of the Board understand that they are individually and collectively responsible to all shareholders in relation to the management, supervision and operation of the Company.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF BOARD OF DIRECTORS

The Company's Board of Directors comprises eleven members, including one Executive Director, six Non-executive Directors and four Independent Non-executive Directors.

The Company's Board of Directors comprises two women and nine men, including two Directors under forty, three Directors between forty and forty-nine, six Directors at and over fifty. The Company's Directors are professionals in finance, law, commerce and information services and management with extensive experience and expertise in various areas. In terms of the composition of the Board, the comprehensive professional backgrounds and the strong independent element of the Directors demonstrate significant importance in corporate governance. The name list of the members of the Board has been published on the websites of the Stock Exchange and the Company for the information of the shareholders and the investors.

Biographies of the President of the Company and other Directors are set out in the section headed Profiles of Directors, Supervisors and Senior Management on pages 19 to 22 of this annual report.

RESPONSIBILITIES OF BOARD OF DIRECTORS

The Company formulated the Rules of Procedures of the Board of Directors to specify its written terms of reference so as to regulate the compliant operation of the Board. Full text of the relevant Rules of Procedures is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

The main responsibilities of the board of Directors shall include the following:

- to determine the Company's business plans and investment plans and to decide on the establishment of the Company's internal management bodies;
- to decide on the matters such as external investments, acquisition or disposal of assets, mortgages on assets, external guarantees, entrusted wealth management and connected transactions of the Company within the authority granted by the general meetings;
- to formulate the Company's annual budgets and final accounts, the Company's profit distribution plans and loss recovery plans and the plans for increase or reduction of the Company's registered capital, and proposals for issue of corporate bonds;
- to formulate the proposals for merger, division or dissolution of the Company;
- to formulate the Company's basic management system and proposals for any amendment to the Articles of Association;
- to be responsible for convening general meetings and report on its work to the general meetings and to implement the resolutions passed at the general meetings;

- to appoint or dismiss the president of the Company; to appoint according to the nomination made by the president or dismiss other senior management personnel of the Company (including the financial controller), and to determine their remunerations and system of rewards and punishment;
- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the Directors' performance of their responsibilities and the employees' compliance with the Code of Conduct;
- to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- requirements of laws and regulations or Articles of Association and other matters as authorized on the general meeting.

NOMINATION AND APPOINTMENT OF DIRECTORS

Pursuant to the Procedures for Shareholders to Propose a Person for Election as Director, when and only when there is vacancy in the Board, shareholders individually or collectively holding 3% or above of shares of the Company are entitled to nominate individuals for directorship to the nomination committee and be the candidates for directorship in accordance with relevant procedures of the Company. Details of the nomination procedures are available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

Appointment of Directors shall be approved by ordinary resolutions at general meetings. The general meetings are also entitled to remove any of the Directors before expiry of their tenure, provided that the removal is in compliance with relevant laws and administrative rules and regulations. Each newly appointed Director is provided with reading materials essential for the Directors to discharge their duties effectively, including profile of the Company and the industry and information regarding the relevant laws and regulations and duties of directorship. The management of the Company will also present details to the newly appointed Directors on the latest developments of the Company's business and operation. Meanwhile, the Company will provide Directors with reference materials regularly to ensure their timely understanding of the latest developments of the laws and regulations and the Company's business and operation.

CORPORATE GOVERNANCE REPORT

TERM OF APPOINTMENT OF DIRECTORS

The term of each session of the Board of the Company is three years. The term of the 5th Board of Directors commenced on 19 June 2012. All of the appointments will expire on 19 June 2015 and will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association and the Rules of Procedures of the Board of Directors, provided that the appointments may be terminated when both the Director and the Company agree.

Subject to approval by the shareholders at the annual general meeting held on 20 June 2014, Mr. Wu Shengjiao was appointed to replace Ms. Zhang Kaihua as Non-executive Director.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into service contracts with each of the members of the 5th Board of Directors. Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance to which the Company or its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

DIRECTORS' TRAINING

In accordance with the requirements of Rule A.6.5 of Appendix 14 to the Listing Rules, all Directors have participated in various forms of training programmes during their tenure to develop and refresh their knowledge and skills so as to ensure that their contribution into the Board remains informed and relevant. The forms of learning taken by the Directors include on-the-spot trainings organized by various professional organizations in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance as well as reading updated information on regulatory requirements and E-learning.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT PARTICIPATED BY DIRECTORS

Name	Reading regulatory updates	Attending seminars/ conferences relevant to the Directors' duties	Receiving shareholders' visit
Executive Director			
Dr. Wang Xu (Chairman & CEO)	✓	✓	✓
Non-executive Directors			
Mr. Wu Shengjiao	✓	✓	
Mr. Lu Lei	✓	✓	✓
Mr. Pan Jiaren	✓	✓	
Mr. Shi Hongyin	✓	✓	
Ms. Hu Sha	✓	✓	
Mr. Wang Zhuo	✓	✓	
Independent Non-executive Directors			
Mr. Chen Jing	✓	✓	
Ms. Zhou Liye	✓	✓	
Mr. Zeng Xianggao	✓	✓	
Mr. Gong Zhiqiang	✓	✓	

DIRECTORS' LIABILITY INSURANCE

In accordance with the requirement of Code Provision A.1.8 set out in Appendix 14 to the Listing Rules, liability insurance for Directors and senior management officers is maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties and enhance the effectiveness of decision-making.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for supervising the preparation of accounts for the year which shall present a true and fair view of the state of affairs, results of operations and cash flow of the Company during the reporting period. In preparing the financial statements for the year ended 31 December 2014, the Directors had selected and consistently applied suitable accounting policies; made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Company's independent auditor's reporting responsibilities on the Group's accounts are set out in the Independent Auditor's Report on pages 77 to 78 of this annual report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors throughout the year ended 31 December 2014.

BOARD MEETING

The Chairman of the Board is responsible for convening the Board meetings which shall be convened at least four times each year. In accordance with the requirements of Code Provision A.1.3 and A.7.1 of Appendix 14 to the Listing Rules, the Company had notified all Directors at least fourteen days before the convening of a Board meeting and ensure that relevant meeting materials has been sent to the Directors at least three days before the meeting. Notices and agendas of the Board meetings of the Company were prepared under the instruction of the Chairman of the Board and distributed to the Board members within reasonable time before the meetings pursuant to the Articles of Association and the Rules of Procedures of the Board of Directors.

During the reporting period, the Board of Directors held six on-the-spot meetings, and signed meeting documents six times in the form of circulation. Details on the convening of meetings of the members of the Board of Directors set out in the "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 58 of this report.

Board meetings are voted by a show of hands. To ensure the Directors making decisions objectively in the best interests of the Company, pursuant to the exceptions mentioned in Rule 13.44 of the Listing Rules and the relevant requirements of Article 123 of the Articles of Association, any Director shall abstain from voting on any resolutions in which he or his close associate(s) is/are materially interested and shall not be counted in the quorum of the meeting.

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

SUPPLY OF AND ACCESS TO INFORMATION OF THE BOARD

- All Directors are entitled to receive advice and services of the secretary of the Board and the secretary of the Company. If any Directors need to seek independent professional advice in the exercise of their functions and powers, the relevant fees shall be at the Company's expense;

- Directors are entitled to receive the communication information of the management of the Company so as to communicate and keep them informed of the operations of the Company in a timely manner;

- Directors are entitled to have immediate access to the agendas and relevant meeting documents of the Board meetings and may require the management to supplement more detailed information on the meeting and other relevant information;

- The minutes of meetings of the Board and its subordinate specialized committees are kept, which record in details the opinions expressed and any doubts or objection raised by the Directors. Directors may comment on the draft minutes. The final versions of the minutes will be filed within a reasonable time after the meetings and are available for inspection by all Directors.

CORPORATE GOVERNANCE REPORT

SPECIALIZED COMMITTEES UNDER THE BOARD

The Company established four specialized committees under the Board, i.e. the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee, which are delegated to perform certain function of the Board so as to improve efficiency of the Board.

AUDIT COMMITTEE

The Company established the audit committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the compliant operation of the audit committee. The audit committee of the Company comprises four members, all being Independent Non-executive Directors. The term of the audit committee of the Company is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Audit Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the audit committee are set out as below:

Name	Director Type	Position
Ms. Zhou Liye	Independent Non-executive Director	Chairman
Mr. Chen Jing	Independent Non-executive Director	Member
Mr. Zeng Xianggao	Independent Non-executive Director	Member
Mr. Gong Zhiqiang	Independent Non-executive Director	Member

The main authorities and duties of the audit committee include:

- to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and the terms of engagement of external auditor;

- to develop and implement policies on the engagement of an external auditor to provide non-audit services;

- to monitor the independent auditor's independence and objectivity and the effectiveness of the audit process;

- to meet at least twice a year with the external auditors, review the external auditor's explanatory statement to the management on its audit or review, discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts;

- to monitor the financial, accounting policies and practices of the Company;

- to supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;

- to conduct regular assessment on the performance of the financial and audit departments of the Company and the performance of the responsible staff in charge of these departments;

- to discuss with the management the system of internal control and ensure that the management has discharged its duties to establish an effective internal control system;

- to raise concern and take appropriate action towards and request the Company to undertake a fair and independent investigation over the matters with regard to the financial report, internal control of the Company or other matters with respect to any misconduct exists which are reported or raised by the staff; and

- to perform other duties as delegated by the Board of the Company.

Convening of Audit Committee Meetings:

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

- the 2013 Annual Independent Auditor's Report and the 2014 Interim Review Report of the Group, the Financial and Operation Analysis Report of the Company for the first quarter and third quarter of 2014, and appointed Grant Thornton Hong Kong Limited to take the place of Deloitte Touche Tohmatsu as the independent auditor of the Company;

- seven copies of Internal Audit Report and nine copies of Audit Follow-up Report of the Group;

- the composition and resource deployment of the audit department of the Company, the report on internal audit for the year 2013 and the plan on internal audit for the year 2014.

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

Details of the convening of meetings of the members of the audit committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 58 of this annual report.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND APPRAISAL COMMITTEE

The Company established the remuneration and appraisal committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of Remuneration and Appraisal Committee to specify its written terms of reference, so as to regulate the compliant operation of the remuneration and appraisal committee. The remuneration and appraisal committee of the Company comprises three members. The term of the remuneration and appraisal committee is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Remuneration and Appraisal Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the remuneration and appraisal committee are set out as below:

Name	Director Type	Position
Mr. Chen Jing	Independent Non-executive Director	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Lu Lei	Non-executive Director	Member

Note: Mr. Lu Lei was appointed to replace Ms. Zhang Kaihua as the member of remuneration and appraisal committee approved by the Board of Directors on 5 June 2014.

The main authorities and duties of the remuneration and appraisal committee include:

- according to the operation objectives and goals of the Company, propose to the Board the entire remuneration policies, structures and appraisal criteria for the Directors, supervisors and senior management of the Company;
- to make recommendations to the Board of the remuneration packages for individual Executive Directors and senior management, including benefits in kind, pension right and compensation payment;
- to ensure that no Directors, supervisors or any of their associates is involved in determining their own remuneration;
- to vote on the service contracts of the Directors and supervisors before submitting to the shareholders for approval;
- to make recommendations to the Board on the remuneration of the Non-executive Directors and supervisors;
- to monitor the implementation of the remuneration system of the Company and propose any amendment thereto if needed; and
- to perform other duties as delegated by the Board.

Convening of meetings of Remuneration and Appraisal Committee:

During the reporting period, the remuneration and appraisal committee signed meeting documents once in the form of circulation. The committee members confirmed the overall implementation of remuneration of the employees of the Company in 2013 according to the performance of the Company and the remuneration level of senior management of peer companies as well as the specific performance, and reviewed the proposal on distribution of bonus of 2013 as well as the basic annual salary scheme to the senior management in 2014 and reported to Board for consideration and approval.

Details of the convening of meetings of the members of the remuneration and appraisal committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 58 of this annual report.

Directors' Remuneration

Unite: RMB'000

Name	Fees	Salaries, allowances and contributions to retirement benefit scheme	Audit committee	Remuneration and appraisal committee	Nomination committee	Strategy committee	Total
Executive Director							
Dr. Wang Xu (Chairman & CEO)	—	1,020	—	—	—	—	1,020
Non-executive Directors							
Mr. Wu Shengjiao	—	—	—	—	—	—	—
Mr. Lu Lei[1]	—	247	—	—	—	—	247
Mr. Pan Jiaren	—	—	—	—	—	—	—
Mr. Shi Hongyin	—	—	—	—	—	—	—
Ms. Hu Sha	—	—	—	—	—	—	—
Mr. Wang Zhuo	—	—	—	—	—	—	—
Independent Non-executive Directors							
Mr. Chen Jing	50	—	5	10	5	5	75
Ms. Zhou Liye	50	—	10	—	—	—	60
Mr. Zeng Xianggao	50	—	5	—	5	—	60
Mr. Gong Zhiqiang	50	—	5	5	—	—	60
Resigned Directors							
Mr. Xu Zhe[2] (Chairman & Non-executive Director)	—	—	—	—	—	—	—
Ms. Zhang Kaihua[3] (Non-executive Director)	—	—	—	—	—	—	—

Notes:

1. Mr. Lu Lei was approved by Board to act as Secretary of the Board, authorised representative, member of the Remuneration and Appraisal Committee and the Strategy Committee on 5 June 2014.

2. Mr. Xu Zhe resigned as Chairman, Non-executive Director, Chairman of Nomination Committee and Chairman of Strategy Committee due to work arrangement on 5 June 2014.

3. Ms. Zhang Kaihua resigned as Non-executive Director, member of the Remuneration and the Appraisal Committee and Strategy Committee due to work arrangement on 5 June 2014.

CORPORATE GOVERNANCE REPORT

Senior Management's Emoluments

The annual emoluments of the senior management of the Company fall within RMB1.5 million, and the five highest paid employees are all senior management of the Company. Details on the five highest paid individuals are set out in note 9 to the consolidated financial statements on page 110 of this annual report.

NOMINATION COMMITTEE

The Company established the nomination committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee to specify its written terms of reference, so as to regulate the compliant operation of the nomination committee. The nomination committee of the Company comprises three members. The term of the nomination committee is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Nomination Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the nomination committee are set out as below:

Name	Director Type	Position
Dr. Wang Xu	Executive Director (Chairman & CEO)	Chairman
Mr. Chen Jing	Independent Non-executive Director	Member
Mr. Zeng Xianggao	Independent Non-executive Director	Member

Note: Dr. Wang Xu was approved by the Board to replace Mr. Xu Zhe and act as Chairman of Nomination Committee on 5 June 2014.

The main authorities and duties of the nomination committee include:

- to make recommendations to the Board in relation to the scale and composition of the Board, including the rational number of the Board, gender, age, cultural and educational background and diversity of professional experience of the Board;
- to examine the implementation of diversity policy of the Director members;
- to review and assess the independence of the Independent Non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment or succession of Directors;
- to study the selection criteria and procedures of Directors, and make recommendations to the Board;
- to identify qualified candidates for directorship in an extensive scale;
- to conduct appraisals on the candidates for directorship and make recommendations; and
- to perform other duties as delegated by the Board.

Convening of meetings of Nomination Committee:

During the reporting period, the nomination committee signed meeting documents once in the form of circulation. Mr. Wu Shengjiao, the accessed nominee of the Nomination Committee was recommended as the candidate of Non-executive Director of the Company after inspections in consideration of his rich experience in investment and financial management, and applied for the approval by the Board of Directors and general meeting.

Details of the attendance of the meetings of the nomination committee are set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 58 of this annual report.

STRATEGY COMMITTEE

The Company established the strategy committee and formulated the Articles of Strategy Committee to specify its written terms of reference, so as to regulate the compliant operation of the strategy committee. The strategy committee of the Company comprises three members. The term of the strategy committee of the Company is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Strategy Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the strategy committee are set out as below:

Name	Director Type	Position
Dr. Wang Xu[1]	Executive Director (Chairman & CEO)	Chairman
Mr. Lu Lei[2]	Non-executive Director	Member
Mr. Chen Jing	Independent Non-executive Director	Member

Notes:

1. Dr. Wang Xu was approved by Board to replace Mr. Xu Zhe and act as Chairman of Strategy Committee on 5 June 2014.

2. Mr. Lu Lei was approved by the Board to replace Ms. Zhang Kaihua and act as a member of the Strategy Committee on 5 June 2014.

The main authorities and duties of the strategy committee include:

- to conduct studies and make recommendations on the Company's long-term development strategies;
- to conduct studies and make recommendations on the Company's major investment and financing plans;
- to conduct studies and make recommendations on the Company's major capital operations and asset operation projects;

CORPORATE GOVERNANCE REPORT

- to conduct studies and make recommendations on other significant events that may affect the development of the Company;
- to conduct inspection and supervision on implementation of the above matters; and
- to perform other duties as delegated by the Board of the Company.

Convening of meetings of Strategy Committee:

During the reporting period, the strategy committee signed meeting documents once in the form of circulation. Each member of the committee has reviewed The Report on Explanation and Implementation of Strategic Planning for 12th Five Years, Preliminary Report on Research of Strategic Planning for 13th Five Years in light of the development trend of the national macro-economy and industry, and instructed the management to further detail the target to ensure the achievement of the whole strategy of the Company. Details of the attendance of the members of the strategy committee are set out in the table "Records of Attendance of Meetings of the Broad and its Subordinate Specialized Committees" below:

Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees

Name	The Board[1]	Audit Committee[2]	Remuneration and Appraisal Committee[3]	Nomination Committee[4]	Strategy Committee[5]
Executive Director					
Dr. Wang Xu (Chairman & CEO)	6/6			N/A	1/*
Non-executive Directors					
Mr. Wu Shengjiao[6]	3/3				
Mr. Lu Lei[7]	5/5		N/A		1/*
Mr. Pan Jiaren	5/6				
Mr. Shi Hongyin	4/6				
Ms. Hu Sha	5/6				
Mr. Wang Zhuo	4/6				
Independent Non-executive Directors					
Mr. Chen Jing	6/6	4/4	1/*	1/*	1/*
Ms. Zhou Liye	6/6	4/4			
Mr. Zeng Xianggao	3/6	2/4		1/*	
Mr. Gong Zhiqiang	4/6	2/4	1/*		
Resigned Directors					
Mr. Xu Zhe (Chairman & Non-executive Director)[8]	1/2			1/*	
Ms. Zhang Kaihua (Non-executive Director)[9]	2/2		1/*		

CORPORATE GOVERNANCE REPORT

Notes:

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

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

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

4. The nomination committee did not hold any on-the-spot meeting, but signed meeting documents once in the form of circulation.

5. The strategy committee did not hold any on-the-spot meeting, but signed meeting documents once in the form of circulation.

6. The appointment of Mr. Wu Shengjiao as non-executive director was approved at the annual general meeting held on 20 June 2014.

7. Mr. Lu Lei joined the Company on 5 June 2014, and was approved by the Board to act as Secretary of the Board, authorised representative, member of the Remuneration and Appraisal Committee and Strategy Committee.

8. Mr. Xu Zhe resigned as Chairman, Non-executive Director, Chairman of the Nomination Committee and Chairman of the Strategy Committee due to work arrangement on 5 June 2014. During his tenure in 2014, he avoided a vote on relevant issues when he at each board meeting as related-party's director.

9. Ms. Zhang Kaihua resigned as Non-executive Director, member of the Remuneration and Appraisal Committee and Strategy Committee due to work arrangement on 5 June 2014. During her tenure in 2014, she avoided a vote on relevant issues when she at each board meeting as related-party's director.

COMPANY SECRETARIES

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

Ms. KOO was appointed as Secretary of the Company since January 2012. She is serving at Fair Wind Secretarial Services Limited in Hong Kong instead of a full-time employee of the Company. Ms. Koo graduated from the Hong Kong Polytechnic University with a master degree in professional accounting in 2002 and successively obtained the qualification as an associate member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, U.K. and a fellow member of the Association of Chartered Certified Accountants. She has rich working experience in company secretarial work.

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

CORPORATE GOVERNANCE REPORT

BOARD OF SUPERVISORS

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

Name	Supervisor Type	Position
Mr. Di Guojun	Shareholder Representative	Chairman
Mr. Liang Xianjun	Shareholder Representative	Supervisor
Ms. Xu Xiangyan	Staff Representative	Supervisor

Note: Mr. Liang Xianjun was approved at annual general meeting to replace Mr. Xiao Jun as Shareholder Representative on 20 June 2014.

The term of the 5th Board of Supervisors of the Company is three years and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Rules of Procedures of the Board of Supervisors, provided that the appointments may be terminated when both the member and the Company agree.

The Company has entered into supervisor service contracts with each of the members of the 5th Board of Supervisors. Save as disclosed above, none of the supervisors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Biographies of the above-mentioned existing supervisors are set out in the section under the title of Profiles of Directors, Supervisors and Senior Management on page 23 of this annual report.

The main authorities and duties of the board of Supervisors include:

- to raise proposals to the general meeting and to convene extraordinary general meetings;
- to attend the general meetings of the Company upon being invited, and to supervise and investigate into the implementation of the resolutions of the general meetings;
- to attend the meetings of the Board of the Company upon being invited, to supervise the matters, including the legality of the procedures of the convening of the meetings of the Board of the Company, the abstention of Directors as connected persons from voting and whether or not the contents of the resolutions of the meeting of the Board conform to the requirements of the laws, regulations and the Articles of Association and meet the actual needs of the Company;
- to attend the meetings, including the work meetings of the President that involve material operating activities of the Company;
- to supervise the acts of the Directors, President and other senior management of the Company in their performance of the company duties, that are in violation of the laws, administrative rules and regulations or the Articles of Association;

- to represent the Company in negotiation with, or bring legal actions against, the Directors;
- to examine the finance of the Company; and
- such other powers and duties as stipulated in the relevant laws and regulations, regulatory documents or the Articles of Association and as delegated by the general meetings.

Convening of meetings of the board of Supervisors:

During the reporting period, details of the convening of meetings of the board of Supervisors set out in "Supervisors' Report" on pages 37 to 40 of this annual report.

Participation of trainings by supervisors:

During the reporting period, all supervisors have participated in various forms of learning and education activities during their tenure to develop and refresh their knowledge and skills. The forms of learning taken by the supervisors include on-the-spot trainings organized by Hong Kong Institute of Chartered Secretaries in relation to corporate governance as well as reading materials and E-learning in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance. Meanwhile, the Company also sends a duplicate of "Monthly Report to Directors" (provided to Directors) to supervisors so as to update them the latest developments in the business and finance of the Group in a timely manner. During the reporting period, the supervisors provided their training records to the Company regularly.

Supervisors' Interest in Contracts:

There were no contracts of significance to which the Company or its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a supervisor had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

INTERNAL CONTROL SYSTEM

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

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

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

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

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

Effectiveness of Internal Control:

The audit department and the management of the Company regularly discussed the effectiveness of the Group's internal control and reported to the Board after the review by audit committee. As of 31 December 2014, the Board was of the view that the Company did a fruitful job in internal control during the reporting period, and no significant events which may affect the shareholders were identified.

INSIDE INFORMATION MANAGEMENT

In order to reinforce its management of insiders and external information users and keep inside information confidential so as to prevent insider trading, the Company developed Management System of Inside Information and Insiders to enhance internal control over inside information management.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- strictly kept the inside information of the Company confidential before disclosure, and disclosed it immediately after the Board approved to do so;
- conducted registration of insiders strictly according to the requirements of Management System of Inside Information and Insiders;
- regulated all relevant securities transactions by giving notice to insiders in a timely manner, including registration of specific insiders before the price-sensitive period (including 60 days prior to final results announcement and 30 days prior to interim results announcement), and sending notice of restrictions on trading in shares and prohibitions on insider trading by email at the same time.

During the reporting period, there was no disclosure of inside information, and none of the Directors, supervisors or senior management of the Company made use of any inside information to deal with the shares of the Company. No investigation or rectification was conducted or required by the regulatory authorities in this regard.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDITOR

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

During the reporting period, the Company implemented risk-oriented and value adding-targeted audit activities according to the development strategy of the Company, and fully accomplished the annual audit plan, including 7 copies of Internal Audit Reports, 9 copies of Audit Follow-up Reports and 13 copies of Leaving Post Audit Reports. Thus, the Company has performed its audit supervision and evaluation duties in a more effective way.

The Company performed supervision and examination on internal control of business units through on-site examinations, off-site audits, special audits and departure audits, which covered major areas of the Company's operation and management including business, financial management, connected transactions, terms, duty performance and departure of senior management members. Audits focused on strategic, systematic and mechanism risks in main businesses with strong influence over the Company's operation, fast innovative development and new workflow system mode, as well as efficiency of key rules, processes, systems, operations and related management and control. The internal audits addressed the focuses of the Board and regulatory requirements. The problems identified in internal the audits were continuously tracked by the audit department and the units/departments responsible for the problems were urged to carry out rectification. The Company conducted examination on overall business and process risks, thereby promoting the sound operation and sustainable development of the Company.

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

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

Reporting period	Number of Audit Reports	Number of Audit Follow-up Reports	Number of Leaving Post Audit Reports
Year 2013	2	3	7
First quarter of 2014	2	2	1
Interim period of 2014	2	2	1
Third quarter of 2014	1	2	4
Total	7	9	13

INDEPENDENT AUDITOR

With the approval of the Directors, the Company appointed Grant Thornton Hong Kong Limited ("Grant Thornton") to take the place of Deloitte Touche Tohmatsu ("Deloitte") as the independent auditor of the Company on 19 December 2014, Deloitte confirmed that it has no disagreement with the Company, and there is nothing relating to its resign need to be brought into the attention of the Shareholders. Followings set out the services provided by Independent Auditor for the Company during the reporting period:

Unit: RMB'000

Services	2014	2013
Audit service	**1,000**	1,242
Non-audit service	**302**	250
Total	**1,302**	1,492

The Company will propose to re-appoint Grant Thornton as the independent auditor of the Company at the forthcoming annual general meeting.

CONTINUOUS IMPROVEMENT

The Company has made continuous efforts to improve its corporate governance standards with an aim to continue to enhance and, where appropriate, improve our corporate governance practices in light of the evolving regulatory requirements and international development trends based on our extensive experience accumulated for years, so as to realize the best interests of shareholders.

INVESTORS RELATIONS

The Company committed to build a pragmatic, positive and open investor relations, and took continuous efforts in improving investors' recognition of the Company's value in 2014, including further enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving the communication platform with investors to strengthen the management of investor relations, hence the Company successfully cultivated a culture to serve the investors and respect the investors. It also built an investment philosophy to achieve maximum Company interest while increasing the asset of shareholders. In 2015, the Company will continue to strengthen service awareness for the shareholders and explore new models of investor relation management, so as to further improve the quality of investor relation management and pay back the shareholders with dedicated work and excellent operating results.

The Company kept updating investor records in 2014; the Company continued to update the special column for investor relations at its website so that the latest information about the Company has been made available to investors in a timely manner; positively searched for information on the capital market, followed up movements of shareholders and timely reported the same to the management level, so as to provide data for planning and arrangement of major activities for investor relations; communicated with investors through calls and emails and other channels; arranged one to one investor visits and setting up investor online dialogue to enhance communication with investors, so as to ensure stable development of investors relations.

The Company also conducted successful trial on the expansion of investors base. During the reporting period, the Company continued an international survey company and conducted investigations on the shareholding of the Company. With a better understanding of its shareholding structure, geographical locations of shareholders, investment styles and position changes in shareholdings, pertinently developed potential investors and expanded investor base in an active and strategic manner.

INVESTORS RELATIONS

CLASS OF SHAREHOLDERS AND PUBLIC FLOAT

The Company has issued an aggregate of 2,898,086,091 ordinary shares, of which, 2,123,588,091 are domestic shares and 774,498,000 are overseas listed foreign invested shares (H shares), representing approximately 73.28% and 26.72% of the total issued ordinary shares of the Company respectively. As at the date of this report, based on the information that is publicly available, the public float meets the requirement of minimum public float stated in the Listing Rules.

RECEPTION ACTIVITIES BY WAY OF RESEARCH

In 2014, the Company positively enhanced interaction with capital market and received ten visits of institutional investors, and conducted positive, frank and direct communication with the investors and analysts through various channels such as general meeting, company visits and teleconference to update the investors information on the domestic macro-economic environment, the industry prospect and the operation development of the Company, further strengthening their understanding of the industry and the Company and enabling them to accurately evaluate the Company's investment value. In communicating with the investors, the Company spared no efforts to satisfy the investigation and research needs of all kinds of investors, research institutes and financial media and diligently answered their enquiries. Meanwhile, the Company earnestly listened to the advice and opinions of the investors and timely reported the questions raised by the investors to the management, with an aim to constantly improve the quality of our work.

No.	Date of reception	Place of reception	Mode of reception	Type of subjects of reception	Subjects of reception
1	January 2014	Beijing	Teleconference	Institutions	Shenzhen Anji Investment and Management Co., Ltd. (深圳市安際投資管理有限公司)
2	January 2014	Beijing	Teleconference	Institutions	Langrui Investment Consultant (Shanghai) Co., Ltd (朗瑞投資顧問(上海)有限公司)
3	February 2014	Beijing	On-site research	Institutions	ChinaAMC Capital Management Limited
4	March 2014	Beijing	On-site research	Institutions	Zhiji Investment Co., Ltd. (知己投資有限公司)
5	March 2014	Beijing	On-site research	Institutions	Matthews International Capital Management, LLC
6	April 2014	Beijing	On-site research	Institutions	Grandeur Peak Global Advisor
7	April 2014	Beijing	On-site research	Institutions	Hong Kong Dongying Financial Group
8	April 2014	Beijing	On-site research	Institutions	Beijing Zhoutong Investment and Technology Institution (北京洲通投資技術研究所)
9	October 2014	Beijing	On-site research	Institutions	Zhongshan Securities Company Limited
10	November 2014	Beijing	On-site research	Institutions	Shanghai BinYuan Capital (上海彬元資本)

INVESTORS RELATIONS

INFORMATION DISCLOSURE

The Company firmly believes that information disclosure is not only the responsibility and obligation to protect investors' interest in accordance with the regulatory provisions for the listed companies, but also an important means to improve transparency, enhance the understanding of the Company by the capital market and establish a smooth communication channel. Since its listing, the Company has strictly complied with the information disclosure requirements under the Listing Rules for listed companies and made information disclosure in a timely, just, fair and accurate manner. In 2014, the Company published more than 50 corporate communications such as announcements and circulars. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, poll results of general meetings, and certain other voluntary disclosures. The Company's website (www.capinfo.com.cn) is one of the important disclosure channel for corporation information, and also an important platform for investors to access information of the Company.

In 2014, the Company published the following information through the websites of the Stock Exchange and the Company pursuant to the Listing Rules:

No.	Events	Publish Date
1	Announcement on being Accredited as a Key Software Enterprise in the National Planning Layout for the Year 2013-2014	7 January 2014
2	Monthly Return on Movements in Securities for December 2013	7 January 2014
3	Monthly Return on Movements in Securities for January 2014	10 February 2014
4	Monthly Return on Movements in Securities for February	3 March 2014
5	Notice of Board Meeting	7 March 2014
6	Consolidated Results for the Year Ended 31 December 2013	21 March 2014
7	Discloseable and Connected Transaction in Relation to the Proposed Disposal of Equity Interest in Beijing Certificate Authority Co., Ltd.	24 March 2014
8	Notice of Extraordinary General Meeting	24 March 2014
9	Form of Proxy of Extraordinary General Meeting	24 March 2014
10	Reply Slip of Extraordinary General Meeting	24 March 2014
11	Continuing Connected Transaction in relation to Beijing Certificate Authority Co., Ltd. providing security products to the Company	27 March 2014
12	Monthly Return on Movements in Securities for March	2 April 2014
13	Updates on a Discloseable and Connected Transaction in Relation to the Proposed Disposal of Equity Interest in Beijing Certificate Authority Co., Ltd. and Delay in Dispatch of Circular	11 April 2014
14	Delay in Dispatch of Circular Postponement of Extraordinary General Meeting Cancellation of Book Closure Period	24 April 2014
15	2013 Annual Report	29 April 2014
16	Announcement of Annual General Meeting	29 April 2014
17	Form of Proxy for Annual General Meeting	29 April 2014
18	Reply Slip for Annual General Meeting	29 April 2014

INVESTORS RELATIONS

No.	Events	Publish Date
19	Monthly Return on Movements in Securities for April	7 May 2014
20	Resignation of Chairman, Non-Executive Director and Chairman of Nomination Committee and Strategy Committee	30 May 2014
21	Updates on Discloseable and Connected Transaction in Relation to the Proposed Disposal of Equity Interest in Beijing Certificate Authority Co., Ltd. and Delay in Dispatch of Circular	30 May 2014
22	Monthly Return on Movements in Securities for May	3 June 2014
23	Change of Directors, Chairman, Supervisor, Joint Secretary as well as Chairman and Members of the Committees under the Board	5 June 2014
24	Supplementary Announcement of Annual General Meeting	5 June 2014
25	Proposed Appointment of Directors and Supervisor and Supplementary Notice of Annual General Meeting	5 June 2014
26	Supplementary Form of Proxy Annual General Meeting	5 June 2014
27	List of Board of Directors and Their Role and Function	5 June 2014
28	List of Board of Directors and Their Role and Function	20 June 2014
29	Poll Results of Annual General Meeting	20 June 2014
30	Monthly Return on Movements in Securities for June	4 July 2014
31	Unusual Price and Trading Volume Movements	7 July 2014
32	Major Transaction in Relation to the Proposed Acquisition of Rito Info Technology Co., Ltd.	21 July 2014
33	Monthly Return on Movements in Securities for July	1 August 2014
34	Major Transaction in Relation to the Proposed Acquisition of Rito Info Technology Co., Ltd.	11 August 2014
35	Notice of Board Meeting	12 August 2014
36	Profit Warning	21 August 2014
37	Major Transaction in Relation to the Proposed Acquisition of Rito Info Technology Co., Ltd.	22 August 2014
38	Interim Results Announcement for the Six Months Ended 30 June 2014	27 August 2014
39	Monthly Return on Movements in Securities for August	2 September 2014
40	2014 Interim Report	11 September 2014
41	Monthly Return on Movements in Securities for September	8 October 2014
42	Revision of Annual Caps of Continuing Connected Transaction in Relation to Provision of Network System and Related Maintenance Services	15 October 2014
43	Suspension of Trading	24 October 2014
44	Exchange Notice – Suspension of Trading	24 October 2014
45	Holding Announcement	3 November 2014
46	Monthly Return on Movements in Securities for October	5 November 2014
47	Holding Announcement	7 November 2014
48	Major Transactions Disposal of the Group's Equity Interests in PAYEASE. Corp in Consideration of Equity Interests in MOZIDO and Resumption of Trading	18 November 2014
49	Exchange Notice – Resumption of Trading	19 November 2014
50	Monthly Return on Movements in Securities for November	2 December 2014
51	Change of Auditor	19 December 2014
52	Change in information of a Director	31 December 2014

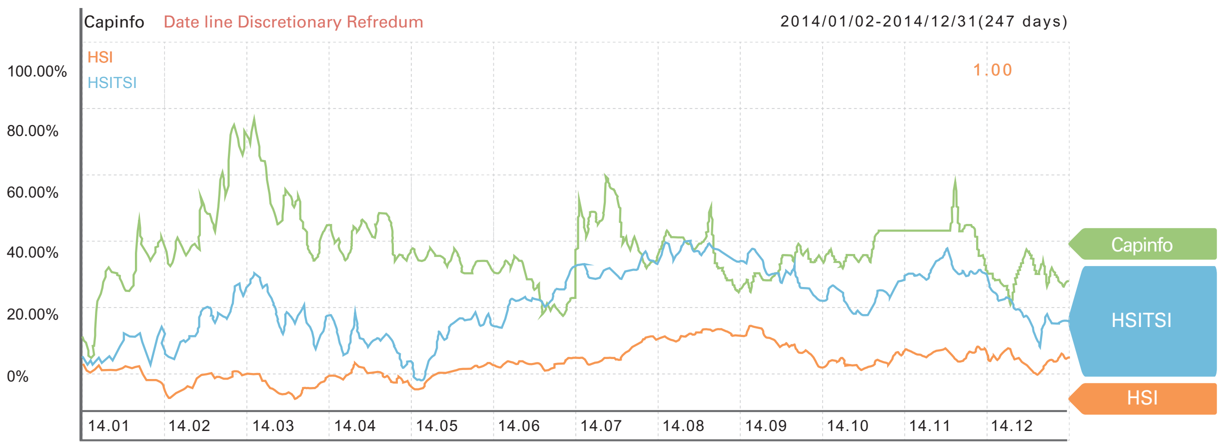
INVESTORS RELATIONS

SHARE PRICE PERFORMANCE

As at 21 December 2001, the H shares issued by the Company were listed on the Stock Exchange at the allotment price of HK$0.48 per share. Since listing, the Company's performance increased stably. The H share price of the Company increased by 38.64% from HK$0.44 to HK$0.61 during the period from the listing date to 31 December 2014. In 2014, the share price of the Company increased by 12.96% from HK$0.54 at the beginning of the year to HK$0.61. The market value of the Company amounted HK$1,767.8 million in aggregate calculated at the closing price as at 31 December 2014.

Share Price Movement From Listing To Date

Share Price Movement in 2014



INVESTORS RELATIONS

DIVIDEND POLICY

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

PROFIT DISTRIBUTION PLAN IN THE REPORTING PERIOD

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

I. During the reporting period, profit attributable to owners of the Company amounted to approximately RMB70.4 million and basic earnings per share amounted to RMB2.43 cents. The Board of the Company proposed a payment of final dividend of RMB1.06 cents (approximately HK$1.34 cents) per share (tax inclusive) for the year 2014, totaling approximately RMB30.7 million (tax inclusive). The 2014 annual general meeting will be held on Friday, 19 June 2015 to consider and approve the proposed payment of final dividend for the year 2014 by the Board.

II. In accordance with the provisions of Article 146 and 147 of the Articles of Association, dividends shall be declared and denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB while dividends payable to holders of H shares shall be paid in Hong Kong Dollars. In paying dividends in Hong Kong Dollars, the applicable exchange rate shall be the average of the medium exchange rate for conversion of RMB to Hong Kong Dollar as announced by the People's Bank of China for the calendar week proceeding the date on which such dividends are declared.

III. Pursuant to the Law on Corporate Income Tax of the People's Republic of China and its implementation rules which came into effect on 1 January 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividends to non-resident corporate shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be deemed as shares held by non-resident corporate shareholders, therefore the dividends payable on such shares will be subject to the withholding of the corporate income tax. After receipt of the dividends, a non-resident corporate shareholder may, in person or through an agent, apply to the competent tax authorities for preferential treatment under the taxation treaties (arrangements) to enjoy tax refund at the presence of evidence in support of its status as a beneficial owner as defined in the taxation treaties (arrangements).

INVESTORS RELATIONS

IV. Pursuant to the regulation promulgated by the State Administration of Taxation of the PRC (Guo Shui Han [2011] No. 348), the Company is required to withhold and pay the individual income tax for its individual holders of H shares ("Individual H Shareholders") and the Individual H Shareholders are entitled to certain tax preferential treatments according to the tax treaties between those countries where the Individual H Shareholders are residents and China and the provisions in respect of tax arrangements between mainland China and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the Individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries having agreements with China for an individual income tax rate in respect of dividend of 10%. For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of lower than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知》(國稅發[2009]124號)). For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of higher than 10% but lower than 20%, the Company will withhold and pay the individual income tax at the agreed effective tax rate. For Individual H Shareholders who are residents of those countries without any taxation agreements with China or having agreements with China for an individual income tax in respect of dividend of 20% or under other situations, the Company will withhold and pay the individual income tax at the tax rate of 20%.

The Company will determine the country of domicile of the Individual H Shareholders based on the registered address as recorded in the H share register of members of the Company (the "Registered Address") at 4:30 p.m. on Friday, 3 July 2015 and will accordingly withhold and pay the individual income tax. If the country of domicile of the Individual H Shareholder is not the same as the Registered Address, the Individual H Shareholder shall notify the share registrar of the Company's H shares and provide relevant supporting documents before 4:30 p.m. on Friday, 3 July 2015 (address: Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong).

V. The Company will not assume any liability and will not entertain any claims arising from any delay in or inaccurate determination of the status of the shareholders of the Company or any disputes over the withholding and payment of tax. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.

INVESTORS RELATIONS

DIVIDEND DISTRIBUTION INFORMATION FOR PREVIOUS YEARS

Year of distribution	Declaration date	Payment date *	Dividend per share before tax RMB cent	Dividend per share before tax HK$ cent	Total amount of cash dividend RMB million	Net profit attributable to the shareholders of the parent company RMB million	Percentage of net profit attributable to the shareholders of the parent company
Final dividend for 2007	20 March 2008	15 July 2008	1.40	1.54	40.6	47.1	86.13%
Final dividend for 2008	23 March 2009	16 July 2009	0.52	0.59	15.1	53.2	28.32%
Interim dividend for 2010	12 August 2010	5 November 2010	2.05	2.35	59.4	76.8*	77.35%
Final dividend for 2010	21 March 2011	9 August 2011	1.15	1.36	33.3	73.7	45.22%
Final dividend for 2011	23 March 2012	13 August 2012	1.20	1.48	34.8	77.5	44.85%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	85.6	44.02%
Final dividend for 2013	21 March 2014	23 September 2014	1.30	1.65	37.7	82.9	45.46%
Final dividend for 2014	27 March 2015	On or before 30 September 2015	1.06	1.34	30.7	70.4	43.65%

Notes*:

1. The payment date refers to the payment date of dividends paid on H shares. The payment date of dividends paid on the domestic shares is near to that of the H shares.

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

INVESTORS RELATIONS

CONVENING OF SHAREHOLDER'S GENERAL MEETINGS

Pursuant to the Articles of Association and Rules of Procedures for General Meetings, the Company specified the convening procedures and voting process of shareholder's general meetings. During the reporting period, the Company held one general meeting in strict compliance with the procedures of notification, convening and holding as stipulated in the relevant laws and regulations, the Listing Rules and the Articles of Association. The details are set out as follows:

2013 Annual General Meeting

Date of meeting	20 June 2014
Place of meeting	Beijing
Issues	1. audited consolidated financial statements of the Group, Directors' and independent auditor's reports for the year ended 31 December 2013 2. the supervisors' report for the year 2013 3. the independent directors' report for the year 2013 4. the re-appointment of Deloitte Touche Tohmatsu as auditor and to authorize the Board of Directors of the Company to fix their remuneration 5. declaration of the final dividend of HK$1.65 cents (i.e. RMB1.30 cents) per share for the year ended 31 December 2013 6. authorize the Board of Directors to fix the remuneration of the Directors 7. authorize the Board of Directors to fix the remuneration of the supervisors 8. to elect Mr. Wu Shengjiao as the non-executive director of the Company 9. to elect Mr. Liang Xianjun as the shareholder representative of the Company
Number of shareholders or authorized representatives present at the meeting	6
Total number of representing shares	2,135,534,091
Percentage of total share capital	73.69%
For	100%
Against	Nil

INVESTORS RELATIONS

ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

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

Notes:

1. Mr. Xu Zhe resigned as chairman, non-executive director, chairman of the nomination committee and chairman of the strategy committee on 5 June 2014 due to work allocation.

2. Ms. Zhang Kaihua resigned as non-executive director, member of remuneration and appraisal committee and strategy committee on 5 June 2014 due to work allocation.

VOTE BY WAY OF POLL

Pursuant to the provisions in Article 67 of the Articles of Association, the votes for all resolutions at the general meetings will be taken by way of poll. Each share represents one voting right. The announcement of poll results of the annual general meeting will be published at the websites of the Stock Exchange and the Company respectively after the meeting for the information of the shareholders and investors.

AMENDMENTS TO ARTICLES OF ASSOCIATION

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

INVESTORS RELATIONS

INVESTORS CALENDAR

27 March 2015
Announcement of annual results for the year ended 31 December 2014

29 April 2015
Dispatch of 2014 annual report, notice of, proxy form and reply slip for 2014 annual general meeting

20 May to 19 June 2015
Closure of register of members (both days inclusive) to ascertain the entitlement to attend the general meeting

19 June 2015
Convention of 2014 annual general meeting

23 June 2015
Ex-dividend date

4:30 p.m. 24 June 2015
Last time to register for 2014 final dividend

25 June to 3 July 2015
Closure of register of members (both days inclusive) to ascertain the entitlement to the dividend

August 2015
Announcement of interim results for the six months ended 30 June 2015

On or before 30 September 2015
Payment of 2014 final dividend

SHAREHOLDER SERVICES

- Any matters relating to the H shares in your name, such as transfer of shares, change of name or address and loss of share certificates, should be addressed in writing to the Company's Hong Kong share registrar and transfer office.

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

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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TO THE MEMBERS OF CAPINFO COMPANY LIMITED
(established as a joint stock limited company in the People's Republic of China)

We have audited the consolidated financial statements of Capinfo Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 147, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road, Wanchai
Hong Kong

27 March 2015

Shaw Chi Kit
Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**756,810**	754,830
Cost of sales		**(521,745)**	(546,495)
Gross profit		**235,065**	208,335
Other income	5	**30,431**	28,397
Other gains and losses	7	**1,109**	12,079
Research and development costs		**(41,697)**	(32,943)
Marketing and promotional expenses		**(82,846)**	(69,093)
Administrative expenses		**(75,650)**	(68,662)
Finance cost for loan wholly repayable within 5 years		**(227)**	(152)
Share of results of associates	19	**17,995**	14,759
Profit before tax		**84,180**	92,720
Income tax expense	10	**(13,792)**	(9,804)
Profit for the year	11	**70,388**	82,916
Profit and total comprehensive income for the year attributable to			
– Owners of the Company		**70,383**	82,884
– Non-controlling interests		**5**	32
		70,388	82,916
Earnings per share for profit attributable to the owners of the Company during the year	13		
– Basic		**RMB2.43 cents**	RMB2.86 cents
– Diluted		**RMB2.42 cents**	RMB2.85 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	**187,747**	165,451
Investment property	15	**52,831**	56,605
Goodwill	16	**184,598**	–
Intangible assets	17	**42,792**	14,537
Prepaid lease payments	18	**40,217**	39,707
Deposits paid on acquisition of property, plant and equipment		**2,121**	2,505
Interests in associates	19	**82,915**	69,538
Available-for-sale investments	20	**971**	1,971
Trade receivables	23	**58,467**	89,533
Deferred tax assets	21	**10,458**	6,014
		663,117	445,861
Current assets			
Inventories	22	**28,108**	5,342
Prepaid lease payments	18	**7,781**	7,051
Trade and other receivables	23	**267,922**	197,434
Amounts due from customers for contract works	24	**76,159**	68,125
Amounts due from related parties	39	**13,011**	10,021
Bank deposits	25	**4,593**	72,767
Bank balances and cash	25	**468,071**	365,372
		865,645	726,112
Current liabilities			
Trade and other payables	26	**265,500**	227,724
Amounts due to related parties	39	**2,382**	1,004
Amounts due to customers for contract works	24	**246,584**	107,591
Loan from government	29	**2,720**	3,630
Short term bank loan	27	**20,000**	–
Income tax payable		**12,817**	133
		550,003	340,082
Net current assets		**315,642**	386,030
Total assets less current liabilities		**978,759**	831,891
Non-current liabilities			
Contingent consideration payable	28	**113,161**	–
Deferred tax liabilities	21	**994**	–
		114,155	–
Net assets		**864,604**	831,891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	30	**289,809**	289,809
Share premium and reserves		**574,658**	541,950
Equity attributable to owners of the Company		**864,467**	831,759
Non-controlling interests		**137**	132
Total equity		**864,604**	831,891

The consolidated financial statements on pages 79 to 147 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

CHAIRMAN & CEO
Dr. Wang Xu

NON-EXECUTIVE DIRECTOR
Mr. Lu Lei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	289,809	254,079	40,309	202,363	786,560	100	786,660
Profit and total comprehensive income for the year	–	–	–	82,884	82,884	32	82,916
Dividend recognised as distribution (note 12)	–	–	–	(37,685)	(37,685)	–	(37,685)
Profit appropriations	–	–	9,593	(9,593)	–	–	–
At 31 December 2013 and 1 January 2014	**289,809**	**254,079**	**49,902**	**237,969**	**831,759**	**132**	**831,891**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**70,383**	**70,383**	**5**	**70,388**
Dividend recognised as distribution (note 12)	**–**	**–**	**–**	**(37,675)**	**(37,675)**	**–**	**(37,675)**
Profit appropriations	**–**	**–**	**8,761**	**(8,761)**	**–**	**–**	**–**
At 31 December 2014	**289,809**	**254,079**	**58,663**	**261,916**	**864,467**	**137**	**864,604**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit for the year		**70,388**	82,916
Adjustments for:			
Income tax expenses		**13,792**	9,804
Finance cost		**227**	152
Interest income from bank deposits		**(3,571)**	(4,428)
Gain on change in fair value of a financial asset at fair value through profit or loss ("FVTPL")		**(758)**	(14,166)
Change in fair value of contingent consideration payable		**2,274**	–
Share of results of associates		**(17,995)**	(14,759)
Depreciation of property, plant and equipment		**44,381**	46,467
Depreciation of investment property		**3,774**	3,849
Amortisation of intangible asset		**4,048**	509
Gain on disposal of property, plant and equipment		**(39)**	(29)
Gain on disposal of available-for-sale financial assets		**(3,108)**	–
Written off of long outstanding payables		**(4,084)**	–
Loss on disposal of the investment in an associate		**–**	85
Allowance for doubtful debts		**4,606**	2,031
Operating cash flows before movements in working capital		**113,935**	112,431
Increase in inventories		**(8,467)**	(4,583)
(Increase)/decrease in amounts due from customers for contract works		**(8,034)**	22,368
Increase in amounts due from related parties		**(4,287)**	(2,112)
Increase in trade and other receivables		**(3,858)**	(174,932)
Increase in trade and other payables		**32,201**	58,242
Increase/(decrease) in amounts due to related parties		**1,322**	(412)
Increase/(decrease) in amounts due to customers for contract works		**138,993**	(35,835)
Cash generated from/(used in) operations		**261,805**	(24,833)
Income tax paid		**(6,323)**	(11,187)
Net cash generated from/(used in) operating activities		**255,482**	(36,020)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Investing activities			
Interest received		**3,571**	4,428
Dividend received from associates		**4,618**	3,738
Proceeds from disposal of property, plant and equipment		**73**	215
Cash paid for acquisition of property, plant and equipment		**(64,944)**	(77,491)
Deposits paid on acquisition of property, plant and equipment		**(295)**	(3,450)
Cash expenditure on investment property		**-**	(532)
Cash paid for development costs		**(9,596)**	(12,718)
Withdrawal from bank deposits		**69,714**	134,910
Placement of bank deposits		**(1,540)**	(52,901)
Cash paid for prepaid lease payments		**(8,290)**	(21,052)
Net cash outflow on acquisition of a subsidiary	37	**(137,501)**	(1,919)
Proceeds from disposal of available-for-sale financial assets		**4,108**	–
Cash paid for financial assets at FVTPL		**(91,000)**	(150,000)
Settlement of financial assets at FVTPL		**95,758**	164,166
Repayment from related parties		**1,353**	–
Advance to related parties		**–**	(1,019)
Net cash used in investing activities		**(133,971)**	(13,625)
Financing activities			
Interest paid		**(227)**	(152)
Repayment of loan from government		**(910)**	(910)
Proceeds from new bank loan		**20,000**	–
Dividend paid		**(37,675)**	(37,685)
Net cash used in financing activities		**(18,812)**	(38,747)
Net increase/(decrease) in cash and cash equivalents		**102,699**	(88,392)
Cash and cash equivalents at the beginning of the year		**365,372**	453,764
Cash and cash equivalents at the end of the year represented by bank balances and cash		**468,071**	365,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is a joint stock limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is 北京市國有資產經營有限責任公司 (Beijing State-owned Assets Management Corporation Limited, or "BSAM"), a state-owned enterprise, also established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The Group are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment and self-developed computer software.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations (new and revised HKFRSs) and HKAS that have been issued but are not yet effective:

Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments Entities: Applying in the Consolidation Exceptions[2]
HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

HKFRS 9 (2014) Financial Instruments

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

2. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 9 (2014) Financial Instruments (continued)

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. HKFRS 15 is effective for annual periods beginning on or after 1 January 2017. The directors are currently assessing the possible impact of HKFRS 15 on the Group's results and financial position in the first year of application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

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

The principal accounting policies are set out below.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combinations (continued)

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

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

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

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

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

3.3 Investments in associates

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

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The financial statement of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Investments in associates (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

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

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

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

3.5 Technology service contracts

When the outcome of a contract for the technology service of network systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for the work performed to date bear to estimated total costs, except where this would not be representative of the stage of completion. Variations in contract works, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as customers' deposits for contract works. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (continued)

Intangible assets acquired in a business combination

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

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

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.10 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3.11 Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.13 Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contribution.

3.14 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.16 Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated as at FVTPL on initial recognition. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

Financial assets (continued)

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

The Group's available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, loan from government, bank loan and contingent consideration payable are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.17 Share-based payment transactions

Share options granted and vested prior to 1 January, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the share is recorded in the share premium. Options which lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions

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

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

3.19 Impairment losses on tangible and intangible assets

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash- generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Related parties

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

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.19. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 16.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is RMB249,755,000 (net of allowance for doubtful debts of RMB22,090,000) (31 December 2013: carrying amount of RMB228,231,000, net of allowance for doubtful debts of RMB14,974,000) (note 23).

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values of network equipment involves management's estimation regarding change in technology and customers' expectation regarding network infrastructure services to be provided by the Group. The Group assesses annually the residual value and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period. Details of the depreciation of property, plant and equipment are disclosed in note 14.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Revenue recognition on technology service contracts

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period set out in note 5. The stage of completion requires the management to estimate total contract costs expected to be incurred in completing the contracts undertaken by the Group. The time taken and the cost ultimately incurred may be adversely affected by many factors, including additional variations to the plans requested by the customers or because of technical needs, disputes with sub-contractors, changes in the government's priorities and other unforeseen problems and circumstances. Any of these factors may give rise to delays in completion of work or cost overruns or termination of contracts by the customers, which in turn may affect the stage of completion and therefore recognition of contract revenue and costs in the future period.

Deferred taxation on certain tax losses and other deductible temporary differences

No deferred tax asset has been recognised on the tax losses and other deductible temporary differences due to the unpredictability of future profit streams, availability of taxable temporary differences and the timing of reversal of such tax losses and other deductible temporary differences as set out in note 21. The probability in respect of the utilisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future and the timing of the utilisation.

5. REVENUE AND OTHER INCOME

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

	2014	2013
	RMB'000	RMB'000
Revenue		
Income from technology service contracts		
Operation and maintenance service	**418,508**	409,353
System integration service	**151,960**	303,946
Software development service	**179,967**	25,576
Technology service	**–**	11,180
Consulting service	**1,917**	4,452
Sales of goods	**4,458**	323
	756,810	754,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE AND OTHER INCOME (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Other income		
Gross rental income from investment property	**11,988**	9,592
Interest income from bank deposits	**3,571**	4,428
Imputed interest income from Build-and Transfer ("BT") projects	**3,697**	4,178
Government grants (note)	**11,062**	9,977
Others	**113**	222
	30,431	28,397

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

6. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker.

CEO for the purpose of resource allocation and assessment of performance, reviewed consolidated profit after taxation and the consolidated revenue of the Group as a whole prepared in accordance with the Accounting Standards for Business Enterprise of PRC, which has no significant differences as compared with the consolidated profit after taxation and the consolidated revenue reported under HKFRSs. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no operating segment is presented, other than the entity-wide disclosure.

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government are approximately RMB685,915,000 (2013: RMB741,831,000) (note 39(iv)). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Gain on financial asset at FVTPL (note)	**758**	14,166
Gain on disposal of available-for-sale investments	**3,108**	–
Fair value changes of contingent consideration payable	**(2,274)**	–
Loss on disposal of the investment in an associate	**–**	(85)
Gain on disposal of property, plant and equipment	**39**	29
Allowance for doubtful debts (note 23)	**(4,606)**	(2,031)
Written-off of long outstanding payables	**4,084**	–
	1,109	12,079

Note: In January 2013, the Company entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Group invested RMB150 million in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27 December 2013. The Trust Investment was wholly invested in fixed income financial instruments. The return of the Trust Investment is expected to be 10% per annum at a maximum. As at 27 December 2013, the principal of the Trust Investment has been settled together with investment income of approximately RMB14,166,000.

In respect of the Trust Investment, the Company entered into a guarantee agreement with Shenzhen Golden Regal Guarantee Co., Ltd. ("深圳市金瑞格融資擔保有限公司" or "Golden Regal") which Golden Regal guaranteed the principal amount and the return of the Trust Investment to be not less than the prevailing time deposit interest rate in the PRC banks. The Group recognised the guarantee fee of RMB1,500,000 as an expense in profit or loss during the year ended 31 December 2013. As at 27 December 2013, the guarantee has been released.

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

	2014 RMB'000	2013 RMB'000
Fees		
– independent non-executive directors	**255**	255
Other emoluments for executive and non-executive directors		
– basic salaries and allowances	**1,173**	995
– retirement benefit scheme contributions	**94**	51
	1,267	1,046
Other emoluments for supervisors		
– basic salaries and allowances	**264**	244
– retirement benefit scheme contributions	**56**	51
	320	295
	1,842	1,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

The emoluments paid or payable to each of the 17 (2013:16) directors, chief executive and supervisors were as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

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

No directors have waived any emoluments during both years of 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included one (2013: one) director of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining four (2013: four) highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	**3,474**	3,480
Retirement benefit scheme contributions	**225**	205
	3,699	3,685

The above employees' emoluments were within the following bands:

	Number of individuals	
	2014	2013
Nil to Hong Kong Dollar ("HK$")1,000,000	**–**	–
Hong Kong Dollar ("HK$")1,000,001 to 1,500,000	**4**	4

During the year ended 31 December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals, directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax		
– Current year	**12,346**	10,288
– Under/(Over)provision	**5,730**	(4,148)
– Deferred tax (credit)/charge (note 21)	**(4,284)**	3,664
	13,792	9,804

The Company was recognised as a High Technology Enterprise ("HTE") in 2011 and subject to PRC income tax at 15% for three years from 2011 to 2013 in accordance with the Law of the PRC on Enterprise Income Tax ("EIT").

10. INCOME TAX EXPENSE (CONTINUED)

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

In 2014, the Company was further accredited as HTE and subject to PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on EIT.

The Company's subsidiary, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") was recognised as HTE and approved by The Committee of Beijing Science and Technology. Pursuant to the relevant laws and regulations in the PRC, it is entitled to exemption from income tax for three years, from 2007 to 2009, commencing from the year of operation, and entitled to a 50% relief from income tax for three years, from 2010 to 2012, depending on if the entity could be continued to be entitled as HTE every three years. Capinfo Technology had successfully obtained the title of HTE in 2011, and therefore, it is entitled to a concession tax rate of 7.5% from 2011 to 2012. Capinfo Technology subjects to PRC income tax at 15% for years 2013 and 2014.

In 2014, Capinfo Technology was further accredited as HTE and subject to PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on EIT.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. INCOME TAX EXPENSE (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**84,180**	92,720
Tax at statutory income tax rate of 25% (2013: 25%)	**21,045**	23,180
Tax effect of the various low tax rate incentives	**(11,478)**	(14,338)
Tax effect of share of result of associates	**(4,499)**	(3,690)
Tax effect of expenses that are not deductible for tax purpose	**970**	3,448
Tax effect of income not subject to tax	**(49)**	–
Utilisation of temporary differences previously not recognised	**–**	(463)
Tax effect of deductible temporary differences not recognised	**376**	508
Utilisation of tax losses previously not recognised	**(10)**	(74)
Tax effect of tax losses not recognised	**1,707**	2,261
Tax effect of changes in tax rate of deferred tax assets recognised	**–**	3,120
Under/(Over) provision in respects of prior years	**5,730**	(4,148)
Tax expense for the year	**13,792**	9,804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging the following items:		
Directors', chief executive's and supervisors' remuneration (note 8)	**1,842**	1,596
Other staff costs	**159,283**	153,245
Other staff's retirement benefit scheme contributions	**18,883**	17,039
	180,008	171,880
Less: Staff costs included in		
– research and development costs	**(31,475)**	(24,192)
– cost of sales	**(63,865)**	(69,352)
	84,668	78,336
Depreciation of property, plant and equipment (note 14)	**44,381**	46,067
Depreciation of investment property (note 15)	**3,774**	3,849
Total depreciation	**48,155**	49,916
Less: Depreciation included in		
– research and development costs	**(1,755)**	(1,455)
– cost of sales	**(32,242)**	(40,163)
	14,158	8,298
Amortisation of intangible assets (note 17)	**4,048**	509
Operating lease rentals in respect of		
– cable network (note 35)	**45,587**	41,201
– office premises (note 35)	**33,286**	30,312
	78,873	71,513
Less: Operating lease rentals included in		
– research and development costs	**(2,133)**	(2,140)
– cost of sales	**(52,549)**	(56,312)
	24,191	13,061
Auditors' remuneration	**1,383**	1,981
Direct operating expenses arising from investment property that generated rental income	**2,311**	2,789
Cost of inventories recognised as expenses	**162,870**	126,047
Share of tax of associates (included in share of results of associates)	**2,987**	3,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2012 Final – RMB1.30 cents per share	–	37,685
2013 Final – RMB1.30 cents per share	**37,675**	–
	37,675	37,685

Subsequent to the end of the reporting period, a final dividend of RMB1.06 cents pre-tax per share in respect of the year ended 31 December 2014 (2013: final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2013) in total of approximately RMB30,720,000 (2013: RMB37,675,000) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

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

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**70,383**	82,884

	2014	2013
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**2,898,086,091**	2,898,086,091
Effect of dilutive potential ordinary shares options	**8,963,158**	6,000,643
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,907,049,249**	2,904,086,734

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For the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Network equipment RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2013	147,309	602,211	9,876	27,822	12,339	799,557
Additions	13,735	26,635	2,923	1,814	27,950	73,057
Transfer	1,741	6,361	–	454	(8,556)	–
Eliminated on disposals/ written-off	(11,731)	–	–	–	–	(11,731)
Acquired on acquisition of a subsidiary (note 37)	2	–	–	–	–	2
At 31 December 2013	151,056	635,207	12,799	30,090	31,733	860,885
Additions	10,187	14,060	981	6,757	33,638	65,623
Transfer	–	4,626	–	16,032	(20,658)	–
Eliminated on disposals/ written-off	(10,061)	(56,461)	(809)	–	–	(67,331)
Acquired on acquisition of a subsidiary (note 37)	779	8	301	–	–	1,088
At 31 December 2014	**151,961**	**597,440**	**13,272**	**52,879**	**44,713**	**860,265**
Accumulated depreciation						
At 1 January 2013	133,951	503,006	7,782	15,773	–	660,512
Provided for the year	11,655	30,578	1,531	2,703	–	46,467
Eliminated on disposals/ written-off	(11,545)	–	–	–	–	(11,545)
At 31 December 2013	134,061	533,584	9,313	18,476	–	695,434
Provided for the year	11,518	26,865	1,305	4,693	–	44,381
Eliminated on disposals/ written-off	(10,056)	(56,433)	(808)	–	–	(67,297)
At 31 December 2014	**135,523**	**504,016**	**9,810**	**23,169**	**–**	**672,518**
Carrying values						
At 31 December 2014	**16,438**	**93,424**	**3,462**	**29,710**	**44,713**	**187,747**
At 31 December 2013	16,995	101,623	3,486	11,614	31,733	165,451

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Computer equipment	33.33%
Network equipment	20% or over the remaining period of the relevant contract work, whichever is shorter
Office equipment, furniture and fixtures	20%
Leasehold improvements	Over the period of the respective leases

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For the year ended 31 December 2014

15. INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January 2013	73,788
Additions	532
At 31 December 2013, 1 January 2014 and 31 December 2014	**74,320**
Accumulated depreciation	
At 1 January 2013	13,866
Provided for the year (note 11)	3,849
At 31 December 2013	17,715
Provided for the year (note 11)	3,774
At 31 December 2014	**21,489**
Carrying amount	
At 31 December 2014	**52,831**
At 31 December 2013	56,605

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

The fair value of the Group's investment property at 31 December 2014 was RMB158,000,000 (2013: RMB154,000,000). The fair value has been arrived at based on a valuation carried out by Debanham Tie Leung Limited ("DTZ"), independent qualified professional valuers not connected with the Group. The valuation was determined based on the average result of comparable approach and income approach. The comparable approach reflects recent transaction prices for similar properties in the similar locations and conditions. The income approach assessed the market rentals of all lettable unites of the properties and discounted the market rental at the market yield expected by investors for this type of properties. The market rental are assessed by reference to the rentals achieved in the lettable unites of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. The valuation was performed on the assumption that the Group had obtained the ownership title of the investment property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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15. INVESTMENT PROPERTY (CONTINUED)

Details of the Group's investment property and information of the fair value hierarchy as at 31 December 2014 are as follows:

	Carrying amount at 31 December 2014 RMB'000	Level 3 fair value as at 31 December 2014 RMB'000	Carrying amount at 31 December 2013 RMB'000	Level 3 fair value as at 31 December 2013 RMB'000
Commercial property units located in PRC	**52,831**	**158,000**	56,605	154,000

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

At 31 December 2014, the ownership title certificate of the property had not been issued to the Group.

16. GOODWILL

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

	2014 RMB'000
At 1 January	–
Acquisition of a subsidiary (note 37)	**184,598**
At 31 December	**184,598**

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

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

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

Average growth rate	7.39%
Discount rate	12.24%

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

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For the year ended 31 December 2014

17. INTANGIBLE ASSETS

	Capitalised development cost (note (i)) RMB'000	Customer base (note (ii)) RMB'000	Total RMB'000
At 1 January 2013	–	–	–
Additions from internal developments	12,718	–	12,718
Acquired on acquisition of a subsidiary (note 37)	–	2,328	2,328
Amortisation expenses (note 11)	–	(509)	(509)
At 31 December 2013	12,718	1,819	14,537
Additions from internal developments	9,596	–	9,596
Acquired on acquisition of a subsidiary (note 37)	22,707	–	22,707
Amortisation expenses (note 11)	(3,272)	(776)	(4,048)
At 31 December 2014	**41,749**	**1,043**	**42,792**

Notes:

(i) Capitalised development cost represents the cost in relation to the cloud computing and self developed computer software and computer software through business combination. The capitalised development cost is amortised on a straight-line basis over commercial lives of the underlying products not exceeding 3 years.

(ii) The customer base was recognised in the acquisition of a subsidiary, details of which are set out in note 37. The customer base is amortised on a straight-line basis based on the estimated useful lives of 3 years.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2014 RMB'000	2013 RMB'000
Current portion	**7,781**	7,051
Non-current portion	**40,217**	39,707
	47,998	46,758

Prepaid lease payment represents prepayment made by the Group for the rental of premises for a period from 1 to 9 years (2013: from 4 to 10 years) for installation of wireless equipment for the government network projects.

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19. INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of unlisted investments in associates	**24,314**	24,314
Share of post-acquisition profit, net of dividends received	**58,601**	45,224
	82,915	69,538

19.1 Details of material associate

Details of the Group's material associate, which is a private limited company established and operated in the PRC, at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Proportion of ownership interest and voting power held by the Group		Principal activities
		2014	2013	
北京數字認証股份有限公司(Beijing Certificate Authority Co., Ltd) ("BJCA")	PRC	**34.98%**	34.98%	Provision of services related to digital certificates

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

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

Details of transaction:

BJCA provided software development and related technical services to the Group during the year, details of which are set out in note 39(ii).

BJCA

	2014 RMB'000	2013 RMB'000
Current assets	**360,264**	278,487
Non-current assets	**23,785**	23,315
Current liabilities	**143,760**	101,935
Non-current liabilities	**12,629**	12,986

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19. INTERESTS IN ASSOCIATES (CONTINUED)

19.1 Details of material associate (continued)

BJCA (continued)

	2014 RMB'000	2013 RMB'000
Revenue	**320,365**	273,572
Profit from continuing operations	**62,518**	56,335
Profit for the year	**53,978**	45,864
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**53,978**	45,864
Dividend received from the associate during the year	**4,618**	3,568

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

	2014 RMB'000	2013 RMB'000
Net assets of the associate	**227,660**	186,881
Proportion of the Group's ownership interest in BJCA	**34.98%**	34.98%
Carrying amount of the Group's interest in BJCA	**79,635**	65,371

Aggregate information of associates that are not individually material

	2014 RMB'000	2013 RMB'000
The Group's share of loss for the year	**(887)**	(1,284)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**(887)**	(1,284)
Aggregate carrying amount of the Group's interest in these associates	**3,280**	4,167
Dividend received from the associate during the year	**–**	170

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19. INTERESTS IN ASSOCIATES (CONTINUED)

19.2 Changes in the Group's ownership in associates

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

19.3 Reclassification for an associate

By the end of year 2012, the Group held interests in an associate, Ziguang Information Industry Investment Co.,Ltd.("Ziguang Information Industry" 紫光信業投資股份有限公司). The investment in Ziguang Information Industry was fully impaired in previous years. During the year 2013, the Group has accounted for the investment in Ziguang Information Industry as available-for-sale investment.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	**971**	1,971

The unlisted investments represent investments in unlisted equity securities issued by private entities. The investments are measured at cost at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

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20. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Name of investee	Place of incorporation/ establishment	Proportion of nominal value of registered/issued capital held by the Group 2014	2013	Principal activities
Capinfo Soft Co., Ltd. (遼寧眾信同行軟件開發有限公司)	PRC	**19%**	19%	Development, sales and management consultation of operation systems and related businesses
PayEase Corp. ("PayEase")	United States	**14.70%****	14.70%	Provision of payment service platform covering mobile, online, call center (CRM), retail/POS and data mining of customers' profile
Loyalty Alliance Enterprise Corporation ("LAEC")	Cayman Islands	**12%**	12%	Provision of data-driven multi-channel direct marketing and customer loyalty solutions
Astoria Innovations Ltd.	British Virgin Islands	**nil***	5%	Provision of labour force digitalisation market service and related businesses
Ziguang Information Industry	PRC	**23%**	23%	Provision of development, sales and management consultation of operation systems and related businesses

* Astoria Innovations Ltd. was sold in July 2014.

** Subsequent to reporting date, the Group's shareholding in PayEase will dilute to 13.70% (taking into account all outstanding shares of common stock and preferred stock and assuming exercise and conversion in full of the outstanding options) (note 43).

21. DEFERRED TAXATION

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

	Payroll and welfare payable and accrued expense RMB'000	Temporary differences on trade and other receivables RMB'000	Temporary difference of intangible assets RMB'000	Total RMB'000
At 1 January 2013	9,678	–	–	9,678
Credit to profit or loss for the year (note 10)	(3,664)	–	–	(3,664)
At 31 December 2013	6,014	–	–	6,014
Acquired on acquisition of a subsidiary (note 37)	48	69	(951)	(834)
Debit/(Credit) to profit or loss for the year (note 10)	2,157	2,170	(43)	4,284
At 31 December 2014	**8,219**	**2,239**	**(994)**	**9,464**

21. DEFERRED TAXATION (CONTINUED)

The analysis of deferred income tax is as follows:

	2014 RMB'000	2013 RMB'000
Deferred income tax assets – to be recovered after more than 12 months	**10,458**	6,014
Deferred income tax liabilities – to be recovered after more than 12 months	**(994)**	–
	9,464	6,014

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

	2014 RMB'000	2013 RMB'000
Tax losses	**16,450**	10,309
Deductible temporary differences on allowance for the inventories and receivables	**33,381**	45,484
	49,831	55,793

The Group has not recognised deferred tax assets on above tax losses, because it is not probable that the future taxable profits will be available in relevant subsidiaries to utilise the tax losses.

The Group also has not recognised deferred tax assets on certain deductible temporary differences, because it is not probable that these deductible temporary differences can be utilised in the foreseeable future.

Tax losses unrecognised will expire in:

	2014 RMB'000	2013 RMB'000
2015	**134**	128
2016	**–**	–
2017	**570**	1,135
2018	**8,916**	9,046
2019	**6,830**	–
Total	**16,450**	10,309

22. INVENTORIES

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

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23. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Total trade receivables	**271,845**	243,205
Less: Allowance for doubtful debts	**(22,090)**	(14,974)
	249,755	228,231
Less: Non-current portion which is shown in non-current assets	**(58,467)**	(89,533)
	191,288	138,698
Other receivables and prepayments	**22,594**	35,087
Deposits for technology service contracts	**54,732**	26,578
Less: Allowance for doubtful debts	**(692)**	(2,929)
	76,634	58,736
Trade and other receivables shown in current assets	**267,922**	197,434

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

The following is an aging analysis of trade receivables at the end of the year, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	2014 RMB'000	2013 RMB'000
0 to 6 months	**127,088**	183,629
7 to 12 months	**95,898**	41,958
Over 1 year	**26,769**	2,644
	249,755	228,231
Less: Non-current portion	**(58,467)**	(89,533)
	191,288	138,698

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**17,903**	15,872
Acquired on acquisition of a subsidiary (note 37)	**553**	–
Impairment losses recognised during the year (note 7)	**4,606**	2,031
Written-off as uncollectible	**(280)**	–
Balance at end of the year	**22,782**	17,903

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The credit quality of the trade receivables that is neither past due nor impaired is good.

Included in the allowance for doubtful debts are individually impaired trade receivables which aged over one year with an aggregate balance of RMB19,432,000 (2013: RMB13,569,000).

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2014 RMB'000	2013 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**330,158**	275,388
Recognised profits less recognised losses	**82,541**	77,690
	412,699	353,078
Less: Progress billings	**(583,124)**	(392,544)
	(170,425)	(39,466)
Recognised and included in the consolidated statement of financial position:		
Amounts due from customers for contract works	**76,159**	68,125
Amounts due to customers for contract works	**(246,584)**	(107,591)
	(170,425)	(39,466)

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25. BANK BALANCES AND CASH/BANK DEPOSITS

Bank balances and cash

Bank balances carry interest at a market interest rate of 0.35% (2013: 0.35%) per annum.

Bank deposits

Bank deposits carry fixed interest rates which range from 0.35% to 2.55% (2013: 0.35% to 3.08%) per annum with maturity periods between three and six months.

26. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**123,237**	108,615
Deferred income arising from government grants (note)	**9,320**	7,709
Other payables	**94,642**	49,461
Accrued expenses	**12,445**	30,570
Payroll and welfare payables	**25,508**	30,762
Advance from customers	**348**	607
	265,500	227,724

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB12,673,000 (2013: RMB10,207,000) during the current year for certain technology research activities and released RMB11,062,000 (2013: RMB9,977,000) in other income in the current year.

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

	2014 RMB'000	2013 RMB'000
1 year	**53,663**	87,691
1 to 2 years	**42,918**	4,616
2 to 3 years	**17,299**	3,874
Over 3 years	**9,357**	12,434
	123,237	108,615

The average credit period on purchase of goods is 15 days (2013: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in trade payables are retention payables of RMB3,774,000 (2013: RMB3,317,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

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27. SHORT TERM BANK LOAN

	2014 RMB'000	2013 RMB'000
Bank loan, unsecured	**20,000**	–

The loan was unsecured, bears interest at an interest rate of 5.6% per annum and repayable within one year.

28. CONTINGENT CONSIDERATION PAYABLE

	2014 RMB'000
Amount due after one year included under non-current liabilities	**113,161**

During the year, the Group acquired 100% issued capital of Rito Info, depending on the upcoming financial performance of Rito Info, the cash consideration for this acquisition will be RMB 305,000,000 (subject to adjustments). As at 31 December 2014, the potential balance payable of undiscounted amount of all future payments that the Group could be required to pay under this arrangement is RMB144,378,000. The fair value of the amount payable was recognised as contingent consideration payable and measured at fair value as at 31 December 2014.

29. LOAN FROM GOVERNMENT

	2014 RMB'000	2013 RMB'000
Carrying amount repayable on demand and shown under current liabilities (note 39(iv))	**2,720**	3,630

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.35% (2013: 3.72%) per annum and repayable on demand.

30. SHARE CAPITAL

	Number of shares		
	Domestic shares	**H shares**	**Registered, issued and fully paid** RMB'000
Balance of share capital of RMB0.10 each per share at 1 January 2013, 31 December 2013 and 31 December 2014	2,123,588,091	774,498,000	289,809

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31. SHARE OPTIONS

Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 6 December 2001 (the "Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with a payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors. The exercise price of the share options will be determined at the higher of the average of closing prices of H Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of H Shares of the Company in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of H Shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to that person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

The Company has granted 67,298,000 options under the Scheme on 17 August 2004 at RMB1 for each grant of options and with an exercise price of HK$0.41 per H Share. Total consideration received during the year ended 31 December 2004 for taking up the options granted amounted to RMB114. The share options were fully vested on 17 August 2004. Details of these share options held by the directors, other key management and other parties and movements in such holdings during 2013 and 2014 are as follows:

	Outstanding at 1.1.2013	Reclassified during the year	Lapsed during the year	Outstanding at 31.12.2013	Lapsed during the year	**Outstanding at 31.12.2014**
Directors	2,932,000	–	–	2,932,000	(2,932,000)	**–**
Supervisors	459,000	–	–	459,000	(459,000)	**–**
Senior management	5,775,000	(459,000)	(1,466,000)	3,850,000	(3,850,000)	**–**
Senior advisors	15,430,000	1,836,000	–	17,266,000	(17,266,000)	**–**
Advisors	1,925,000	(459,000)	–	1,466,000	(1,466,000)	**–**
Other employees	14,133,000	(918,000)	(918,000)	12,297,000	(12,297,000)	**–**
	40,654,000	–	(2,384,000)	38,270,000	(38,270,000)	**–**
Exercisable	40,654,000			38,270,000		**–**

31. SHARE OPTIONS (CONTINUED)

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

As at 31 December 2013, the options outstanding at the end of the year have a remaining contractual life of less than 1 year. All options were lapsed as at 31 December 2014.

The financial impact of all the above share options granted and vested before 1 January 2005 is not recorded in the consolidated statement of financial position until such time as the options are exercised, and no charge is recognised in the consolidated statement of profit or loss and other comprehensive income in respect of the value of options granted in the year ended 31 December 2004.

32. RESERVES

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company and its PRC subsidiaries are required to set aside 10% of its profit after taxation as reported in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the relevant entities' registered capital).

According to their Articles of Association, statutory surplus reserve can be used to (i) make up prior year losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the entities' registered capital; or (iii) expand production operation.

In accordance with the Company's Articles of Association, the profit after taxation for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) either International Financial Reporting Standards or overseas accounting standards of the place in which the Company's shares are listed.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**795,180**	706,724
Available-for-sale financial assets, measured at cost	**971**	1,971
	796,151	708,695
Financial liabilities		
Amortised cost	**263,820**	178,964
Financial liabilities at fair value through profit or loss	**113,161**	–
	376,981	178,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, trade and other receivables, available-for-sale investments, amounts due from/to related parties, trade and other payables, loan from government, short term bank loan and contingent consideration payable. Details of the financial instruments are disclosed in respective notes to these financial statements. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits (see note 25). The Group's cash flow interest rate risk related primarily to its bank balances, short term bank loan and loan from government (see notes 25, 27 and 29). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk and the management will consider hedging interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to variables interest rates for the Group's bank balances, short term bank loan and loan from government at the end of reporting period. The analysis is prepared assuming the amount of bank balances, short term bank loan and loan from government outstanding at the end of reporting period were outstanding for the whole year. A 10 basis point (2013: 10 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of reporting period, if interest rate had been increased/decreased by 10 basis points and all other variables were held constant, the Group's profit would increase/decrease by approximately RMB446,000 for the year ended 31 December 2014 (2013: RMB328,000).

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, bank balances and bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentration of credit risk on trade receivables as the total amount due from the Group's five largest trade debtors amounted to RMB150,611,000 (2013: RMB158,764,000) and represented 60% (2013: 70%) of the total trade receivables as at 31 December 2014.

The Group exposed to concentration of credit risk on bank balances and bank deposits which were deposited with several banks only. However, the credit risk on liquid funds is limited because the counterparties are various large state-owned banks in the PRC.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

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

	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2013 RMB'000
At 31.12.2013				
Trade and other payables	174,330	–	174,330	174,330
Amounts due to related parties	1,004	–	1,004	1,004
Loan from government	3,630	–	3,630	3,630
	178,964	–	178,964	178,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair value

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

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

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

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Group				
Recurring fair value measurement				
Contingent consideration payable (note 28)	–	–	113,161	113,161

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

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

	Contingent consideration **RMB'000**
Fair value at 1 January 2014	**–**
Acquisition of a subsidiary (note 37)	**110,887**
Fair value loss recognised in profit or loss (note 7)	**2,274**
Fair value at 31 December 2014	**113,161**

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair value (continued)

Significant unobservable valuation inputs for the fair value measurement of contingent consideration comprised of projected profit after tax of Rito Info for the years ending 31 December 2015 and 2016 of RMB31,604,000 and RMB36,228,000 and discount rate of 12.24%.

A significant increase/(decrease) in the profit before tax of Rito Info would result in a significant increase/(decrease) in the fair value of the contingent consideration liability. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) in the fair value of the contingent consideration liability.

The fair value of other financial assets and financial liabilities is approximately equal to the carrying amount.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 27 and 29, and equity attributable to owners of the Company, comprising issued share capital, and share premium and reserves as detailed in notes 30 and 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. OPERATING LEASES

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments recognised as an expense during the year		
– Cable network (note 11)	**45,587**	41,201
– Office premises (note 11)	**33,286**	30,312

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Office premises		
Within one year	**21,670**	23,509
In the second to fifth year, inclusive	**28,943**	6,949
	50,613	30,458
Cable network		
Within one year	**–**	19

The operating lease commitment does not include lease arrangement set out in note 18 "prepaid lease payments".

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

The Group as lessor

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

	2014 RMB'000	2013 RMB'000
Within one year	**11,218**	5,591

The property held has committed tenants for a term of 1.5 years (2013: 4 to 5 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
– Contracted but not provided for	**14,502**	–
– Authorised but not contracted for	**62,424**	10,850

37. ACQUISITION OF A SUBSIDIARY

37.1 Acquisition of Rito Info

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

Consideration transferred

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

Notes:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

37.1 Acquisition of Rito Info (continued)

Identifiable assets and liabilities recognised at the date of acquisition

	Carrying value RMB'000	Fair value adjustments RMB'000	Fair values RMB'000
Property, plants and equipment (note 14)	1,088	–	1,088
Intangible asset (note 17)	10,954	11,753	22,707
Deferred tax assets (note 21)	635	(518)	117
Inventories	14,299	–	14,299
Trade and other receivables	33,120	–	33,120
Financial assets at fair value through profit or loss	4,000	–	4,000
Bank balances and cash	18,049	–	18,049
Trade and other payables	(9,659)	–	(9,659)
Deferred tax liabilities (note 21)	–	(951)	(951)
Income tax payables	(931)	–	(931)
Total identifiable net assets	71,555	10,284	81,839
Goodwill			184,598
			266,437

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

Goodwill arising on acquisition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

37.1 Acquisition of Rito Info (continued)

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

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

Had the acquisition of Rito Info been effected at the beginning of the current year, the total amount of revenue of the Group from operations for current year would have been RMB786,290,000, and the amount of the profit of the Group from operations for the current year would have been RMB74,897,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the current year, nor is it intended to be a projection of future results.

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

37.2 Acquisition of Shanghai Hengyue Computer Technology Co., Ltd. "Shanghai Hengyue"（上海橫越計算機科技有限公司）

On 31 May 2013, the Group acquired 100% equity interest in Shanghai Hengyue from certain third party individuals. Shanghai Hengyue is engaged in software development and operational maintenance of housing fund system. Shanghai Hengyue was acquired so as to continue the expansion of the Group's housing information technology service business.

Consideration transferred

	RMB'000
Cash	2,680

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

37.2 Acquisition of Shanghai Hengyue Computer Technology Co., Ltd. "Shanghai Hengyue"（上海橫越計算機科技有限公司）(continued)

Identifiable assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plants and equipment (note 14)	2
Intangible asset (note 17)	2,328
Trade and other receivables	118
Bank balances and cash	761
Other payables	(529)
	2,680

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

Goodwill arising on acquisition

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

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the profit of the Group for year 2013 was a loss of RMB43,000 attributable to Shanghai Hengyue. Revenue for year 2013 includes RMB602,000 attributable to Shanghai Hengyue.

Had the acquisition of Shanghai Hengyue been effected at the beginning of year 2013, the total amount of revenue of the Group from operations for year 2013 would have been RMB755,422,000, and the amount of the profit of the Group from operations for year 2013 would have been RMB82,739,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of year 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shanghai Hengyue been acquired at the beginning of year 2013, the directors of the Company calculated depreciation of equipment and the amortisation of intangible asset based on the recognised amounts of equipment and intangible assets at the date of the acquisition.

38. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expense recognised in the profit or loss of RMB19,033,000 (2013: RMB17,141,000) represents contributions paid or payable under the retirement benefit scheme.

39. RELATED PARTY DISCLOSURES

(i) Transactions with fellow subsidiaries

Related party	Nature of transactions	Notes	2014 RMB'000	2013 RMB'000
Fellow subsidiaries				
Capnet Company Limited ("Capnet")	Income earned by the Group for providing the network system and related maintenance services	(a)	**10,108**	5,943
	Providing hardware and related service to the Group	(b)	**2,109**	4,484
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises	(c)	**9,709**	8,227
Beijing Petroleum Exchange Co., Ltd.	Income earned by the Group for providing hardware, software and related equipment management service	(d)	**6,963**	5,611
Beijing Guotong Xintai Investment Management Company Limited ("Guotong Xintai")	Income from system integration service, for construction of necessary technology infrastructure and application system of a hospital	(e)	**16,345**	–

Notes:

(a) On 20 December 2006, Capinfo Technology and Capnet entered into a comprehensive services agreement under which Capinfo Technology is to provide the network system and the related maintenance service to Capnet for a term of 3 years since 1 January 2007. On 29 December 2009, Capinfo Technology and Capnet entered into a renewal agreement to extend the term to 31 December 2012. On 18 January 2013, Capinfo Technology and Capnet entered into a further renewal agreement to extend the term to 31 December 2015. On 15 October 2014, the Company and Capnet entered into a network service agreement for the provision of network equipment lease and services to Capnet for a year term from 15 October 2014. The service income of RMB10,108,000 (2013: RMB5,943,000) was recognised for the year.

(b) On 18 January 2013, Capinfo Technology and Capnet entered into a procurement framework agreement under which Capinfo Technology will procure hardware products and related service from Capnet for a term of approximately 3 years starting from 18 January 2013. The relevant purchase of RMB2,109,000 (2013: RMB4,484,000) was made for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (continued)

Notes: (continued)

(c) On 31 March 2009, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP's certain office premises at a monthly rent of approximately RMB331,000 for the period from 1 April 2009 to 31 March 2012, and then renewed the agreement at a monthly rent of approximately RMB402,000 for the period from 1 April 2012 to 31 March 2015.

On 8 May 2012, the Company entered into a lease agreement with BIDP to lease from BIDP's certain office premises at a monthly rent of approximately RMB204,000 for the period from 8 May 2012 to 31 March 2015.

On 6 January 2013, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB5,000 for the period from 6 January 2013 to 5 March 2013, and then renewed the agreement at a monthly rent of approximately RMB9,000 for the period from 6 March 2013 to 5 September 2013.

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

(d) On 23 December 2013, the Company and Beijing Petroleum Exchange Co., Ltd. entered into four contracts under which the Company will provide hardware, software and related equipment management services to Beijing Petroleum Exchange Co., Ltd. The service income of RMB6,963,000 (2013: RMB5,611,000) was recognised for the current year.

(e) On 23 May 2013, the Company and Guotong Xintai entered into an agreement that the Company will provide services related to the construction project of Beijing Aiyuhua Hospital for Children and Women ("Aiyuhua Hospital"), including the construction of the necessary information technology infrastructure and application system before the commencement of the trial operation of Aiyuhua Hospital. The contract amount was RMB28,878,000, and the income of RMB16,345,000 (2013: Nil) was recognised for the year.

(ii) Transactions with associates

An associate	Nature of transactions	2014 RMB'000	2013 RMB'000
BJCA	Software development and providing related technical services to the Group	**1,880**	734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Amounts due from/to related parties

	2014 RMB'000	2013 RMB'000
Amounts due from related parties:		
Trading in nature:		
Fellow subsidiaries	**9,010**	4,723
Non-trading in nature:		
Fellow subsidiaries	**3,808**	4,463
Associates	**193**	835
	4,001	5,298
	13,011	10,021
Amounts due to related parties:		
Trading in nature:		
Associates	**1,511**	197
Fellow subsidiaries	**815**	807
	2,326	1,004
Non-trading in nature:		
Fellow subsidiaries	**54**	–
Associates	**2**	–
	56	–
	2,382	1,004

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

The Group allows the same credit period to related parties as other trade customers. As of 31 December 2014, the amounts due from related parties of RMB8,641,000 aged over 180 days but within one year (2013: RMB8,331,000). Other amounts due from related parties are repayable on demand.

As of 31 December 2014, the amounts due to related parties of RMB191,000 aged within 90 days (2013: RMB904,000). Other amounts due to related parties are repayable on demand.

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39. RELATED PARTY DISCLOSURES (CONTINUED)

(iv) Transactions with other government-related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly-controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provides e-Government technology services of approximately RMB685,915,000 (2013: RMB741,831,000) (note 6) to other government-related entities and the PRC government. The directors of the Company consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 31 December 2014, the loan from government of RMB2,720,000 (2013: RMB3,630,000) (note 29) was borrowed from the Finance Bureau of Beijing which is unsecured, repayable on demand and bears interest at annual interest rate of 3.35% (2013: 3.72%), and the Group has incurred interest expense of approximately RMB122,000 (2013: RMB152,000) in the year.

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits placements and other general banking facilities, with certain banks and financial institutions which are government-related entities, in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except for trade and other receivables of approximately RMB107,554,000 (2013: RMB161,990,000), amounts due from customers for contract works of approximately RMB 1,601,000 (2013: RMB67,031,000), amounts due to customers for contract works of approximately RMB200,191,000 (2013: RMB104,251,000) as at 31 December 2014, those transactions as disclosed above, and certain balances disclosed in respective notes to the consolidated financial statements, the directors of the Company are of the opinion that transactions and balances with these related parties are not significant to the Group's operations.

(v) Compensation of key management personnel

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

	2014	2013
	RMB'000	RMB'000
Short-term benefits	**8,008**	6,963
Post-employment benefits	**684**	470
	8,692	7,433

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. INVESTMENTS IN SUBSIDIARIES

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**339,917**	73,480

Details of the Company's subsidiaries at the reporting date are set out in note 41.

The following table lists out the information relating to Beijing Capinfo Hangyuan Technology Co., Ltd. ("Capinfo Hangyuan") which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	2014 RMB'000	2013 RMB'000
NCI percentage	**20%**	20%
Non-current assets	**28**	36
Current assets	**4,203**	825
Total assets	**4,231**	861
Current liabilities	**3,546**	199
Total liabilities	**3,546**	199
Equity attributable to owners of the parent	**548**	530
Non-controlling interests	**137**	132
Revenue	**5,457**	2,435
Profit for the year attributable to owners of the parent	**18**	236
Profit for the year attributable to NCI	**5**	59
Profit for the year	**23**	295
Total comprehensive income for the year	**23**	295
Net cash generated from operating activities	**2,478**	30
Net cash used in investing activities	**(9)**	(21)
Net cash inflow	**2,469**	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Form of business structure	Place of registration/ incorporation and operation	Nominal value of registered/ share capital	Proportion of nominal value of registered capital held by the Company		Principal activities
				2014	2013	
Directly held						
Capinfo (Hong Kong) Co., Ltd.	Private limited company	Hong Kong	HK$2	**100%**	100%	Investment holding
Capinfo Technology (首信科技)	Private limited company	PRC	RMB50,000,000	**100%**	100%	Developing software; providing technical service; sale of hardware and software
Beijing Parking Management Centre Co., Ltd. (北京市停車管理中心有限公司)	Private limited company	PRC	RMB20,000,000	**100%**	100%	Building and operating the parking management system in Beijing
Capinfo Hangyuan (首信航源)	Private limited company	PRC	RMB1,000,000	**80%**	80%	Developing and sales of software and providing related technical services
Shanghai Hengyue (note(i))	Private limited company	PRC	RMB500,000	**100%**	100%	Developing software, and providing system maintenance service
Rito Info (note(ii))	Private limited company	PRC	RMB20,000,000	**100%**	N/A	Sales of self-developed computer software and the provision of related technical and consultancy services

Notes:

(i) This subsidiary was acquired on 31 May 2013 (note 37).

(ii) This subsidiary was acquired on 12 November 2014 (note 37).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2014 RMB'000	2013 RMB'000
Non-current assets		
Property, plant and equipment	**186,018**	165,244
Investment property	**52,831**	56,605
Prepaid lease payments	**40,217**	39,707
Deposits paid on acquisition of property, plant and equipment	**2,121**	2,505
Intangible assets	**20,445**	12,718
Investments in subsidiaries	**339,917**	73,480
Investments in associates	**24,314**	24,314
Available-for-sale investments	**950**	950
Trade receivables	**58,467**	89,533
Deferred tax assets	**9,763**	5,697
	735,043	470,753
Current assets		
Inventories	**21,377**	5,313
Prepaid lease payments	**7,781**	7,051
Trade and other receivables	**201,300**	188,717
Amounts due from customers for contract works	**63,545**	49,134
Amounts due from related parties	**12,426**	9,437
Amounts due from subsidiaries	**14,228**	16,875
Bank deposits	**3,615**	72,266
Bank balances and cash	**352,923**	305,494
	677,195	654,287
Total assets	**1,412,238**	1,125,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

	2014 RMB'000	2013 RMB'000
Current liabilities		
Trade and other payables	**232,682**	212,313
Amounts due to customers for contract works	**217,397**	101,709
Amounts due to related parties	**2,199**	894
Amounts due to subsidiaries	**75,154**	68,969
Loan from government	**2,720**	3,630
Short term bank loan	**20,000**	–
Income tax payable	**8,806**	–
Total liabilities	**558,958**	387,515
Net current assets	**118,237**	266,772
Total assets less current liabilities	**853,280**	737,525
Non-current liabilities		
Contingent consideration payables	**113,161**	–
Net assets	**740,119**	737,525
Capital and reserves		
Share capital	**289,809**	289,809
Share premium and reserves	**450,310**	447,716
Total equity	**740,119**	737,525

(ii) Information about the statement of changes in equity of the Company for the reporting period is as below:

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	289,809	254,079	34,733	136,766	715,387
Profit and total comprehensive income for the year	–	–	–	77,012	77,012
Dividend recognised as distribution	–	–	–	(37,685)	(37,685)
Profit appropriations	–	–	9,085	(9,085)	–
Others	–	–	–	(17,189)	(17,189)
At 31 December 2013 and 1 January 2014	289,809	254,079	43,818	149,819	737,525
Profit and total comprehensive income for the year	–	–	–	40,269	40,269
Dividend recognised as distribution	–	–	–	(37,675)	(37,675)
Profit appropriations	–	–	6,397	(6,397)	–
At 31 December 2014	**289,809**	**254,079**	**50,215**	**146,016**	**740,119**

43. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

As at 31 December 2014, the directors has not approved the merger agreement, and relevant document have not been signed by the Group. As informed by PayEase, based on the Group's shareholding in PayEase, subject to any escrow arrangements, the consideration receivable by the Group following the execution and return of certain documents is expected to amount to approximately US$14.8 million in form of cash; 1,254,164 shares of Series C-1 preferred stock of Mozido; and 5,452,886 shares of Series C-2 preferred stock of Mozido.

Details of which are set out in the Company's announcements dated 18 November 2014, 8 January 2015 and 17 February 2015.

The Group is in the process of assessing the financial impact arising from the disposal of its shareholding in PayEase, however cannot be estimated as at the date of this report.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

Capinfo Company Limited

COMPANY WEBSITE

www.capinfo.com.cn

STOCK EXCHANGE FOR LISTING

The Stock Exchange of Hong Kong Limited

H SHARE STOCK CODE

1075

LEGAL REPRESENTATIVE

Wang Xu

REGISTERED ADDRESS

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

SUBSTANTIAL SHAREHOLDERS

Beijing State-owned Assets Management Co., Ltd

DATE AND PLACE OF ESTABLISHMENT

23 January 1998, Beijing

DATE OF INITIAL LISTING ON GEM

21 December 2001

DATE OF TRANSFER OF LISTING TO THE MAIN BOARD

21 January 2011

PAR VALUE OF H SHARES IN ISSUE

RMB0.10 per H share

TOTAL NUMBER OF SHARES IN ISSUE

2,898,086,091 shares

NUMBER OF DOMESTIC SHARES IN ISSUE

2,123,588,091 shares

NUMBER OF H SHARES IN ISSUE

774,498,000 shares

REGISTRATION NUMBER OF BUSINESS LICENSE OF ENTERPRISE LEGAL PERSON

110000005123441

ORGANIZATION CODE

63369720-7

LEGAL ADVISOR

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

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

AUDITORS

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

Overseas auditor
Grant Thornton Hong Kong Limited
Address: Level 12, 28 Hennessy Road, Wanchai,
Hong Kong, PRC

CORPORATE INFORMATION

SHARE REGISTRAR AND TRANSFER OFFICE

China Securities Depository and Clearing Corporation Limited (Domestic Shares)
Address: No. 17 Taipingqiao Street, Xicheng District, Beijing, PRC
Post Code: 100033
Tel.: (8610) 5937 8888
Fax: (8610) 5859 8977

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

CONTACTS

Principal Place of Business in the PRC
Address: 12th Floor, Quantum Silver Plaza, No. 23 Zhi Chun Road, Haidian District, Beijing 100191 PRC
Tel.: (8610) 8851 1155
Fax: (8610) 8235 8550

Contact Place in Hong Kong
Address: Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, PRC
Tel.: (852) 2526 2186
Fax: (852) 2827 4836

DIRECTORS

Executive Director
Dr. Wang Xu *(Chairman & CEO)*

Independent Non-executive Directors
Mr. Chen Jing
Ms. Zhou Liye
Mr. Zeng Xianggao
Mr. Gong Zhiqiang

Non-executive Directors
Mr. Wu Shengjiao
Mr. Lu Lei
Mr. Pan Jiaren
Mr. Shi Hongyin
Ms. Hu Sha
Mr. Wang Zhuo

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Chen Jing *(Chairman)*
Mr. Gong Zhiqiang
Mr. Lu Lei

NOMINATION COMMITTEE

Dr. Wang Xu *(Chairman)*
Mr. Chen Jing
Mr. Zeng Xianggao

STRATEGY COMMITTEE

Dr. Wang Xu *(Chairman)*
Mr. Chen Jing
Mr. Lu Lei

BOARD OF SUPERVISORS

Mr. Di Guojun *(Chairman)*
Mr. Liang Xianjun
Ms. Xu Xiangyan

AUTHORISED REPRESENTATIVES

Dr. Wang Xu, Mr. Lu Lei

COMPANY SECRETARY

Ms. KOO Ching Fan

SECRETARY OF THE BOARD

Mr. Lu Lei

DEFINITION

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/the Company	Capinfo Company Limited
Capinfo Hong Kong	Capinfo (Hong Kong) Co., Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.
Parking Management	Beijing Parking Management Centre Co., Ltd.
Shanghai Hengyue	Shanghai Hengyue Computer Technology Co., Ltd.
Rito Info	Rito Info Technology Co., Ltd.
Capinfo Hangyuan	Beijing Capinfo Hangyuan Technology Co., Ltd.
BJCA	Beijing Certificate Authority Co., Ltd.
BST	Beijing Culture & Sports Technology Co., Ltd.
Capinfo Soft	Capinfo Soft Co., Ltd.
BSAM	Beijing State-owned Assets Management Co., Ltd.
Aiyuhan Hospital	Beijing Aiyuhan Hospital for Children and Women
Capnet	Capnet Company Limited
BIDP	Beijing IC Design Park Co., Ltd.
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Deloitte	Deloitte Touche Tohmatsu
Grant Thornton	Grant Thornton Hong Kong Limited
Companies Law	the Companies Law of the People's Republic of China
Articles of Association	the Articles of Association of Capinfo Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Stock Exchange	the Stock Exchange of Hong Kong Limited
IND	the Independent Non-executive Directors
the Year	the year ended 31 December 2014
reporting period	the period from 1 January 2014 to 31 December 2014

FEEDBACK ON 2014 ANNUAL REPORT

The Company wishes to get your comments or suggestions on our annual report by way of questionnaire so as to continue to enhance the quality of our annual report. We will appreciate your cooperation. Please tick the following options as appropriate.

Content	Rating (ranging from 1-5 in ascending order)	Is the information helpful?			Comments and Suggestions
The whole Annual Report	1 2 3 4 5	Poor	Fair	Excellent	
Chairman's Statement	1 2 3 4 5				
Management Discussion and Analysis	1 2 3 4 5				
Directors' Report	1 2 3 4 5				
Independent Non-executive Directors' Report	1 2 3 4 5				
Supervisors' Report	1 2 3 4 5				
Corporate Governance Report	1 2 3 4 5				
Investors Relations	1 2 3 4 5				

1. Any additional information you expected to be disclosed in the Annual Report:

2. Any other comments or suggestions:

The completed feedback may be returned to the Company by:

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

Information Collection Form

Name	
Postal Address	
Tel No.	
Email Address	

Information Collection Statement:

1. Your supply of personal data to the Company by completing Information Collection Form is on a voluntary basis.
2. The Company will treat your personal data as strictly confidential.
3. Your personal data may be used to feedback your comments or suggestions and publish statistical and data analysis.

No postage
stamp necessary
if posted in
Hong Kong

To: Hong Kong Registrars Limited

Freepost No.37

Hong Kong

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Capinfo Company Limited

www.capinfo.com.cn