

CAPINFO

Capinfo Company Limited



首都信息

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

(Stock Code : 1075)



The Next Generation A New Horizon

Annual Report 2018



CONTENTS

4	Company Profile
6	Financial Highlights
7	Shareholding Structure
8	Corporate Information
10	Event Highlights
12	Chairman's Statement
17	Honors and Qualifications
19	Management Discussion and Analysis
31	Profiles of Directors, Supervisors and Senior Management
37	Directors' Report
55	Independent Non-executive Directors' Report
58	Supervisors' Report
61	Corporate Governance Report
88	Investors Relations
101	Auditors' Report
108	– Consolidated Balance Sheet
111	– Consolidated Income Statement
113	– Consolidated Cash Flows Statement
115	– Consolidated Statement of Changes in Equity
116	– Notes to the Financial Statements
276	Definition



Smart cities
make life easier

OUTSTANDING ACHIEVEMENTS OVER THE PAST TWENTY YEARS

1998

On 23 January

The Company was registered

On 16 August

Two network speed switching nodes of Capital Public Information Platform (CPIP) were built at CCTV Tower and the Beijing Telegraph Bureau and CPIP was put into trial operation

2001

On 21 December

Capinfo was listed on the GEM of the Hong Kong Stock Exchange and raised more than HK\$300 million

2003

In April

Capinfo made outstanding contributions in the fight against SARS

1999

On 20 May

The e-Commerce Project of Capinfo Company Ltd was exhibited at the China Beijing International High-tech Industry Week, during which the national leaders, including Li Lanqing, the Vice-Premier, and Zou Jiahua, the Vice Chairman of the Committee visited Beijing e-Commerce City

2002

On 20 May

Capinfo undertook the e-Government Network Project of Beijing

2004

On 10 March

The "Beijing Avian Flu Preventive Information System" jointly-developed by Capinfo, the Office of Government Information Disclosure of Beijing and Beijing Agriculture Bureau was officially launched

1998

2001

2003

2005

2000

On 9 August

Capinfo entered into the cooperation agreement for the "Planning of Beijing City Major Information Application Projects" (北京市重大信息應用工程總體統籌負責制) with the Office of Government Information Disclosure of Beijing, the Labor and Social Security Bureau of the Beijing Municipality and the Beijing Municipal Civil Affairs Bureau

2005

On 22 December

A launching ceremony was held for the "Letter to the Mayor" online office system constructed by Capinfo

2006

In November

Capinfo successfully completed the protection works of the online E-Government network during the China-Africa Forum

2008

On 28 June

The "Olympic Multilingual Integrated Information Service Project" undertaken by Capinfo successfully passed the acceptance of the expert team of Beijing Olympic Organizing Committee and began to provide services for the Olympic audience

2011

On 21 January

Capinfo transferred its listing to the Main Board of the Hong Kong Stock Exchange

2007

On 6 September

Capinfo became the general outsourcing service provider of "Beijing-China Website Clusters"

2009

In October

Capinfo achieved outstanding performance in respect of the network protection of the Military Parade on the 60th Anniversary of National Day

2012

On 21 April

Capinfo undertook the technical development and maintenance work for "Beijing Hospital Medical" service project. "Beijing Hospital Medical" service project was first launched in Beijing Friendship Hospital

2006

2008

2011

2013

2010

On 18 August

Capinfo was awarded Achievement in the Construction of Social Security Card Project

2013

In December

The "5A5S Tuanjiehu Smart Community Project" of Capinfo was awarded "Excellent Demonstration and Application Award" in the second China Mobile Cup "Smart Beijing" Competition

OUTSTANDING ACHIEVEMENTS OVER THE PAST TWENTY YEARS

2014

On 12 November

Capinfo successfully completed the technical support work of the China APEC Leaders Informal Meeting

2016

On 22 December

The total number of cards issued by Beijing Hospital Medical Card, which was built by the Capital Information, exceeded 8 million.

2018

In March

Capinfo won the bid for the procurement project in relation to Beijing municipal-level government cloud

In December

Capinfo Development Forum was successfully held

2014

2016

2017

2018

2015

On 21 December

Capinfo won the bid for the Beijing Air Quality Forecast Warning and Decision Support Platform Project – System Construction

2017

In April

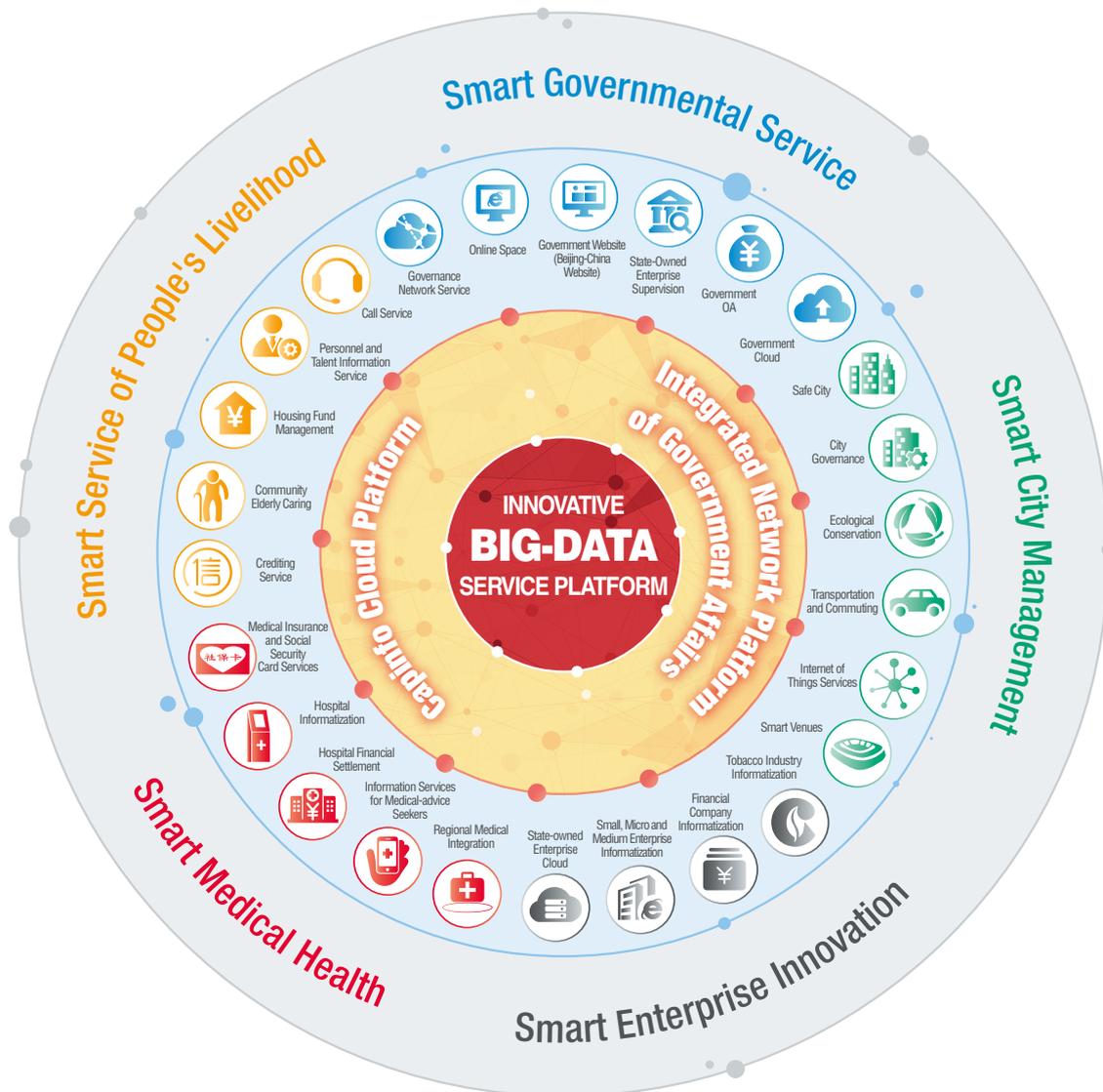
Capinfo acted as the system service provide of the Comprehensive Reform for Separation of Medicine and Pharmacy in Beijing and successfully completed the three stages of system development and testing, training and upgrade guidance for designated medical institutions, and official launch of the system

In December

The Capinfo Hebei Xiongan Branch Company (首都信息河北雄安分公司) was incorporated.

COMPANY PROFILE

Capinfo Company Limited (“Capinfo” or “the Company”) was founded in January 1998. The Company was listed on the GEM of the Hong Kong Stock Exchange in December 2001, and transferred its listing to the Main Board of the Hong Kong Stock Exchange (stock code: 1075) in January 2011. As the leading enterprise in the field of E-governance in Beijing’s state-owned system, leveraging on its extensive experience in information service and abundant information resources, Capinfo has completed the construction, operation and maintenance of various major information technology application projects in Beijing and across the whole country over the past two decades, making outstanding contributions to the construction of “Digital Beijing” and “Smart Beijing”, and has formed its own unique service model for major urban information projects. During the anti-SARS Campaign, Beijing Olympics, National Day Parade, APEC Summit, the reform



of separation of medicine and pharmacy, the Belt and Road Forum for International Cooperation, the 19th National Congress of the Communist Party of China and other major events, livelihood services such as the social security card system, medical insurance information system, housing provident fund system, air quality monitoring system and community service information system have built an image of state-owned enterprise that “emphasizes on politics and can be trusted”!

Building dreams for ten years, making changes for ten years. Capinfo has firmly grasped the pulse of the times, kept pace with the times, pursued excellence, opened up new business sectors in the Internet era, established the innovative business structure of “three platforms + five sectors” based on top-level design and shouldered the historical mission of building China’s smart city. The “three platforms” refer to: promote and build an innovative service platform for medical health, pension, credit, environmental protection, urban management and other industries with Capinfo big data analysis and processing system as the core. Capinfo took digital optical fiber, wireless governance website and wired governance website as the core to form a solid integrated government network platform in Beijing, and formed a trusted cloud platform based on IAAS, PAAS, SAAS services and private cloud solutions. The “five sectors” refer to: in the smart government affair service sector, the Company facilitates the transformation of government functions, interconnection, resources sharing and development of the new e-governance ecology; in the smart livelihood service sector, the Company takes serving the people’s livelihood as its responsibility, supports the government’s livelihood services in various fields and plays an important role in opening up convenient channels; in smart city management sector, the Company realizes wide collection and accurate positioning with the use of the Internet of Things and positioning technology, and helps the government to achieve smart city management; in the smart medical and health service sector, taking the operation of medical insurance system as the core and the informatization of medical institutions and the settlement platform of medical insurance and commercial insurance as the wings, the Company provides industry-based smart medical and health solutions to make medical services closer to the needs of the people; in the smart enterprise innovation sector, the Company focuses on enterprise information market, and provides integrated enterprise asset finance and group control industry solutions for state-owned enterprises, financial companies, trust enterprises and other industries.

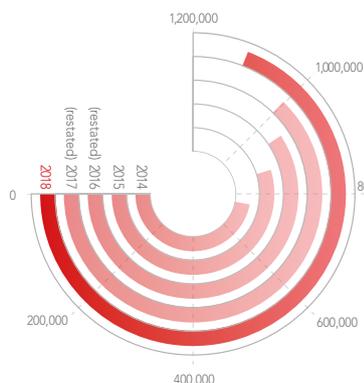
Capinfo was born out of Digital Beijing and developed with Smart Beijing. With a sense of responsibility to lead the development of the industry, Capinfo has started a new era and new journey of information enterprise. During the “13th Five-Year” period, Capinfo will closely follow the national strategy of integrated development of Beijing, Tianjin and Hebei. In response to the policy requirements relating to Internet+ and big data, the Company will capture the market demand of smart city, grasp the historical opportunities of “Belt and Road”, the Winter Olympic Games, the integrated development of Beijing, Tianjin and Hebei, the Sub-center of the city, and the Xiong’an New Area, devote its efforts to growing into a “leading smart city service provider”, fully achieve its corporate mission of “innovative IT service, smarter city and easier life” and endeavor to build an international first-class harmonious and livable city!

FINANCIAL HIGHLIGHTS

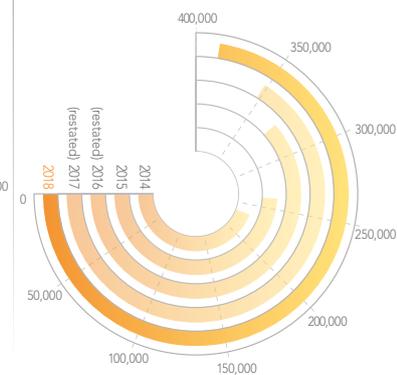
Unit: RMB'000

	2014	2015	2016 (Restated)	2017 (Restated)	2018
During the Reporting Period					
Revenue	756,810	879,473	949,506	1,008,307	1,131,507
Gross profit	235,065	260,713	327,147	351,532	388,229
Profit and total comprehensive income for the year attributable to owners of the Company	66,993	101,542	71,642	81,130	62,169
Earnings per share (RMB cents)					
From continuing and discontinued operations					
– Basic	2.31	3.5	2.5	2.8	2.1
Dividends per share (RMB cents)	1.06	1.57	1.09	1.25	0.97
– Interim dividend	–	–	–	–	–
– Final dividend	1.06	1.57	1.09	1.25	0.97
During the year					
Total assets	1,510,376	1,629,237	1,754,685	1,967,751	2,210,348
Net assets	846,218	917,042	1,008,320	1,009,047	1,041,136
Current liabilities	550,003	674,210	706,766	939,069	1,161,976
Financial Ratio					
Net gearing ratio (%)	2.68	0.2	0.09	0.08	0
Current ratio (times)	1.57	1.51	1.63	1.49	1.47

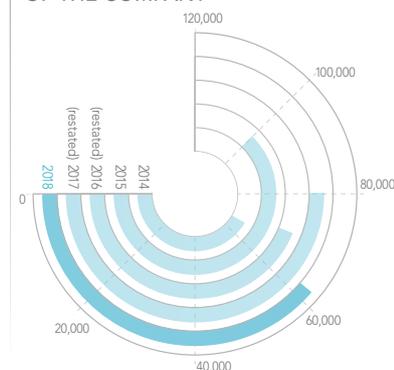
REVENUE



GROSS PROFIT



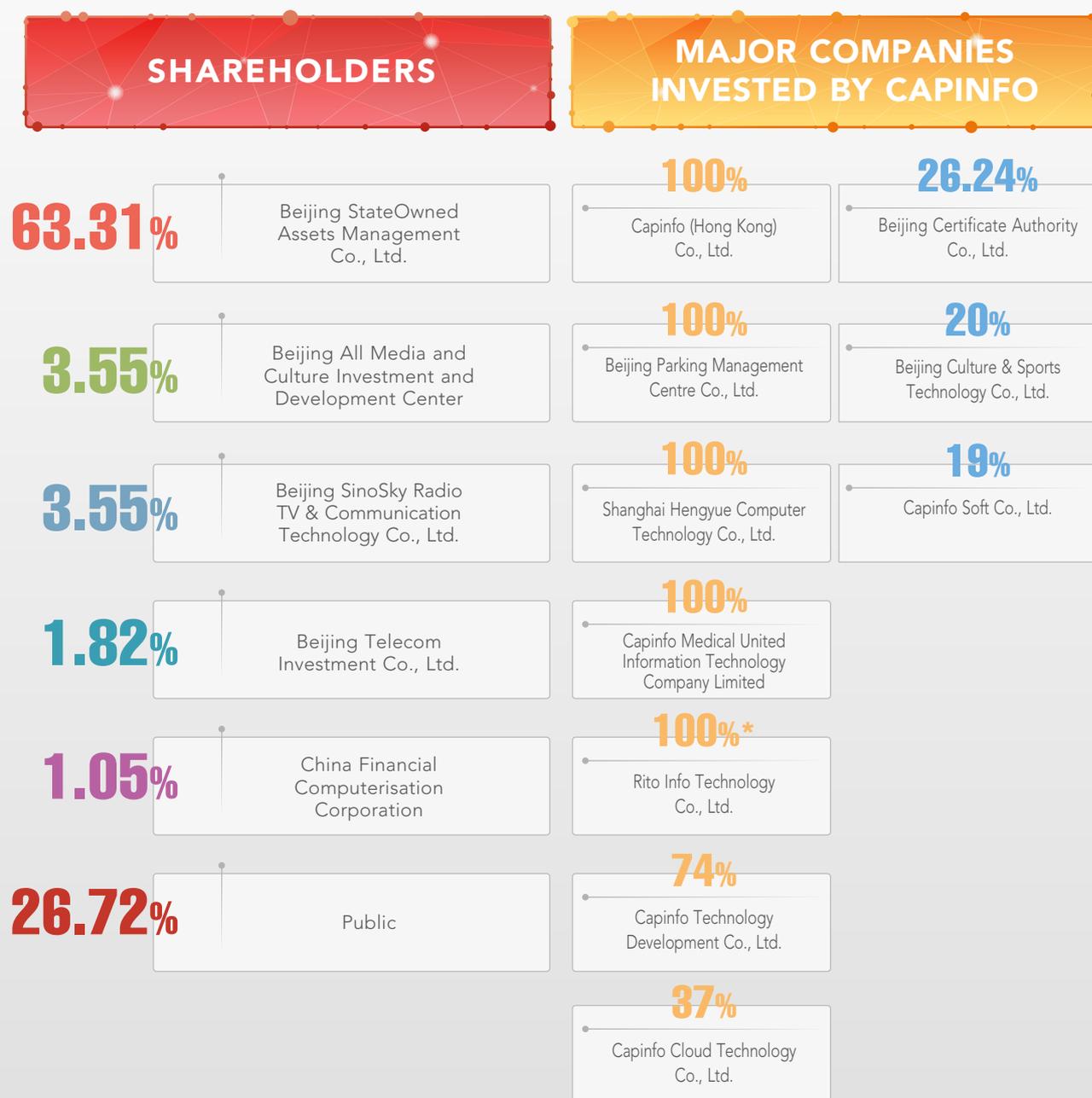
PROFIT & TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY



SHAREHOLDING STRUCTURE

CAPINFO

Capinfo Company Limited



Note*: The Company's shareholding in Rito Info Technology Co., Ltd. shall be 83% according to business registration.

CORPORATE INFORMATION

MEMBERS OF THE BOARD

Executive Directors

Ms. Lin Yankun

(Party Secretary and Chairman of the Board of Directors)

Mr. Yu Donghui *(Deputy Party Secretary and Chief Executive Officer)*

Mr. Zong Zhaoxing *(Deputy Party Secretary and President of Capinfo Institute)*

Non-executive Directors

Mr. Cao Huaizhi

Mr. Zhou Weihua

Mr. Shan Yuhu

Mr. Ma Linxiang

Mr. Feng Jianxun

Independent Non-executive Directors

Mr. Yang Xiaohui

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Li He

AUDIT COMMITTEE

Mr. Yang Xiaohui *(Chairman)*

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Li He

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Gong Zhiqiang *(Chairman)*

Mr. Yang Xiaohui

Mr. Cao Huaizhi

NOMINATION COMMITTEE

Ms. Lin Yankun *(Chairman)*

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

STRATEGY COMMITTEE

Ms. Lin Yankun *(Chairman)*

Mr. Yu Donghui

Mr. Li He

BOARD OF SUPERVISORS

Mr. Zhu Jie *(Chairman)*

Mr. Lei Yiping

Mr. Zhao Kewen

SECRETARY OF THE COMPANY

Mr. Lu Lei *(Vice President)*

Ms. Koo Ching Fan

SECRETARY OF THE BOARD

Mr. Lu Lei *(Vice President)*

LEGAL REPRESENTATIVE

Ms. Lin Yankun

COMPANY WEBSITE

www.capinfo.com.cn

H SHARE STOCK CODE

1075

REGISTERED ADDRESS

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

CORPORATE INFORMATION

AUDITORS

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

LEGAL ADVISOR

PRC law advisor
Fangda Partners, Shanghai
Address: 27/F, North Tower, Beijing Kerry
Centre, 1 Guanghai Road,
Chaoyang District, Beijing, PRC
Post Code: 100020

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

SHARE REGISTRAR AND TRANSFER OFFICE

China Securities Depository and Clearing
Corporation Limited (Domestic Shares)
Address: No. 17 Taipingqiao Street,
Xicheng District, Beijing, PRC
Post Code: 100033
Tel.: (8610) 59378888
Fax: (8610) 58598977

Hong Kong Registrars Limited (H Shares)
Address: Rooms 1712-1716, 17/F, Hopewell
Centre, 183 Queen's Road East,
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Fax: (852) 28650990

CONTACTS

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Contact Place in Hong Kong
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128 Gloucester Road, Wanchai,
Hong Kong, PRC
Tel.: (852) 28200700
Fax: (852) 28274836

EVENT HIGHLIGHTS

JANUARY

Capinfo was won the honors of "Preferred Information Service Provider in China 2017" (2017中國信息化首選服務商), "Innovative Enterprise of Cloud Computing in China 2017" (2017中國雲計算創新企業) and "Top 10 Leading Enterprises of IT service in China 2017" (2017年中國IT服務十大領軍企業)

FEBRUARY

In the Beijing Science and Technology Awarding Ceremony and 2018 China Technological Innovation Center Development Meeting, Capinfo's project of "development and industrialization of the support platform for smart city Internet of Things (IoT) applications in smart city" won the third prize of "2017 Beijing Science and Technology Award"

MARCH

Capinfo won the bid for the project of Beijing municipal-level government cloud

APRIL

Beijing Points System for Household Registration built by Capinfo was officially open to the public

MAY

"Smart Livelihood Service – Smart Home-Based Elderly Care Service Platform" built by Capinfo made its debut in the exhibition area of "Software and Information Services (Smart City)" in the 21st High-tech Expo

JUNE

Capinfo held the choir competition-cum- "Two Excellent and One Advanced" award ceremony in celebration of the Party's 97th anniversary in Dongsu Workers' Culture Theater

EVENT HIGHLIGHTS

JULY

Capinfo held an exchange seminar with Xiong'an New District Public Service Bureau

AUGUST

Capinfo attended the "2018 Hebei Smart City Summit" (2018河北智慧城市峰會) and delivered a keynote speech

SEPTEMBER

At the 2nd Boao Enterprise Forum in 2018, Capinfo and Lin Yankun, Board chairman and secretary of the Party committee of Capinfo were awarded the "Leading Internet Brand in China" (中國互聯網領軍品牌) and the "Internet Leader in China" (中國互聯網領軍人物), respectively

OCTOBER

Capinfo held an expert review meeting for its project of informatization construction of the smart venue of National Speed Skating Oval

NOVEMBER

Capinfo's discipline committee arranged the party cadres above the middle level to visit the anti-corruption education base in Dongchen District

DECEMBER

"Capinfo Development Forum" (首都信息發展論壇) were successfully held in Beijing Convention Center. At the forum, the Capinfo Development Report was released, thereby giving recognition to industry experts and informatization constructors who made specific contributions, and the establishment of AI Laboratory, Block Chain Research Center and Big Data Research Center was announced.



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I hereby present to you the 2018 annual report of Capinfo Company Limited. The year of 2018 is the commencing year for China's full implementation of the principles of the 19 National Congress of the Communist Party as well as the 20th anniversary of Capinfo's establishment. Under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company adheres to the leadership of the Party, strengthens the establishment of the Party and makes unremitting efforts to achieve the strategic goal of "adding value, consolidating basis, innovating and improving quality". Meanwhile, 2018 was also the year in which we made concerted efforts to overcome difficulties. Due to intensified trade friction and economic downward pressure, the Company faced tough tests and challenges from external and internal environments. In this regard, with a focus on the strategic positioning in the capital city, the Company used its best endeavor to draw up its development plan and made dedicated efforts in the planning of major projects and businesses. Under its leadership, all staff members worked together in tackling problems and accomplished various business tasks in the year. During the Reporting Period, the Group recorded an operating revenue of RMB1,131.51 million, representing an increase of 12.22% as compared with the corresponding period of last year; and net profit

attributable to owners of the Company of RMB62.17 million. Excluding the effect of goodwill impairment, net profit attributable to the owners of the Company was RMB104.88 million, representing an increase of 29.28% as compared with the same period of last year. The Group maintained steady growth in its performance.

Over the past year, we have continued to strengthen and consolidate the integrated network platform of government affairs and implemented the operating and maintenance idea of "dual-active links with emphasis on prevention". The availability of backhaul reached 100%. We provided protection, with the highest service standard, for major state affairs such as National and Beijing Two Sessions, Beijing Summit of the Forum on China-Africa Cooperation and Beijing International Marathon, thus fully demonstrating a strong sense of political responsibility and commitment as a state-owned enterprises. We

continued to spend effort building a big data innovative service platform, and initially built a big data system platform for medical insurance, laying a solid foundation for business in the field of innovation of medical big data application. We further promoted Capinfo service platform, won the bid for Tongzhou government cloud project, completed the construction of government cloud of the data center of the sub-center administrative office, and gained further market share in the capital's e-government market. On top of firmly promoting the "three platforms", the "five business sectors" all achieved good results. In respect of smart government service, we satisfactorily completed the protection work of operation and maintenance of Beijing online government service center in 2018 and were praised by relevant departments. Smart medical and health service expanded rapidly. In terms of commercial insurance settlement platform, we cooperated with hundreds of hospitals and commercial insurance companies. Smart livelihood service was promoted in an orderly way and the point system for household registration was launched and fully affirmed by customers. Regarding smart city management business, achievements were made in terms of safe city. In addition to Dongcheng District, the "Sharp Eyes Project" was extended to Changping District and Yanqing District. Smart enterprise innovation continued to grow and we entered into contracts with more than ten group-sized customers in relation to enterprise cloud platform.

In the past year, we were persistent in deepening reform and strengthening internal control and kept pace with the times to improve our corporate governance system. According to the Group's strategic development plan, we deepened the reform of organizational structure, established four platforms for management, technology, investment and business, set up Capinfo Research Institute, Social Security Department, Private Network Business Department, Provident Fund Department, Government Informatization Business Department, and set up two subsidiaries, namely Capinfo Cloud Technology and Capinfo Medical United. Based on the Party construction work, "the Party Organization shall play a leadership role" was officially written into the Company's Articles of

Operating revenue

RMB **1,131.51** million

Representing an increase of

12.22%
as compared with
the corresponding period of last year

Net profit attributable to owners of the Company

RMB **62.17** million

CHAIRMAN'S STATEMENT

Association. With a focus on risk prevention and control, we comprehensively reviewed the current system to identify risks and weaknesses, included the latest laws and regulations and regulatory requirements in the Company's Articles of Association and various rules and systems, and established a system covering pre-event, concurrent and post-event risk prevention and control. We strengthened internal control management, implemented internal control audit and management audit in an all-round way, and rectified problems in planning, procurement, quality, finance, law and audit. A leading group of legislation has been established to ensure that the enterprise are governed by law and operated in accordance with regulations.

2018 is the 20th anniversary of Capinfo's establishment. The Company successfully held the Capinfo Development Forum and invited academicians of the Chinese Academy of Engineering, academicians of the International Euro-Asian Academy of Sciences, relevant national ministries and commissions, relevant bureaus and commissions of Beijing as well as partners and representatives of industry and enterprises to participate in the forum, and Capinfo brand enjoyed an industry-wide reputation in this regard. AI Laboratory, Block Chain Research Center and Big Data Research Center, which aimed at stepping up efforts on the research and development of new technologies for smart cities, were officially unveiled at the Capinfo Development Forum. We carried out in-depth cooperation with well-established enterprises and signed strategic cooperation agreements with Huawei, Alibaba Cloud, ZTE and Lenovo. Over the year, we received dozens of awards and recognitions, such as the Leading Internet Brand in China (中國互聯網領軍品牌), Internet Leader in China (中國互聯網領軍人物), New Era Brand Innovators in China (新時代中國品牌創新人物), 2018 IT Service Innovation Unit in China (2018中國IT服務創新單位), 2018 IT Service Innovation Pioneer in China (2018中國IT服務創新行業先鋒), Innovation Award of Government Informatization Program in China (中國政府信息化方案案例創新獎), 2018 Top 100 Smart Data Ecology (2018數據智能生態百強) and 2018 Best Application Products for Smart City in China (2018中國智慧城市百佳應用產品).

In 2019, starting a new journey of development, we will capitalize on the strong momentum with a bold vision, stay focus, manage changes according to trend, act according to plan, so as to break through all difficulties and overcome obstacles bravely and fearlessly. We will enhance independent innovation in the new information technology era, base our businesses in the capital city and expand to the whole country, strive to create new technologies, new brands and new achievements for industries, and develop Capinfo into a leading smart city service provider!

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

By Order of the Board of Directors

Ms. LIN Yankun
Chairman

Beijing, the PRC
25 March 2019

HONORS AND QUALIFICATIONS

- 2018 Innovation Award of Government Informatization Program in China (Beijing wireline and wireless governance network) (2018年中國政府信息化方案案例創新獎(北京市無線和有線政務專網))
- 2018 IT Service Innovation Competition in China – Award of IT Service Innovation Unit in China (2018中國IT服務創新大賽—中國IT服務創新單位獎)
- China Top 100 Solution Providers in 2018 (2018年中國方案商百強)
- Top 100 Hong Kong Stocks in terms of Brand Value in 2018 (2018港股品牌價值100強)
- 2018 Award for Best Application Products for Smart City in China (2018中國智慧城市百佳應用產品獎)
- 2018 Top 100 Smart Data Ecology (2018數據智能生態百強)
- 2018 Top 100 Software and Information Services Enterprises in terms of Comprehensive Strength in Beijing (2018北京軟件和信息服務業綜合實力百強企業)
- GoldenBee Excellent CSR Report 2018 – Supplier Engagement Disclosure Award (金蜜蜂2018優秀企業社會責任報告、供應商責任信息披露獎)





MANAGEMENT
DISCUSSION
AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, China's economy experienced changes amid stable operation and concerns have been raised amid such changes. In a complicated and challenging external environment, the economy is facing downward pressure. However, in the long run, China's development is still in the period of important strategic opportunities, and the economy is shifting from a rapid growth stage to a high-quality development stage. With new technologies such as cloud computing, big data, artificial intelligence, and blockchain profoundly changing people's production and lifestyle, the Central Party Committee and the State Council have attached great importance to the new generation of information technology industry. Cyberpower, digital China, and smart society were mentioned in the report of the 19th National Congress of the Communist Party and are now part of the national strategies. Under such background, a series of national industrial policies such as the Notice on the Three-Year Action Plan of Expanding and Upgrading of Information Consumption, the Guidelines for Encouraging Enterprise Cloud Migration and the Three-Year Action Plan of Expedite the Development of a Next Generation Artificial Intelligence Industry for 2018 to 2020 have been carried forward and fully implemented. Facing both challenges and opportunities, the Company adhered to the principle of seeking progress while maintaining stability and moving on as one to take the bull by the horns, constantly optimized and upgraded the three basic platforms, strengthened the fundamental driving force of its development, expedited the integration and



MANAGEMENT DISCUSSION AND ANALYSIS

application of technological innovation in five fields into the real economy, and fostered the new momentum of its development. During the Reporting Period, the Group recorded an operating revenue of RMB1,131.51 million, representing an increase of 12.22% as compared with the same period of last year; net profit attributable to the owners of the Company of RMB62.17 million, representing a decrease of 23.37% as compared with the same period of last year. Excluding the effect of goodwill impairment, net profit attributable to the owners of the Company was RMB104.88 million, representing an increase of 29.28% as compared with the same period of last year. The Group maintained steady growth in its performance.

Smart Infrastructure Service

During the Reporting Period, the “Three Platforms” played a fundamental role. The integrated network platform of government affairs ran smoothly. The availability of backhaul reached 100% and the response rate and timeliness of services and satisfaction of services all remained at a historical high level, successfully accomplishing supporting tasks of important activities during the year. Internet of Things data website of government affairs were further developed and brought into play the role of broadband cluster command and dispatch during Beijing Summit of the Forum on China-Africa Cooperation and medical rescue in Beijing Marathon. Cloud platform business was actively carried forward. Capinfo Cloud obtained the qualification of IDC and ISP licenses.

The Group won the bid for Beijing municipal-level government cloud and completed the construction and maintenance work of Liu Li Qiao nodal point of the government cloud, and encouraged cloud migration of committees, offices and bureaus in Beijing. Currently, there have been dozens of government units running their business system on Capinfo government cloud platform. Big data platform was taking shape. A big data team was established and the technical ability of the team was constantly improved. The construction of the platform of the medical insurance big data system and the migration of database of medical insurance business were both completed. The real-time payment business monitoring system, the multi-dimensional analysis system of medical insurance and the simulation system of medical insurance policy were also established.



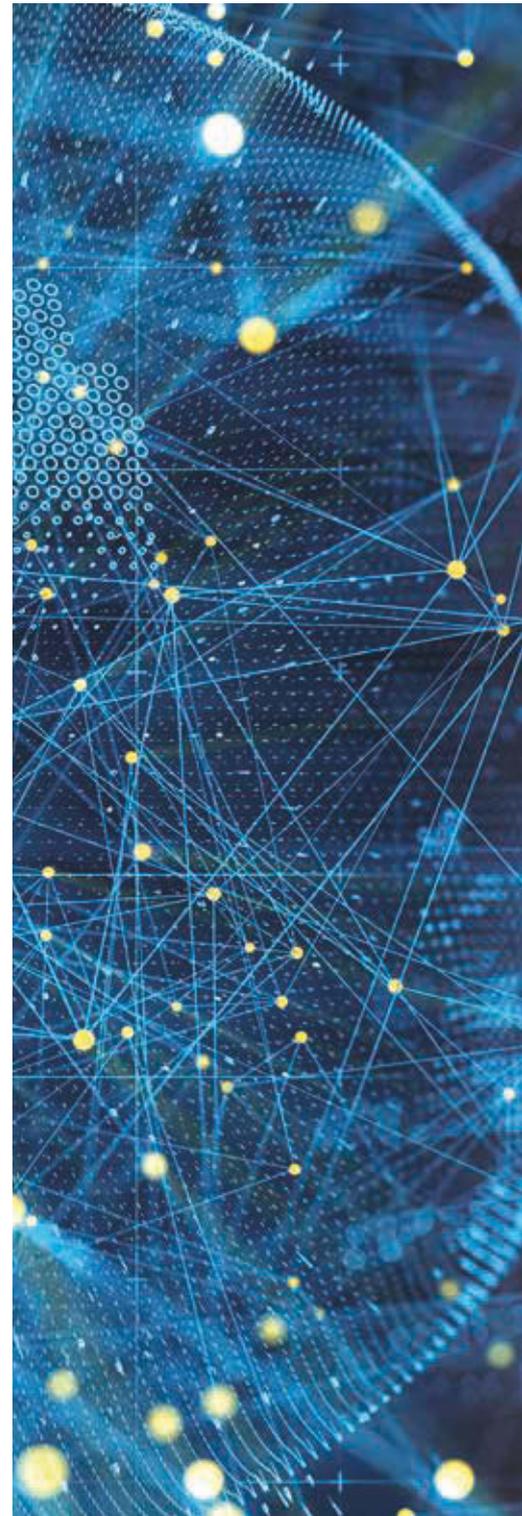
MANAGEMENT DISCUSSION AND ANALYSIS

Smart Government Affair Service

Our brand strength of intelligent government affair service has been more prominent. New websites of various units including Beijing Municipal Support and Cooperation Office, Industrial and Commercial Bureau and Public Security Bureau were launched and operated in a stable manner. The website of Ministry of Veterans Affairs was built in a speedy manner and highly recognized by the customer. Beijing-China Website (首都之窗) operated and maintained by us had won the first prize of the China's Government Website Performance Assessment for 2018. The website, <http://www.bj148.org/>(首都政法綜合網), operated and maintained by us was ranked as the Most Influential "Internet + Government and Legal Services" Platform in China 2017 (2017年度中國最具影響力「互聯網+政法服務」平台). The third revised edition of Beijing government affair service website was launched, over-fulfilling the goal of "90%" online availability rate of government services at both municipal and rural levels, and highly praised by the customer. The Group won the bid for informatization construction project of Shunyi District Government Service Hall, and secured the informatization monitoring Project of Haidian District in relation to the provision of informatization infrastructure and office automation Service for Commission for Discipline Inspection and the Supervision Commission of Haidian District. In terms of the national civil servant information management system, training and technical support services were provided to 20 ministries and 5 provincial organizational departments.

Smart City Management

The competitiveness of our smart city management business has been further enhanced. The "Sharp Eyes Project" of Dongcheng District was checked and accepted. We started the "Sharp Eyes Project" of Changping District and Yanqing District, and ensured the operation of construction waste vehicle transportation management system based on Beidou Satellite and monitoring system on environmental sanitation vehicles. The construction project of law enforcement for motor vehicles in autumn and winter was completed. Through building an APP for law enforcement and inspection of motor vehicles, more than 700 law enforcement officers of environmental protection departments at municipal and rural levels in Beijing were served to carry out law enforcement and inspection of motor vehicles, and the number of recorded motor vehicle law enforcement inspections totaled more



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



than 1.4 million, which improved the inspection efficiency of law enforcement officers. We secured the eco-environment business supervision platform server project of Tianjin. The construction of QR code system of public service facilities in 11 districts of Beijing was completed. We entered into agreements in relation to 6 smart city top-level design projects in Lanzhou, Luquan, Anyang, Fengdu in Chongqing, Kaizhou in Chongqing and Liuzhou, which laid foundation for our smart city business to reach out Beijing.

Smart Medical and Health Service

The chain of smart medical and health business has been more perfect. The Medical Insurance Information System and the social security card system operated stably, carrying nearly 23 million insured persons, with annual settlement amount reaching RMB100 billion. The medical insurance business system of urban and rural residents has been stable since it was launched at the beginning of the year. The doctor's advice information sharing system was extended to more than 2,500 pilot designated medical institutions. The direct settlement system for cross-provincial medical treatment played a role of benefiting the people, with annual settlement amount reaching RMB13.2 billion for the whole year, providing convenient and real-time settlement services for 420,000 people from other provinces seeking medical service in Beijing and more than 10,000 people seeking

MANAGEMENT DISCUSSION AND ANALYSIS

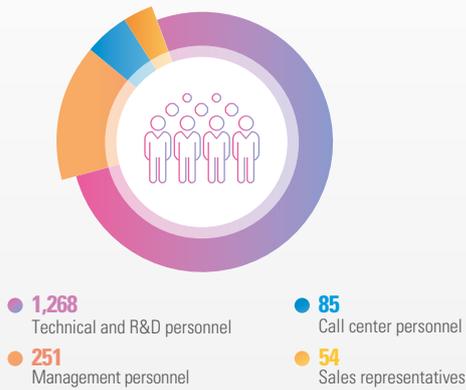
medical service outside the city. In accordance with the requirement that social security premiums should be levied by taxation, we made efforts to promote system reform and data docking. We provided 7 x 24 hours of operation and maintenance support for the related hospitals of Beijing hospital medical card, developed and deployed the backup system of Beijing hospital medical card, re-opened the two-way communication channel with the hospital HIS, and realized full coverage of online and offline, hospital and personal medical services. We continued to make every effort to carry forward the construction of commercial insurance settlement platform. In 2018, we entered into agreements with hundreds of hospitals and more than ten commercial insurance companies. We constructed a district-level settlement platform in Changping District, covering about 200 health service centers, providing a new medical treatment model for medical staff. Based on the actual needs of Chaoyang Hospital, we continued to develop and improve the hospital information management system of independent intellectual property rights, CapHIS.

Smart Livelihood Service

The influence of our smart livelihood service continued to enhance. Key projects of the Provident Fund have been progressing smoothly. After development and testing, the core system of Beijing Housing Provident Fund was officially launched, and passed the "double implementation standard" acceptance by the Ministry of Housing and Urban-Rural Development with the highest score. The core system of Shanghai Provident Fund is undergoing user testing. Most of the launching work of Chongqing Provident Fund System have been completed. Nanning Provident Fund System and Guangzhou Provident Fund System were both launched. Nanning, Baise and Chongzuo Provident Fund Systems passed the "double implementation standard" acceptance by the Ministry of Housing and Urban-Rural Development with excellent results. In terms of human resources business, Beijing Points System for Household Registration was officially launched, with nearly 60,000 registered units and more than 300,000 visitors. We successfully undertook the whole process of the first points-based household registration. More than 6,000 people who were qualified under Beijing's points-based household registration policy in 2018 began the registration formalities. The examination system operated in a stable manner, providing systematic support for more than 400,000 people in their qualification examinations, vocational skills appraisal and title appraisal etc. The talent management system provided protection in terms of their work and residence permits, introduction of talents and management of overseas students. We completed the protection work of 12345 hotline on which online citizens' appeals were reporting directly, achieving the requirement that "the citizens' appeals, being the whistle, should be sent directly to the streets and villages". In coordination with municipal non-emergency help center, we completed the upgrading and transformation plan of 12345 hotline information system. The public credit information service platform of Beijing collected 350 million credit records nationwide, and won the first prize of national credit innovation application in the evaluation conducted by the National Information Center and the National Public Credit Information Center. In terms of community service, we continued to provide services to various customers such as the Social Work Committee of the Beijing Municipal Committee, Mentougou Community Service Center and Chaoyang Community Service Center.

MANAGEMENT DISCUSSION AND ANALYSIS

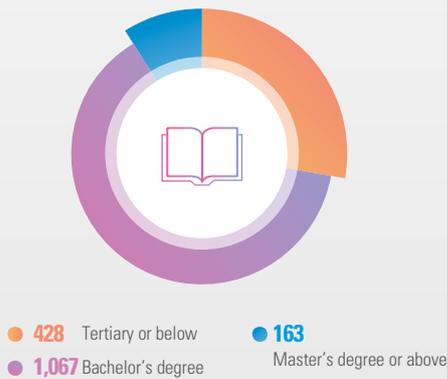
Statistical distribution chart of employees by functions



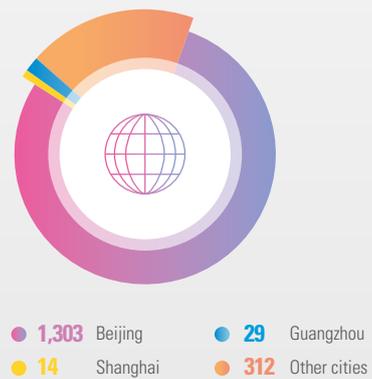
Statistical distribution chart by sex



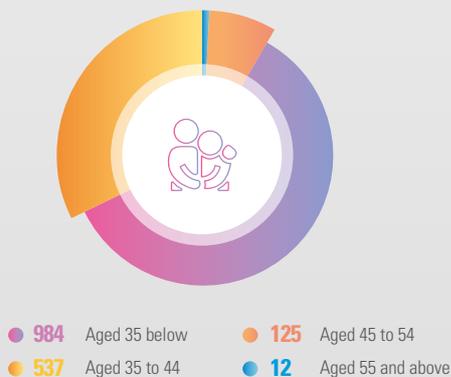
Statistical distribution chart by education



Statistical distribution chart by geographical areas



Statistical distribution chart by age



Statistical distribution chart by service years



MANAGEMENT DISCUSSION AND ANALYSIS

Smart Enterprise Innovation

The smart enterprise information business broke new ground. Taking the construction of the National Speed Skating Hall as an opportunity, the Company started the construction project of the smart skating hall. In cooperation with National Speed Skating Hall, Beijing UN-construction and Beijing Institute of Architectural Design, we successfully applied for the project of “Key Technologies and Integrated Application Research of Smart Stadium of National Speed Skating Hall ” of Beijing Municipal Commission of Science and Technology. The Group further expanded its customer base of enterprise cloud platform and entered into contracts with more than ten group-sized customers. We actively served the Beijing SASAC and completed the project design of the big data platform for investor supervision, and initially built the index system for investor supervision. We steadily promoted information services in the tobacco industry, and entered into contracts in relation to tobacco industry capital supervision system with dozens of tobacco provincial industrial and commercial enterprises. We actively carried out research and development and promotion of integrated innovative business such as tax and profit tracking and prediction, third-party payment, enterprise invoice center, etc. In terms of enterprise capital management, we completed Haier financial development and operation and maintenance projects for three consecutive years. We entered into contract in relation to fund management project of Qingdao Kingking Group. We won the bid for the personnel outsourcing service project of FAW Financial. We continued to expand our scope of project participation, and developed more in-depth cooperation with New Hope Finance Co., Ltd. more deeply and successfully implemented buyer credit project.

During the Reporting Period, the Group initiated 2 patent applications which were accepted by the State Intellectual Property Office. As of 31 December 2018, the Group was authorized 6 patents as accumulated. During the Reporting Period, the Group registered 313 software copyright items in total as accumulated.

The Group Management and Control

During the Reporting Period, with a focus on the strategic objectives of the 13th Five-Year Plan, the Group made in-depth adjustment in its organizational structure, established business departments (subsidiaries) and research institutes, enhanced its adaptability to the market and strengthened its core competitiveness. Risk control system was intensified and internal control was improved. The internal control system achieved full coverage. Through internal control auditing and management auditing, problems existing in the Group management and control in the aspects of planning, procurement, quality, finance, law and auditing were identified and rectified. The articles of association and the “Three Importances and One Large” decision-making system were revised and improved. Systems of the Company were systemized and perfected. Centralized procurement system and outsourcing audit system were also established. Legal risk prevention and control were institutionalized.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking Forward

Facing the future, the management will give full play to the entrepreneurial spirit of overall planning and pioneering, based on the strategic positioning of the capital city, focus on the coordinated development of Beijing, Tianjin and Hebei, grasp important historical opportunities such as the construction of Beijing Sub-center and Xiong'an New Area as well as organization of Olympic Winter Games. We will intensify the reform of technology innovation, product innovation and management innovation, with the core business as the foundation, take "cloud computing" and "big data" as the breakthrough point to integrate with the real economy and expand to all industries related to smart city. We will also actively explore new business, new fields and new markets, and gather all the wisdom and strength and strive tirelessly to become a leading smart city service operator.

Human Resources

As of 31 December 2018, the Group had 1,658 employees (2017: 1,537 employees), including 1,268 technology and research and development employees (2017: 1,067 employees), 251 function management personnel at all levels (2017: 305 employees), 85 call center representatives (2017: 98 employees), and 54 sales staff (2017: 67 employees). Expense of the Group's employees was approximately RMB326.46 million (2017: RMB309.66 million).

The Company takes performance and growth as its orientation and takes reference to industry standards for out-performing enterprises to reform project and business incentive system. Remuneration management system and performance appraisal system were established according to the principle of "fair system of reward and punishment". Different remuneration systems were distinguished for different roles in sales, technology and management. Individual appraisal system based on market performance was also established to provide platform for fair competition in terms of talent development. The Company conducted competency assessment and testing of its technical staff as well as technical competencies examination for its technicians and carried out comprehensive evaluation and comprehensive evaluation based on the results and work performance, which laid the foundation for the next steps, including talent selection, promotion and market-oriented salary benchmarking.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded an operating revenue of RMB1,131.51 million, representing an increase of 12.22% as compared with the same period of last year. The Group recorded a gross profit of RMB388.23 million, representing an increase of 10.44% as compared with the same period of last year, and profit attributable to the shareholders of RMB62.17 million, representing a decrease of 23.37% as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income of the Group amounted to RMB14.81 million, representing a decrease of 18.28% over the corresponding period of last year, mainly due to the income from project research and development and property rent, where income from project research and development was RMB0.37 million, representing a decrease of 91.66% over the corresponding period of last year. Digital Beijing Building's rental income was RMB14.44 million, representing an increase of 6.46% over the corresponding period of last year.

In the current year, the profit or loss from fair-value changes of the Group amounted to nil. The fair value of C-2 shares as of 31 December 2018 recognized based on Market Approach and Black-Scholes-Merton Option Pricing Model is RMB0. The profit or losses from fair-value changes during the corresponding period of last year were a loss of RMB3.56 million, mainly due to changes in the fair value of the C-2 series shares held. During the current year, the investment revenue amounted to RMB29.33 million, representing a decrease of RMB33.85 million. Investment revenue included the investment revenue of RMB22.70 million from Beijing Certificate Authority Co., Ltd. and Beijing Culture & Sports Technology Co., Ltd. during the year as well as revenue of RMB6.62 million recognized from purchase of structural bank deposits during the year. The decrease was larger than that of last year mainly due to the investment revenue of RMB40.81 million generated from the transfer of equity interests of Payease in 2017. In the current year, the impairment loss of assets amounted to RMB42.72 million, due to the impairment loss of goodwill of Xiamen Rito, which increased by RMB36.09 million as compared with the impairment of goodwill last year. Compared to RMB27.11 million last year, bad debts and impairment losses amounted to RMB32.78 million in the current year and were presented in the "credit impairment losses" in the statement.

In respect of the Group's business model, the main businesses included operation and maintenance, system integration, software development, IT consultancy and sales of goods, of which revenue from operation and maintenance amounted to RMB635.54 million, representing an increase of 15.45% as compared with the corresponding period of last year and accounting for 56.17% (2017: 54.59%) of the total operating revenue of the Group; revenue from system integration amounted to RMB370.05 million, representing an increase of 20.96% as compared with the corresponding period of last year and accounting for 33.15% (2017: 30.75%) of the total operating revenue of the Group; revenue from software development amounted to RMB97.10 million, representing a decrease of 20.33% as compared with the corresponding period of last year and accounting for 8.58% (2017: 12.09%) of the total operating revenue of the Group; revenue from IT consultancy and sales of goods totaled RMB9.01 million, and accounting for 0.80% (2017: 0.77%) of the total operating revenue of the Group. In addition, in respect of the classification of industries which the clients of the Company are engaged in, government clients of the Group accounted for the largest share, with 89.38% (2017: 80.34%) of clients being the government clients. In respect of regions of business distribution, the operating revenue of the Group was still derived mainly from the Beijing region currently, which accounted for 94.78% (2017: 90.95%) of the total operating revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2018, the Group had total assets amounting to RMB2,210.35 million, representing an increase of 12.33% as compared with the corresponding period of last year. Equity attributable to shareholders of the parent company amounted to RMB1,006.54 million, representing an increase of 2.77% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.47, representing a decrease of 0.23 as compared with the corresponding period of last year. For the year ended 31 December 2018, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB652.51 million, which was basically the same as that of last year. Additional purchase of bank structural deposits of RMB200 million carried interest at fixed rate was reflected in "other current assets" in the statement.

Equity Investments

In 2018, the Group's share of results of associates was RMB22.70 million, representing an increase of 2.25% over the corresponding period of last year, which was mainly due to the contribution from BJCA.

Income Tax

In 2018, the Company has been recognized as a key software enterprise in the national planning layout to enjoy a tax preference. The Enterprise income tax of the Company was imposed at a reduced rate of 10%. In the current year, the payable income tax expenses amounted to RMB11.19 million and, excluding the income tax expenses of RMB40.81 million recognized by Capinfo Hong Kong for equity transfer in 2017, the actual income tax expenses arising from operation decreased by RMB3.11 million as compared with the corresponding period of last year.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Lin YanKun
Party Secretary
Chairman

Ms. Lin Yankun (Party Secretary and Chairman), aged 44, was appointed as executive director, member of Remuneration and Appraisal Committee in January 2017. She has been recommended and elected to be the Chairman of the Board of Directors of the Company in October 2017, and she is also serving as the Chairman of the Strategy Committee and the Nomination Committee, in charge of leading the Board and ensure the Board to operate efficiently under the best interests of the Company as a whole. In November 2016, she joined the Company as Party Secretary. Before joining the Company, Ms. Lin served as the minister of disciplinary inspection supervision in BSAM. Ms. Lin also held various positions in Beijing Municipal Committee Office, including deputy director of the research department and the Secretary of The League Committee. Ms. Lin has a wealth of business management experience. Ms. Lin graduated from Peking University in 2006 with a master's degree in civil and commercial law.



Yu Donghui
Deputy Party Secretary and
Chief Executive Officer

Mr. Yu Donghui (Deputy Party Secretary and Chief Executive Officer), aged 46, was appointed as executive director and member of the Strategy Committee in January 2017. He currently serves as the Deputy Party Secretary and Chief Executive Officer of the Company, responsible for the overall operation and management, the implementation of the policies and operation objectives established by the Board of Directors. 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, business director and vice president of the Company with extensive experience in enterprise and technique management.



Zong Zhaoxing
Deputy Party Secretary and
President of Capinfo Institute

Mr. Zong Zhaoxing (Deputy Party Secretary and President of Capinfo Institute), aged 54, was appointed as executive director in June 2018. He currently serves as the deputy secretary of the party committee of the Company and the president of the Capinfo Institute, in charge of the daily work of the party establishment and the development of the trade union and the Communist Youth League, corporate culture of the Company and management of the Capinfo Institute and training. Before joining the Company, Mr. Zong was a technician and the deputy factory director of the branch chemical factory of Beijing Woodworking Factory of BBMG, the assistant factory manager and the office director of Beijing Woodworking Factory, the division head of the organization office of CPC Committee of BBMG, the general manager assistant of Beijing Jinhuyuan Property Management Co., Ltd. under BBMG, the deputy general manager of Beijing Boshu Industry and Trade Co., Ltd. under BBMG, a party committee member, the deputy chairman of labour union and the director of Party-masses Work Department of Beijing Science and Technology Park Construction (Group) Co. Ltd. Mr. Zong graduated from Northeast Forestry University with a bachelor degree in chemical engineering in 1986.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Cao Huaizhi
Non-Executive
Director

Mr. Cao Huaizhi, aged 38, was appointed as executive director in June 2018. He currently serves as the manager of the asset management department of Beijing Industrial Developing Investment Management Co., Ltd., non-executive director of Beijing Hainachuan Automotive Parts Co., Ltd. and Twenty First Century Aerospace Technology Co., Ltd., the chairman of the board of Beijing Loyalty & Evergreen Investment Management Co., Ltd. and Beijing Gongmei Guoli Investment Management Co., Ltd. (北京工美國禮投資管理有限公司). He previously held senior positions in the third institute of China Aerospace Science and Industry Corporation, HiWING and military-civilian integration equipment industry park of China Fortune Land Development Co., Ltd. Mr. Cao graduated from Northwestern Polytechnical University with a master degree in detection guidance and control technology and system engineering in 2005 and graduated from University of Chinese Academy of Sciences with a master degree in business administration in 2014.



Zhou Weihua
Non-Executive
Director

Mr. Zhou Weihua, aged 57, a professional senior engineer, was appointed as non-executive Director since June 2015. He is currently the chairman and general manager of Beijing SinoSky Radio TV & Communication Technology Co. Ltd., the sponsor shareholder of the Company and had served as the director and deputy chief engineer of the Research Department in Aerial Design of the Radio, Film & TV Design and Research Institute and engaged in development, design and management of antenna of radio and television communications for many years. He graduated from Peking University Guanghua School of Management in July 2005 where he received a management master's degree.



Shan Yuhu
Non-Executive
Director

Mr. Shan Yuhu, aged 57, senior accountant, was appointed as non-executive Director since June 2015. He is currently the general manager and director of Beijing Telecom Investment Co., Ltd., the sponsor shareholder of the Company and had served as the head of Financial Department of the Beijing Telegraph Bureau (北京電報局財務科), head of the Financial Department of the Beijing Long Distance Telephone Bureau (北京長途電話局財務處), the chief accountant of Beijing Suburban Telecommunication Bureau (北京市郊區電信局) and deputy general manager of the Financial Department of China Unicom, Beijing branch.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Ma Linxiang
Non-Executive
Director

Mr. Ma Linxiang, aged 36, is a senior engineer. He was appointed as executive director in June 2018. He currently works in the general office of Beijing Gehua Media Group Co., Ltd. (北京歌華傳媒集團有限公司). He previously worked at Beijing Gehua CATV Network Co., Ltd. Mr. Ma graduated from Beijing University of Technology with a bachelor degree in applied physics in 2005 and obtained a master degree in engineering from Communication University of China.



Feng Jianxun
Non-Executive
Director

Mr. Feng Jianxun, aged 47, is a senior engineer. He was appointed as executive director in June 2018. He currently serves as the deputy office director of China Financial Computerization Corporation. He graduated from School of Economics and Finance of Xi'an Jiaotong University in July 2001 with a master degree in management science and engineering.



Yang Xiaohui
Independent
Non-Executive Director

Mr. Yang Xiaohui, aged 51, is a senior accountant, certified public accountant, certified tax agent, and certified public valuer (non-practicing member), appointed as an independent non-executive director, Chairman of the Audit Committee and member of the Remuneration And Appraisal Committee in November 2016. He is now the partner of the Ruihua Certified Public Accountants and holds concurrent position as independent non-executive director of Beijing Jingcheng Machinery Electric Company Limited, a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange. He was a teacher of North China University of Technology, department manager of Zhonghengxin Certified Public Accountants, partner of RSM China Certified Public Accountants. He has extensive experience in auditing and financial management. Mr. Yang graduated from the North China University of Technology with a bachelor degree in Accountancy in 1991.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Gong Zhiqiang
Independent
Non-Executive Director

Mr. Gong Zhiqiang, aged 47, was appointed as independent non-executive Director since June 2009 and is also the chairman of the Remuneration and Appraisal Committee of the Company and a member of the Audit Committee and Nomination Committee. Mr. Gong is currently a managing partner of Beijing S&P Law Firm and independent director of Beijing Municipal Road and Bridge Group Co., Ltd. (北京市政路橋集團有限公司). Mr. Gong previously worked in the Intermediate People's Court of Handan Municipality, Hebei Province and Beijing Hylands Law Firm. He has extensive experience in control of corporate legal risks. Mr. Gong graduated from Hebei University with a master degree in laws in 1995.



**Cheung Wai
Hung Boswell**
Independent
Non-Executive Director

Mr. Cheung, Wai Hung Boswell, aged 49, a non-practicing member of the HKICPA, a qualified accountant of the CPA Australia. Mr. Cheung was appointed as the independent non-executive director in June 2015, and is a member of the Audit Committee and Nomination Committee. Mr. Cheung is currently the Chief Financial Officer of K. Wah Real Estates Co., LTD and an audit committee member of Agora Hospitality Group Co., Ltd. (a company listed on the Tokyo Stock Exchange). Mr. Cheung once served as the Chief Financial Officer of Far East Consortium International Limited (a company listed on the Hong Kong Stock Exchange), the chief operating officer and company secretary of Integrated Waste Solutions Group Holdings Limited, senior financial strategy advisor of China Pacific Insurance (Group) Co., Ltd., and also held audit posts in Deloitte Touche Tohmatsu and Ernst & Young. Mr. Cheung graduated from the University of Leicester, UK with an MBA degree in 1995, and obtained a master's degree in professional accounting from the Southern Cross University, Australia in 2007.



Li He
Independent
Non-Executive Director

Mr. Li He, aged 46, was appointed as independent non-executive director, members of the Audit Committee and the Strategy Committee of the Company in May 2016. Mr. Li is currently the global vice president of Integrated Silicon Solution Inc. (ISSI Beijing). He was once the deputy general manager of Synopsys, Inc. (China region) and an officer of CAD centre in Beijing Institute of Control Engineering. Mr. Li graduated from Tsinghua University and obtained a bachelor's degree in Precision Instrument and Mechanism in 1996, and graduated from China Academy of Space Technology and obtained a master's degree in Computer Application in 1999.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Zhu Jie
Chairman to the
Board of Supervisors

Mr. Zhu Jie, aged 43, was appointed as Supervisor representing the Shareholders in June 2018 and was elected as Chairman to the Board of Supervisors by the Supervisors. Mr. Zhu currently serves as the general counsel and general manager of the legal affairs department of BSAM and secretary of the party committee of Beijing Science Park Development Group. He held various position such as the secretary of the Leading Party Members' Group and the head of administrative service centre of Dongcheng District of Beijing, the head and the secretary of the Leading Party Members' Group of Legislative Affairs Office of Legislative Affairs Office. He also served as the vice secretary and director of the office of the street working committee of Ti Yu Guan Road, Dongcheng District of Beijing; the executive deputy director and committee member of the district office of Dongcheng District of Beijing etc. Mr. Zhu graduated from China Youth University of Political Studies with a bachelor degree in legal studies in 1997. He graduated from Peking University Law School with a master degree in criminal law in 2003 and graduated from Renmin University of China with a master degree in finance in 2015.



Lei Yiping
Supervisor

Mr. Lei Yiping, aged 33, was appointed as Supervisor representing the Shareholders in June 2018. He currently serves as the investment manager of asset management department of Beijing Industry Developing Investment Management Co., Ltd. He previously worked as the project manager of system engineering department of Yingli Energy (Beijing) Co., Ltd., the investing and financing manager of department of investing and financing and the head of department of research and development of CCE OASIS Technology Co., Ltd., and the investing manager of the first investment department/venture investment department of Beijing Tianxing Capital Co. Ltd. Mr. Lei graduated from Beijing University of Technology with a bachelor degree in applied physics in 2009 and graduated from The University of New South Wales, Australia with a master degree in photovoltaic and solar energy engineering in 2011.



Zhao Kewen
Supervisor

Mr. Zhao Kewen, aged 34, was appointed as Staff Representative Supervisor in April 2018. He currently serves as the general manager of Yanqing Branch of the Company, the executive deputy general manager of Capinfo Technology, a subsidiary. Before joining the Company, he previously served as the general manager of the Comprehensive Management Department and Procurement Department of the Company. Before joining the Company, Mr. Zhao previously served as an office clerk, the deputy head of civic affairs division, head of press division, office director and head of civic affairs division of Ti Yu Guan Road, Dongcheng District, Beijing. Mr. Zhao graduated from Beijing University of Chemical Technology in 2007 with a bachelor's degree in electronic communication engineering.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Gong Chengliang
Senior Management

Mr. Gong Chengliang, aged 47, joined the Company in April 1999, is currently the vice-president and also the chairman of Rito Info, being a wholly owned subsidiary of the Company, and in charge of the work of technical committee of the Company, 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 and technical director.



Lu Lei
Senior Management

Mr. Lu Lei, aged 39, joined the Company in June 2014 and was appointed as joint company secretary in December 2017. He is currently the vice president and the secretary of the Board, and also a director of Beijing Certificate Authority Co., Ltd. He is responsible for equity investment and management, capital management, information disclosure, maintaining investor's relationship, auditing, and other related works. 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 the Investment Department of technology and modern manufacturing industry investment division of BSAM. Mr. Lu was appointed as non-executive Director since June 2012 to June 2015 and also executive Director since June 2015 to January 2017. Mr. Lu received a bachelor degree in mathematics and applied mathematics from Fudan University in 2003, and master degree of the Business School of Nankai University in 2016.



Xia Xiaoqing
Senior Management

Mr. Xia Xiaoqing, aged 53, joined the Company in March 2018. He is currently the vice-president, mainly in charge of software and corporate information segment, consultation and IT planning, product development, software delivery, procurement and other related work of the Company. Before joining the company, Mr. Xia served as Deputy Manager and Manager of the Information Department of China Nuclear Energy Technology Co., Ltd., Deputy General Manager and Deputy Secretary of the party committee of Huahui Information Technology Co., Ltd., General manager and Chairman of China Nuclear Energy Hongsheng Co., Ltd. Mr. Xia graduated from the Missile College of Air Force Engineering University in 1994 with a master's degree in computer application. In 2006, he graduated from Northwest Polytechnic University with a doctor's degree in computer application.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A discussion on the business development and prospect of the Group during the Year are provided in the "Chairman's Statement" on pages 12 to 16 and "Management Discussion and Analysis" on pages 19 to 30 of this annual report respectively. A description of the major risks factors and uncertainties that the Group may be facing and the financial risk management objectives and policies are provided in note VIII to the financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided on page 4 of "Financial Highlights" of this annual report. In addition, compliance with relevant laws and regulations which have a significant impact on the Group and the relationships with its stakeholders are contained on pages 88 to 100 of "Corporate Governance Report" and pages 61 to 87 of "Investors Relations" of this annual report respectively. The Group acts in a manner responsible for the environment, trying to comply with laws and regulations concerning environmental protection, and take effective measures to achieve efficient use of resources, energy conservation and waste reduction. Further details will be disclosed in the Environmental, Social and Governance Report of 2018 of the Company.

RESULTS AND DIVIDEND APPROPRIATION

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Income Statement on page 111 of this annual report.

The Directors recommend the payment of a final dividend of RMB0.97 cents (2017: RMB1.25 cents) per share with the dividend payment amount totalling RMB28.11 million in respect of the year ended 31 December 2018 (2017: RMB36.23 million).

During the Reporting Period, the Directors do not recommend the payment of any interim dividend (2017: Nil).

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note V.31 to the consolidated financial statements on page 228 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2018 and the past 4 financial years is set out in "Financial Highlights" on page 4 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 V.15 to the financial statements on page 217 of this annual report.

INVESTMENT PROPERTY

The investment property owned by the Group is situated at No. 12 Beichen West Road, Chaoyang District, Beijing, which is the office property on the fifth and sixth floor of Block A of Digital Beijing Building, with a gross floor area of approximately 5,386 sqm. The property is currently leased out. Pursuant to the committed tenancy agreement, for the period from 20 December 2015 to 19 April 2018, the leased area is 5,386 sqm, and it will be 2,693 sqm from 20 April 2018 to 19 April 2020. Details of the movements of the investment property of the Group during the Reporting Period are set out in note V.14 to the consolidated financial statements on page 215 of this annual report.

SHARE OPTIONS

Up to the date of this report, no share option scheme is implemented by the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

MEMBERS OF THE BOARD

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

Executive Directors

Ms. Lin Yankun (*Party Secretary and Chairman*)

Mr. Yu Donghui (*Deputy Party Secretary and Chief Executive Officer*)

Mr. Zong Zhaoxing (*Deputy Party Secretary and President of Capinfo Institute, appointed on 19 June 2018*)

Non-executive Directors

Mr. Zhou Weihua

Mr. Shan Yuhu

Mr. Cao Huaizhi (*appointed on 19 June 2018*)

Mr. Ma Linxiang (*appointed on 19 June 2018*)

Mr. Feng Jianxun (*appointed on 19 June 2018*)

Dr. Feng Haocheng (*retired on 19 June 2018*)

Mr. Cao Jun (*retired on 19 June 2018*)

Ms. An Lili (*retired on 19 June 2018*)

Independent Non-executive Directors

Mr. Yang Xiaohui

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Li He

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

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 31 December 2018, 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 ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred in Appendix 10 of the Listing Rules.

DIRECTORS' REPORT

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

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

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

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

INTEREST OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2018:

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

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases attributable to the Group's 5 largest suppliers accounted for less than 30% of the Group's total purchases. The aggregate revenue attributable to the Group's 5 largest customers accounted for approximately 51.78% of the Group's total revenue, among which, the largest customer attributed approximately 27.89% of the Group's total revenue.

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 5 largest suppliers or 5 largest customers.

COMPETING INTERESTS

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

MATERIAL LITIGATION AND ARBITRATION

Save as disclosed below, 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.

During the Reporting Period, the Company suspected that the former shareholders of an acquired company had committed contract fraud. In order to protect the interest of the Company's shareholders, the Company reported the case to the Haidian Branch of the Beijing Public Security Bureau on 5 June 2018. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau.

PERMITTED INDEMNITY PROVISION

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

CONNECTED TRANSACTIONS

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

I. Continuing connected transactions exempted from independent shareholders' approval

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Annual Cap	Transaction amount for the year
1	Provision of network system operation and relevant operation and maintenance services	Capnet Company Limited	Income	11.3	11.30
2	Purchase of hardware and related services		Expenses	8.0	0.003
3	Provision of network system operation and relevant operation and maintenance services	Beijing Certificate Authority Co., Ltd.	Income	6.0	0.46
4	Purchase of network security system and services		Expenses	10.0	5.15
5	Lease of office premises	Beijing IC Design Park Co., Ltd.	Expenses	10.0	8.78
6	Lease of office premises	Beijing Xinlongfu Culture Investment Co., Ltd. BXLE Property Management Co., Ltd.	Expenses	14.0	11.32

DIRECTORS' REPORT

(I) Continuing connected transaction for provision of the network system operation and relevant maintenance services

1. Continuing Connected Transactions between Capinfo Technology and Capnet

With the approval at the fifth meeting of the sixth session of the Board of the Company, Capinfo Technology renewed the Network System Services Agreement with Capnet on 30 December 2015, 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 2018. The Board of Directors approved that the annual caps for each year of 2016 to 2018 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 subsidiary of the Company with 74% of shares. Capnet is a subsidiary of BSAM with 95% of shares, and BSAM is the controlling shareholder of the Company.

Transaction background: Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name register, virtual space, web design and emails etc. In order to ensure 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 interests 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.

2. Continuing Connected Transactions between the Company and Capnet

With the approval at the fifth meeting of the sixth session of the Board of the Company, the Company entered into a Network System Service Agreement with Capnet on 30 December 2015, to provide internet equipment leasing and system maintenance service to Capnet, with an agreed term expire on 31 December 2018, the annual transaction caps approved by the Board for the year 2016 to 2018 was RMB5.0 million. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

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

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

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

3. Consolidation

According to relevant regulations under the Listing Rules, continuing connected transactions between the Company and Capinfo Technology and Capnet shall be calculated on a consolidation basis. As approved at the fifth meeting of the sixth session of the Board held by the Company, the annual transaction caps for 2016 to 2018 after consolidation both should be RMB11.3 million.

DIRECTORS' REPORT

(II) Continuing connected transaction for hardware and related services purchase

With the approval at the fifth meeting of the sixth session of the Board of the Company, Capinfo Technology and Capnet entered into a Hardware Procurement Framework Agreement on 30 December 2015, pursuant to which, Capinfo Technology will purchase hardware product and relevant service from Capnet based on its business needs for the period up to 31 December 2018. As approved by the Board of Directors, the annual caps from 2016 to 2018 was RMB18.9 million, RMB8.0 million and RMB8.0 million respectively. 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 subsidiary of which 74% shares owned by the Company. Capnet is a 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 equipment 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.

(III) Continuing connected transaction for provision of the network system operation and relevant maintenance services

As approved at the 14th meeting of the sixth session of the Board of the Company, the Company and BJCA extended the term of the existing Technical Services Framework Agreement on 7 February 2017 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 2019. The Board of Directors approved that each annual caps for the year from 2017 to 2019 was RMB15.0 million, RMB10.0 million and RMB9.0 million respectively.

In the same year, as approved at the 19th meeting of the sixth session of the Board of the Company, on 30 August 2017, the Company and BJCA signed a Supplemental Agreement on the basis of the Technical Services Framework Agreement to provide network technical services and products with a term expire on 31 December 2019. The Board of Directors approved that each annual cap for the year from 2017 to 2019 was RMB6.0 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 26.24% and 26.24% 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. To ensure the provision of a more stable, secure and efficient services for their clients, the Company is engaged to provide network technical services and products.
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.

DIRECTORS' REPORT

(IV) Continuing connected transaction for the office lease

With the approval at the 37th meeting of the fifth session of the Board of the Company, the Company and BIDP renewed two lease agreements on 22 April 2015, with a term expire on 31 March 2018 and an aggregate floor area of approximately 4,230 square meters for room 106, 709-714, 1201-1214 and 1501-1508 leased at an annual rent and air-conditioners charge of approximately RMB9.3 million.

With the approval at the 8th meeting of the sixth session of the Board, the Company and BIDP renewed the office lease agreement on 31 March 2016 to lease 983 square meters for room 1009-1014 at an annual rent and air-conditioners charge of approximately RMB2.2 million for a term until 31 March 2018.

Pursuant to which, the Company leases a floor area of approximately 5,213 square meters for daily office use in BIDP. The Board eventually approved the annual caps of office lease transactions of RMB11.5 million, RMB11.5 million and RMB2.9 million for the year 2016, 2017 and the first quarter of 2018, respectively. The above transactions were exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

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

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

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

(V) Continuing connected transaction for the office lease

With the approval at the 21st meeting of the sixth session of the Board of the Company, the Company and BIDP entered into office lease agreements on 24 November 2017, with a term commencing from 1 April 2018 and expiring on 30 September 2018 and an aggregate floor area of approximately 4,230 square meters for room 106, 709-714, 1201-1214 and 1501-1508 leased at a monthly rent of approximately RMB0.95 million and half-yearly air-conditioners charge of approximately RMB0.21 million.

With the approval at the 21st meeting of the sixth session of the Board, the Company and BXLE entered into an agreement on 24 November 2017, with a term commencing from 1 June 2018 and expiring on 31 May 2021 and an aggregate floor area of approximately 5,807 square meters for room of A501, B501, C501, C502, C503, D501, E501 and E502 of Longfu Mansion leased at a monthly rent of approximately RMB1.3 million. On the same day, the Company and BXLE Property Management entered into a property service agreement, pursuant to which, BXLE Property Management provided property services for relevant office to the Company.

According to relevant regulations under the Listing Rules, continuing connected transactions between the Company and BIDP and BXLE and BXLE Property Management shall be calculated on a consolidation basis. As approved at the 21st meeting of the sixth session of the Board held by the Company, each of the annual transaction caps for the period from 1 April 2018 to 21 December 2018, the year of 2019, the year of 2020 and the period from 1 January 2021 to 21 May 2021 after consolidation should be RMB20.5 million, RMB20.0 million, RMB20.0 million RMB9.0 million, respectively. 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.

With the approval at the seventh meeting of the seventh session of the Board, the Company and BIDP entered into a lease agreement, with a term commencing from 1 December 2018 and expiring on 30 November 2020 and an aggregate floor area of 982.53 square meters for units of 1201-1203, 1204A, 1204B, 1205, 1206A, 1206B, 1207, 1208A and 1208B of Quantum Sliver Plaza at a monthly rent of approximately RMB0.24 million and a semi-annual conditioning fee of approximately RMB0.04 million.

DIRECTORS' REPORT

Connected relationship:	BIDP is a wholly-owned subsidiary of the Company's controlling shareholder, BSAM. BXLE is a subsidiary with 70% of equity interests controlled by BSAM, the controlling shareholder of the Company. BXLE Property Management is a wholly-owned subsidiary of BXLE.
Transaction background:	<p>BIDP is the National IC Design Beijing Industrial Base recognized by the Ministry of Science and Technology of China, providing comprehensive services to IC enterprises including professional technical service, training, financial support and office lease. BIDP is located in a centre of technology companies in Haidian District, Beijing with convenient transportation, high quality of building and reasonable rent level.</p> <p>BXLE is principally engaged in real estate development; property management; project investment; investment management; organizing cultural exchange activities (excluding performances); undertaking display demonstration; advertisement design, production, agency and publishing; sale of commodity properties. BXLE Property Management is principally engaged in property management; leasing of commercial properties; organizing cultural and art exchange activities; undertaking display demonstration, design, production, agency and advertisement publishing. Longfu Mansion is located in central Beijing, providing a better working environment and convenient location for the employees.</p>
Voting:	None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transactions. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the above respective board resolution dates, the Directors who are employees of BSAM, a related party had abstained from voting on the resolution.

II. Continuing connected transaction required independent shareholders' approval

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Annual Cap	Transaction amount for the year
1	Purchase of network security system and services	Beijing Certificate Authority Co., Ltd.	Expenses	10.0	5.15

As approved at the 14th meeting of the sixth session of the Board of the Company, the Company and BJCA extended the term of the Technical Services Framework Agreement on 7 February 2017 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 2019. The Board of Directors approved that each annual cap for the year from 2017 to 2019 was RMB15.0 million, RMB10.0 million and RMB9.0 million.

In the same year, as approved at the 19th meeting of the sixth session of the Board of the Company and at the extraordinary general meeting convened on 22 December 2017, the Company and BJCA adjusted the annual cap for the year 2017 to RMB55.0 million under the Technical Services Framework Agreement.

Pursuant to which, each approved annual cap for the year from 2017 to 2019 was RMB55.0 million, RMB10.0 million and RMB9.0 million, respectively. The Company had complied with the reporting, announcement and independent shareholder's approval requirements under the Listing Rules and the relevant information 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 26.24% and 26.24% 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 services scale in the industry. Currently, along with the upgrading of information security and the higher demand of the clients for system security, the Company re-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.

DIRECTORS' REPORT

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interests 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. On the shareholder meeting resolution date, BSAM, shareholder of the related party had abstained from voting on the resolution.

INDEPENDENT AUDITOR'S CONCLUSION ON THE CONTINUING CONNECTED TRANSACTIONS

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 conducted, 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 conducted, 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.

III. Connected transactions exempted from independent shareholders' approval

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Contract amount	Transaction amount for the year
1	Establishment of a joint venture	Capnet Company Limited	Cooperation	18.5	18.5
2	Provision of service on the establishment of integrated portal platform	Beijing State-owned Assets Management Co., Ltd.	Income	2.6	0.52
3	Purchase of hardware and related software and maintenance services	Capinfo Technology Development Co., Ltd.	Expenses	15.1	14.48

(I) Connected transactions for establishment of a joint venture

With the approval at the 26th meeting of the sixth session of the Board of the Company, the Company and Capnet entered into a joint venture agreement on 20 April 2018, pursuant to which, the parties established a joint venture, Capinfo Cloud Technology Co., Ltd., that is principally engaged in cloud computing related business. The total registered capital of the joint venture company is RMB50 million. The Company and Capnet will contribute RMB18.50 million and RMB31.50 million, respectively, representing approximately 37% and 63% of the registered capital of the joint venture company, respectively. 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:	Capnet is a subsidiary of BSAM with 95% of shares, and BSAM is the controlling shareholder of the Company.
Transaction background:	Capnet is principally engaged in the operation of value-added telecommunication business by providing internet and related value-added services to its clients, including domain name register, virtual space, web design and emails etc. The establishment of Capinfo Cloud Technology Co., Ltd. will optimize the capital allocation and operational efficiency of the Company, strengthen the competitiveness of the Company, improve the efficiency of team work, increase to a great extent the initiative and flexibility of market expansion for cloud computing segment, and endeavor to capture the market opportunities of the industry in a leading position.
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.

DIRECTORS' REPORT

(II) Connected Transactions for Provision of Service on the Establishment of Integrated Portal Platform

As approved at the 3rd meeting of the seventh session of the Board of the Company, the Company and Capinfo Cloud Technology Co., Ltd., a subsidiary of the Company entered into the Technology Development Agreement with BSAM on 24 August 2018, pursuant to which Capinfo Cloud Technology Co., Ltd. agreed to provide service on the establishment of integrated portal platform for the Company and BSAM. The total consideration payable to Capinfo Cloud Technology Co., Ltd. under the Technology Development Agreement is RMB3.9 million, among which RMB2.6 million is payable by BSAM and RMB1.3 million is payable by the Company. 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: BSAM held 63.31% interests in the Company and is the controlling shareholder of the Company. Capinfo Cloud is a subsidiary of the Company.

Transaction background: BSAM, as the implementer and operator of major projects in Beijing, focuses its business operations in financial services, high-tech and modern manufacturing, culture and creativity, urban functionality area development, environmental protection and new energies. Capinfo Cloud Technology Co., Ltd., a subsidiary of the Company, is principally engaged in cloud computing related business, which is one of the business segments of the Company. As part of the normal and ordinary course of business of the Group, the transactions between Capinfo Cloud Technology and BSAM as contemplated under the Technology Development Agreement will generate additional profit for the Group.

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.

(III) Connected Transaction for Purchase of Hardware and Related Software and Maintenance Services

As approved at 5th meeting of the seventh session of the Board of the Company, the Beijing Yanqing Branch of the Company entered into five hardware purchase agreements with Capinfo Technology Development on 30 November 2018, pursuant to which Capinfo Technology Development agreed to provide hardware and related software and maintenance services to the Beijing Yanqing Branch of the Company. The total amount of the five hardware purchase agreements was RMB15.1 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 Development is owned as to 74.00% by the Company and as to 26.00% by Capnet. Capnet is a subsidiary of BSAM with 95% of shares, and BSAM is the controlling shareholder of the Company. Therefore, Capinfo Technology Development is a connected subsidiary and connected person of the Company pursuant to the Listing Rules.

Transaction background: Capinfo Technology Development is principally engaged in construction, operation and maintenance of major information application projects for government, software development, design and maintenance, agency and integration of network systems, and technology consulting service, support and training. The transactions under the hardware purchase agreements will meet the Company's requirements for hardware products to support its operation and further its business expansion and provide an efficient way for the Company to source hardware products.

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.

DIRECTORS' REPORT

Certain related parties and connected transactions as disclosed in Note X to the combined financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on pages 61 to 87 of this annual report.

AUDITORS

At the extraordinary general meeting of the Company held on 22 December 2017, the Shareholders approved the termination of the appointment of Grant Thornton Hong Kong Limited as the overseas auditor of the Company. Grant Thornton (Special General Partnership) has become the only auditor auditing the Company's financial statements in accordance with the China Accounting Standards for Business Enterprises and undertaken the role of overseas auditor in compliance with the Listing Rules.

Grant Thornton (Special General Partnership) will retire at the end of the forthcoming annual general meeting, and be eligible for re-appointment.

By Order of the Board

Ms. Lin Yankun

Chairman

Beijing, the PRC

25 March 2019

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

Board of the Company:

In 2018, as the independent non-executive directors of the Company (hereinafter referred to as "INEDs"), with an earnest, responsible, diligent and prudent attitude, we have continuously studied laws and regulations regulating listing companies. We actively communicated with the management of the Company, participated in the shareholders' meetings and the meetings of the Board and professional committee, applied our professional knowledge and skills, expressed fair, impartial and objective independent opinions, and safeguarded the rights and interests of the Company and all shareholders, especially small and medium shareholders.

Our performance of duties in 2018 is reported as follows, which will also be reported to shareholders at the Annual General Meeting of the Company.

I. BASIC INFORMATION OF INEDS

Currently, the Company has four INEDs, and is compliant with the requirements on the minimum number of INEDs under the Listing Rules. Given the professional background on financial, legal and information technologies as well as related experience of these INEDs, it is believed that they have relevant experience and qualifications as required for the performance of their duties.

II. PERFORMANCE OF DUTIES DURING THE YEAR

(i) Attendance of meetings of the Board and shareholders' general meetings

During the Reporting Period, we actively attended shareholders' general meetings and meetings of the Board, and had not raised any objection to the resolutions proposed on such meetings. At the shareholders' general meetings, we listened carefully to the questions and opinions raised by the participating shareholders on the operation of the Company, and paid attention to the voting for the resolutions concerning the legitimate interests of the minority shareholders and their subsequent implementation. On the meetings of the Board, we carefully considered each proposal and ensured that the voting for the resolutions complied with the principles of independence, fairness and objectivity with a view to safeguarding the continuous healthy development of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

(ii) Operation of the professional committees under the Board

The Board has four professional committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. These committees are authorized to discuss and study in depth the major matters related to the development of the Company within the scope of responsibilities in accordance with respective Detailed Working Rules. On the meetings of the professional committees of the Board, leveraging the advantages of professional strengths, we provide professional advice in respect of the key issues over the areas such as strategies, finance and human resources of the Company. This serves as an important support for the Board to perform efficient decision-making.

III. MAJOR CONCERNS IN THE PERFORMANCE OF DUTIES BY INEDS

(i) Connected transactions and disclosure of information

The Company has been dedicated to performing obligation of auditing and disclosure for connected transactions in accordance with relevant laws and regulations and relevant provisions of the Listing Rules, as well as the Company's "Management Regulations for Disclosure of Information" and the "Management Regulations for Insider Information and Insiders". During the Reporting Period, the Company carried out connected transactions in accordance with applicable laws and regulations. When the related transaction was involved, the connected directors or the connected shareholders had abstained from voting at relevant meetings. We also gave independent statements and opinions, which would fundamentally eliminate the occurrence of illegal connected transactions. We uphold the principle of truthful, accurate, complete, timely and fair information disclosure, strengthen the management of information disclosure. We remain vigilant against insider trading and are committed to protect the interests of the shareholders of the Company.

(ii) External guarantees and appropriation of capital

During the Reporting Period, the Company did not involve in any guarantee, nor there be any appropriation of capital of the Company by controlling shareholders.

(iii) Nomination and remuneration of directors

During the Reporting Period, based on the performance of the Company and with reference to relevant standards of remuneration for senior executives in the industry and specific performance of the Company's senior management, the Remuneration and Appraisal Committee made confirmation on the overall implementation of the Company's remuneration policies in 2017, and approved the bonus distribution proposal for senior management of the year 2017 and the basic annual salary proposal for senior management of the year 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

(iv) Appointment of auditor

During the Reporting Period, the Audit Committee of the Company approved the re-appointment of Grant Thornton (Special General Partnership) as the independent auditor of the Company. The aforesaid had been submitted to the Board and the shareholders' general meetings for deliberation. The procedure of re-appointment of the independent auditor of the Company was compliant with the requirements of the laws and regulations and the "Articles of Association of the Company".

(v) Cash dividends and other returns to investors

The Company has continuously distributed cash dividends since 2008 with an accumulated amount of RMB430.71 million (including tax). The Company puts great emphasis on generating investment return for its shareholders, and will adhere to long-term and stable dividend policy.

(vi) Performance of commitments made by the Company and its shareholders

Beijing State-owned Assets Management Co., Ltd., the controlling shareholder of the Company, made a non-competitive commitment in December 2001 when the Company went public, according to which, Beijing State-owned Assets Management Co., Ltd. would not engage in any business competing, directly or indirectly, with the Company's existing business, and would not conduct any business which competes, either directly or indirectly, with the Company's business. Since then, the controlling shareholder has been fulfilling its commitments in an active manner, and no breach of commitment had been identified.

In 2018, the Company strengthened and improved the internal control management system and raised the awareness and standard of law-based governance of the Company. The business operations of the Company were in compliance with laws and regulations. The INEDs did not raise any objection to the proposals put forward to the meetings of the Board and the meetings of their specialized committees. Entering into a new year, we expect the Company to grasp the trend of economic and technological development in the new era, deepen the reform, forge ahead, and blaze a trail for development of Capinfo.

Mr. Yang Xiaohui, Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell and Mr. Li He
Independent Non-executive Directors

Beijing, the PRC
25 March 2019

SUPERVISORS' REPORT

In 2018, with an aim to substantially safeguard the interests of the Company and all shareholders, the Board of Supervisors duly and honestly performed its duties, according to the Companies Law of the People's Republic of China, relevant regulations and the requirements under the Articles of Association, to oversee the long-term corporate development planning, significant development projects, the Company's production and operation, financial conditions and the performance of duties of the Director and senior management for promoting the standardized operation and sound development of the Company. Details of our duty performance in the last year are set out as below:

I. MEETINGS OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Supervisory Committee signed meeting documents four times in the form of circulation, to take an effective supervision over the Board and the compliance of operation management of the Company. The Supervisory Committee reviewed the Report on the Continuing Connected Transaction for 2017, Supervisors' Report for 2017, Audit Report for the year of 2017 and for the half year of 2018 and Financial and Operation Analysis Report, and confirmed the information contained therein. At the same time, the Board of Supervisors recommended candidates of the seventh session of the Board of Supervisors, and elected Mr. Zhu Jie as the Chairman of the Board of Supervisors of the seventh session of the Board of Supervisors.

II. OPERATION OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Supervisors' Report of 2017 proposed was approved at the AGM. Meanwhile, the Supervisors of the Company attended all board Meetings, and made no objection to each report and contents proposed on the Meeting for consideration.

III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS

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

(I) Lawful Operation of the Company

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

(II) Authenticity of Financial Statements

During the Reporting Period, the Board of Supervisors carefully examined the 2017 Audit Report and 2018 Interim Review Report and Financial and Operation Analysis Report, and supervised and inspected the Company's implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure. It is of the opinion of the Board of Supervisors that the financial reports of the Company gives a true and fair presentation of the financial position and operating results of the Company, the preparation procedure for the reports and decision-making and approval procedures are in compliance with the requirements of the laws and regulations, the Listing Rules and the Company's internal management system.

(III) 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.

(IV) Information Disclosure and Connected Transaction

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

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

SUPERVISORS' REPORT

(V) 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.

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

By Order of the Board of Supervisors

Mr. Zhu Jie

Chairman of the Board of Supervisors

Beijing, the PRC

25 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

During the Reporting Period, the Company strictly abided by domestic and foreign laws and regulations and the Articles of Association to continuously improve its corporate governance. In accordance with the requirements for strengthening the Party's leadership and improving the organic unity of corporate governance, upon approval by the annual general meeting held on 19 June 2018, the general requirements for party building work were added to the Articles of Association, which clarified the statutory position of the Party organization within the corporate governance structure. 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. Up to the date of this report, the Company has complied with all code provisions under the Corporate Governance Code.

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 Party Committee as the leading organ, 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 Party Committee, the Board and its specialized committees, the Board of Supervisors and the management together with the effective operations of the internal control systems, the internal management operations of the Company have been further standardised and the level of its corporate governance has been continually enhanced.

CORPORATE GOVERNANCE REPORT

REGULATORY DOCUMENTS OF CORPORATE GOVERNANCE

The shareholders' general meetings, the Board and its subordinate specialized committees and the Board of supervisors are functioning independently and efficiently according to the Articles of Association and their respective rules and procedures. At present, the Company's regulatory documents of corporate governance mainly include:

No.	Name of Document
1	Articles of Association
2	Rules of Procedures of General Meeting
3	Rules of Procedures of Meetings of the Board of Supervisors
4	Rules of Procedures of Meetings of the Board of Directors
5	Articles of the Audit Committee
6	Articles of the Remuneration and Appraisal Committee
7	Articles of the Nomination Committee
8	Articles of the Strategy Committee
9	Articles of Independent Non-executive Directors
10	Articles of Secretary of the Board
11	Remuneration System of Directors and Supervisors
12	Code for Securities Transactions
13	Operation Rules for Capital Management
14	Rules of Working Meetings of Chief Executive Officer
15	Management System of Information Disclosure
16	Management System of Inside Information and Insiders
17	Management System of the Internal Audit
18	Procedures for Shareholders to Propose a Person for Election as Director
19	Administrative Measures on Press Release and Promotion
20	Investor Relations Policy
21	Rules of Equity Investment Management
22	Administrative Measures on Equity Investment Enterprise
23	Management System of Finance Raising
24	Administrative Measures on Development Strategies and Planning
25	Implementation Measures for the Decision Making Policy Regarding "Important issues, Important Personnel, Important Investments and Substantial Investment Amount"

EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

No.	Exceeding the Requirements of Code Provisions of Corporate Governance Code of the Listing Rules
1	Up to the date of this report, nine of the twelve members of the Board are external Directors, so there is a strong independent element on the Board, which can effectively exercise independent judgment.
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 general meetings to the shareholders at least 45 days before the meeting.

SHAREHOLDERS' RIGHTS AND GENERAL MEETINGS

Shareholders of the Company enjoy various rights entitled by laws, administrative regulations and the Articles of Association. General meeting is the organ of highest authority of the Company. The shareholders exercise their rights through general meetings. The Company formulated the Rules of Procedures of 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.

CORPORATE GOVERNANCE REPORT

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 Director's report, reports of the Board of Supervisors, the Company's proposed annual budgets and final accounts, the Company's profit distribution proposals and loss recovery proposals;
- to resolve on proposals of the increase or reduction of the Company's registered capital;
- to resolve on matters such as merger, division, dissolution and liquidation of the Company;
- to resolve on the issuance of the Company's bonds;
- to resolve on the appointment, removal or non-reappointment of the Company's auditor;
- to amend the Articles of Association;
- to resolve on the Company's external guarantees which shall be approved by a general meeting as required under laws, administrative regulations and the Articles of Association;
- to consider transactions which need to be approved by a general meeting as provided in the Listing Rules;
- to consider and approve matters of changing the use of raised fund;
- to consider resolutions proposed by shareholder(s) who represents 3% or above of the voting shares of the Company; and
- to resolve such other matters which, in accordance with laws, administrative regulations and the Articles of Association, shall be resolved by a general meeting.

PROCEDURES FOR CONVENING GENERAL MEETINGS AND SUBMITTING PROPOSALS

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

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

CORPORATE GOVERNANCE REPORT

- Shareholder(s) individually or collectively holding 3% or more of the Company's share may submit an extempore proposal to the convener in writing 10 days prior to the date of convening the general meeting. Within 2 days after the receipt of the proposal, the convener shall issue supplementary notice of the general meeting in this regard. If this notice is received less than 25 days prior to the date of the general meeting of the Company, the Company shall consider adjourning the general meeting to comply with 14 days notice of resolution as required by the Listing Rules.
- The convener shall not amend the proposals set out in the notice of general meeting or add any new proposals subsequent to the announcement of the notice of the general meeting.
- Where shareholder(s) individually or collectively holding 10% or more of the Company's shares propose to convene an extraordinary general meeting or a class shareholders' meeting, the shareholder(s) shall sign one or more written request(s) in identical form and content requiring the Board to convene an extraordinary general meeting or a class shareholders' meeting and state the subject of the meeting, and at the same time submit proposals to the Board.

General meetings convened during the Reporting Period are set out in the section headed Investors Relations on page 96 to 98 of this annual report.

BOARD OF DIRECTORS

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

COMPOSITION OF BOARD OF DIRECTORS

Up to the date of this report, the Company's Board of Directors comprises twelve members, including three Executive Directors, five Non-executive Directors and four Independent Non-executive Directors.

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

Up to the date of this report, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

CORPORATE GOVERNANCE REPORT

Biographies of the Directors are set out in the section headed Profiles of Directors, Supervisors and Senior Management on pages 31 to 34 of this annual report.

RESPONSIBILITIES OF BOARD OF DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

- to develop, review and monitor the Directors' performance of their responsibilities and the employees' compliance with the Code of Conduct;
- to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- requirements of laws and regulations or Articles of Association and other matters as authorized on the general meeting.

NOMINATION AND APPOINTMENT OF DIRECTORS

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

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

TERM OF APPOINTMENT OF DIRECTORS

The term of each session of the Board of the Company is three years. The term of the seventh session of the Board of Directors begins on 19 June 2018 and will expire on 18 June 2021, and will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association and the Rules of Procedures of the Board of Directors, provided that the appointments may be terminated when both the Director and the Company agree.

SERVICE CONTRACTS OF THE DIRECTORS

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

CORPORATE GOVERNANCE REPORT

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", 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 New information	Attending seminars/ conferences relevant to the Directors' duties	Receiving shareholders' visit
Executive Directors			
Ms. Lin Yankun (Party Secretary and Chairman)	✓	✓	
Mr. Yu Donghui (Deputy Party Secretary and Chief Executive Officer)	✓	✓	
Mr. Zong Zhaoxing (Deputy Party Secretary and President of Capinfo Institute)	✓	✓	
Non-executive Directors			
Mr. Cao Huaizhi			
Mr. Zhou Weihua	✓	✓	
Mr. Shan Yuhu	✓	✓	
Mr. Ma Linxiang	✓	✓	
Mr. Feng Jianxun	✓	✓	
Independent Non-executive Directors			
Mr. Gong Zhiqiang	✓	✓	
Mr. Cheung, Wai Hung Boswell	✓	✓	
Mr. Li He	✓	✓	
Mr. Yang Xiaohui	✓	✓	
Resigned or retired Directors			
Dr. Feng Haocheng	✓	✓	
Mr. Cao Jun	✓	✓	
Ms. An Lili	✓	✓	

DIRECTORS' LIABILITY INSURANCE

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

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for supervising the preparation of accounts for the year which shall present a true and fair view of the state of affairs, results of operations and cash flow of the Group during the Year. In preparing the financial statements for the year ended 31 December 2018, the Directors had selected and consistently applied suitable accounting policies; made judgments 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 Audit Report on pages 101 to 275 of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors for the year ended 31 December 2018.

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 80 of this annual report.

CORPORATE GOVERNANCE REPORT

Board meetings are voted by a show of hands. To ensure the Directors making decisions objectively in the best interests of the Company, pursuant to the requirements mentioned in Rule 13.44 of the Listing Rules and the relevant requirements of Article 126 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 meeting by electronic means such as teleconference and video conference shall be deemed as present in person, while attendance of meetings of the Board meetings or meetings of its subordinate specialized committees by authorized representatives shall not be counted in the attendance of meeting rate of the respective Director.

SUPPLY OF AND ACCESS TO INFORMATION OF THE BOARD

- All Directors are entitled to receive advice and services of the secretary of the Board and the secretary of the Company. If any Director need to seek independent professional advice in the exercise of their functions and powers, the relevant fees shall be at the Company's expense;
- Directors are entitled to receive the communication information of the management of the Company so as to communicate and keep them informed of the operations of the Company in a timely manner;
- Directors are entitled to have immediate access to the agendas and relevant meeting documents of the Board meetings and may require the management to supplement more detailed information on the meeting and other relevant information;
- The minutes of meetings of the Board and its subordinate specialized committees are kept, which record in details the opinion expressed and any doubts or objection raised by the Directors. Directors may comment on the draft minutes. The final versions of the minutes will be filed within a reasonable time after the meeting and are available for inspection by all Directors.

SPECIALIZED COMMITTEES UNDER THE BOARD

The Company established four specialized committees under the Board, i.e. the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, which are delegated to perform certain function of the Board so as to improve efficiency of the Board.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the compliant operation of the Audit Committee. The Audit Committee of the Company comprises four members, all being Independent Non-executive Directors. The term of the Audit Committee of the Company is three years the same as that of the Board and will expire on 18 June 2021. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Audit Committee, provided that the appointment may be terminated when both the member and the Company agree. Details of the members of the Audit Committee up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Yang Xiaohui	Independent Non-executive Director	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell	Independent Non-executive Director	Member
Mr. Li He	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 monitor the independent auditor's independence and objectivity and the effectiveness of the audit process; to discuss with the external auditors the nature and scope of the audit and reporting obligations before audit commences and ensure co-ordination where more than one audit-firm is involved;
- to develop and implement policies on the engagement of an external auditor to provide non-audit services;
- 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 monitor the financial, accounting policies and practices of the Company (including the financial control, risk management and internal control systems), to monitor integrity of the risk management and internal control systems, financial statements and performance reports submitted to the Board of Directors and to review significant financial reporting judgements contained in them, in particular:

CORPORATE GOVERNANCE REPORT

- (1) any change in accounting policies and practices;
 - (2) where important judgements are involved;
 - (3) major adjustments to be made after the audit is completed;
 - (4) going concern assumptions and any reservations;
 - (5) compliance with the IPSAS; and
 - (6) compliance with the Listing Rules and relevant regulations.
- to discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts, and consider any matters raised by the accountant, financial reporting staff and supervisor of the Company, and other matters that the auditor wishes to discuss (if necessary, in the absence of management);
 - to meet at least twice (2) a year with the external auditors, review the external auditor's explanatory statement to the management on its audit;
 - to review the external auditor's explanatory statement to the management on its audit, any doubt raised by the auditor on accounting records, financial accounts or monitoring systems to the management and management's response to these doubts, ensure that the Board of Directors responds promptly to any issues raised by the auditor;
 - to supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;
 - to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
 - to discuss with the management the risk management and internal control systems and ensure that the management has discharged its duties to have an effective systems, the contents of discussion shall include whether the resources for accounting and financial reporting function, and the qualification and experience of the responsible staff are adequate and whether the staff received sufficient training and there are enough of the budget, and to ensure the co-ordination between internal audit department and external auditor, and to ensure that the internal audit department is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
 - to cooperate with audit activities conducted by the Board of Supervisors;

CORPORATE GOVERNANCE REPORT

- act as the key representative body for overseeing the Company's relations with the external auditor;
- the Audit Committee has an email (audit@capinfo.com.cn) dedicate 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; it is the responsibility of the Company to inform all the staffs of this email address by internal notice.
- to report to the Board of Directors on the matters of this article;
- to perform other duties as delegated by the Board of the Company.

Convening of Audit Committee Meetings:

During the Reporting Period, the Audit Committee held two on-the-spot meetings, one phone meeting, and signed meeting documents once in the form of circulation. The meeting mainly reviewed the following issues:

- 2017 Audit Report and 2018 Interim Review Report of the Group, the Financial and Operation Analysis Report of the Group for the first quarter and third quarter of 2018, and re-appointed Grant Thornton Hong Kong Limited as the independent auditor of the Company;
- Five copies of Internal Audit Report and six copies of Audit Follow-up Report of the Group; and
- The report on internal audit for the year 2017 and the plan on internal audit for the year 2018.

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 80 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 18 June 2021. The appointment will be re-appointed thereafter subject to re-election and reappointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Remuneration and Appraisal Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the Remuneration and Appraisal Committee up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Gong Zhiqiang	Independent Non-executive Director	Chairman
Mr. Yang Xiaohui	Independent Non-executive Director	Member
Mr. Cao Huaizhi*	Non-executive Director	Member

Notes*: Mr. Cao Huaizhi was appointed to replace Ms. Lin Yankun as a member of the Remuneration and Appraisal Committee in June 2018.

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, and to make recommendations to the Board of Directors on the overall remuneration policy, salary structure and assessment criteria;
- to make recommendations to the Board of the remuneration packages for individual Executive Director and senior management, including benefits in kind, pension right and compensation payment (including compensation for loss or termination of office or appointment) by reference to the remuneration benchmark paid by the similar companies, the duties and responsibilities, the time involved, and the employment conditions of other positions in the Group;
- to review and approve the compensation payable to the executive directors and senior management for the loss or termination of their duties or appointments to ensure that such compensation is consistent with the terms of the contract; if not consistent, the compensation must be fair and reasonable;
- to review and approve the compensation arrangements for the dismissal or removal of the directors and supervisors due to misconduct to ensure the arrangements are in line with the terms of the contract; if not consistent with the terms of the contract, the compensation must be reasonable and appropriate;

CORPORATE GOVERNANCE REPORT

- to ensure that no Directors, Supervisors or any of their associates is involved determining their own remuneration;
- to vote on the service contracts of the Directors and the 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;
- 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 2017 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 2017 as well as the basic annual salary scheme to the senior management in 2018, and submitted to the Board for consideration and approval.

Details of the convening of meetings of the members of the Remuneration and Appraisal Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 80 of this annual report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

Unit: RMB'000

Name	Fees	Salaries, allowances and retirement benefit scheme contributions	Audit committee	Remuneration and appraisal committee	Nomination committee	Strategy committee	Total
Executive Directors							
Ms. Lin Yankun (Party Secretary and Chairman) ¹	-	1,149.4	-	-	-	-	1,149.4
Mr. Yu Donghui (Deputy Party Secretary and Chief Executive Officer)	-	1,149.4	-	-	-	-	1,149.4
Mr. Zong Zhaoxing (Deputy Party Secretary and President of Capinfo Institute)	-	886.0	-	-	-	-	886.0
Non-executive Directors							
Mr. Zhou Weihua	-	-	-	-	-	-	-
Mr. Shan Yuhu	-	-	-	-	-	-	-
Mr. Cao Huaizhi ²	-	-	-	-	-	-	-
Mr. Ma Linxiang	-	-	-	-	-	-	-
Mr. Feng Jianxun	-	-	-	-	-	-	-
Independent Non-executive Directors							
Mr. Gong Zhiqiang	50.0	-	5.0	10.0	5.0	-	70.0
Mr. Cheung, Wai Hung Boswell	50.0	-	5.0	-	5.0	-	60.0
Mr. Li He	50.0	-	5.0	-	-	5.0	60.0
Mr. Yang Xiaohui	50.0	-	10.0	5.0	-	-	65.0
Resigned or retired Directors							
Dr. Feng Haocheng ³	-	-	-	-	-	-	-
Mr. Cao Jun ⁴	-	-	-	-	-	-	-
Ms. An Lili ⁵	-	-	-	-	-	-	-

Notes:

- Ms. Lin Yankun retired as a member of the Remuneration and Appraisal Committee as the term of the sixth session of the Board of Directors expired in June 2018.
- Mr. Cao Huaizhi was appointed to replace Ms. Lin Yankun as a member of the Remuneration and Appraisal Committee in June 2018.
- Dr. Feng Haocheng retired on the expiry of the sixth session of the Board in June 2018.
- Mr. Cao Jun retired on the expiry of the sixth session of the Board in June 2018.
- Ms. An Lili retired on the expiry of the sixth session of the Board in June 2018.

SENIOR MANAGEMENT'S EMOLUMENTS

The annual emoluments of the senior management of the Company fall within HK\$1.5 million, and four of the five highest paid employees are senior management of the Company. Details on the five highest paid individuals are set out in note XIII.4.(7) to the financial statements on page 270 of this annual report.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee to specify its written terms of reference, so as to regulate the compliant operation of the Nomination Committee. The Nomination Committee of the Company comprises three members. The term of the Nomination Committee is three years (the same as that of the Board) and will expire on 18 June 2021. The appointment will be reappointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Nomination Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the Nomination Committee up to the date of this report are set out as below:

Name	Director Type	Position
Ms. Lin Yankun	Executive Director (Chairman)	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell	Independent Non-executive Director	Member

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 at least once a year;
- 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;

CORPORATE GOVERNANCE REPORT

- to examine the implementation of diversity policy of the members of the Board, and to review the policy as appropriate to ensure that it is effective; to review the measurable objectives and compliance progress of the Board of Directors for the implementation of diversity policy of the members of the Board;
- to disclose the diversity policy or policy summaries and review results in the Corporate Governance Report each year;
- to perform other duties as delegated by the Board.

The nomination procedures for directorship by the Nomination Committee:

- (1) To actively communicate with the relevant divisions of the Company, study the demand of the Company for new Directors and prepare written documents;
- (2) To identify candidates for directorship within the Company, its controlling companies as well as in the labour market in an extensively manner;
- (3) To obtain information including occupation, education background, job title, detailed working experience and all concurrent posts from initial candidates and prepare written documents;
- (4) To seek the nominees' consent on his/her nomination, otherwise his/her name shall not be put on the list of the candidates of directorship;
- (5) To convene meetings of the Nomination Committee and to review the qualification of the initial candidates according to their relevant qualifications;
- (6) To make recommendations about the candidates for directorship and provide relevant documents to the board of directors before the election of new directors;
- (7) To conduct other follow-up works based on the decision and feedbacks of the board of directors.

Convening of meetings of Nomination Committee:

During the Reporting Period, the Nomination Committee signed meeting documents twice in the form of circulation. The committee members examined the qualifications and experience of the candidates for the seventh session of the Board of Directors, and recommended them to act as directors of the Company and submitted to the Board of Directors and the General Meeting for consideration and approval. The committee members reviewed the scale and composition of Board of Directors in 2018, confirming that the structure, size and composition of the existing Board of Directors are in compliance with the relevant provisions of the Listing Rules and the Articles of Association, in line with corporate strategy and development of the Company.

STRATEGY COMMITTEE

The Company established the Strategy Committee and formulated the Articles of Strategy Committee to specify its written terms of reference, so as to regulate the compliant operation of the Strategy Committee. The Strategy Committee of the Company comprises three members. The term of the Strategy Committee of the Company is three years (the same as that of the Board) and will expire on 18 June 2021. 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. As of the date of this report, list of members of the Strategy Committee are as follow:

Name	Director Type	Position
Ms. Lin Yankun	Executive Director (Chairman)	Chairman
Mr. Yu Donghui	Executive Director (Chief Executive Officer)	Member
Mr. Li He	Independent Non-executive Director	Member

Note:

Dr. Feng Haocheng retired as a member of the Strategy Committee as the term of the sixth session of the Board of Directors expired in June 2018.

The main authorities and duties of the Strategy Committee include:

- to conduct studies and make recommendations on the Company's long-term development strategies;
- to conduct studies and make recommendations on the Company's major investment and financing plans;
- to conduct studies and make recommendations on the Company's major capital operations and asset operation projects;
- to conduct studies and make recommendations on other significant events that may affect the development of the Company;
- to conduct inspection and supervision on implementation of the above matters; and
- to perform other duties as delegated by the Board of the Company.

Convening of meetings of Strategy Committee:

During the Reporting Period, the Strategy Committee signed meeting documents once in the form of circulation. Each member of the committee has reviewed Mid-term evaluation report of the 13th Five-Year Strategic Development Plan in light of the development trend of the national macroeconomy and industry, and to be implemented after the deliberation and approval of the Board.

CORPORATE GOVERNANCE REPORT

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

Name	The Board ¹	Remuneration and Appraisal			Strategy Committee ⁵
		Audit Committee ²	Committee ³	Nomination Committee ⁴	
Executive Directors					
Ms. Lin Yankun (Party Secretary and Chairman) ⁶	5/6		1/*	2/*	1/*
Mr. Yu Donghui (Deputy Party Secretary and Chief Executive Officer)	5/6				1/*
Mr. Zong Zhaoxing (Deputy Party Secretary and President of Capinfo Institute) ⁷	2/4				
Non-executive Directors					
Mr. Zhou Weihua	4/6				
Mr. Shan Yuhu	6/6				
Mr. Cao Huaizhi ⁸	4/4		0/0		
Mr. Ma Linxiang ⁹	2/4				
Mr. Feng Jianxun ¹⁰	4/4				
Independent Non-executive Directors					
Mr. Gong Zhiqiang	3/6	2/3	1/*	2/*	
Mr. Cheung, Wai Hung Boswell	2/6	1/3		2/*	
Mr. Li He	3/6	3/3			1/*
Mr. Yang Xiaohui	5/6	3/3	1/*		
Resigned or retired Directors					
Dr. Feng Haocheng ¹¹	1/2				0/0
Mr. Cao Jun ¹²	1/2				
Ms. An Lili ¹³	1/2				

Notes:

- The Board held six on-the-spot meetings and signed meeting documents six times in the form of circulation.
- The Audit Committee held two on-the-spot meetings, one phone meeting and signed meeting documents once in the form of circulation.
- The Remuneration and Appraisal Committee did not hold any meeting, but signed meeting documents once in the form of circulation.
- The Nomination Committee did not hold any meeting, but signed meeting documents twice in the form of circulation.
- The Strategy Committee did not hold any on-the-spot meeting, but signed meeting documents once in the form of circulation.
- Ms. Lin Yankun retired as a member of the Remuneration and Appraisal Committee as the term of the sixth session of the Board of Directors expired in June 2018.
- Mr. Zong Zhaoxing was approved by the General Meeting to be an Executive Director in June 2018.
- Mr. Cao Huaizhi was approved by the General Meeting to replace Dr. Feng Haocheng to be a Non-executive Director and act as a member of the Remuneration and Appraisal Committee to replace Ms. Lin Yankun in June 2018.
- Mr. Ma Linxiang was approved by the General Meeting to replace Mr. Cao Jun to be a Non-executive Director in June 2018.
- Mr. Feng Jianxun was approved by the General Meeting to replace Ms. An Lili to be a Non-executive Director in June 2018.
- Dr. Feng Haocheng retired as Non-executive Director and a member of the Strategy Committee as the term of the sixth session of the Board of Directors expired in June 2018.
- Mr. Cao Jun retired as a Non-executive Director as the term of the sixth session of the Board of Directors expired in June 2018.
- Ms. An Lili retired as a Non-executive Director as the term of the sixth session of the Board of Directors expired in June 2018.

JOINT COMPANY SECRETARIES

Upon approval by the Board, Mr. Lu Lei and Ms. Koo Ching Fan were appointed as the joint company secretaries of the Company together. A system of Joint Company Secretaries is adopted by the Company to assist the Board of Directors to perform its responsibilities to the shareholders in accordance with the Listing Rules and provide professional advice to the Board regarding corporate governance, so as to maintain smooth information communication among the members of the Board, arrange induction training and professional development for the Directors, ensure the compliance of the procedures of the Board and improve the efficiency of the Board.

Mr. Lu Lei is a full-time employee of the Company, serving as the Vice President, Joint Company Secretary and the Secretary of the Board. The profile of Mr. Lu Lei is set out on page 36 of the session headed "Profiles of Directors, Supervisors and Senior Management" of this annual report. Ms. Koo Ching Fan was appointed as joint 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. Mr. Lu Lei is the primary contact person of the Company. Ms. Koo graduated from the Hong Kong Polytechnic University with a master degree in professional accounting in 2002 and successively obtained the qualification as an associate member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, U.K. and a fellow member of the Association of Chartered Certified Accountants. She has rich working experience in company secretarial work.

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

BOARD OF SUPERVISORS

The Company established the Board of Supervisors in accordance with Article 109 of the Companies Law, and formulated the Rules of Procedures of Meetings 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. Zhu Jie ¹	Shareholder Representative	Chairman to the Board of Supervisors
Mr. Lei Yiping ¹	Shareholder Representative	Supervisor
Mr. Zhao Kewen ²	Staff Representative Supervisor	Supervisor

Notes:

1. Mr. Zhu Jie and Mr. Lei Yiping were approved by the Annual General Meeting to replace Mr. Di Guojun and Mr. Liang Xianjun to be Shareholder Representative Supervisors in June 2018.
2. Mr. Zhao Kewen was approved by the Staff Representative Meeting to replace Mr. Lang Jianjun to be Staff Representative Supervisors in April 2018.

CORPORATE GOVERNANCE REPORT

The term of the seventh session of the Board of Supervisors of the Company is three years and will expire on 18 June 2021. 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 Meetings 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 seventh session of the Board of Supervisors. Save as disclosed above, none of the supervisors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Biographies of the above-mentioned existing supervisors are set out in the section under the title of "Profiles of Directors, Supervisors and Senior Management" on page 35 of this annual report.

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

- to raise proposals to the general meeting and to convene extraordinary general meeting;
- to attend the general meetings of the Company upon being invited, and to supervise and investigate into the implementation of the resolutions of the general meetings;
- to attend the meetings of the Board of the Company upon being invited. So to supervise the matters, including the legality of the procedures of the convening of the meetings of the Board of the Company, the abstention of Directors as connected persons from voting and whether or not the contents of the resolutions of the meeting of the Board conform to the requirements of the laws, regulations and the Articles of Association and meet the actual needs of the Company;
- to attend the meetings, including the work meetings of the President that involve material operating activities of the Company;
- to supervise the acts of the Directors, President and other senior management of the Company in their performance of the company duties, that are in violation of the laws, administrative rules and regulations or the Articles of Association;
- to represent the Company in negotiation with, or bring legal actions against, the Directors;
- to examine the finance of the Company; and
- such other powers and duties as stipulated in relevant laws and regulations, regulatory documents or the Articles of Association and as delegated by the general meetings.

Convening of meetings of the Board of Supervisors:

During the Reporting Period, details of the convening of meetings of the Board of Supervisors set out in “Supervisors’ Report” on pages 58 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 training covering the topic of corporate governance etc., and reading books and online studies relating to laws and regulations, finance and commerce, internal control of risks. 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.

RISK MANAGEMENT AND INTERNAL CONTROL

General meeting is the organ of the highest authority of the Company. The Party Committee is the leading organ of the Company. The Board of Directors is the decision-making body of the Company. The Board of Supervisors is the supervision organ of the Company. The Company established four specialized committees under the Board, i.e. the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, as the decision-making research units of the Board. Chairman of the Board and management of the Company directed, coordinated, managed and supervised the Company’s daily operations in accordance with the decisions of the Board. Authorities perform their respective duties to ensure the stable operation of the Company.

The Company established a comprehensive and systematic risk management and internal control system, made the internal control manual and commenced the internal control assessment work according to the relevant requirements set out by the “Interim Measures of the Internal Control Assessment Work*” (“《內部控制評價工作暫行辦法》”) set out in the internal control manual. During the Reporting Period, the Auditing Department of the Company had carried out effective internal control supervision and completed the assessment work of the assigned matters of the internal control. The Company has also commenced comprehensive assessment work of internal control in 2018, which reasonably ensures the legitimacy and compliance of the Company’s operation and management, safety of assets, financial reporting as well as the accuracy and completeness of relevant information. This has raised the operational efficiency and has facilitated the Company to achieve development strategies.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

Through the design, operation, evaluation and continuous improvement of risk management and internal control system, the Company kept reinforcing the duty of internal control management, regulated risks, as well as improved the internal control management. The Company implemented the risk management and 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 risk management and 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 risk management and internal control system so as to keep optimizing the internal control environment, improved the corporate governance system; enhanced management and direction over the branches and controlled subsidiaries; further implemented talent strategy; and strengthened the corporate culture with an aim to promote the implementation of its strategic goal. Meanwhile, the Company further improved its decision-making and risk control abilities and extended the breadth and depth of market risk management; promoted the standardized and computerized management of the financial information; made a comprehensive business plan and annual budget; perfected the appraisal standards of business performance and business development; further optimized the business processes, which made the business processing more efficient; intensified the management of the operational risk by integrating the risk monitoring system; further enhanced the management system for connected transactions, significant risk alert mechanism and emergency handling mechanism to regulate the crisis management procedure; improved the information disclosure and investor relations management to continue to enhance the transparency and safeguard the rights and interests of the shareholders. Through the above measures, the Company kept reinforcing its internal control.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company further increased the strength on supervision and inspection. By focusing on development strategy and oriented by risk and aimed at uplifting corporate value, the internal audit department effectively performed its duties of internal control by supervising the business transformation and business innovation, as well as the effectiveness of implementation of business regulatory requirements and the Company's systems to generally cover the key areas which need to be paid more attention and controlled.

Effectiveness of Risk Management and Internal Control

The audit department and the management of the Company regularly discussed the effectiveness of the Group's risk management and internal control and reported to the Board after reviewed by Audit Committee. As of 31 December 2018, the Board was of the view that the Company did a fruitful job in risk management and 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 AUDIT

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

During the Reporting Period, the Company implemented risk-oriented and value adding-targeted audit activities according to the development strategy of the Company, and fully accomplished the annual audit plan, including 5 copies of Internal Audit Reports, 6 copies of Audit Follow-up Reports and 7 copies of Leaving/Transferring 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 onsite examinations, off-site audits, special audits and departure/transfer audits, which covered major areas of the Company's operation and management including business, financial management, connected transactions, terms, duty performance and departure of senior management members. Audits focused on strategic, systematic and mechanism risks in main businesses with strong influence over the Company's operation, fast innovative development and new workflow system mode, as well as efficiency of key rules, processes, systems, operations and related management and control. The internal audits addressed the focuses of the Board and regulatory requirements. The problems identified in the audits were continuously tracked and the units/departments responsible for the problems were urged to carry out rectification. The Company conducted examination on overall business and process risks, thereby promoting the sound operation and sustainable development of the Company.

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

CORPORATE GOVERNANCE REPORT

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/Transferring Post Audit Reports
Year 2017	2	3	–
First quarter of 2018	–	2	1
Second quarter of 2018	2	–	3
Third quarter of 2018	1	1	3
Total	5	6	7

INDEPENDENT AUDITORS

Grant Thornton (Special General Partnership) (“Grant Thornton”) have written to the Audit Committee confirming that they are independent to the Company and that there is no relationship between Grant Thornton and the Company which may affect their independence. During the Reporting Period, Grant Thornton provided the Company with the following services:

Unit: RMB'000

Services	2018	2017
Audit service	1,202	1,122
Non-audit service	343	303
Total	1,545	1,425

CONTINUOUS IMPROVEMENT

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

INVESTORS RELATIONS

In 2018, in an honest and pragmatic manner and with an active and open attitude, the Company maintained effective communication with the investors, and took continuous efforts in improving investors' recognition of the Company's value.

As of 31 December 2018, the market capitalization of the Company amounted to HK\$927.39 million.

To ensure a sound and continuous relationship with investors, the Company further enhanced the transparency of corporate governance, extending the scope and depth of information disclosure, improving the reception process of investors and unblocking the communication channel. During the year, the Company kept updating investor records, including continued to update the special column for investor relations at its official 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.

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 of the date of this report, based on the information that is publicly available, the public float meets the requirement of minimum public float stated in Rule 8.08 of the Listing Rules.

RECEPTION ACTIVITIES BY WAY OF RESEARCH

In 2018, the Company positively enhanced interaction with capital market, and conducted positive and frank communication with the investors and analysts through various channels such as annual general meeting, company visits and teleconference to update the investors information on the macro-economic environment, the industry prospect and the operation of the Company, further strengthening their understanding of the industry and the Company and enabling them to accurately evaluate the Company's investment value. In communicating with the investors, the Company earnestly listened to the advice or opinions of the investors and timely reported the questions raised by the investors to the management, with an aim to constantly improve the quality of our work.

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 2018, the Company published 35 corporate communications such as announcements and circulars. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, connected transaction, general meetings.

The Company's website (www.capinfo.com.cn) is one of the important disclosure channel for corporation information, and also an important platform for investors to access information of the Company. In 2018, the Company published the following information through the websites of the Stock Exchange and the Company pursuant to the Listing Rules:

No.	Events	Publish Date
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2017	2 January 2018
2	Voluntary Announcement Establishment of Capinfo Medical United Information Technology Company Limited*	25 January 2018
3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2018	1 February 2018
4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2018	2 March 2018
5	Notice of Board Meeting	16 March 2018
6	Annual Consolidated Results for the Year ended 31 December 2017	29 March 2018
7	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2018	3 April 2018
8	Proposed Re-Election and Election of Directors and Supervisors	20 April 2018
9	Proposed Amendments of the Articles of Association and Proposed Amendments of The Rules and Procedure for General Meetings, the Rules and Procedures for Meetings of the Board and the Rules and Procedures for Meetings of the Supervisory Committee	20 April 2018
10	Connected Transactions Establishment Of A Joint Venture Company And Assets Transfer	20 April 2018
11	2017 Annual Report	27 April 2018
12	Notice of Annual General Meeting	27 April 2018

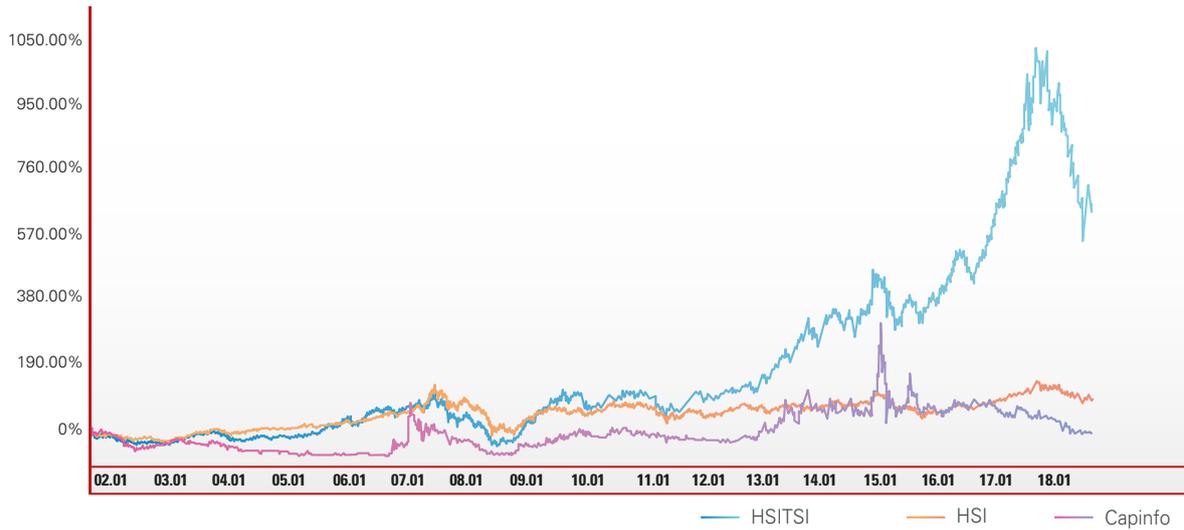
INVESTORS RELATIONS

No.	Events	Publish Date
13	Proposed Re-Election and Election of Directors and Supervisors Proposed General Mandate to Issue H Shares Proposed Amendments of Articles of Association Proposed Amendments of Rules and Procedures for General Meetings, Rules and Procedures for Meetings of the Board and Rules and Procedures for Meetings of the Supervisory Committee and Notices of Annual General Meeting	27 April 2018
14	Proxy Form Annual General Meeting ("Meeting")	27 April 2018
15	Reply Slip	27 April 2018
16	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2018	2 May 2018
17	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2018	5 June 2018
18	Poll Results of Annual General Meeting and Changes of Directors, Supervisors and Member of Board Committees	19 June 2018
19	List of Board of Directors and their Role and Function	19 June 2018
20	Articles of Association	19 June 2018
21	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2018	6 July 2018
22	2017 Environmental, Social and Governance Report	27 July 2018
23	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2018	2 August 2018
24	Notice of Board Meeting	14 August 2018
25	Connected Transactions	24 August 2018
26	Criminal Investigation brought by the Company	24 August 2018
27	Interim Results Announcement for the six months ended 30 June 2018	27 August 2018
28	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2018	3 September 2018
29	2018 Interim Report	27 September 2018
30	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2018	5 October 2018
31	(i) Subscriptions of Principal-Protected Structured Deposit with China Everbright Bank (ii) Subscriptions of Principal-Protected Structured Deposit with China Merchants Bank	22 October 2018
32	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2018	6 November 2018
33	Hardware Purchase Agreements	30 November 2018
34	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2018	5 December 2018
35	Terms of Reference of the Audit Committee of the Board of Directors (revised)	28 December 2018

SHARE PRICE PERFORMANCE

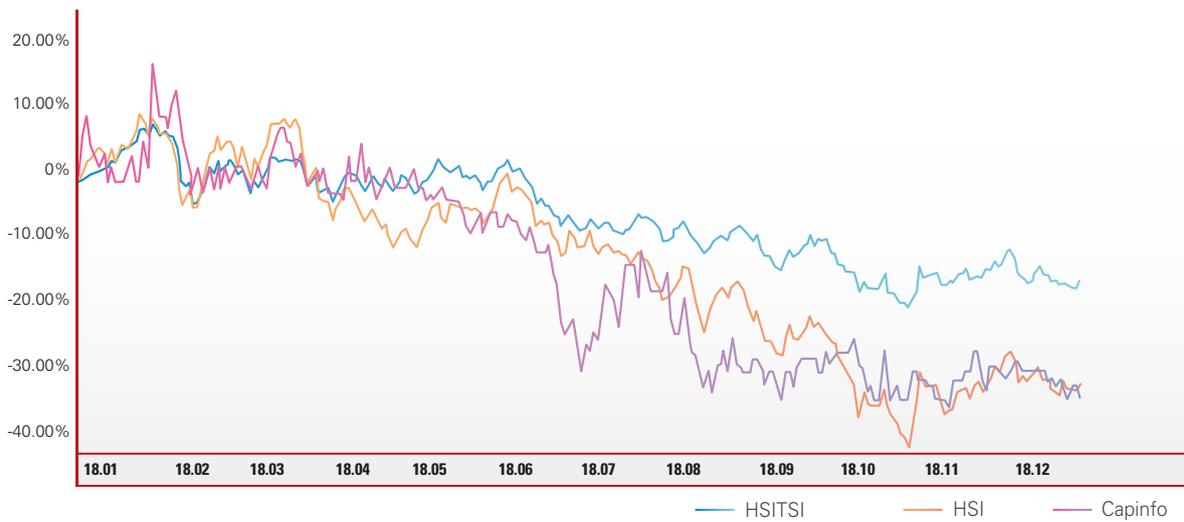
SHARE PRICE PERFORMANCE FROM LISTING

2001/12/21-2018/12/31



SHARE PRICE PERFORMANCE OF 2018

2018/1/2-2018/12/31



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 shareholders, the Company shall only distribute dividends once a financial year.

- I. Pursuant to article 140 of the Articles of Association, the financial statements are prepared under the accounting standards and regulations of PRC. As confirmed after the and if, during the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB62.17 million respectively and the basic earnings per share amounted to RMB2.1 cents. The Board of the Company proposed a payment of final dividend of RMB0.97 cents (approximately HK\$1.14 cents, tax inclusive), per share for the year 2018, totaling approximately RMB28.11 million (tax inclusive). The 2018 annual general meeting will be held on Friday, 21 June 2019 to consider and approve the proposed payment of final dividend for the year 2018 by the Board.

INVESTORS RELATIONS

- II. In accordance with the provisions of Article 149 and 150 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 median price for conversion of RMB to Hong Kong Dollar as announced by the People's Bank of China for the calendar week preceding to the date on which such dividends are declared.
- III. Pursuant to the Law on Corporate Income Tax of the People's Republic of China and its implementation rules which came into effect on 1 January 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividends to non-resident corporate shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be deemed as shares held by non-resident corporate shareholders, therefore the dividends payable on such shares will be subject to the withholding of the corporate income tax. After receipt of the dividends, a non-resident corporate shareholder may, in person or through an agent, apply to the competent tax authorities for preferential treatment under the taxation treaties (arrangements) to enjoy tax refund at the presence of evidence in support of its status as a beneficial owner as defined in the taxation treaties (arrangements).

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 at 4:30 p.m. on 5 July 2019 and will accordingly withhold and pay the individual income tax. If the country of domicile of the Individual H Shareholder is not the same as the registered address, the Individual H Shareholder shall notify the share registrar of the Company's H shares, Hong Kong Registrars Limited, and provide relevant supporting documents before 4:30 p.m. on Friday, 5 July 2019 (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong).

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

DIVIDEND DISTRIBUTION INFORMATION FOR PREVIOUS YEARS

Year of distribution	Declaration date	Payment date**	Dividend per share before tax		Total amount of cash dividend paid RMB million	Net profit attributable to the shareholders of the parent company RMB million	Percentage of dividend to net profit attributable to the shareholders of the parent company
			RMB cent	HK\$ cent			
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	69.1	50.36%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	81.4	46.31%
Final dividend for 2013	21 March 2014	23 September 2014	1.30	1.65	37.7	81.4	46.29%
Final dividend for 2014	27 March 2015	24 September 2015	1.06	1.34	30.7	67.0	45.83%
Final dividend for 2015	24 March 2016	23 September 2016	1.57	1.88	45.5	101.5	44.81%
Final dividend for 2016	24 March 2017	29 September 2017	1.09	1.23	31.6	109.2	28.92%
Final dividend for 2017	23 March 2018	29 September 2018	1.25	1.55	36.2	81.1	44.64%
Final dividend for 2018	25 March 2019	27 September 2019	0.97	1.14	28.1	62.1	45.25%

Notes:

- * Net profit attributable to the shareholders of the parent company for the interim period of 2010 represented the sum of net profit attributable to the shareholders of the parent company for the annual period of 2009 and the interim period of 2010.
- ** The payment date refers to the payment date of dividends paid on H shares. The payment date of dividends paid on the domestic shares is approximate to that of the H shares.

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 annual general meeting in strict compliance with the procedures of notification, convening and holding as stipulated in the relevant laws and regulations, the Listing Rules and the Articles of Association. The details are set out as follows:

2017 Annual General Meeting

Date of meeting	19 June 2018		
Place of meeting	Beijing		
Agenda items	<table><tr><td>Ordinary resolutions</td><td><ol style="list-style-type: none">1. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the Directors' report and auditor's report for the year ended 31 December 2017.2. To consider and approve the Supervisors' report of the Company for the year 2017.3. To consider and approve the independent non-executive Director's report of the Company for the year 2017.4. To consider and approve the re-appointment of Grant Thornton (Special General Partnership) as auditor and to authorize the Board of the Company to fix their remuneration.5. To declare the final dividend of RMB1.25 cents (i.e. HK1.55 cents) per share for the year ended 31 December 2017.6. To consider and approve the election of the Directors of the Company, including:<ol style="list-style-type: none">(1) To re-elect Ms. Lin Yankun as executive Director of the seventh session of the Board of the Company;(2) To re-elect Mr. Yu Donghui as executive Director of the seventh session of the Board of the Company;(3) To elect Mr. Zong Zhaoxing as executive Director of the seventh session of the Board of the Company;(4) To re-elect Mr. Zhou Weihua as non-executive Director of the seventh session of the Board of the Company;(5) To re-elect Mr. Shan Yuhu as non-executive Director of the seventh session of the Board of the Company;(6) To elect Mr. Cao Huaizhi as non-executive Director of the seventh session of the Board of the Company;(7) To elect Mr. Ma Linxiang as non-executive director of the seventh session of the Board of the Company;(8) To elect Mr. Feng Jianxun as non-executive director of the seventh session of the Board of the Company;(9) To re-elect Mr. Gong Zhiqiang as independent non-executive Director of the seventh session of the Board of the Company;(10) To re-elect Mr. Cheung, Wai Hung Boswell as independent non-executive Director of the seventh session of the Board of the Company;(11) To re-elect Mr. Li He as independent non-executive Director of the seventh session of the Board of the Company;(12) To re-elect Mr. Yang Xiaohui as independent non-executive Director of the seventh session of the Board of the Company.</td></tr></table>	Ordinary resolutions	<ol style="list-style-type: none">1. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the Directors' report and auditor's report for the year ended 31 December 2017.2. To consider and approve the Supervisors' report of the Company for the year 2017.3. To consider and approve the independent non-executive Director's report of the Company for the year 2017.4. To consider and approve the re-appointment of Grant Thornton (Special General Partnership) as auditor and to authorize the Board of the Company to fix their remuneration.5. To declare the final dividend of RMB1.25 cents (i.e. HK1.55 cents) per share for the year ended 31 December 2017.6. To consider and approve the election of the Directors of the Company, including:<ol style="list-style-type: none">(1) To re-elect Ms. Lin Yankun as executive Director of the seventh session of the Board of the Company;(2) To re-elect Mr. Yu Donghui as executive Director of the seventh session of the Board of the Company;(3) To elect Mr. Zong Zhaoxing as executive Director of the seventh session of the Board of the Company;(4) To re-elect Mr. Zhou Weihua as non-executive Director of the seventh session of the Board of the Company;(5) To re-elect Mr. Shan Yuhu as non-executive Director of the seventh session of the Board of the Company;(6) To elect Mr. Cao Huaizhi as non-executive Director of the seventh session of the Board of the Company;(7) To elect Mr. Ma Linxiang as non-executive director of the seventh session of the Board of the Company;(8) To elect Mr. Feng Jianxun as non-executive director of the seventh session of the Board of the Company;(9) To re-elect Mr. Gong Zhiqiang as independent non-executive Director of the seventh session of the Board of the Company;(10) To re-elect Mr. Cheung, Wai Hung Boswell as independent non-executive Director of the seventh session of the Board of the Company;(11) To re-elect Mr. Li He as independent non-executive Director of the seventh session of the Board of the Company;(12) To re-elect Mr. Yang Xiaohui as independent non-executive Director of the seventh session of the Board of the Company.
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2017 Annual General Meeting

Date of meeting 19 June 2018

Place of meeting Beijing

7. To authorize the Board to fix the remuneration of the Directors.
8. To authorize the Board to enter into service contract or appointment letter with each of the newly elected executive Director, non-executive Directors and independent non-executive Directors respectively pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.
9. (1) To elect Mr. Zhu Jie as Supervisor of the seventh session of the Supervisory Committee of the Company; and
(2) To elect Mr. Lei Yiping as Supervisor of the seventh session of the Supervisory Committee of the Company.
10. To authorize the Board to fix the remuneration of the Supervisors.
11. To authorize the Board to enter into service contract or appointment letter with each of the newly elected Supervisors representing the Shareholders of the Company and Supervisor representing the staff and workers of the Company respectively pursuant to such terms and conditions as the Board shall think fit and to do all such acts and things to give effect to such matters.
12. To consider and approve the amendments of "Rules and Procedures for General Meetings".
13. To consider and approve the amendments of "Rules and Procedures for Meetings of the Board".
14. To consider and approve the amendments of "Rules and Procedures for Meetings of the Supervisory Committee".
15. To consider and approve any motion proposed by any Shareholders of the Company holding 3% or more of the Shares of the Company with voting rights at such meeting, if any.
- Special resolutions 16. To consider and, if thought fit, to grant an unconditional and general mandate to the board of directors to determine if the Company shall allot, issue and otherwise deal with additional H Shares after taking into account the market conditions and the needs of the Company with the limit of not exceeding 20% of the total number of issued H Shares of the Company on the date of passing this resolution at the general meeting and authorize the board of directors to consider, approve and execute on behalf of the Company agreements in relation to the issuance, execute legal documents in relation to the issuance which shall be submitted to the relevant regulatory authorities and to fulfill the relevant approval processes; and to carry out all necessary relevant reporting, registration and filing procedures with relevant competent authorities in Hong Kong and/or any other region or jurisdiction (if applicable).
17. To consider and approve the amendments of the articles of associations of the Company.

INVESTORS RELATIONS

2017 Annual General Meeting

Date of meeting	19 June 2018
Place of meeting	Beijing
Number of shareholders or authorized representatives present at the meeting	6
Total number of representing shares	2,123,804,091
Of total share capital	73.28%
For	Ordinary resolutions 100%, Special resolution 100%
Against	Ordinary resolutions Nil, Special resolution Nil

ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2017 Annual General Meeting
Executive Directors	
Ms. Lin Yankun (Party Secretary and Chairman)	
Mr. Yu Donghui (Deputy Party Secretary and Chief Executive Officer)	✓
Non-executive Directors	
Mr. Cao Huaizhi	✓
Mr. Ma Linxian	✓
Mr. Zhou Weihua	✓
Mr. Shan Yuhu	✓
Mr. Feng Jianxun	✓
Independent Non-executive Directors	
Mr. Yang Xiaohui	✓
Mr. Gong Zhiqiang	✓
Mr. Cheung, Wai Hung Boswell	
Mr. Li He	
Resigned or retired Directors	
Dr. Feng Haocheng	
Ms. An Lili	
Mr. Cao Jun	

VOTE BY WAY OF POLL

Pursuant to the provisions in Article 69 of the Articles of Association, the votes for all resolutions at the general meetings will be taken by way of poll. Each share represents one voting right. The announcement of poll results of the annual general meeting will be published at the websites of the Stock Exchange and the Company respectively on the same day after the annual general meeting for the information of the shareholders and investors.

AMENDMENTS TO ARTICLES OF ASSOCIATION

In light of the business development needs of the Company, certain articles of the Articles of Association were revised at the Annual General Meeting convened on 19 June 2018.

The above amendments were approved and given effect by a special resolution in a general meeting according to Article 73 of the Articles of Association. The Company has also carried out the relevant registration and filing required by the laws and regulations of the place of listing and the PRC.

INVESTORS CALENDAR

Date	Issue
25 March 2019	Announcement of annual results for the year ended 31 December 2018
30 April 2019	Dispatch of 2018 Annual Report, Notice of Annual General Meeting, Proxy Form and Reply Slip
22 May to 21 June 2019	Closure of register of members (both days inclusive) to ascertain the entitlement of shareholders to attend the general meeting
21 June 2019	Convention of Annual General Meeting*
27 June to 5 July 2019	Closure of register of members (both days inclusive) to ascertain the entitlement to the dividend
5 July 2019	Record date/benchmark date of final dividend
August 2019	Announcement of interim Results for the six months ended 30 June 2019
27 September 2019	Payment of final dividend of 2018

Notes*:

The reply slip for the annual general meeting must be lodged in person or by mail with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the PRC or the registered office of the Company at 5th Floor, Longfu Mansion, No. 95 Longfusi Street, Beijing, PRC (for holders of domestic shares) on or before Friday, 21 June 2019.

To be valid, the form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the above addresses not later than 24 hours before the time scheduled for the annual general meeting or any adjournment thereof.

Transfers may not be entered in the register of shareholders 5 days ahead of the record date set for the purpose of distribution of dividends (Article 41 of the Articles of Association).

INVESTORS RELATIONS

SHAREHOLDER SERVICES

- Any matters relating to the H shares in your name, such as transfer of shares, change of name or address and loss of share certificates, should be addressed in writing to the Company's Hong Kong share registrar and transfer office.
- Shareholders are, at any time, welcome to raise questions and request published information of the Company (to the extent it is publicly available) from the Board and the management by sending emails to the E-mail address for Investors Relations: investor@capinfo.com.cn or to Mr. Lu Lei, the vice president and secretary of the Board of the Company by post. Any such letter from the shareholders should be marked with "Shareholders' Communication" on envelope.



Zhi Tong Shen Zi (2019) No. 110ZA3882

All Shareholders of Capinfo Company Limited,

I. OPINION

We have audited the financial statements of Capinfo Company Limited (the "Capinfo"), which comprise the consolidated and company balance sheet as at 31 December 2018, the consolidated and company income statement, the consolidated and company cash flow statement, the consolidated and company statement of changes in shareholders' equity for the year 2018, and notes to the financial statements.

In our opinion, the accompanied financial statements present fairly, in all material respects, the consolidated financial position as at 31 December 2018, and the consolidated and company financial performance and the consolidated and company cash flows for the year 2018 of Capinfo in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with Auditing Standards for the Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Capinfo in accordance with the China Code of Ethics for Certified Public Accountants and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. EMPHASIS OF MATTER

We remind the users of the financial statements to pay attention. As mentioned in note "XIII. OTHER SIGNIFICANT EVENTS 5. Progress of the case", Capinfo suspected that the former shareholders of an acquired company had committed contract fraud and reported the case. On 6 August 2018, Capinfo received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. As of the issuance date of the financial statements, the case is in the stage of filing investigation, and the future impact of this case on Capinfo is uncertain. This paragraph shall not affect the published audit opinion.

Auditors' report

IV. KEY AUDIT MATTERS

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

(I) Income recognition

Refer to Note III.24, III.30 and Note V.36 to the financial statements.

1. Description

The MOF issued the Accounting Standards for Business Enterprises No.14 – Revenue (amended) in 2017. Capinfo adopted this standard from 1 January 2018 and has accordingly made adjustments to the accounting policies of income recognition; as the first batch of adopted companies, Capinfo has a higher risk of material misstatement on the income recognition; accordingly, we identified the income recognition as a key audit matter.

2. Audit procedures

Our audit procedures to the income recognition mainly included the following aspects:

- (1) understand and evaluate the design of key internal controls in relation to the management of Capinfo (the management) and income recognition, and test the operating effectiveness of key control processes;
- (2) By reviewing the sales contract and interviews with management, to understand and evaluate the policies of income recognition, and evaluate whether the accounting policies of income recognition applied by the management are in compliance with the requirements of Accounting Standards for Business Enterprises, and whether it is compatible with the actual situation of Capinfo;
- (3) by analysing the income growth and gross profit margin to determine whether it has abnormal fluctuations;

IV. KEY AUDIT MATTERS (CONTINUED)

(I) Income recognition (Continued)

2. Audit procedures (Continued)

- (4) examine the terms of control transfer in the sales contracts and the documents confirmed by customers with the supporting documents on sampling basis, such as receipts obtain from simple integration, acceptance reports obtain from complex integration and acceptance services, customer progress confirmations obtain from business development;
- (5) confirmed the contract amount, settlement amount and the situations of the technical project inspection on sampling basis;
- (6) conduct test on sales income recognised on or around the balance sheet date on sampling basis and examine relevant documents to access whether the sales income is recognized in an appropriate period;
- (7) select all major projects from the uncompleted construction contracts on 1 January 2018 of Capinfo, to test whether the accounting adopted by Capinfo on the initial adoption date are accurate and whether the relevant disclosures are appropriate.

(II) Test on goodwill impairment

Refer to Note III.20 and Note V.18 to the financial statements

1. Description

The original carrying amount of goodwill of Capinfo as of 31 December 2018 was RMB184,597,700 arising from the acquisition of Xiamen Rongtong Information Technology Company Limited. In accordance with the requirements of Accounting Standards of Business Enterprises, Capinfo is required to conduct tests on goodwill impairment on each of the balance sheet date. As of 31 December 2018, the amount of provision for impairment of goodwill was RMB49,337,100, and the book value of goodwill was RMB135,260,600. We identified test on goodwill impairment as a key audit matter because of the impact of provision on impairment of goodwill was material to the financial statements, the judgement made by the management on whether the goodwill was impaired was more subjective, and there was inherent uncertainty in estimating future cash flows.

Auditors' report

IV. KEY AUDIT MATTERS (CONTINUED)

(II) Test on goodwill impairment (Continued)

2. Audit procedures

Our audit procedures to test on goodwill impairment mainly included the following:

- (1) understand and test the key internal control in connection with goodwill impairment, including the adoption of key assumptions, and review and approval of the provision for impairment;
- (2) obtain the assessment report issued by the management's valuation expert, evaluate the competence, professional quality and objectivity of these management's experts, and review the impairment test models and key assumptions involved in the assessment report;
- (3) assess the reasonableness of the impairment test methods, growth rate, and discounted rate used by the management;
- (4) evaluate whether the cash flow forecast prepared by the management is appropriate by comparing the forecasted income, cost and other expenses prepared by the management and the related information in the financial budget approved by the board;
- (5) test the calculation of the discounted cash flow model to determine the accuracy of the present value of the future cash flow.

V. OTHER INFORMATION

The management of Capinfo is responsible for the other information. The other information comprises all the information included in the 2018 annual report of Capinfo, other than the financial statements and our auditors' report thereon.

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

V. OTHER INFORMATION (CONTINUED)

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

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

VI. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Capinfo is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Capinfo's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Capinfo or to cease operations, or has no realistic alternative but to do so.

Those in charge with governance are discharging their responsibilities for overseeing Capinfo's financial reporting process.

VII. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Auditors' report

VII. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with audit standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit 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 internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Capinfo's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Capinfo to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Capinfo to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

VII. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We also provide those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton LLP
(special general partnership)

Certified Public Accountants Registered
in the People's Republic of China
(engagement partner)

Ren Yiyou

Certified Public Accountants Registered in
the People's Republic of China

Liang Yinan

Beijing, China

25 March 2019

Consolidated Balance Sheet

31 December 2018

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Note	31 December 2018	1 January 2018	31 December 2017
Current assets:				
Monetary fund	V. 1	652,513,182.08	676,515,880.90	676,515,880.90
Tradable financial assets	V. 2	-	10,000,000.00	-
Financial assets at fair value through profit or loss				-
Notes and accounts receivables	V. 3	316,363,026.66	223,685,172.12	310,931,313.68
Including: Notes receivables		124,900.00	281,000.00	281,000.00
Trade receivables		316,238,126.66	223,404,172.12	310,650,313.68
Prepayments	V. 4	65,450,220.03	37,548,374.84	37,548,374.84
Other receivables	V. 5	93,208,484.60	91,273,931.59	91,273,931.59
Including: Interest receivables		-	-	-
Dividend receivables		-	6,296,524.20	6,296,524.20
Inventories	V. 6	329,200,608.95	277,785,092.98	95,562,424.08
Contractual assets	V. 7	43,290,594.31	55,400,571.28	-
Assets held for sale		-	-	-
Non-current assets due within one year	V. 8	2,010,148.40	26,237,343.74	26,237,343.74
Other current assets	V. 9	202,917,235.27	944,826.34	10,944,826.34
Total current assets		1,704,953,500.30	1,399,391,193.79	1,249,014,095.17
Non-current assets:				
Debt investments		-	-	-
Available-for-sale financial assets	V. 10	-	-	971,326.53
Other debt investments		-	-	-
Held-to-maturity investments		-	-	-
Long-term receivables	V. 11	-	3,947,515.56	3,947,515.56
Long-term equity investments	V. 12	163,611,601.30	146,041,160.68	146,041,160.68
Other equity instrument investments	V. 13	971,326.53	971,326.53	-
Other non-current financial assets		-	-	-
Investment properties	V. 14	37,736,600.24	41,510,260.28	41,510,260.28
Fixed assets	V. 15	69,183,061.72	90,603,551.49	90,603,551.49
Construction in progress		-	-	-
Productive biological assets		-	-	-
Oil and gas assets		-	-	-
Intangible assets	V. 16	18,279,758.21	33,768,634.98	33,768,634.98
Development expenditures	V. 17	12,572,850.26	6,780,034.80	6,780,034.80
Goodwill	V. 18	135,260,623.29	177,975,650.76	177,975,650.76
Long-term deferred expenses	V. 19	32,153,316.76	42,749,741.57	42,749,741.57
Deferred income tax assets	V. 20	35,624,903.77	24,011,655.72	24,421,326.12
Other non-current assets		-	-	-
Total non-current assets		505,394,042.08	568,359,532.37	568,769,202.77
Total assets		2,210,347,542.38	1,967,750,726.16	1,817,783,297.94

Consolidated Balance Sheet

31 December 2018

Items	Note	31 December 2018	1 January 2018	31 December 2017
Current Liabilities:				-
Short-term borrowings		-	-	-
Tradable financial liabilities		-	-	-
Financial liabilities at fair value through profit or loss				-
Notes and accounts payables	V. 21	172,067,991.29	154,040,442.83	154,040,442.83
Advances received		-	-	266,544,654.84
Contractual liabilities	V. 22	618,798,167.14	469,365,377.45	
Payroll payables	V. 23	79,780,912.13	69,169,720.93	69,169,720.93
Tax payables	V. 24	50,906,186.82	48,507,732.42	48,507,732.42
Other payables	V. 25	192,267,065.79	151,088,777.63	151,105,460.14
Including: Interest payables		-	-	-
Dividend payables		-	-	-
Liabilities held for sale		-	-	-
Non-current liabilities due within one year	V. 26	48,155,773.77	46,897,051.31	46,897,051.31
Other current liabilities		-	-	-
Total current liabilities		1,161,976,096.94	939,069,102.57	736,265,062.47
Non-current Liabilities:				
Long-term borrowings	V. 27	-	-	-
Bonds payables		-	-	-
Long-term payables	V. 28	-	-	-
Long-term payroll payables		-	-	-
Accrued liabilities		-	-	-
Deferred income	V. 29	7,235,650.32	4,122,171.81	4,122,171.81
Deferred income tax liabilities		-	-	-
Other non-current liabilities	V. 30	-	15,512,453.80	15,512,453.80
Total non-current liabilities		7,235,650.32	19,634,625.61	19,634,625.61
Total liabilities		1,169,211,747.26	958,703,728.18	755,899,688.08

Consolidated Balance Sheet

31 December 2018

Items	Note	31 December 2018	1 January 2018	31 December 2017
Share capital	V. 31	289,808,609.10	289,808,609.10	289,808,609.10
Other equity instruments		-	-	-
Including: Preferred shares		-	-	-
Perpetual debts		-	-	-
Capital reserves	V. 32	292,833,401.46	291,670,666.40	291,670,666.40
Less: Treasury stock		-	-	-
Other comprehensive income	V. 33	-7,471,840.33	-7,471,840.33	-
Special reserves		-	-	-
Surplus reserves	V. 34	90,317,493.60	79,464,045.12	81,662,603.60
Unallocated profits	V. 35	341,047,586.92	325,940,357.21	363,118,724.87
Total equity attributable to owners of the parent		1,006,535,250.75	979,411,837.50	1,026,260,603.97
Minority interests		34,600,544.37	29,635,160.48	35,623,005.89
Total shareholders' (or owners') equity		1,041,135,795.12	1,009,046,997.98	1,061,883,609.86
Total liabilities and shareholders'(or owners') equity		2,210,347,542.38	1,967,750,726.16	1,817,783,297.94

Legal representative
of the Company:
Lin Yankun

Person in charge of
accounting of the Company:
Du Xiaoling

Person in charge of the accounting
department of the Company:
Tan Xiangwu

Consolidated Income Statement

Year 2018

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Note	Amount for current period	Amount for last period
I. Total operating income	V. 36	1,131,506,696.46	1,008,306,555.42
Less: Operating costs	V. 36	743,277,531.58	656,774,995.41
Business tax and surcharges		7,022,105.56	5,851,997.21
Selling expenses	V. 37	111,001,587.77	95,144,287.24
Administrative expenses	V. 38	84,799,138.63	67,908,711.22
R&D expenses	V. 39	67,005,350.77	70,426,685.02
Financial expenses	V. 40	-4,908,714.13	5,039,245.34
Including: Interest expenses		-	5,233,377.44
Interest income		1,314,784.99	3,633,731.36
Impairment losses of assets	V. 41	42,715,027.47	33,730,416.06
Impairment losses of credit	V. 42	32,775,663.61	
Add: Other income	V. 43	3,299,986.15	7,468,583.83
Investment gain (loss is marked by "-")	V. 44	29,326,370.66	63,178,239.10
Including: Gain from investment in associates and joint ventures		22,704,229.76	22,203,681.39
Net gains on hedging exposure (loss is marked by "-")		-	
Gain from changes in fair value (loss is marked by "-")	V. 45	-	-3,564,709.74
Gain from disposal of assets (loss is marked by "-")	V. 46	15,136.78	29,236.21
II. Operating profit (loss is marked by "-")		80,460,498.79	140,541,567.32
Add: Non-operating income	V. 47	25,000.15	8,312.65
Less: Non-operating expenses	V. 48	2,159,061.66	563,052.17
III. Total profit (total loss is marked by "-")		78,326,437.28	139,986,827.80
Less: Income tax expenses	V. 49	11,191,725.26	55,108,021.83
IV. Net profit (net loss is marked by "-")		67,134,712.02	84,878,805.97
(I) Items classified by continued operations:			
Including: Net profit from continued operations (net loss is marked by "-")		67,134,712.02	84,878,805.97
Net profit from discontinued operation (net loss is marked by "-")			
(II) Items classified by attribution of ownership:			
Including: Net profit attributable to owners of the parent (net loss is marked by "-")		62,169,328.13	81,130,475.64
Minority interests (net loss is marked by "-")		4,965,383.89	3,748,330.33

Consolidated Income Statement

Year 2018

Items	Note	Amount for current period	Amount for last period
V. Other comprehensive income after taxation		-	-
Other comprehensive income after taxation attributable to the owners of parent			
(I) Other comprehensive income not subject to reclassification to profit or loss		-	-
1. Changes arising on remeasurement of defined benefit plans			
2. Share of other comprehensive income of investees accounted for under the equity method (non-recycling)			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of credit risks of the enterprise			
5. Others			
(II) Other comprehensive income to be reclassified to profits and loss		-	-
1. Share of other comprehensive income of investees accounted for under the equity method (recycling)			
2. Fair value changes of other debt investments			
3. Profits or losses from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profits or losses from held-to-maturity investment reclassified as available-for-sale financial assets			
6. Provision for the credit impairment of other debt investments			
7. Effective portion of cash flow hedges(Effective portion of profit or loss from cash flows hedges)			
8. Conversion difference of foreign currency statement			
9. The self-use properties or the properties that is in stock is converted into the investment properties measured at fair value in which the portion of the fair value is greater than the carrying amount on the conversion date			
10. Multiple transactions are used to process the shareholding of the subsidiaries into a basket of transaction, the difference between the transaction price of each transaction and the carrying amount of the corresponding net assets before the loss of control			
11. Others			
Other comprehensive income after taxation attributable to the minority shareholders			
VI.Total comprehensive income		67,134,712.02	84,878,805.97
Total comprehensive income attributable to the owners of parent		62,169,328.13	81,130,475.64
Total comprehensive income attributable to the minority shareholders		4,965,383.89	3,748,330.33
VII.Earnings per share			
(1) Basic earnings per share	XIV. 1	0.021	0.028
(2) Diluted earnings per share	XIV. 1	0.021	0.028

Legal representative
of the Company:
Lin Yankun

Person in charge of
accounting of the Company:
Du Xiaoling

Person in charge of the accounting
department of the Company:
Tan Xiangwu

Consolidated Cash Flows Statement

Year 2018

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Note	Amount for current period	Amount for last period
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of labor services		1,319,682,675.18	1,021,694,612.41
Tax refunds received		-	-
Cash received relating to other operating activities		29,030,678.91	33,871,794.21
Sub-total of cash inflows from operating activities		1,348,713,354.09	1,055,566,406.62
Cash paid for purchase of goods and engagement of labor services		697,897,543.14	418,931,536.24
Cash paid to and on behalf of employees		332,087,043.47	293,764,009.26
Payments of all types of taxes		68,766,730.90	39,567,768.25
Cash paid relating to other operating activities		49,957,140.95	71,899,297.04
Sub-total of cash outflows from operating activities		1,148,708,458.46	824,162,610.79
Net cash flows from operating activities		200,004,895.63	231,403,795.83
II. Cash flows from investing activities:			
Cash received from return of investment		22,000,000.00	23,000,000.00
Cash received from investment gain		13,539,528.33	455,268.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,781.07	39,954.87
Net cash received from disposal of subsidiaries and other operating units		-	-
Cash received relating to other investing activities		765,675,660.97	-
Sub-total of cash inflows from investing activities		801,230,970.37	23,495,223.34
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		18,220,529.53	69,453,157.47
Cash paid for investment		27,000,000.00	33,000,000.00
Net cash paid for acquisition of subsidiaries and other operating units		-	-
Cash paid relating to other investing activities		960,000,000.00	-
Sub-total of cash outflows from investing activities		1,005,220,529.53	102,453,157.47
Net cash flows from investing activities		-203,989,559.16	-78,957,934.13

Consolidated Cash Flows Statement

Year 2018

Items	Note	Amount for current period	Amount for last period
III. Cash flows from financing activities:			
Cash received from investors		-	-
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		-	-
Cash received from obtaining borrowings		-	-
Cash received from issuing bonds		-	-
Cash received relating to other financing activities		12,000,000.00	-
Sub-total of cash inflows from financing activities		12,000,000.00	-
Cash paid for repayment of debts		900,000.00	-
Cash paid for distribution of dividends, profits or payment of interests		36,208,649.94	31,268,611.47
Including: Dividend paid to minority shareholders by subsidiaries		-	-
Cash paid relating to other financing activities		-	-
Including: Cash paid to minority shareholders by capital reduction of subsidiaries		-	-
Sub-total of cash outflows from financing activities		37,108,649.94	31,268,611.47
Net cash flows from financing activities		-25,108,649.94	-31,268,611.47
IV. Effect of changes in exchange rate on cash and cash equivalents		3,697,602.23	-3,653,127.83
V. Net increase in cash and cash equivalents	V. 50	-25,395,711.24	117,524,122.40
Add: Cash and cash equivalents at beginning of period	V. 50	652,586,184.64	535,062,062.24
VI. Cash and cash equivalents at end of period	V. 50	627,190,473.40	652,586,184.64

Legal representative
of the Company:
Lin Yankun

Person in charge of
accounting of the Company:
Du Xiaoling

Person in charge of the accounting
department of the Company:
Tan Xiangwu

Consolidated Statement of Changes in Equity

Year 2018

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Amount for current period						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	Minority interests	Total shareholders' (or owners') equity
I. Closing balance of last year	289,808,609.10	291,670,666.40	-	81,662,603.60	363,118,724.87	35,623,005.89	1,061,883,609.86
Add: changes in accounting policies			-7,471,840.33	-2,198,558.48	-37,178,367.66	-5,987,845.41	-52,836,611.88
II. Opening balance of current year	289,808,609.10	291,670,666.40	-7,471,840.33	79,464,045.12	325,940,357.21	29,635,160.48	1,009,046,997.98
III. Increase/decrease for current year ("-" for decrease)	-	1,162,735.06	-	10,853,448.48	15,107,229.71	4,965,383.89	32,088,797.14
(I) Total comprehensive income					62,169,328.13	4,965,383.89	67,134,712.02
(II) Profits distribution				10,853,448.48	-47,062,098.42	-	-36,208,649.94
1. Appropriation to surplus reserves				10,853,448.48	-10,853,448.48		-
2. Distributions to shareholders					-36,208,649.94		-36,208,649.94
(III) Others		1,162,735.06					1,162,735.06
IV. Closing balance of current year	289,808,609.10	292,833,401.46	-7,471,840.33	90,317,493.60	341,047,586.92	34,600,544.37	1,041,135,795.12

Items	Amount for last period						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Unallocated profits	Minority interests	Total shareholders' (or owners') equity
I. Closing balance of last year	289,808,609.10	291,670,666.40		72,207,069.12	360,642,012.74	31,583,475.56	1,045,911,832.92
Add: changes in accounting policies					-37,591,741.88		-37,591,741.88
II. Opening balance of current year	289,808,609.10	291,670,666.40	-	72,207,069.12	323,050,270.86	31,583,475.56	1,008,320,091.04
III. Increase/decrease for current year ("-" for decrease)	-	-	-	9,455,534.48	40,068,454.01	4,039,530.33	53,563,518.82
(I) Total comprehensive income					81,130,475.64	3,748,330.33	84,878,805.97
(II) Shareholder's contributions and withdrawals of capital						291,200.00	291,200.00
Others						291,200.00	291,200.00
(III) Profits distribution				9,455,534.48	-41,062,021.63	-	-31,606,487.15
1. Appropriation to surplus reserves				9,455,534.48	-9,455,534.48		-
2. Distributions to shareholders					-31,606,487.15		-31,606,487.15
IV. Closing balance of current year	289,808,609.10	291,670,666.40	-	81,662,603.60	363,118,724.87	35,623,005.89	1,061,883,609.86

Legal representative
of the Company:
Lin Yankun

Person in charge of
accounting of the Company:
Du Xiaoling

Person in charge of the accounting
department of the Company:
Tan Xiangwu

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

I. COMPANY GENERAL INFORMATION

1. Company Profile

Capinfo Company Limited (hereinafter referred to as the “Company”) is a joint stock limited company incorporated in Beijing, approved by the “Notice on Approval of Establishment of Capinfo Company Limited” of the Beijing Municipal People’s Government (J.Z.H.Z. (2000) No.74) and approved to register with Beijing Administration for Industry and Commerce on 14 July 2000. The uniform social credit code is 911100006336972074. All H shares issued by the Company have been listed for trading on Hong Kong Stock Exchange. The Company is headquartered at No. 11 Xi San Huan Zhong Road, Haidian District (The north gate of the central television tower), Beijing.

The Company has established the corporate governance structure consisting of General Meeting, Board of Directors and Supervisory Committee. Currently, we have business platforms including Social Security Segment, Private Network Segment, Housing Provident Fund Segment, and Governance Information Segment; management platforms including Comprehensive Management Department, Financial Management Department, Planning Management Department, Quality Management Department and Human Resources Department; technology platform, which is Capinfo Research Institute; and investment platform, which is Investment Department. We have five branches of which Guangzhou Branch and Chongqing Branch are affiliated to Housing Provident Fund and Call Centre Segment, Yanqing Branch and Xiongan Branch are affiliated to Capinfo Technology Segment and Shunyi Branch is newly established in the current period, respectively.

The Company and its subsidiaries (hereinafter referred to as the “Group”) belong to software industry and are principally engaged in online application service and system integration. The business scope includes the provision of information source service, e-commerce service, technical development, technical consulting, technical service and technical training of inter-networking, computer equipment and hardware and software, communication hardware and software products, integration and agency of information and network system, sales of computer peripheral equipment, proprietary and agency of all kinds of goods and technologies import and export business (excluding those restricted or prohibited by the state from import and export) and professional contracting. (Enterprises can independently choose their own business projects and carry out business activities under the laws; for the above items subject to the administrative approval, relevant approval must be obtained prior to operation; enterprises shall not carry out business activities prohibited and restricted by the city’s industrial policy.)

The financial statements and notes to the financial statements have been approved on 25 March 2019 at the 8th meeting of the seventh session of board of directors of the Company.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

I. COMPANY GENERAL INFORMATION (continued)

2. Scope of consolidation of the financial statements

During the period, there are aggregately 8 accounting units consolidated into financial statements, including the Company, Capinfo (Hong Kong) Co., Ltd (hereinafter referred to as "Capinfo Hong Kong"), Capinfo Technology Development Co., Ltd (hereinafter referred to as "Capinfo Technology"), Beijing Parking Management Centre Co., Ltd (hereinafter referred to as "Parking Management"), Shanghai Hengyue Computer Technology Co., Ltd (hereinafter referred to as "Shanghai Hengyue"), Xiamen Rito Info Technology Co. Ltd (hereinafter referred to as "Rito Info"), Capinfo Medical United Information Technology Company Limited (hereinafter referred to as "Capinfo Medical United") and Capinfo Cloud Technology Co., Ltd. (hereinafter referred to as "Capinfo Cloud Technology"). Details are set out in Note VII. Disclosure of interests in other entities.

During the current period, Capinfo Medical United and Capinfo Cloud Technology were new accounting units consolidated into financial statements. Details are set out in Note VI. Changes in the scope of consolidation.

II. PREPARATION BASIS FOR FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the "China Accounting Standards for Business Enterprises" and their application guidelines, interpretations and other relevant requirements (collectively, CASBE) issued by the Ministry of Finance of the PRC ("MOF").

The financial statements are presented on a going concern basis.

The Group's accounting is measured on an accrual accounting basis. Except for certain financial instruments, the financial statements are measured based on historical cost. In case of asset impairment, impairment provisions shall be made accordingly under relevant regulations.

New Hong Kong Companies Ordinance took effect in 2015. The financial statements have been adjusted according to the requirements of the Hong Kong Companies Ordinance.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the depreciation of fixed assets, amortisation of intangible assets, capitalization condition of R&D expenses, and income recognition policies according to its own production and operation characteristics. Details about accounting policies are set out in Note III.15, Note III.18, Note III.19 and Note III.24.

1. Declaration of compliance with the CASBE

The financial statements are in compliance with the requirement of CASBE, which gives a true and complete view of the consolidated and company financial position as at 31 December 2018, and the consolidated and company operating results and company cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating Cycle

The operating cycle of the Group is 12 months.

4. Functional currency

The Company and its domestic subsidiaries use RMB as its functional currency. All amounts in this report are expressed in RMB unless otherwise stated.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Accounting of business combinations involving entities under and not under common control

(1) Business combination involving entities under common control

For the business combination involving entities under common control, the assets and liabilities that are obtained in the business combination shall be measured at their original carrying amounts at the combination date as recorded by the combined party, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of assets paid shall be adjusted to capital reserve, and if the capital reserve is not sufficient to absorb the difference, any excess difference shall be adjusted to the retained earnings.

Business combinations involving enterprises under common control and achieved in stages.

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of the assets and liabilities obtained and is measured at the carrying amounts as recorded by the combined enterprise at the combination date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost and the carrying amount of consideration paid for the combination is adjusted to the capital reserve, if the capital reserve is not sufficient to absorb the difference, the excess difference shall be adjusted to retained earning.

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value as recorded by the enterprise at combination date, except for adjustments of different accounting policies. The difference between the sum of the carrying value from original shareholding portion and the new investment cost incurred at combination date and the carrying value of net assets obtained at combination date shall be adjusted to capital reserve, if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment held by the combination party, the recognized profit or loss, comprehensive income and other change of shareholding's equity at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Accounting of business combinations involving entities under and not under common control (continued)

(2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate fair value at acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At acquisition date, the acquired assets, liabilities or contingent liabilities of acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its cost minus accumulative impairment provision; where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Accounting of business combinations involving entities under and not under common control (continued)

(2) Business combination involving entities not under common control (continued)

Business combinations involving enterprises not under common control and achieved in stages

In the separate financial statements, the initial investment cost of the investment is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the purchase date recognized under equity method shall be compliance with the method when the acquire disposes the related assets or liabilities. Shareholder's equity due to the changes of other shareholder's equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held by the entity prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognized in other comprehensive income shall be transferred to profit or loss for current period when accounted for using cost method.

In the consolidation financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date; the cost of equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and book value shall be recognized as investment income or loss for the current period. Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, except for other comprehensive income from the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

(3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Method of preparing consolidated financial statements

(1) Scope of consolidation

The scope of consolidation of consolidated financial statements is on the basis of control. Control means that the Company has the power over the investee, enjoys variable returns by participating in relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of its return. Control refers to the Company's right over the investee to enjoy variable returns through involvement in the investee and have the ability to exert the right to affect those returns. A subsidiary is the entity controlled by the Company (including enterprises, a divided part of investees and structured entities that are controlled by the Company).

(2) Method of preparing of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, and intra-group transactions and balances shall be offset.

A subsidiary acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation from the beginning of the combination date, the subsidiary's income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date.

A subsidiary acquired through a business combination involving entities not under common control in the reporting period, the subsidiary's income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Method of preparing consolidated financial statements (continued)

(2) Method of preparing of consolidated financial statements (continued)

The portion of a subsidiary's equity not attributable to the parent is treated as minority interests and presented separately in the consolidated balance sheet within shareholders' equity. The portion of a subsidiary's profit or loss attributable to the minority interests presented in the consolidated statement of comprehensive income as "minority interests". The portion of a subsidiary's losses that exceeds to the beginning minority interests in the shareholders' equity, the remaining balance still offset the minority interests.

(3) Purchase of the minority interests in the subsidiary

The difference between the long-term equity investment costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio is adjusted to the capital reserve in the consolidated balance sheet, if the capital reserve is not sufficient, any excess is adjusted to retained earning. The difference between the disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation is the same.

(4) Treatment of loss of control of subsidiaries

When an enterprise loses control over the investee due to disposing of part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; the cash received in disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date and goodwill should be recorded in profit or loss for current period of loss of control.

Other comprehensive income related with the acquiree's equity held prior to acquisition date shall be transferred to investment income or loss for current period at acquisition date, except for other comprehensive income from the changes of net assets or net liabilities due to the re-measurement of defined benefit plan.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Method of preparing consolidated financial statements (continued)

(5) Treatment for disposal of subsidiaries in stages until the loss of control

If the clauses, conditions and economic impact of each transaction through disposal of subsidiaries in stages until the loss of control satisfy one or more following criteria, the Company will consider these transactions as a package deal for the accounting treatment:

- 1 These transactions are entered into simultaneously or after the effects on each other were considered;
- 2 All these transactions can only achieve one complete business result;
- 3 The occurrence of one transaction depends upon at least one of other transactions;
- 4 A transaction alone is not economical; however, it becomes economical when considered together with other transactions.

In individual financial statements, where the transactions of disposal of equity investment in a subsidiary until control is lost do not constitute a package deal, the difference between the related long term equity investment for each disposal of equity interest and the consideration received are recognized in the investment income in the current period; where the transactions of disposal of equity investment in a subsidiary until the control is lost do constitute a package deal, the difference between the disposal before the loss of control and the carrying amount of the long-term equity investment is recognized as other comprehensive income first, and shall be transferred to the profit or loss for the current period when the control is lost.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Method of preparing consolidated financial statements (continued)

(5) Treatment for disposal of subsidiaries in stages until the loss of control (continued)

In the consolidated financial statements, for the disposal subsidiaries in stages until the loss of control, the measurement of the remaining equity interest and treatment of the loss of disposal is conducted in accordance with "Treatment of loss of control of subsidiaries" as described above. The difference between the consideration received and the corresponding proportion of the subsidiary's net assets (subsequently measured since the acquisition date) in each transaction prior to the loss of control is recognized respectively in the following ways:

- 1 Belonging to a package deal: recognized in other comprehensive income. It is recognized in the profit or loss in the current period when the entity loses the control.
- 2 Not belonging to a package deal: recognized in capital reserve as equity. It shouldn't be recognized in the profit or loss in the current period when the entity loses the control.

7. Standard of determining cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Foreign currency transactions and translation of foreign currency statement

If foreign currency transactions of the Group occur, they are translated into the amount of functional currency by applying the spot exchange rate at the dates of the transactions.

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are included in profit or loss for the current period.

9. Financial instruments

A financial instrument is the contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and Derecognition of financial instruments

A financial asset or financial liability is recognized when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

- 1 The right of the contract to receive the cash flows of financial assets terminates;
- 2 The financial asset has been transferred and meet the following conditions for derecognition.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(1) Recognition and Derecognition of financial instruments (continued)

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation shall be derecognized entirely or partially. Where the Group (debtor) signs an agreement with the creditor in which the existing financial liabilities are replaced by means of undertaking new financial liabilities and the contractual terms of the new financial liabilities and those for existing financial liabilities are inconsistent, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized.

If the financial assets are traded regularly, they are recognized and derecognized at the transaction date.

(2) Classification and measurement of financial assets

The Group's financial assets are, upon initial recognition, classified into the following three categories according to the business model for managing financial assets and the characteristics of contractual cash flow: financial assets measured at amortised cost, financial assets at fair value through other consolidated income and financial assets at fair value through profit or loss.

Financial assets measured at amortised cost

The Group classifies financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at amortised cost:

- The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

Financial assets measured at amortised cost (continued)

After initial recognition, these financial assets are measured at amortised cost by using the effective interest method. Gains or losses resulted from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period when derecognised, amortised using the effective interest method or impairments are recognised.

Financial assets at fair value through other comprehensive income

The Group classifies financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at fair value through other comprehensive income:

- The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows as well as to dispose of the financial assets;
- The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

After initial recognition, these financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated by the effective interest method are included in current profit or loss, while other gains or losses are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to profit and loss of the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Except for the abovementioned financial assets measured at amortised costs and fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through profit or loss. At initial recognition, to eliminate or significantly minimize accounting mismatch, financial assets originally measured at amortised costs or fair value through other comprehensive income can be irrevocably designated to be measured at fair value through profit or loss.

After initial recognition, these financial assets are subsequently measured at fair value. Gains or losses resulted therefrom (including interests and dividend income) are included in the profit and loss of the current period, unless such financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the Group may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition.

After initial recognition, these financial assets are subsequently measured at fair value. Dividend income upon the satisfaction is included in profit or loss while other gains or losses and changes of fair value are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows or sale of financial assets, or both. The Group determines the business model for managing financial assets based on objective facts and based on specific business objectives for the management of financial assets as determined by key management personnel.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss (continued)

The Group assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. In particular, the principal represents the fair value of the financial assets at initial recognition while the interest includes the consideration of the time value of money, the credit risk associated with the outstanding principal amount for a specific period and other basic borrowing risks, costs and profits. In addition, the Group evaluates the contractual terms that may result in a change in the time distribution or amount of financial asset contractual cash flows to determine whether it meets the requirements of the above contractual cash flow characteristics.

Only when the Group changes its business model of managing financial assets can all affected financial assets be reclassified on the first day of the first reporting period after such changes have been made, otherwise the financial assets may not be reclassified after initial recognition.

Except for accounts receivables which do not have significant financing components, financial assets are measured at fair value at initial recognition. For financial assets measured at fair value through profit or loss, the relevant transaction costs are directly recognised in profit and loss of the current period. In respect of accounts receivable that do not have significant financing components, the Group performs initial measurement on the transaction price determined in accordance with the accounting policies in Note III.24.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(3) Classification and measurement of financial liabilities

The financial liabilities of the Group are classified as the following upon initial recognition: Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, and financial liabilities measured at amortised cost. For the financial liabilities not classified as the financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, the relevant transaction expenses are charged to its initially recognized amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include tradable financial liabilities and those designated as financial liabilities at fair value through profit or loss upon initial recognition. Such financial assets are subsequently measured at fair value, all gains and losses from changes in fair value and dividend and interest income related to these financial liabilities are recognized in profit or loss for the current period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured according to the amortised cost using effective interest method, and the profit or loss from its derecognition or amortisation is recorded into the profit and loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(3) Classification and measurement of financial liabilities (continued)

Difference between financial liabilities and equity instruments

Financial liabilities refer to the liabilities meeting one of the following criteria:

- 1 The contractual obligation to pay cash or deliver other financial assets to other parties;
- 2 The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- 3 The non-derivative instrument contract which must or may be settled through the enterprise's own equity instrument and based on which the enterprise will deliver a variable quantity of its own equity instruments;
- 4 The derivative instrument contract which must or may be settled through the enterprise's own equity instrument, except for the derivative instrument contract based on which the enterprise exchange fixed amount of its own equity instruments for fixed amount cash or other financial assets.

Equity instrument refers to the contract that proves the ownership of the remaining equity in an enterprise's assets after netting of all the liabilities.

If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instruments the financial liability of the Group, while in the latter case, it is the equity instrument of the Group.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(4) Derivative financial instruments and embedded derivatives

The derivative financial instruments include forward foreign exchange contract, currency swap contract, interest rate swap contract and foreign exchange option contract. It is initially measured at the fair value as at the signing date of the derivative transaction contract and subsequently measured according to its fair value. The derivative financial instrument with positive fair value is recognized as an asset, while the derivative financial instrument with negative fair value is recognized as a liability. The profit or loss from the change of fair value which does not comply with the hedging accounting rules is directly recorded into the profit and loss for the current period.

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial assets, and the hybrid instrument is not measured at fair value and its changes are included in the profit and loss for the current period for accounting purposes, there is no close relation between the embedded derivatives and the main contract in terms of economic features and risks, and the instrument that has the same condition with the embedded derivatives and exists independently meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as the financial assets or financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period.

(5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.10.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

- Financial assets measured at amortised cost;
- Debt investments that are measured at fair value through other comprehensive income;
- Contractual assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- Lease receivables;
- Financial guarantee contracts, except for those carried at fair value through profit or loss, those which the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

Measurement of expected credit loss (ECLs)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECLs) (continued)

The Group respectively measures the expected credit losses of financial instruments by different stages. If the credit risk of the financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Group would measure loss allowance according to the future 12-month expected credit losses. If the credit risk of a financial instrument has significantly increased since the initial recognition but not yet credit-impaired, it would be classified in Stage 2, the Group would measure loss allowance according to the lifetime expected credit losses of that instrument. If the financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Group would measure loss allowance according to the lifetime expected credit losses of that instrument.

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition, and measures loss allowance according to the 12-month expected credit losses.

Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. Future 12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company are exposed to credit risk (including the option to renew).

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECLs) (continued)

For the financial instruments classified in Stage 1 and Stage 2 and those with lower credit risk, the Group would measure the interest income by the book balance (that is, without deduction for credit allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Group would measure the interest income by the amortised cost (that is, book balance less impairment allowance) and the effective interest rate.

For notes and accounts receivables and contractual assets, regardless whether it has significant financing components or not, the Group has been measured its loss allowance at an amount equal to lifetime expected credit losses.

The Group classifies portfolios for notes and account receivables, contractual assets and lease receivables based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

A. Notes receivables

Portfolio	Expected loss rate	Basis for determining portfolios
Bankers' acceptance notes	–	The bank is the acceptor of notes
Commercial acceptance notes	5%	Other acceptance notes

B. Trade receivables and contractual assets

Portfolio type	Basis for portfolio determination	Method for bad debt provision by portfolio
Aging portfolio	Aging status	Aging analysis method

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECLs) (continued)

B. Trade receivables and contractual assets (continued)

The proportions used in making bad debt provision for aging portfolio with aging analysis method are as follows:

Aging	Expected loss rate	
	e-government	e-commerce
0-6 months	1%	1%
6 months-1 year	10%	25%
1-2 years	25%	50%
2-3 years	50%	100%
Above 3 years	100%	100%

For accounts receivables classified as portfolio, the Group prepares a table of concordance between the aging of accounts receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions to measure expected credit losses.

For accounts receivables and contractual assets classified as portfolio, the Group is based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions to measure expected credit losses.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Other receivables

The Group classifies certain portfolios for other receivables based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

Portfolio types	Basis for portfolio determination	Method for bad debt provision by portfolio
Aging portfolio	Aging status	Aging analysis method
Riskless portfolio	Other inter-company receivables, tender bond, performance bond within the contract term, and other receivables the recovery of which is proved by evidence included in the consolidated statement of Beijing State-Owned Assets Management Co., Ltd	According to the historical experience and future forecasts, the Group determines the probability of arising credit losses for those types of other receivables is remote and the amount of impairment has no material impact to the financial statements, and no bad debt provision is made

For other receivables classified as portfolio, the Group is based on the risk exposures of default and lifetime expected credit losses rate to measure expected credit losses.

Debt investments and other debt investments

For debt investments and other debt investments, the Group is based on the nature of investments, counterparties and various types of risk exposures, and the risk exposures of default and future 12-month or lifetime expected credit losses rate to measure expected credit losses.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Group determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Group considers information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. The information considered by the Group including:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Group.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Assessment of significant increase in credit risk (continued)

Depending on the nature of the financial instruments, the Group assesses whether credit risks have significantly increased on either an individual financial instrument basis or a collective financial instrument basis. When the assessment is performed on a collective financial instrument basis, the Group can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

The Group determines that the credit risk on a financial instrument has significantly increased if it is past due over 30 days.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- A financial instrument is past due over 90 days.

Credit-impaired financial assets

The Group assesses whether financial assets at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired at balance sheet date. A financial asset is 'credit-impaired' when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- Significant financial difficulty of the issuer or debtor;
- The debtor breached contracts, such as a default or delinquency in interest or principal payments;
- For economic or contractual reasons relating to the debtor's financial difficulty, the Group having granted to the debtor a concession that would not otherwise consider;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowances for ECLs

In order to reflect changes in the financial instrument's credit risk since initial recognition, ECLs are remeasured at each balance sheet date. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, the loss allowances are offset against the carrying amount of the financial asset presented in the balance sheet. For debt investment measured at fair value through other comprehensive income, the loss allowances are recognised in other comprehensive income instead of offsetting the carrying amount of the financial assets.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Write-off

The gross carrying amount of a financial asset is directly written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Such write-off will give rise to the derecognition of relevant financial asset. This is generally the case when the Group determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, in accordance with the Group's procedures for recovery of amounts due, financial assets that are written off could still be subject to enforcement activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

Transfer of financial assets means to assign or deliver the financial assets to other party other than the financial assets issuer (the transferee).

If the Group has transferred substantially all the risks and returns of the financial asset ownership to the transferee, the financial asset will be derecognized; while if substantially all the risks and returns of the financial asset ownership are retained, the financial asset will not be derecognized.

If the Group neither transfers nor retains substantially all the risks and returns of the financial asset ownership, it shall be treated according to the following situations: if the Group gives up the control on the financial asset, the financial asset will be derecognized, and the resulting assets and liabilities will be recognized; if the Group does not give up the control on the financial asset, the relevant financial asset will be recognized according to its proportion of participation in the transferred financial asset, and the relevant liabilities will be recognized.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(8) Set-off between financial assets and financial liabilities

If the Group has the legal right to set off the recognized financial assets and financial liabilities, and this legal right can be exercised currently, when the Group intends to settle in net amount or simultaneously realize the financial asset and settle financial liability, the financial asset and financial liability will be presented in the balance sheet in the amount after mutual set-off. Otherwise, the financial assets and financial liabilities will be presented separately in the balance sheet and will not be mutually set off.

10. Fair value measurement

Fair value refers to the price that can be received when disposing of an asset or it needs to be paid when transferring a liability in the orderly transaction made by the market participants on the measuring date.

The Group measures the relevant assets or liabilities through fair value, assuming that the orderly transactions for disposing of assets or transferring liabilities are conducted in the principal market of the relevant assets or liabilities. If there is no such principal market, the Group assumes that the transaction is conducted in the most favorable market of the relevant assets or liabilities. Principal market (or most favorable market) refers to the market that the Group can enter on the measuring date. The Group adopts the assumption used by the market participants to maximize their economic benefit when pricing the relevant asset or liability.

For the financial assets or financial liabilities with active market, the Group adopts the quote in the active market to determine their fair value. If there is no active market for the relevant financial asset, the Group determines its fair value through valuation technique.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Fair value measurement (continued)

When non-financial assets are measured at fair value, the ability of the market participants to use the asset in best application to generate economic benefit, or the ability to dispose of the asset to other market participants with best application to generate economic benefit will be taken into account.

The Group adopts suitable valuation techniques with sufficient available data and information support and gives priority in use of the relevant observable input value. It will use the unobservable input value only when it is unable or impracticable to obtain the observable input value.

For the assets and liabilities measured or disclosed at fair value in the financial statement, the level of the fair value is determined according to the lowest level input values which are of significance to the fair value measurement entirely: level 1 input value is the unadjusted quote of the same asset or liability in the active market available on the measuring date; level 2 input value is the directly or indirectly observable input value of the relevant asset or liability other than the level 1 input value; level 3 input value is the unobservable input value of the relevant asset or liability.

The Group will reevaluate the assets and liabilities measured at fair value and recognized in the financial statement on each balance sheet date, in order to determine if there is any change to the fair value measuring levels.

11. Inventory

(1) Inventory category

The inventory of the Group includes raw materials, costs of contract performance, low-value consumables, wrappers, finished products, released products, development costs, development products etc.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventory (continued)

(2) Valuation method for released inventory

The inventory of the Group is valued according to the actual costs when it is acquired. Raw materials, finished products and other inventories are valued with weighted average method when they are released, and costs of contract performance are valued with individual valuation method.

(3) Determination basis for realizable net value of the inventory and method for inventory impairment provision

The realizable net value of the inventory is the amount of the estimated sales price of the inventory deducting the cost incurred upon completion, the estimated sales expense and the relevant taxes. The realizable net value of the inventory is determined based on the available concrete evidence, with the purpose for holding the inventory and the impact of the events after balance sheet date taken into account.

If the inventory cost is higher than the realizable net value on the balance sheet date, the inventory impairment provision shall be made. The Group generally makes inventory impairment provision for inventory items of individual categories. If the influence factor that caused the write-down of inventory value is eliminated on the balance sheet date, the inventory impairment provision shall be reversed in the incurred amount.

(4) Inventory system

The Group adopts perpetual inventory system as its inventory system.

(5) Amortisation method for low-value consumables

The Group amortises the low-value consumables with one-off write-off method at the time of consumption.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Held for sale and discontinued operations

(1) Category and measurement of non-current assets held for sale or disposal groups

When the Group recovers the book value of a non-current asset or disposal group through disposal (including the non-monetary asset exchange of business nature) rather than continuous use, the non-current asset or disposal group will be classified into the held-for-sale type.

The aforesaid non-current asset does not include the investment property subsequently measured through fair value, the biological assets measured at the net amount of the fair value deducting the sales expense, the assets generated from payroll, financial assets, deferred income tax assets and rights from insurance contract.

Disposal group refers to a group of assets that will be sold or otherwise disposed of as a whole in a transaction and the liabilities directly related to the assets transferred in the transaction. In certain situations, the disposal group includes the goodwill acquired in the corporate merger.

The non-current assets or disposal groups meeting all the following criteria will be classified into the held-for-sale type: The non-current asset or disposal group can be sold immediately in the current status according to the practices for the disposal of such non-current assets or disposal groups in similar transactions; the sale is probable to occur, that is, resolution has been made for a sale plan and definite purchase commitment has been obtained, and it is estimated the sale will be completed in a year. If the control over the subsidiary is lost due to the disposal of the investment in the subsidiary, no matter the Group retains some equity investment after the disposal or not, when the investment in the subsidiary proposed for disposal meets the classification criteria of the held-for-sale type, the investment in the subsidiary shall be classified into the held-for-sale type entirely in the individual financial statement, and all the assets and liabilities of the subsidiary shall be classified into the held-for-sale type in the consolidated financial statement.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Held for sale and discontinued operations (continued)

(1) Category and measurement of non-current assets held for sale or disposal groups (continued)

The difference between the book value and the net amount of the fair value deducting the sales expense shall be recognized as the asset impairment loss upon initial measurement or when the non-current asset held for sale or disposal group is remeasured on the balance sheet date. To determine the asset impairment loss for the disposal group held for sale, the book value of the goodwill in the disposal group shall be deducted, and then its book value shall be deducted in proportion according to the percentages of the book value of the individual non-current assets in the disposal group.

If the net amount of the fair value deducting the sales expense of the non-current asset held for sale and disposal group is increased on the subsequent balance sheet date, the previously written down amount shall be restored, and reversed in the asset impairment loss amount recognized after it was classified into the held-for-sale type, with the reversal amount recorded into the profit and loss for the current period, provided that the deducted book value of the goodwill shall not be reversed.

The non-current asset held for sale and the assets in the disposal group held for sale will not be subject to depreciation provision or amortisation, while the interests and other expenses of the liabilities in the disposal group held for sale shall be recognized. As far as the investment in the joint venture and affiliate is concerned, for the part classified into the held-for-sale type, the accounting with equity method shall be stopped, while the remaining part (which is not classified into the held-for-sale type) shall still be accounted for using the equity method. When the Group loses the significant influence on the joint venture and affiliate due to the sale, the use of equity method shall be stopped.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Held for sale and discontinued operations (continued)

(1) Category and measurement of non-current assets held for sale or disposal groups (continued)

When certain non-current asset or disposal group classified into the held-for-sale type no longer meets the classification criteria for held-for-sale type, the Group shall stop classifying it into the held-for-sale type and measure it according to the lower of the following two amounts:

- 1 The amount of book value of the asset of disposal group before it was classified into the held-for-sale type after being adjusted with the depreciation, amortisation or impairment that should be recognized if it was not classified into the held-for-sale type;
- 2 the recoverable amount.

(2) Discontinued operation

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Group or classified by the Group into the held-for-sale type and can be identified separately:

- 1 The component represents an independent principal business or a separate principal business place.
- 2 The component is a part of the related plan for disposing of an independent principal business or a separate principal business place.
- 3 The component is a subsidiary acquired for resale.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Held for sale and discontinued operations (continued)

(3) Presentation

The Group presents the non-current assets held for sale and the assets in the disposal group held for sale under "assets held for sale", and the liabilities in the disposal group held for sale under "liabilities held for sale" in the balance sheet.

The Group presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale and disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation on and from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale type, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investment

The long-term equity investment includes the equity investment in the subsidiary, joint venture and affiliate. The investee over which the Group has significant influence is the joint venture of the Group.

(1) Determination of initial investment cost

The long-term equity investment resulting from corporate merger: For the long-term equity investment resulting from merger of companies under the same control, the book value of the ownership equity of the merged party obtained on the merger date presented in the consolidated financial statement of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from merger of companies under different controls, the merger cost will be used as the investment cost of the long-term equity investment.

The long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actually paid purchase price will be used as the initial investment cost. For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities will be used as the initial investment cost.

(2) Subsequent measurement and profit and loss recognition method

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale type. The investment in joint venture and affiliate will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognized as the investment income and recorded into the profit and loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investment (continued)

(2) Subsequent measurement and profit and loss recognition method (continued)

For the long-term equity investment accounted for using equity method, if the initial investment cost is higher than the fair value of the identifiable net assets of the investee attributable to the Group, the investment cost of the long-term equity investment will not be adjusted. If the initial investment cost is lower than the fair value of the identifiable net assets of the investee attributable to the Group, the investment cost of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognized separately according to the share in the investee's net profit/or loss and its other comprehensive income, with the book value adjusted for the long-term equity investment by the Group. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the investee or the share of cash dividend. Changes to owner's equity other than net profit/or loss, other comprehensive and profit distribution cause book value of long-term equity investment to be adjusted, and taken into capital reserve (other capital reserve). Net profit of the investee is recognized after adjustment according to the accounting policy and accounting period of the Group on the basis of fair value of all recognizable assets of the investee on acquisition.

If the Group is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. The difference between the fair value of the original equity on the conversion date and its book value, and the accumulated change of fair value recorded into other comprehensive income will be transferred into the profit and loss for the current period, which will be accounted for using equity method.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investment (continued)

(2) Subsequent measurement and profit and loss recognition method (continued)

If the Group loses the joint control or significant influence on the investee due to the disposal of some equity investment or other reasons, the remaining equity after disposal will be subject to the accounting treatment according to Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on the date when the joint control or significant influence is lost, and the difference between the fair value and book value will be recorded into the profit and loss for the current period. Other comprehensive income recognized for the original equity investment because equity method is used for accounting will be subject to the accounting treatment on the same basis as adopted by the investee for the direct disposal of the relevant assets or liabilities when the accounting with equity method is stopped. The change of other owner's equity related to the original equity investment will be transferred into the profit and loss for the current period.

If the Group loses the control on the investee due to the disposal of some equity investment or other reasons, but still can implement joint control or exert significant influence on the investee with the remaining equity after disposal, equity method will be used for accounting, and the remaining equity shall be adjusted as if it is accounted for using equity method since the date of acquisition. If the Group cannot implement joint control or exert significant influence on the investee with the remaining equity after disposal, the accounting treatment shall be made according to the relevant provisions of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date of loss of control and the book value will be recorded into the profit and loss for the current period.

If the shareholding proportion of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can implement common control or exert significant influence on the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognized according to the new shareholding proportion, and the difference with the original book value of the long-term equity investment corresponding to the shareholding proportion reduction part that should be carried forward shall be recorded into the profit and loss for the current period; and then it shall be adjusted according to the new shareholding proportion as if equity method is used for accounting since the time of investment acquisition.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investment (continued)

(2) Subsequent measurement and profit and loss recognition method (continued)

The profit and loss of the unrealized internal transactions between the Group and the joint venture and affiliate calculated according to the shareholding proportion and attributable to the Group shall be recognized as the investment profit and loss on the basis of set-off, provided that the unrealized internal transaction loss between the Group and the investee which belongs to impairment loss of the transferred asset shall not be set off.

(3) Basis for determining the joint control and significant influence on the investee

Joint control means the joint control on certain arrangement according to the relevant agreement where decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. When judging if there is any joint control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then judged if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants jointly control the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute joint control. When judging if there is any joint control, the relevant protection rights will not be taken into account.

Significant influence means that the investor has the power to participate in the decision-making on the financial and operating policies of the investee but cannot control or jointly control with other parties the formulation of these policies. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investment (continued)

(3) Basis for determining the joint control and significant influence on the investee (continued)

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% (exclusive) of the voting shares of the investee, it can be considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot exert significant influence in this situation. When the Group owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision-making of the investee and cannot exert significant influence in this situation.

(4) Equity investment held for sale

For the equity investment in the joint venture of affiliate which is classified as assets held for sale in whole or in part, please refer to Note III.12 for the accounting treatment.

The remaining equity investment not classified as assets held for sale shall be subject to accounting treatment with equity method.

If the equity investment in the joint venture of affiliate which is classified as assets held for sale no longer meets the classification criteria of assets held for sale, it shall be subject to adjustment using equity method, with retrospect to the date when it is classified as assets held for sale.

(5) Impairment test method and impairment provision method

For the investment in subsidiary, joint venture and affiliate, the method for making impairment provision is set out in Note III. 20.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Group include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties of the Group are measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

The Group adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 20.

The balance after the disposal income from the disposal, transfer, scrapping or destruction of the investment properties deducts the book value and the relevant taxes shall be recorded into the profit and loss for the current period.

15. Fixed assets

(1) Conditions for recognition of fixed assets

The fixed assets of the Group refer to the tangible assets held for manufacturing products, providing services, lease or operation management and whose service life is more than one fiscal year.

The fixed asset can be recognized only when the economic benefit related to the fixed asset is probable to flow into the company and the cost of the fixed asset can be reliably measured.

The fixed assets of the Group are initially measured at the actual cost upon acquisition.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

(2) Depreciation method for various types of fixed assets

The Group adopts equal annual instalments method. Depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognized or classified as non-current asset held for sale. Without regard to the depreciation provision, the Group determines the annual depreciation rate of the fixed assets according to the type, estimated service life and estimated residual value of the fixed assets, as shown below:

Type	Service life (year)	% Residual value rate (%)	% Annual depreciation rate (%)
Machine and equipment	3-6 years	-	16.67-33.33
Transportation equipment	5 years	-	20.00
Others	3-5 years	0-5.00	19.00-33.33

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

- (3) The impairment test method and impairment provision method of the fixed assets are set out in Note III. 20.
- (4) The judgment basis, pricing method and depreciation method for the fixed assets obtained through financial lease

When the fixed asset leased by the Group meets one or several of the following criteria, it will be recognized as the fixed asset obtained through financial lease:

- 1 Upon the expiry of the lease term, the ownership of the leased asset is transferred to the Group.
- 2 The Group has the option to purchase the leased asset, and the agreed purchase price is estimated to be far lower than the fair value of the leased asset upon the exercise of the option, and as a result, it can be reasonably judged on the starting date of the lease that the Group will exercise the option.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

(4) The judgment basis, pricing method and depreciation method for the fixed assets obtained through financial lease (continued)

- 3 Even when the ownership of the asset is not transferred, the lease term accounts for the substantial part of the service life of the leased asset.
- 4 The current value of the minimum lease payment made by the Group on the starting date of the lease is almost equal to the fair value of the leased asset on the starting date of the lease.
- 5 The leased asset has special characteristics and can only be used by the Group if it is not subject to major modification.

For the fixed asset obtained through financial lease, the lower of the fair value of the leased asset and the current value of the minimum lease payment on the starting date of the lease will be used as the recording value. The minimum lease payment will be used as the recording value of the long-term payables, with the difference treated as the unrecognized financing expense. The initial direct expenses incurred during the lease negotiation and the execution of the lease contract and attributable to the lease project, including the handling fee, lawyer's fee, travel expense and stamp duty, will be charged to the value of the leased asset. The unrecognized expense will be allocated with effective interest method to the reporting periods within the lease term.

The fixed assets obtained through financial lease shall be depreciated according to the depreciation policy on the self-owned fixed assets. If it can be reasonably determined that the ownership of the leased asset will be obtained upon the expiry of the lease term, the leased asset shall be depreciated in the usable years. If it is unable to determine if the ownership of the leased asset will be obtained upon the expiry of the lease term, the leased asset shall be depreciated in the shorter of the lease term and the usable years of the leased asset.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

- (5) The Group will recheck the service life, estimated net residual value and depreciation method of the fixed assets at the end of each year.

When there is any difference between the service life estimate and the originally estimated value, the service life of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value of the fixed asset shall be adjusted.

- (6) Overhaul expense

For the overhaul expense incurred during the regular inspection on the fixed assets, if there is concrete evidence to prove that it meets the fixed asset recognition condition, it shall be recorded into the fixed asset cost; if it does not meet the fixed asset recognition condition, it shall be recorded into the profit and loss for the current period. The depreciation of fixed assets shall be continued in the intervals of the regular overhaul of the fixed asset.

16. Work in progress

The cost of work in progress shall be determined according to the actual project expenditure, including the necessary project expenditures incurred during the construction, the loan expenses that should be capitalized before the project reaches the estimated usable status and other relevant expenses.

The work in progress will be transferred into fixed assets when they reach estimated usable state.

The depreciation method for work in progress is set out in Note III. 20.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing expenses

(1) Recognition principle for the capitalization of the borrowing expenses

The borrowing expenses incurred by the Group directly attributable to the acquisition or production of the assets that meet the capitalization conditions will be capitalized and recorded into the relevant asset cost. Other borrowing expenses will be recognized as expenses when incurred according to the incurred amount, and recorded into the profit and loss for the current period. When the borrowing expenses meet all the following conditions, capitalization shall be started:

- 1 The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring or producing the assets meeting the capitalization conditions;
- 2 The borrowing expenses have been incurred;
- 3 The acquisition or production activity necessary for the asset to reach the estimated usable status or marketable status has been started.

(2) Capitalization period of borrowing expenses

When the assets acquired or produced by the Group that meet the capitalization conditions reach the estimated usable status or marketable status, the capitalization of the borrowing expenses shall be stopped. The borrowing expenses incurred after the assets meeting the capitalization conditions reach the estimated usable status or marketable status shall be recognized as expenses when incurred according to the incurred amount, and recorded into the profit and loss for the current period.

If the acquisition or production of the assets meeting the capitalization conditions is abnormally interrupted and the interruption lasts for more than 3 months, the capitalization of the borrowing expenses shall be suspended. The capitalization of the borrowing expenses shall be continued in the normal interruption period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing expenses (continued)

(3) Calculation methods for capitalization rate and capitalization amount of the borrowing expenses

The amount of the interest expenses incurred in the current period of the special borrowing deducting the interest income earned by depositing the unused borrowed fund into the bank or the investment income earned by making temporary investment with the unused borrowed fund shall be capitalized. The capitalization amount of the general borrowing is calculated by multiplying the part of the weighted average value of accumulated assets expenditure that the accumulated assets expenditure exceeds the special borrowing with the capitalization rate of the general borrowing. The capitalization rate is determined according to the weighted average interest rate of the general borrowing.

During the capitalization period, all the exchange difference of the foreign currency special borrowing shall be capitalized, while the exchange difference of the foreign currency general borrowing shall be recorded into the profit and loss for the current period.

18. Intangible assets

The intangible assets of the Group include software and customer relationship.

The intangible asset is initially measured at cost, and its service life is judged upon acquisition. If the service life is limited, the intangible asset will be amortised in the estimated service life using the amortisation method that can reflect the estimated realization of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realization, straight-line amortisation shall be adopted. The intangible assets with uncertain service life will not be amortised.

The amortisation methods for the intangible assets with limited service life are as follows:

Type	Service life	Amortisation method	Remark
Software	No more than 3 years	Direct approach	–
Customer relationship	3 years	Direct approach	–

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

The Group will recheck the service life and amortization method of the intangible assets with limited service life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and accounting estimate change treatment shall be made.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the book value of the intangible asset will be entirely transferred into the profit and loss for the current period.

The impairment methods for the intangible assets are set out in Note III. 20.

19. R&D expenditure

The Group divides the expenditure of internal R&D project into research stage expenditure and development stage expenditure.

The research stage expenditure will be recorded into the profit and loss for the current period when incurred.

The development stage expenditure can be capitalized only when it meets all the following conditions: it is technically feasible to complete the intangible asset and make it usable and marketable; it is intended to complete and use or sell the intangible asset; the usefulness of the intangible asset can be proved by its method to generate economic benefit, including the fact that there is market for the product manufactured using the intangible asset, there is market for the intangible asset itself, or the intangible asset will be used internally; there is sufficient technical, financial resource and other resource support to complete the development of the intangible asset, there is the ability to use or sell the intangible asset; and the expenditure attributable to the development stage of the intangible asset can be reliably measured. The development expenditure not meeting the above conditions will be recorded into the profit and loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. R&D expenditure (continued)

The R&D project of the Group enters the development stage when the above conditions are satisfied, it passes the technical feasibility and economic feasibility study and the project is established.

The capitalized development stage expenditure is presented as development expenditure on the balance sheet and converted to intangible asset on the date when the project reaches the estimated usable status.

20. Assets impairment

The assets impairment of the long-term equity investment in subsidiary, joint venture and affiliate, the investment property, fixed asset, work in progress subsequently measured at cost, the intangible asset and goodwill measured at cost (except for the inventory, investment property measured at fair value model, deferred income tax asset and financial asset) shall be determined according to the following method:

Judging if the asset has the sign of impairment on the balance sheet date. If there exists the sign of impairment, the Group will estimate its recoverable amount and conduct impairment test. The goodwill resulting from corporate merger, the intangible asset with uncertain service life and the intangible asset that has not reached the usable status will be subject to impairment test each year, no matter there is any sign of impairment or not.

The recoverable amount is determined according to the higher of the net amount of the asset fair value deducting the disposal expense and the current value of the estimated future cash flow of the asset. The Group estimates the recoverable amount based on individual assets. If it is hard to estimate the recoverable amount of the individual asset, the recoverable amount of the asset group that the relevant asset belongs to shall be determined. The asset group shall be determined on the basis whether the principal cash inflow it generates is separate from the cash inflow of other assets or asset groups.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Assets impairment (continued)

When the recoverable amount of the asset or asset group is lower than its book value, the Group will write down the book value to the recoverable amount, record the written down amount into the profit and loss for the current period, and make corresponding impairment provision.

With regard to the goodwill impairment test, the book value of the goodwill resulting from corporate merger shall be allocated to the relevant asset group according to the reasonable method on the acquisition date. If it is difficult to allocate to the relevant asset group, it shall be allocated to the relevant asset group portfolio. The relevant asset group or asset group portfolio shall be the asset group or asset group portfolio that can benefit from the synergy of corporate merger but is not larger than the reporting division determined by the Group.

If any sign of impairment is detected on the asset group or asset group portfolio related to goodwill during the impairment test, the asset group or asset group portfolio not containing the goodwill shall be subject to impairment test first, in order to calculate the recoverable amount and determine the corresponding impairment loss. Then, the asset group or asset group portfolio containing the goodwill shall be subject to impairment test by comparing its book value and the recoverable amount. If the recoverable amount is lower than the book value, the goodwill impairment loss shall be recognized.

Once the asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

21. Long-term deferred expenses

The long-term deferred expenses incurred by the Group shall be recognized according to the actual cost, and evenly amortized in the estimated benefit periods. For the long-term deferred expense that cannot benefit the subsequent accounting periods, its value after amortization shall be entirely recorded into the profit and loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Payroll

(1) Payroll range

Payroll refers to the remuneration or compensation of varied forms provided by the enterprise for the service offered by the employee or for terminating the labor relationship. The payroll includes short-term compensation, post-termination benefit, demission benefit and other long-term employee benefits. The benefits provided by the enterprise to the spouses, children, dependents of the employees, the family dependants of the deceased employees and other relevant beneficiaries also belong to payroll.

The payroll is respectively presented under the items of “payroll payable” and “long-term payroll payable” in the balance sheet according to mobility.

(2) Short-term compensation

The Group will recognize the employee salary, bonus, social security contributions (such as medical insurance premium, work injury insurance premium and birth insurance premium) and housing fund paid for the employees according to the prescribed standards and proportions incurred in the accounting period in which the employees provide service as liabilities and record into the profit and loss for the current period or the relevant asset cost. If it is estimated that the liability cannot be fully paid in 12 months after the end of the reporting period for the year in which the employee provides relevant service and it has significant financial influence, the liability shall be measured according to the discounted amount.

(3) Post-termination benefit

The post-termination benefit plan includes defined contribution plan and defined benefit plan. The defined contribution plan refers to the post-termination benefit plan that the company will no longer undertake further payment obligation after making fixed amount payment to the independent fund. The defined benefit plan is the post-termination benefit plan other than the defined contribution plan.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Payroll (continued)

(3) Post-termination benefit (continued)

Defined contribution plan

The defined contribution plan includes basic pension insurance, unemployment insurance etc.

The amount payable according to the defined contribution plan in the accounting period in which the employee provides service will be recognized as liability and recorded into the profit and loss for the current period or the relevant asset cost.

(4) Demission benefit

When the Group provides demission benefit to the employee, it will recognize the payroll liability resulting from the demission benefit on the earlier of the following days: when the Group cannot unilaterally withdraw the demission benefit due to the termination of the labor relationship or reduce the proposed demission benefit; when the Group recognizes the cost or expense of the reorganization involving the payment of demission benefit.

(5) Other long-term benefits

The other long-term benefits provided by the Group to the employees will be treated according to the provisions on defined contribution plan if they meet the criteria of defined contribution plan, and treated according to the provisions on defined benefit plan if they meet the criteria of defined benefit plan, provided that the "Change from the remeasurement of the net liability or net asset of the defined benefit plan" in the relevant payroll cost shall be recorded into the profit and loss for the current period or the relevant asset cost.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Estimated liabilities

If the obligation related to contingencies meet the all the following conditions, the Group will recognize it as estimated liability:

- (1) The obligation is the current obligation undertaken by the Group;
- (2) The performance of the obligation may cause the outflow of economic benefit from the Group;
- (3) The obligation amount can be reliably measured.

The estimated liability shall be initially measured according to the best estimate for the expenditure required for the performance of the current obligation, with such factors as the risks, uncertainties related to the contingencies and the time value of money taken into account. If the time value of money has significant influence, the best estimates shall be determined after discounting the relevant future cash outflow. The Group will recheck the book value of the estimated liabilities on the balance sheet date and adjust the book value to reflect the current best estimates.

If the repayment of the expenditure required for the recognized estimated liability is expected to be entirely or partially reimbursed by the cooperative manufacturers or any other parties, the reimbursement can be recognized separately as asset when it is certain that the reimbursement can be received. The recognized reimbursement amount shall not exceed the book value of the recognized liability.

24. Revenue

(1) General principle

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(1) General principle (continued)

Where two or more performance obligations are included in a contract, at the commencement date of the contract, the Group will allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised, and measure revenue based on the transaction price being allocated to each performance obligation.

When one of the following conditions is met, which means the Group perform its performance obligations within a certain period of time, and otherwise, at a single point in time:

- 1 When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs.
- 2 When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- 3 When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations being satisfied in a certain period of time, the Group recognised income in accordance with the progress of performance in the certain period of time. When the progress of performance cannot be determined reasonably, it is expected the costs incurred can be recovered and the Group recognises income based on the amount of the costs incurred until the progress of performance can be determined reasonably.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(1) General principle (continued)

For performance obligations being satisfied at a point in time, the Group recognises income at a point in time when the customer obtains control of relevant goods or services. In determining whether the customer has obtained control of the goods or services, the Group will consider the following indications:

- 1 The Group has the current right to receive payment for the goods or services, i.e. the customer has the obligation to make current payment for the goods.
- 2 The Group has transferred the legal title of goods to the customer, i.e. the customer has possessed the legal title of the goods.
- 3 The Group has transferred the physical possession of goods to the customer, i.e. the customer has the physical possession of the goods.
- 4 The Group transferred substantially all of the risks and rewards of ownership of the goods to the customer, i.e. the customer has obtained all of the risks and rewards of ownership of the goods.
- 5 The customer has accepted the goods or services.
- 6 There are other indications that the customer has obtained the control of the goods.

The right that the Group is entitled to receive consideration from customers (and the right is depending on factors other than the passage of time) as it has transferred goods or services to them is presented as contractual assets, contractual assets is based on the expected credit losses to made the impairment (please refer to Note III. 9 (6)). The right that the Group owns and is unconditional (only depending on the passage of time) to collect consideration from customers is presented as receivables. The obligation that the Group is required to transfer goods or services to customers upon consideration received or receivable is presented as contract liabilities.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(1) General principle (continued)

The contract asset and contract liability under the same contract are presented as net amount. If the net amount stated in debit balance, it will be presented under the items of "Contractual assets" or "Other non-current assets" according to mobility; If the net amount stated in credit balance, it will be presented under the items of "Contractual liabilities" or "Other non-current liabilities" according to mobility.

(2) Specific methods

The methods of revenue recognition for the Group are listed as follows:

- 1 Revenue from system integration and software development are recognized at the time when the control is transferred, i.e. one-off revenue recognition upon receipt of acceptance report from the customer according to the terms of acceptance agreed upon in the contract.
- 2 Revenue from sales of goods are recognized at the time when the control of goods is transferred, i.e. one-off revenue recognition upon receipt of acceptance note from the customer according to the terms of acceptance agreed upon in the contract.
- 3 Revenue from operation and maintenance are recognized on the straight-line basis over the period of operation and maintenance according to agreement.
- 4 Revenue from consultation are recognized on the straight-line basis over the period of consultation according to agreement.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Contractual costs

Contractual costs include the incremental costs happened for obtaining the contract and the costs of contract performance.

Incremental costs happened for obtaining the contract refers to the cost will not occur if the Group does not obtain the contract (such as sales commission etc). Where the cost is expected to be recovered, the Group considers it as the cost of obtaining the contract and recognises as an asset. The Group states other expenses happened for obtaining the contract (other than the incremental cost that is expected to be recovered) into the profit and loss for the current period when incurred.

Where the cost happened for obtaining the contract does not fall into the scope of inventories and other Accounting Standard for Business Enterprises and meets the following conditions at the same time, the Group considers it as the costs of contract performance and recognises as an asset:

- 1 The cost is directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing fees (or similar fees), the cost set to be assumed by customers and other cost arising merely from the contract;
- 2 The cost increased the resources of the Group to be used for performing the performance obligations in the future;
- 3 The cost is expected to be recovered.

The recognised assets with the contract obtaining costs and the recognised assets with the costs of contract performance (hereafter referred to as the "contractual cost-related assets") are amortised on the same basis as the recognition of income on goods or services related to the assets and are included in the profit and loss for the current period. The amortisation period of the assets with less than one year are included in the profit and loss for the current period when incurred.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Contractual costs (continued)

When the carrying amount of the contractual cost-related assets is higher than the difference between the following two items, the impairment provisions for the excess shall be made and shall be recognised as impairment losses of assets by the Group:

- 1 The Group expects the remaining consideration can be obtained from transfer of goods or services related to the assets;
- 2 The cost estimated to be happened for the transfer of related goods or services.

The costs of contract performance recognised as assets, the amortisation period with less than one year or a normal operating cycle upon the initial recognition, are presented as "Inventories" item. The costs of contract performance recognised as assets, the amortisation period with more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

The contract obtaining costs recognised as assets, the amortisation period with less than one year or a normal operating cycle upon the initial recognition, are presented as "Other current assets" item. The contract obtaining costs recognised as assets, the amortisation period with more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

26. Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Government grants (continued)

Government grant related to assets, designed to purchase or construct or form longterm assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

The government grant related to assets shall be recognized as deferred income and would be transferred to profit or loss in a reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognized in profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognized as deferred income and shall be recognized in profit or loss during the relevant cost or loss confirmation period. Government grants measured in the normal amount are directly included in profit or loss for the current period. The Group has adopted a consistent approach to the same or similar government grant business.

The government grants related to daily activities are recognized as other gains in accordance with the substance of economic business. Government grants that are not related to daily activities are recognized as nonoperating income and expenses.

If the recognized government grants need to be refunded, adjust the book value of assets when the book value of assets is offset at the time of initial recognition; the balance of deferred income is offset against the book balance of deferred income and the excess is recognized in profit or loss for the current period. In other circumstances, it is directly recognized in profit or loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except that deferred tax related to transactions or events that are directly recognized in owners' equity is recognized directly in owners' equity, and deferred tax arising from a business combination is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction with the following characteristics: which is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes a deferred tax asset for the carryforward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Deferred tax assets and deferred tax liabilities (continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

28. Operating leases and finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) The Group as lessor

In finance leases, at the beginning date of lease period, the Group will recognize the sum of minimum lease collection and initial direct costs as the recorded value of finance leases receivable and meanwhile the unguaranteed residual value is recorded; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and their present value is recorded as unrecognized financing income. Unrecognized financing income is measured at amortized cost using the effective interest method in the periods of leasing and recognized in financing income for the current period.

Rental from operating leases is recognized in profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognized in profit or loss for the current period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Operating leases and finance leases (continued)

(2) The Group as lessee

In finance leases, at the beginning date of lease period, the Group will recognize the lower of the fair value of leased asset and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognized financing charges. Initial direct costs are recognized in leased assets' value. Unrecognized financing charges are measured at amortized cost using the effective interest method in each period of leasing and recognized in financing charges for the current period. The Group depreciates the leased assets by adopting the depreciation policy consistent with self-owned fixed assets.

Rental from operating leases is recognized in the cost of relevant assets or profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognized in profit or loss for the current period.

29. Critical accounting judgments and estimates

The Group gives continuous assessment on the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant risks of adjusting the carrying amount of assets and liabilities for the next financial year are listed as follows:

Measurement of expected credit loss of accounts receivables

The Group measures expected credit loss of accounts receivables by the risk exposures of default and expected credit loss rate of accounts receivables and determines expected credit loss rate by probability of default and loss given default. In determining expected credit loss rate, the Group uses information such as internal historical credit loss experience, and makes adjustment to historical information by combining current situation and forward-looking information. In considering forward-looking information, the Group uses indicators such as the risk of an economic slowdown, the external market environment, the technological environment and changes in the customer situation. The group regularly monitors and reviews assumptions related to the measurement of expected credit losses.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Critical accounting judgments and estimates (continued)

Impairment of goodwill

The Group evaluates at least once a year whether its goodwill has impaired, which entails estimation of the use value of the asset groups to which goodwill is allocated. In estimating the use value, the Group needs to estimate the future cash flow from the said asset group and selects the appropriate discount rate to calculate the current value of the future cash flow.

Development expenditure

Determining the amounts to be capitalized requires the management to make assumptions regarding the expected future cash flows from the assets, applicable discount rates and the expected period of benefits.

Deferred tax assets

To the extent that there is likely sufficient taxable profit to offset losses, deferred tax assets should be recognized in relation to all tax losses not used. Significant judgment of the management is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

1 New revenue standard

The MOF issued the Accounting Standards for Business Enterprises No.14 – Revenue (amended) (hereinafter referred to as the “New Revenue Standard”) in 2017. The Group adopted this standard from 1 January 2018 and has accordingly made some adjustments to its accounting policies.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services. When certain conditions are met, the Group perform its performance obligations within a certain period of time, and otherwise, at a certain point in time. Where two or more performance obligations are included in a contract, at the commencement date of the contract, the Group will allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised, and measure revenue based on the transaction price being allocated to each performance obligation.

The Group has made adjustment to relevant accounting policies in accordance with the specific requirements of the New Revenue Standards on specific matters or transactions.

The Group’s right to consideration in exchange for goods that it has transferred to a customer that is conditional on factors other than passage of time is recognised as contractual assets. The Group’s obligation to transfer goods to a customer for which the consideration is received or receivable is recognised as contractual liabilities.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

1 New revenue standard (continued)

The Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements at the beginning of 2018, and comparative information in the financial statements has not been restated. The Group only adjusted the retained earnings of the Group at the beginning of 2018 and other related items in the financial statements for the cumulative impact of contracts that have not been completed on 1 January 2018.

Contents of accounting policy and causes	Affected items on the statement	Affected amounts (1 January 2018)
Due to the application of the New Revenue Standard, the Group recognised the rights to consideration relating to sales of goods and rendering of services, which do not meet the unconditional collection right, in contractual assets; recognised completed but unsettled long-term receivables relating to infrastructure construction, partial manufacturing and installation and rendering of services, which do not meet the unconditional collection right, in contractual assets and other non-current assets; reclassified settled but incomplete advances relating to infrastructure construction, partial manufacturing and installation and advances relating to sales of goods and rendering of services to contractual liabilities.	Contractual assets – original value	64,219,924.81
	Other non-current assets	
	Long-term receivables	
	Inventories	182,222,668.90
	Contractual liabilities	469,365,377.45
	Advances received	-266,544,654.84
Accrued liabilities		

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

1 New revenue standard (continued)

Compared with the Original Revenue Standard, the impact of the application of the New Revenue Standard on the related items of the financial statements as at 31 December 2018 is as follows:

Affected items on the statement	Affected amounts
Contractual assets – original value	-40,271,850.88
Inventories	195,289,847.29
Other non-current assets	
Long-term receivables	
Contractual liabilities	229,296,395.22
Advances received	

2 New Financial Instruments Standards

In 2017, the MOF issued the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (amended), the Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Instruments (amended), the Accounting Standards for Business Enterprises No. 24 — Hedging accounting (amended) and the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (amended) (collectively the “New Financial Instruments Standards”). The Group adopted the new financial instruments standards from 1 January 2018 and has accordingly made some adjustments to its accounting policies.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

2 New Financial Instruments Standards (continued)

The New Financial Instruments Standards require financial assets to be classified, based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, into three categories: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss. Where the main contract contained in the hybrid contract is a financial asset, it shall not be separated from the hybrid contract and treated as an embedded derivative; instead, the hybrid contract shall be treated as a whole in accordance with relevant requirements of classification of financial assets.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit and loss as at 1 January 2018.

The New Financial Instruments Standards have replaced the requirement of recognition of impairment provisions based on incurred loss under the Original Financial Instruments Standards with an “expected credit losses” model. “Expected credit loss” model requires continuous assessment of credit risk of financial assets. The New Financial Instruments Standards result in earlier recognition of credit losses as compared with the Original Financial Instruments Standards.

Based on the ECLs, the Group took impairment accounting treatment on and recognised provisions for losses for the following items:

- Financial assets measured at amortised cost;
- Debt investments measured at fair value through other comprehensive income;

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

2 New Financial Instruments Standards (continued)

- Contractual assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- Lease receivables;
- Financial guarantee contracts, except for those carried at fair value through profit or loss, those which the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

According to the New Financial Instruments Standards, except some particular circumstances, the Group made retrospectively adjustment for the classification and measurement of financial instruments (including impairment), the differences between the original carrying value of the financial instruments and the new carrying value of the financial instruments at the date of implementation of the New Financial Instruments Standards (i.e. 1 January 2018) was included in the retained earnings or other comprehensive income as at the beginning of 2018. Meanwhile, no adjustment was made by the Group on figures of the comparative financial statements.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

2 New Financial Instruments Standards (continued)

As at 1 January 2018, the results of classification and measurement of financial assets according to the Original Financial Instruments Standards and the New Financial Instruments Standards are compared as follows:

Original Financial Instruments Standards			New Financial Instruments Standards		
Items	Type	Carrying amount	Items	Type	Carrying amount
Available-for-sale financial assets	Measured at cost (equity instrument)	971,326.53	Other non-current financial assets	FVTPL	
			Other equity instrument investment	FVTOCI	971,326.53
Notes receivables and accounts receivables	Amortised cost	225,326,915.78	Notes receivables and accounts receivables	Amortised cost	223,685,172.12
			Held-for-trading financial assets	FVTPL	
Other receivables	Amortised cost	91,273,931.59	Other current assets	Amortised cost	
			Other receivables	Amortised cost	91,273,931.59
Long-term receivables	Amortised cost	3,947,515.56	Long-term receivables	Amortised cost	3,947,515.56
			Other non-current financial assets	FVTPL	
			Debt investments	Amortised cost	

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

2 New Financial Instruments Standards (continued)

As at 1 January 2018, the reconciliation of the classification and carrying amount of financial instruments under the New Financial Instruments Standards are as follows:

Items	Carrying amount before adjustment (31 December 2017)	Reclassification	Remeasurement	Carrying amount after adjustment (1 January 2018)
Assets:				
Financial assets at Financial assets at fair value through profit or loss			-	-
Held-for-trading financial assets	-	10,000,000.00		10,000,000.00
Notes receivables and accounts receivables	225,326,915.78		-1,641,743.66	223,685,172.12
Other receivables	84,977,407.39			84,977,407.39
Non-current assets due within one year	26,237,343.74			26,237,343.74
- Measured at amortised cost	26,237,343.74			26,237,343.74
Other current assets	10,944,826.34	-10,000,000.00		944,826.34
Available-for-sale financial assets	971,326.53	-971,326.53	-	-
Long-term receivables	3,947,515.56			3,947,515.56
Other equity instrument investment	-	971,326.53		971,326.53

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

2 New Financial Instruments Standards (continued)

The following table reconciles the closing loss allowance determined in accordance with the Original Financial Instruments Standards as at the end of 2017 with the opening loss allowance as at the beginning of 2018 determined in accordance with the new financial instruments standards:

Measurement categories	Carrying amount before adjustment (31 December 2017)	Reclassification	Remeasurement	Carrying amount after adjustment (1 January 2018)
Impairment provisions on notes receivables				
Impairment provisions on accounts receivables	81,072,575.78	-8,365,003.69	1,641,743.66	74,349,315.75
Impairment provisions on contractual assets		8,365,003.69	454,349.84	8,819,353.53
Impairment provisions on other receivables	1,945,441.71			1,945,441.71

3 Format of Financial Statements

Pursuant to the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15) promulgated by the MOF, the Group has made the following revision to the format of financial statements:

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

3 Format of Financial Statements (continued)

A. Balance sheet

"Bills receivables" and "Accounts receivables" are consolidated into "Notes and accounts receivables"; "Interest receivables" and "Dividend receivables" are included into "Other receivables"; "Disposal of fixed assets" is included into "Fixed assets"; "Construction materials" is included into "Construction in progress"; "Bills payables" and "Account payables" are consolidated into "Bills and account payables"; "Interest payables" and "Dividend payables" are included into "Other payables"; "Specific payables" is included into "Long-term payables".

B. Income statement

"R&D expenses" is split from "Administrative expenses"; "Interest expenses" and "Interest income" are added as sub-items under "Financial expenses";

"Changes in net indebtedness or net assets after remeasurement of defined benefit plans" is changed to "Changes arising on remeasurement of defined benefit plans"; "Share in the other comprehensive income not to be reclassified into the profit or loss by the investee under the equity method" is changed to "Share of other comprehensive income of investees accounted for under the equity method (non-recycling)"; "Share in the other comprehensive income to be reclassified into the profit or loss by the investee under the equity method" is changed to "Share of other comprehensive income of investees accounted for under the equity method (recycling)";

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

3 Format of Financial Statements (continued)

C. Statement of changes in shareholder's equity

Under "Internal transfer of shareholder's equities", "Carryover of changes in net liabilities or net assets arising on remeasurement of defined benefit plans" is changed to "Changes in defined benefit plans transferred to retained earnings".

Adjustments have been made to comparative information for the comparable period in accordance with Cai Kuai [2018] No.15.

The revisions to the format of financial statements did not affect the Group's total assets, total liabilities, net profits, other comprehensive income etc.

- 4 Pursuant to the Interpretation of Issues Relating to the Form of the Financial Statements of General Enterprises for 2018 published by the MOF, the Group, acting as a withholding agent for individual income tax, recognised the tax withholding commission charges received in accordance with the Individual Income Tax Law of the People's Republic of China under "other income", and adjusted the comparative information for the comparable period. The comparative information of the Group for the comparable period would not be affected by such change.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

4 (continued)

Actual government subsidies received by the Group, whether related to assets or related to income, are presented as cash flows from operating activities when preparing the cash flow statement, and the comparative data of comparable periods are adjusted. This change does not affect Comparison data of the Group's comparable period. The comparative data of the Group for the comparable period would not be affected by such change.

The cumulative impact of the above accounting policies is as follows:

Affected items	Current period	Last period
Net assets at the beginning of period	-	-52,836,611.88
Incl: Retained earnings	-	-39,376,926.14
Net profit	-18,527,068.45	
Capital reserve		
Other comprehensive income	-7,471,840.33	-7,471,840.33
Specific reserve		
Net assets at the end of period	-71,363,680.33	-
Incl: Retained earnings	-52,416,316.60	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

- (2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards

Consolidated balance sheet

Items	31 December 2017	1 January 2018	Amount of adjustment
Current assets:			
Monetary fund	676,515,880.90	676,515,880.90	-
Held-for-trading financial assets		10,000,000.00	10,000,000.00
Financial assets at fair value through profit or loss			-
Derivative financial assets			-
Notes and accounts receivables	310,931,313.68	223,685,172.12	-87,246,141.56
Incl: Notes receivables	281,000.00	281,000.00	-
Accounts receivables	310,650,313.68	223,404,172.12	-87,246,141.56
Prepayments	37,548,374.84	37,548,374.84	-
Other receivables	91,273,931.59	91,273,931.59	-
Incl: Interest receivables	-	-	-
Dividend receivables	6,296,524.20	6,296,524.20	-
Inventories	95,562,424.08	277,785,092.98	182,222,668.90
Contractual assets	-	55,400,571.28	55,400,571.28
Held-for-sale assets			-
Non-current assets due within one year	26,237,343.74	26,237,343.74	-
Other current assets	10,944,826.34	944,826.34	-10,000,000.00
Total current assets	1,249,014,095.17	1,399,391,193.79	150,377,098.62

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

- (2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards (continued)

Consolidated balance sheet (continued)

Items	31 December 2017	1 January 2018	Amount of adjustment
Non-current assets:			–
Debt investments			–
Available-for-sale financial assets	971,326.53		-971,326.53
Other debt investments			–
Held-to-maturity investments			–
Long-term receivables	3,947,515.56	3,947,515.56	–
Net assets of defined benefit plans			–
Long-term equity investments	146,041,160.68	146,041,160.68	–
Other equity instrument investments		971,326.53	971,326.53
Other non-current financial assets			–
Investment properties	41,510,260.28	41,510,260.28	–
Fixed assets	90,603,551.49	90,603,551.49	–
Construction in progress			–
Productive biological assets			–
Oil and gas assets			–
Intangible assets	33,768,634.98	33,768,634.98	–
Development expenditures	6,780,034.80	6,780,034.80	–
Goodwill	177,975,650.76	177,975,650.76	–
Long-term deferred expenses	42,749,741.57	42,749,741.57	–
Deferred income tax assets	24,421,326.12	24,011,655.72	-409,670.40
Other non-current assets			–
Total non-current assets	568,769,202.77	568,359,532.37	-409,670.40
Total assets	1,817,783,297.94	1,967,750,726.16	149,967,428.22

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

- (2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards (continued)

Consolidated balance sheet (continued)

Items	31 December 2017	1 January 2018	Amount of adjustment
Current Liabilities:			–
Short-term borrowings			–
Held-for-trading financial liabilities			–
Financial liabilities at fair value through profit or loss			–
Derivative financial liabilities			–
Notes and accounts payables	154,040,442.83	154,040,442.83	–
Advances received	266,544,654.84		-266,544,654.84
Contractual liabilities		469,365,377.45	469,365,377.45
Payroll payables	69,169,720.93	69,169,720.93	–
Tax payables	48,507,732.42	48,507,732.42	–
Other payables	151,105,460.14	151,088,777.63	-16,682.51
Incl: Interest payables			–
Dividend payables			–
Held-for-sale liabilities			–
Non-current liabilities due within one year	46,897,051.31	46,897,051.31	–
Other current liabilities			–
Total current liabilities	736,265,062.47	939,069,102.57	202,804,040.10

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

- (2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards (continued)

Consolidated balance sheet (continued)

Items	31 December 2017	1 January 2018	Amount of adjustment
Non-current liabilities:			–
Long-term borrowings			–
Bonds payables			–
Incl: Preferred shares			–
Perpetual debts			–
Long-term payables			–
Long-term payroll payables			–
Accrued liabilities			–
Deferred income	4,122,171.81	4,122,171.81	–
Deferred income tax liabilities			–
Other non-current liabilities	15,512,453.80	15,512,453.80	–
Total non-current liabilities	19,634,625.61	19,634,625.61	–
Total liabilities	755,899,688.08	958,703,728.18	202,804,040.10

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Changes in significant accounting policies and accounting estimates (continued)

- (2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards (continued)

Consolidated balance sheet (continued)

Items	31 December 2017	1 January 2018	Amount of adjustment
Shareholders' equity:			–
Share capital	289,808,609.10	289,808,609.10	–
Other equity instruments			–
Incl: Preferred shares			–
Perpetual debts			–
Capital reserves	291,670,666.40	291,670,666.40	–
Less: Treasury stock			–
Other comprehensive income	–	-7,471,840.33	-7,471,840.33
Special reserves			–
Surplus reserves	81,662,603.60	79,464,045.12	-2,198,558.48
Unallocated profits	363,118,724.87	325,940,357.21	-37,178,367.66
Total equity attributable to owners of the parent	1,026,260,603.97	979,411,837.50	-46,848,766.47
Minority interests	35,623,005.89	29,635,160.48	-5,987,845.41
Total shareholders' equity	1,061,883,609.86	1,009,046,997.98	-52,836,611.88
Total liabilities and shareholders' equity	1,817,783,297.94	1,967,750,726.16	149,967,428.22

- (3) Changes in Accounting Estimates

Nil.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

IV. TAX

1. Main taxes and tax rates

Taxes	Tax basis	Statutory Tax Rate (%)
Value-added tax	Taxable income	6,10,11,16,17
Urban maintenance and construction tax	Commodity turnover tax payable	7
Corporate income tax	Taxable income	25

Name of Taxpayer	Income Tax Rate (%)
The Company	10
Capinfo Hong Kong	–
Capinfo Technology	15
Parking Management	25
Shanghai Hengyue	10
Rito Info	15
Capinfo Medical United	25
Capinfo Cloud Technology	25

2. Tax preference and approvals

(1) Value-added tax

In accordance with the requirements of the Notice of Valued-added Tax Policies for Software Products (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, Rito Info, a subsidiary of the Company, sells its own-developed and produced software. After levitation of value-added tax at a rate of 16%, the part over 3% will be refundable as soon as it is imposed.

According to the requirements of the Notice of Inclusion of Railway Transportation and Post Industry into the Pilot Proposals for the Change from Business Tax to Value-added Tax (Cai Shui [2015] No. 118) promulgated by the Ministry of Finance and the State Administration of Taxation, contracts of provision of technological transfer, development and related technological consulting or technological services are exempt from value-added tax upon recognition by the Municipal Competent Department of Science & Technology and reported to the Competent State Administration of Taxation for file.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

IV. TAX (continued)

2. Tax preference and approvals (continued)

(2) Corporate income tax

According to the requirements of the Notice of Corporate Income Tax Policies for Further Encouraging Software Industry and Integrated Circuit Development (Cai shui (2012) No. 27), key software enterprises and integrated circuit design enterprises under the state planning are entitled to 10% discount of corporate income tax if they do not enjoy tax exemption in the current year.

Capinfo Hong Kong, a subsidiary of the Company, has no payable tax profit since its incorporation.

Capinfo Technology, a subsidiary of the Company, obtained its Certificate of Hi-tech Enterprise, No. GR201711003206 on 25 October 2017 and is entitled to the corporate income tax preference of 15% for a period of 3 years.

According to the requirements of Notice of Expansion of Scope of Corporate Income Tax Preference Policies for Small Low-Profit Enterprises (Cai Shui (2018) No. 77), since 1 January 2018 to 31 December 2020, for small low-profit enterprises with annual payable tax less than and including RMB1,000,000 their income deduction is included in payable tax amount at a discount of 50% and the corporate income tax shall be levied at a tax rate of 20%. Shanghai Hengyue, a subsidiary of the Company, meets those conditions to enjoy this tax preference.

Rito Info, a subsidiary of the Company, obtained its Certificate of Hi-tech Technological Enterprise, No. GR201835100234 on 12 October 2018 and is entitled to 15% discount of corporate income tax for a period of 3 years.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS

1. Monetary fund

Items	End of the period			Beginning of the period		
	Amount in foreign currency	Discount rate	Amount in RMB	Amount in foreign currency	Discount rate	Amount in RMB
Cash on hand:	-	-	119,216.61	-	-	137,504.24
RMB	-	-	87,223.22	-	-	107,294.77
USD	4,601.01	6.8632	31,911.23	4,601.01	6.5342	30,063.92
EUR	1.30	7.8473	10.17	10.17	7.8023	79.35
HKD	79.20	0.8762	71.99	79.20	0.8359	66.20
Bank deposits:	-	-	620,758,241.70	-	-	652,448,680.40
RMB	-	-	558,752,273.40	-	-	593,426,877.37
USD	8,334,758.11	6.8632	57,203,379.74	8,332,163.78	6.5342	54,444,024.57
HKD	5,476,189.25	0.8762	4,802,588.56	5,476,401.12	0.8359	4,577,778.46
Other monetary fund	-	-	31,635,723.77	-	-	23,929,696.26
RMB	-	-	31,635,723.77	-	-	23,929,696.26
Total	-	-	652,513,182.08	-	-	676,515,880.90
Incl: total overseas deposits			61,616,292.10			58,666,014.47

Note:

- (1) Other monetary fund is mainly the amount deposited in the performance guarantees account and the stock dividend amount deposited in the stock investment account by the Company.
- (2) Details of restricted monetary fund are set out in Note V.51.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

2. Tradable financial assets

Items	Fair value at end of period	Fair value at beginning of period
Financial assets at fair value through profit or loss	–	10,000,000.00
Incl: equity instruments investment	–	–
Total	–	10,000,000.00

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

Pursuant to the merger agreement, Mozido has conditionally agreed to merge its First Subsidiary into PayEase and after the merger, Second Subsidiary became a wholly – owned subsidiary of Mozido. The aggregate consideration for the merger is US\$750 million, which will be satisfied by (1) US\$135 million in the form of cash, less cooperative manufacturer expenses, PayEase Group's debt, amounts set aside for expenses to be incurred by the original shareholders of PayEase for the purposes of the merger agreement, and working capital deficit; (2) the issue of 8,977,361.00 shares of Series C-1 preferred stock of Mozido (hereinafter referred to as "C-1 Stock") at an issue price of US\$12.81 (approximately RMB78.29) per Share; and (3) the issue of approximately 39,032,006.00 shares of Series C-2 preferred stock of Mozido (hereinafter referred to as "C-2 Stock") at an issue price of US\$12.81 (approximately RMB78.29) per Share.

On 6 January 2015 (Hong Kong time), the Company received from PayEase supporting documents evidencing that the above transactions had been completed. As informed by PayEase, based on the Company's shareholding ratio in PayEase and subject to any escrow arrangements, the consideration received by the Company following the execution of certain documents was expected to be approximately US\$14.8 million, 1,254,164 shares of C-1 Stock and 5,452,886.00 shares of C-2 Stock. The expected amount was subject to certain requirements.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

2. Tradable financial assets (continued)

In 2015, the Company received RMB51,441,000.00 and 2,771,484.00 shares of C-2 Stock. As the Company is not a party to the merger agreement, in the opinion of the Company, the trading price of C-2 Stock does not represent its fair value and the Company employed a valuer to reevaluate 2,771,484.00 shares of C-2 Stock, and appraisal value was RMB5,421,000.00. The Company recognised the gain from disposal of PayEase of RMB56,862,000.00.

In 2017, the Company paid income tax of the disposal of PayEase amounting to RMB40,810,489.24 by reserved funds (the final tax payables were not determined). The Company recognised the investment income and income tax expenses accordingly.

As of 31 December 2018, DTZ Cushman & Wakefield Limited has issued Report No. F19-001218 and determined the fair value of C-2 Stock as nil.

3. Notes and accounts receivables

Items	End of the period	Beginning of the period
Notes receivables	124,900.00	281,000.00
Accounts receivables	316,238,126.66	223,404,172.12
Total	316,363,026.66	223,685,172.12

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Notes and accounts receivables (continued)

(1) Notes receivables

Type	End of the period	Beginning of the period
Bankers' acceptance notes	124,900.00	281,000.00

Notes

- 1 There is no objective evidence to show that the notes receivables of the Group are impaired, and no impairment provisions have been made for notes receivable;
- 2 The Group has no notes receivables which have been pledged at the end of the period;
- 3 The Group has no notes receivables which have been endorsed or discounted but not due at the end of the period.

(2) Accounts receivables

1) Accounts receivables analysed by aging

Age	End of the period	
	Amount	Percentage (%)
0-6 months	223,347,400.68	52.27
6 months-1 year	54,057,248.15	12.65
1-2 years	61,655,803.65	14.43
2-3 years	44,786,752.90	10.48
Over 3 years	43,476,055.48	10.17
Total original value	427,323,260.86	100.00
Less: Bad debts provisions	111,085,134.20	
Total net value	316,238,126.66	

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Notes and accounts receivables (continued)

(2) Accounts receivables (continued)

2) Accounts receivables disclosed by categories

Types	Amount	End of the period			Net value
		Percentage (%)	Bad debts provisions	ECL rate (%)	
Accounts receivables with separate provisions for bad debt	2,292,585.78	0.54	2,292,585.78	100.00	-
Accounts receivables with separate provisions for bad debts by aging	425,030,675.08	99.46	108,792,548.42	25.60	316,238,126.66
Total	427,323,260.86	100.00	111,085,134.20	26.00	316,238,126.66

Types	Amount	Beginning of the period			Net value
		Percentage (%)	Bad debts provisions	ECL rate (%)	
Separate provisions for bad debts	4,334,647.55	1.46	4,334,647.55	100.00	-
Accounts receivables with separate provisions for bad debts by aging	293,418,840.32	98.54	70,014,668.20	23.86	223,404,172.12
Total	297,753,487.87	100.00	74,349,315.75	24.97	223,404,172.12

Note:

1 Accounts receivables with separate provisions for bad debt at the end of the period

Accounts receivables (by units)	Book balance	Bad debts provisions	Ratio of provision (%)	Reason for provision
Beidaihe Retired Cadres of Beijing Municipal Party (北京市委北戴河 幹休所)	2,292,585.78	2,292,585.78	100.00	Unlikely to be recovered

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Notes and accounts receivables (continued)

(2) Accounts receivables (continued)

2) Accounts receivables disclosed by categories (continued)

Note: (continued)

- 2 Aging portfolio, accounts receivables that provisions for bad debts are made using the aging analysis method:

E-Government business group:

Age	Amount	Percentage (%)	End of the period		
			Bad debts provisions	ECL rate (%)	Net amount
0-6 months	205,209,844.36	58.39	2,052,098.44	1.00	203,157,745.92
6 months-1 year	67,654,852.85	19.25	6,765,485.28	10.00	60,889,367.57
1-2 years	36,226,216.50	10.31	9,056,554.13	25.00	27,169,662.37
2-3 years	15,624,010.24	4.45	7,812,005.12	50.00	7,812,005.12
Over 3 years	26,723,657.71	7.60	26,723,657.71	100.00	-
Total	351,438,581.66	100.00	52,409,800.68	14.91	299,028,780.98

Age	Amount	Percentage (%)	Beginning of the period		
			Bad debts provisions	ECL rate (%)	Net amount
0-6 months	126,741,298.51	65.48	1,267,412.99	1.00	125,473,885.52
6 months-1 year	16,054,580.19	8.29	1,605,458.02	10.00	14,449,122.17
1-2 years	20,341,856.36	10.51	5,085,464.09	25.00	15,256,392.27
2-3 years	18,218,479.24	9.41	9,109,239.62	50.00	9,109,239.62
Over 3 years	12,223,000.83	6.31	12,223,000.83	100.00	-
Total	193,579,215.13	100.00	29,290,575.55	15.13	164,288,639.58

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Notes and accounts receivables (continued)

(2) Accounts receivables (continued)

2) Accounts receivables disclosed by categories (continued)

Note: (continued)

- 2 Aging portfolio, accounts receivables that provisions for bad debts are made using the aging analysis method: (continued)

E-Commerce group:

Age	Amount	Percentage (%)	End of the period		
			Bad debts provisions	ECL rate (%)	Net amount
0-6 months	4,539,951.62	6.17	45,399.51	1.00	4,494,552.11
6 months-1 year	-	-	-	-	-
1-2 years	25,429,587.15	34.55	12,714,793.58	50.00	12,714,793.57
2-3 years	29,162,742.66	39.63	29,162,742.66	100.00	-
Over 3 years	14,459,811.99	19.65	14,459,811.99	100.00	-
Total	73,592,093.42	100.00	56,382,747.74	76.62	17,209,345.68

Age	Amount	Percentage (%)	Beginning of the period		
			Bad debts provisions	ECL rate (%)	Net amount
0-6 months	37,433,067.22	37.49	374,330.67	1.00	37,058,736.55
6 months-1 year	106,675.56	0.11	26,668.89	25.00	80,006.67
1-2 years	43,953,578.65	44.02	21,976,789.33	50.00	21,976,789.32
2-3 years	14,173,065.91	14.20	14,173,065.91	100.00	-
Over 3 years	4,173,237.85	4.18	4,173,237.85	100.00	-
Total	99,839,625.19	100.00	40,724,092.65	40.79	59,115,532.54

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

3. Notes and accounts receivables (continued)

(2) Accounts receivables (continued)

2) Accounts receivables disclosed by categories (continued)

Note: (continued)

3 Accrual, retrieval and reversal of bad debt provision in this period

	Amount of bad debt provision
31 December 2017	87,566,499.28
Adjusted amount of the initial application of the New Financial Instruments Standards	-13,217,183.53
1 January 2018	74,349,315.75
Accrual in this period	38,777,880.22
Retrieval and reversal in this period	
Write-off of other receivables in this period	2,042,061.77
Transfer in this period	
Others	
31 December 2018	111,085,134.20

4 Top five accounts receivables based on closing balance by debtor

During the period, the top five accounts receivables based on closing balance by debtor is RMB157,966,076.22 in aggregate, representing 36.97% of the total closing balance of accounts receivable. The closing balance of bad debt provisions is RMB8,592,623.72 in aggregate.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

4. Prepayments

(1) Prepayments disclosed by aging

Age	End of the period		Beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	52,425,785.99	80.10	9,607,392.24	25.59
1-2 years	2,949,689.07	4.51	3,145,286.15	8.38
2-3 years	2,460,309.73	3.76	422,260.50	1.12
Over 3 years	7,614,435.24	11.63	24,373,435.95	64.91
Total	65,450,220.03	100.00	37,548,374.84	100.00

(2) Top five prepayment based on closing balance by the unit prepaid

Top five prepayment based on closing balance by the unit prepaid for the period is RMB25,255,265.47 in aggregate, representing 38.59% of total closing balance of prepayment.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables

Items	End of the period	Beginning of the period
Dividends receivables	–	6,296,524.20
Other receivables	93,208,484.60	84,977,407.39
Total	93,208,484.60	91,273,931.59

(1) Dividends receivables

Items	End of the period	Beginning of the period
Beijing Digital Certification Co., Ltd.	–	6,296,524.20

(2) Other receivables

1) Other receivables analysed by aging

Age	End of the period	
	Amount	Percentage (%)
Within 1 year	25,500,395.34	27.11
1-2 years	20,811,857.22	22.13
2-3 years	23,313,517.54	24.79
Over 3 years	24,421,606.21	25.97
Total original value	94,047,376.31	100.00
Less: bad debt provisions	838,891.71	
Total net value	93,208,484.60	

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

(2) Other receivables (continued)

2) Other receivables disclosed by type

Types	Amount	End of the period			Net amount
		Percentage (%)	Bad debt provisions	ECL rate (%)	
Other receivables with separate provisions for bad debt	838,891.71	0.89	838,891.71	100.00	-
Other receivables provisions for bad debts by free-risk group	93,208,484.60	99.11	-	-	93,208,484.60
Other receivables with separate provisions for bad debts by aging	-	-	-	-	-
Sub-total of groups	93,208,484.60	99.11	-	-	93,208,484.60
Total	94,047,376.31	100.00	838,891.71	0.89	93,208,484.60

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

(2) Other receivables (continued)

2) Other receivables disclosed by type (continued)

Types	Amount	Beginning of the period			Net amount
		Percentage (%)	Bad debt provisions	ECL rate (%)	
Other receivables with separate provisions for bad debt	1,945,441.71	2.24	1,945,441.71	100.00	-
Other receivables provisions for bad debts by free-risk group	84,977,407.39	97.76	-	-	84,977,407.39
Other receivables with separate provisions for bad debts by aging	-	-	-	-	-
Sub-total of groups	84,977,407.39	97.76	-	-	84,977,407.39
Total	86,922,849.10	100.00	1,945,441.71	2.24	84,977,407.39

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

(2) Other receivables (continued)

3) Other receivables disclosed by nature of payment

Items	End of the period	Beginning of the period
Margin	74,413,057.90	67,977,644.42
Contingency provision	3,055,161.73	2,778,407.22
Current accounts and others	16,579,156.68	16,166,797.46
Total	94,047,376.31	86,922,849.10

4) Accrual, retrieval and reversal of bad debt provision in this period

Items	Amount of bad debt provision
31 December 2017	1,945,441.71
Adjusted amount of the initial application of the New Financial Instruments Standards	–
1 January 2018	1,945,441.71
Accrual in this period	
Retrieval and reversal in this period	
Write-off in this period	1,106,550.00
Transfer in this period	
Others	
31 December 2018	838,891.71

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

5. Other receivables (continued)

(2) Other receivables (continued)

- 5) Top five other receivables by debtor are totally RMB35,014,277.74, accounting for 37.23% of other receivables.
- 6) Details of actual write-off of other receivables during the period

Item	Write-off amount
Actual write-off of other receivables	1,106,550.00

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

6. Inventories

(1) Classification of inventories

Types of inventories	End of the period			Beginning of the period		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Cost of contract performance	316,320,575.69	-	316,320,575.69	267,433,992.89	-	267,433,992.89
Finished products	35,142,147.45	22,262,114.19	12,880,033.26	32,613,214.28	22,262,114.19	10,351,100.09
Total	351,462,723.14	22,262,114.19	329,200,608.95	300,047,207.17	22,262,114.19	277,785,092.98

(2) Provision for impairment of inventories

Type of inventories	Beginning of the period	Increase during the period		Decrease during the period		End of the period
		Provision	Others	Reversals or Transfer	Others	
Finished goods	22,262,114.19	-	-	-	-	22,262,114.19

7. Contractual assets

Items	End of the period	Beginning of the period
Contractual assets	46,107,731.23	64,219,924.81
Less: Provisions for the impairment of contractual assets	2,817,136.92	8,819,353.53
Sub-total	43,290,594.31	55,400,571.28
Less: Contractual assets presented under other non-current assets	-	-
Total	43,290,594.31	55,400,571.28

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contractual assets (continued)

(1) Contractual assets disclosed by category

Types	Amount	End of the period			Net amount
		Percentage (%)	Bad debt provisions	ECL rate (%)	
Contractual assets with separate provisions for bad debt	-	-	-	-	-
Contractual assets with provisions for bad debts by aging groups	46,107,731.23	100	2,817,136.92	6.11	43,290,594.31
Total	46,107,731.23	100	2,817,136.92	6.11	43,290,594.31

Types	Amount	Beginning of the period			Net amount
		Percentage (%)	Bad debt provisions	ECL rate (%)	
Contractual assets with separate provisions for bad debt	-	-	-	-	-
Contractual assets with provisions for bad debts by aging groups	64,219,924.81	100	8,819,353.53	13.73	55,400,571.28
Total	64,219,924.81	100	8,819,353.53	13.73	55,400,571.28

Note:

- 1 Aging groups, contractual assets that provisions for bad debts are made using the aging analysis method:

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contractual assets (continued)

(1) Contractual assets disclosed by category (continued)

E-Government business group:

Age	Amount	End of the period			Net amount
		Percentage (%)	Bad debts provisions	ECL rate (%)	
0-6 months	38,092,169.90	98.03	380,921.70	1.00	37,711,248.20
6 months-1 year	764,831.70	1.97	76,483.17	10.00	688,348.53
1-2 years	-	-	-	-	-
2-3 years	-	-	-	-	-
Over 3 years	-	-	-	-	-
Total	38,857,001.60	100.00	457,404.87	1.18	38,399,596.73

Age	Amount	Beginning of the period			Net amount
		Percentage (%)	Bad debts provisions	ECL rate (%)	
0-6 months	42,945,142.85	76.81	429,451.43	1.00	42,515,691.42
6 months-1 year	3,171,359.12	5.67	317,135.91	10.00	2,854,223.21
1-2 years	2,623,994.23	4.69	655,998.56	25.00	1,967,995.67
2-3 years	6,154,006.20	11.01	3,077,003.10	50.00	3,077,003.10
Over 3 years	1,019,935.07	1.82	1,019,935.07	100.00	-
Total	55,914,437.47	100.00	5,499,524.07	9.84	50,414,913.40

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

7. Contractual assets (continued)

(1) Contractual assets disclosed by category (continued)

E-Commerce group:

Age	Amount	End of the period			Net amount
		Percentage (%)	Bad debts provisions	ECL rate (%)	
0-6 months	2,871,831.77	39.61	28,718.32	1.00	2,843,113.45
6 months-1 year	2,492,156.84	34.37	623,039.21	25.00	1,869,117.63
1-2 years	357,533.00	4.93	178,766.50	50.00	178,766.50
2-3 years	185,500.00	2.56	185,500.00	100.00	-
Over 3 years	1,343,708.02	18.53	1,343,708.02	100.00	-
Total	7,250,729.63	100.00	2,359,732.05	32.54	4,890,997.58

Age	Amount	Beginning of the period			Net amount
		Percentage (%)	Bad debts provisions	ECL rate (%)	
0-6 months	2,489,840.90	29.99	24,898.41	1.00	2,464,942.49
6 months-1 year	3,006,995.32	36.20	751,748.83	25.00	2,255,246.49
1-2 years	530,937.80	6.39	265,468.90	50.00	265,468.90
2-3 years	2,108,713.32	25.39	2,108,713.32	100.00	-
Over 3 years	169,000.00	2.03	169,000.00	100.00	-
Total	8,305,487.34	100.00	3,319,829.46	39.97	4,985,657.88

(2) Accrual, retrieval and reversal of contractual assets provision in this period

Items	Accrual in this period	Reversal in this period	Transfer/Write-off in this period	Reason
Provisions for the impairment of contractual assets		6,002,216.61		

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

8. Non-current assets due within one year

Items	End of the period	Beginning of the period
Long-term receivables due within one year	2,010,148.40	26,237,343.74

9. Other current assets

Items	End of the period	Beginning of the period
Overpaid or prepaid value-added tax	–	433,391.80
Input value-added tax to be deducted	2,917,235.27	511,434.54
Structural deposits	200,000,000.00	–
Total	202,917,235.27	944,826.34

Note: Structural deposit is purchased in Wukesong sub-branch of China Everbright Bank (Beijing Branch) in 2018, closing balance is RMB200,000,000.00.

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Items	End of the period			Beginning of the period		
	Book balance	Impairment provisions	Carrying amount	Book balance	Impairment provisions	Carrying amount
Available-for-sale equity instrument	–	–	–	8,443,166.86	7,471,840.33	971,326.53
Incl: measured by cost	–	–	–	8,443,166.86	7,471,840.33	971,326.53
Total	–	–	–	8,443,166.86	7,471,840.33	971,326.53

11. Long-term receivables

Items	End of the period			Beginning of the period		
	Book balance	Bad debt provisions	Carrying amount	Book balance	Bad debt provisions	Carrying amount
Provision of labors on installment	2,010,148.40	–	2,010,148.40	30,184,859.30	–	30,184,859.30
Less: Long-term receivables due within 1 year	2,010,148.40	–	2,010,148.40	26,237,343.74	–	26,237,343.74
Total	–	–	–	3,947,515.56	–	3,947,515.56

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

12. Long-term equity investments

Investee	Balance at beginning of period	Increase/decrease during the period								Closing balance of impairment provisions	
		Increase in investment	Decrease in investment	Investment gain or loss recognised under equity method	Adjustment to other comprehensive income	Change in other equity	Cash dividend or profit declared	Provision for impairment	Others		
Associates											
Beijing Certificate Authority Co., Ltd	143,095,708.08	-	-	22,682,021.79	-	1,162,735.06	6,296,524.20	-	-	160,643,940.73	-
Beijing Culture and Sports Technology Co., Ltd. (北京文化體育科技有限公司)	2,945,452.60	-	-	22,207.97	-	-	-	-	-	2,967,660.57	-
Chongqing Hongxin Haoju Network Technology Co., Ltd. (重慶宏信瀚宇網絡技術有限公司)	3,862,753.24	-	-	-	-	-	-	-	-	3,862,753.24	3,862,753.24
Total	149,903,913.92	-	-	22,704,229.76	-	1,162,735.06	6,296,524.20	-	-	167,474,354.54	3,862,753.24

13. Other equity instrument investments

Items	End of the period	Beginning of the period
Capinfo Soft Co., Ltd.	971,326.53	971,326.53
Uniresource Investment Co., Ltd. (紫光信業投資股份有限公司)	-	-
Loyalty Alliance Enterprise Corporation ("LAEC")	-	-

Note: The Group may designate the long-term investments held for strategic purposes as financial assets measured at fair value through other comprehensive income.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

14. Investment properties

Items	Buildings and structures
I. Original book value	
1. Balance at beginning of period	74,320,626.80
2. Increment for the period	-
(1) Purchase	-
(2) Transferred from fixed assets	-
(3) Increase from business combinations	-
3. Decrement for the Period	-
(1) Disposal	-
(2) Other transfer	-
4. Balance at end of Period	74,320,626.80
II. Accumulated depreciation and accumulated amortisation	
1. Balance at beginning of period	32,810,366.52
2. Increment for the period	3,773,660.04
(1) Provision or amortisation	3,773,660.04
(2) Increase from business combinations	-
(3) Other increment	-
3. Decrement for the period	-
(1) Disposal	-
(2) Other transfer	-
4. Balance at end of Period	36,584,026.56
III. Provision for impairment	
1. Balance at beginning of period	-
2. Increment for the period	-
(1) Provision	-
(2) Other increment	-
3. Decrement for the period	-
(1) Disposal	-
(2) Other transfer	-
4. Balance at end of Period	-
IV. Book value	
1. Book value at end of period	37,736,600.24
2. Book value at beginning of period	41,510,260.28

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

14. Investment properties

Note:

- (1) Details of certificate of title to be obtained

Item	Carrying amount	Reason for no certificate of title
Digital Beijing Building	37,736,600.24	Yet to be obtained

The above investment properties depreciation is calculated on the straight-line basis at an annual rate of 5%.

15. Fixed assets

Item	End of the period	Beginning of the period
Fixed assets	69,183,061.72	90,603,551.49

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

15. Fixed assets (continued)

(1) Fixed assets

Items	Machinery & equipment	Transporting equipment	Others	Total
I. Original book value				
1. Balance at beginning of period	522,384,992.97	510,085.57	3,588,337.94	526,483,416.48
2. Increment for the period	22,927,474.38	–	353,802.90	23,281,277.28
(1)Purchase	22,927,474.38	–	353,802.90	23,281,277.28
(2)Transferred from construction in progress	–	–	–	–
3. Decrement for the period	1,492,993.04	–	17,845.28	1,510,838.32
(1)Disposal or write-off	1,492,993.04	–	17,845.28	1,510,838.32
(2)Other decrement	–	–	–	–
4. Balance at end of period	543,819,474.31	510,085.57	3,924,295.56	548,253,855.44
II. Accumulated depreciation				
1. Balance at beginning of period	433,419,110.95	510,085.57	1,950,668.47	435,879,864.99
2. Increment for the period	43,881,451.50	–	779,299.11	44,660,750.61
(1)Provision	43,881,451.50	–	779,299.11	44,660,750.61
(2)Other increment	–	–	–	–
3. Decrement for the period	1,452,620.89	–	17,200.99	1,469,821.88
(1)Disposal or write-off	1,452,620.89	–	17,200.99	1,469,821.88
(2)Other decrement	–	–	–	–
4. Balance at end of period	475,847,941.56	510,085.57	2,712,766.59	479,070,793.72
III. Provision for impairment				
1. Balance at beginning of period	–	–	–	–
2. Increment for the period	–	–	–	–
(1)Provision	–	–	–	–
(2)Other increment	–	–	–	–
3. Decrement for the period	–	–	–	–
(1)Disposal or write-off	–	–	–	–
(2)Other decrement	–	–	–	–
4. Balance at end of period	–	–	–	–
IV. Book value				
1. Book value at end of period	67,971,532.75	–	1,211,528.97	69,183,061.72
2. Book value at beginning of period	88,965,882.02	–	1,637,669.47	90,603,551.49

Note: The Group has no fixed assets which have been pledged or secured during the period.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

16. Intangible assets

Items	Software	Customer relationship	Total
I. Original book value			
1. Balance at beginning of period	156,947,861.83	2,328,003.18	159,275,865.01
2. Increment for the period	5,436,997.62	–	5,436,997.62
(1) Purchase	2,042,428.90	–	2,042,428.90
(2) Internal R & D	3,394,568.72	–	3,394,568.72
(3) Increase from business combination	–	–	–
(4) Transferred from construction in progress	–	–	–
3. Decrement for the period	–	–	–
(1) Disposal	–	–	–
(2) Other decrement	–	–	–
4. Balance at end of period	162,384,859.45	2,328,003.18	164,712,862.63
II. Accumulated amortization			
1. Balance at beginning of period	123,179,226.85	2,328,003.18	125,507,230.03
2. Increment for the period	21,710,385.73	–	21,710,385.73
(1) Provision	21,710,385.73	–	21,710,385.73
(2) Other increment	–	–	–
3. Decrement for the period	784,511.34	–	784,511.34
(1) Disposal	–	–	–
(2) Other decrement	784,511.34	–	784,511.34
4. Balance at end of period	144,105,101.24	2,328,003.18	146,433,104.42
III. Provision for impairment			
1. Balance at beginning of period	–	–	–
2. Increment for the period	–	–	–
(1) Provision	–	–	–
(2) Other increment	–	–	–
3. Decrement for the period	–	–	–
(1) Disposal	–	–	–
(2) Other decrement	–	–	–
4. Balance at end of period	–	–	–
IV. Book value			
1. Book value at end of period	18,279,758.21	–	18,279,758.21
2. Book value at beginning of period	33,768,634.98	–	33,768,634.98

Note: At the end of period, intangible assets from internal R&D represents 2.12% of the balance of intangible assets.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

17. Development expenditures

Item	Beginning of the period	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditures	Other increment	Recognized as intangible assets	Included in current profit or loss	
Development expenditures	6,780,034.80	10,979,664.89	-	3,394,568.72	1,792,280.71	12,572,850.26

18. Goodwill

(1) Original carrying amount of goodwill

Investee or items resulted in Goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Business combination and formation	Other	Disposal	Other	
Rito Info	184,597,722.06	-	-	-	-	184,597,722.06

(2) Impairment provision on goodwill

Investee or items resulted in Goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other	Disposal	Others	
Rito Info	6,622,071.30	42,715,027.47	-	-	-	49,337,098.77

Note: The Group calculated the receivable amount of the asset group by estimating the present value of future cash flow. The Group estimated cash flow in the following five years based on financial budget approved by the management and the growth rate of cash flow adopted in the subsequent years is estimated to be 0 (last period: 5.76%), which will not exceed the long-term average growth rate of operations of asset group. The management made the aforementioned financial budget based on the historical performance and its expectation on market development. The discount rate adopted in the process of calculating future cash inflow is 14.80% (last period: 14.49%). According to the results of the impairment test, goodwill impairment at end of the current period is RMB42,715,027.47 (end of last period: RMB6,622,071.30).

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

19. Long-term deferred expenses

Items	Beginning of the period	Increase for the period	Decrease for the period		End of the period
			Amortization for the period	Other decrement	
Broadband charges	49,999.80	–	12,500.04	–	37,499.76
Refurbishment costs	2,589,836.99	158,912.25	911,917.68	–	1,836,831.56
Construction and installment fees	40,109,904.78	455,574.84	10,286,494.18	–	30,278,985.44
Total	42,749,741.57	614,487.09	11,210,911.90	–	32,153,316.76

20. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities before offset

Items	End of the period		Beginning of the period	
	Deductible/ taxable temporary difference	Deferred income tax assets/ liabilities	Deductible/ taxable temporary difference	Deferred income tax assets/ liabilities
Deferred income tax assets:				
Provisions for assets impairment				
assets provisions	114,700,546.22	15,016,444.51	84,007,560.99	10,958,316.27
Other payables	110,156,610.82	12,246,224.18	69,912,872.51	7,026,546.03
Amortization of intangible assets	48,190,152.00	5,522,063.97	24,333,184.30	3,136,367.20
Employee compensation payables	22,629,130.07	2,233,818.86	28,904,261.34	2,890,426.22
Deferred income	3,904,800.00	390,480.00	–	–
Non-current liabilities due				
within one year	2,158,722.46	215,872.25	–	–
Total	301,739,961.57	35,624,903.77	207,157,879.14	24,011,655.72

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

20. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Deferred income tax assets expected to be reversed in 1 year

Item	End of the period	Beginning of the period
Deferred income tax assets expected to be retrieved in over 12 months	4,725,367.77	5,409,964.55

(3) Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Item	End of the period	Beginning of the period
Deductible losses	33,759,167.24	15,332,796.70
Provision for inventory impairment	22,262,114.19	22,262,114.19
Total	56,021,281.43	37,594,910.89

(4) Deductible losses of unrecognized deferred income tax assets will due in the following years

Year	End of the period	Beginning of the period
2018		8,538,665.06
2019	6,566,683.22	6,794,131.64
2020		-
2021		-
2022		-
2023	18,426,370.54	-
Total	24,993,053.76	15,332,796.70

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

21. Notes and accounts payables

Item	End of the period	Beginning of the period
Accounts Payable	172,067,991.29	154,040,442.83

(1) Accounts payable disclosed by category

Item	End of the period	Beginning of the period
Loans	172,067,991.29	154,040,442.83

(2) Accounts payable disclosed by aging

Item	End of the period	Beginning of the period
Within 1 year	115,462,745.49	114,733,159.15
1-2 years	38,409,045.73	9,145,007.85
2-3 years	5,136,045.07	7,695,794.82
Over 3 years	13,060,155.00	22,466,481.01
Total	172,067,991.29	154,040,442.83

Notes: Ageing of accounts payable is presented according to the date of receipt of goods and acceptance of labour.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

22. Contractual liabilities

Item	End of the period	Beginning of the period
Item receipt	618,798,167.14	469,365,377.45

23. Payroll payables

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period
Short-term compensation	68,717,863.85	308,332,043.32	300,373,496.83	76,676,410.34
Post resignation benefit – designed provision plan	451,857.08	37,323,049.20	34,670,404.49	3,104,501.79
Welfare post cancellation of the labor relationship	–	–	–	–
Total	69,169,720.93	345,655,092.52	335,043,901.32	79,780,912.13

(1) Short-term compensation

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period
Wages, bonuses, allowances, subsidies	63,926,498.94	252,325,592.34	246,958,224.27	69,293,867.01
Welfare expenses	–	2,972,157.56	2,972,157.56	–
Social insurances	2,063,852.73	22,770,727.94	21,373,213.53	3,461,367.14
Incl: 1. Medical insurance expenditures	1,791,464.91	20,796,120.83	19,505,617.50	3,081,968.24
2. Supplementary medical insurance	–	–	–	–
3. Work injury insurance expenditures	80,877.36	459,874.43	436,453.78	104,298.01
4. Maternity insurance	191,510.46	1,514,732.68	1,431,142.25	275,100.89
Housing accumulation fund expenditures	12,111.75	25,864,620.17	25,852,730.09	24,001.83
labor union expenditures and employee education expenses	2,715,400.43	4,398,945.31	3,217,171.38	3,897,174.36
Total	68,717,863.85	308,332,043.32	300,373,496.83	76,676,410.34

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

(2) Defined contribution scheme

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period
Retirement benefit plan	451,857.08	37,323,049.20	34,670,404.49	3,104,501.79
Incl: 1. Basic endowment insurance	432,144.84	35,833,798.25	33,289,788.83	2,976,154.26
2. Unemployment insurance	19,712.24	1,489,250.95	1,380,615.66	128,347.53
Total	451,857.08	37,323,049.20	34,670,404.49	3,104,501.79

24. Tax payables

Taxes	End of the period	Beginning of the period
Value-added tax	21,592,334.01	26,323,797.65
Corporate income tax	26,560,106.32	18,503,917.46
Individual income tax	487,600.77	913,363.73
City maintenance and construction tax	1,349,183.51	1,621,111.74
Stamp duty	14,578.80	49,288.28
Education Surcharges	902,383.41	1,096,253.56
Total	50,906,186.82	48,507,732.42

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

25. Other payables

Items	End of the period	Beginning of the period
Other payables	192,267,065.79	151,088,777.63

(1) Other payables

Items	End of the period	Beginning of the period
Margin and deposits, quality guarantee deposit	4,758,001.99	7,429,415.89
Current account	18,727,144.26	22,372,591.30
Project notes payable	155,837,232.32	121,154,433.25
Non-operating current accounts of related parties	12,000,000.00	
Other	944,687.22	132,337.19
Total	192,267,065.79	151,088,777.63

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

26. Non-current liabilities due within 1 year

Items	End of the period	Beginning of the period
Long-term borrowings due within 1 year	–	900,000.00
Long-term payables due within 1 year	48,155,773.77	45,997,051.31
Total	48,155,773.77	46,897,051.31

(1) Long-term borrowings due within 1 year

Items	End of the period	Beginning of the period
Credit borrowings	–	900,000.00

(2) Long-term payables due within 1 year

Items	End of the period	Beginning of the period
Contingent consideration of Rito Info	48,155,773.77	45,997,051.31

27. Long-term borrowings

Items	End of the period	Range of interest rate	Beginning of the period	Range of interest rate
Credit borrowings	–	–	900,000.00	–
Less: Long-term borrowings due within 1 year	–	–	900,000.00	–
Total	–	–	–	–

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

28. Long-term payables

(1) Long-term payables listed by nature

Item	End of the period	Beginning of the period
Contingent consideration of Rito Info	48,155,773.77	45,997,051.31
Less: Long-term payables due within 1 year	48,155,773.77	45,997,051.31
Total	–	–

(2) Long-term payables listed by aging

Item	End of the period	Beginning of the period
Current or within 1 year	48,155,773.77	45,997,051.31

29. Deferred income

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period	Reason
Government grant	4,122,171.81	3,904,800.00	791,321.49	7,235,650.32	Financial appropriation

Note: details of government grant included in deferred income see note XIII.3. Government grants.

30. Other non-current liabilities

Item	End of the period	Beginning of the period
Project appropriation	–	15,512,453.80

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

31. Share capital (unit: ten thousand shares)

Item	Beginning of the period	New shares issued	Increment/Decrement (+/-)			Sub total	End of the period
			Stock dividend	Reserve to shares	Others		
Total shares	289,808.61	-	-	-	-	-	289,808.61

32. Capital reserves

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period
Share capital premium	253,785,082.20	-	-	253,785,082.20
Other capital reserves	37,885,584.20	1,162,735.06	-	39,048,319.26
Total	291,670,666.40	1,162,735.06	-	292,833,401.46

33. Other comprehensive income

Items	Beginning of the year	The pre-income tax amount for current period	Amount for current period				End of the year
			Less: Amount transferred to profit or loss for current period included other comprehensive income in previous period	Less: Income tax expense	Attributable to the parent after taxation	Attributable to minority shareholders after taxation	
I. Other comprehensive income not subject to reclassification to profit or loss							
1. Fair value changes of other equity instrument investments	-7,471,840.33						-7,471,840.33
Total other comprehensive income	-7,471,840.33						-7,471,840.33

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

34. Surplus reserves

Item	Beginning of the period	Increase for the period	Decrease for the period	End of the period
Statutory surplus reserve	79,464,045.12	10,853,448.48	–	90,317,493.60

35. Undistributed profits

Items	Amount for current period	Amount for last period
Undistributed profits at end of last period before adjustment	363,118,724.87	360,642,012.74
Adjustment for undistributed profits at beginning of period ("+" for plus; "-" for less)	-37,178,367.66	-37,591,741.88
Undistributed profits at beginning of period after adjustment	325,940,357.21	323,050,270.86
Plus: net profit attributable to shareholders during the period	62,169,328.13	81,130,475.64
Less: withdrawal of statutory surplus reserves	10,853,448.48	9,455,534.48
Withdrawal of discretionary surplus reserve	–	–
Withdrawal of general risk reserves	–	–
Dividend payable on ordinary shares	36,208,649.94	31,606,487.15
Dividends payable to other equity holders	–	–
Ordinary shares dividends transferred to share capital	–	–
Undistributed profits at end of period	341,047,586.92	363,118,724.87

Notes:

The breakdown of adjustment for undistributed profits at the beginning of the period:

- 1 Due to the retrospective adjustment based on the "Accounting Standards for Business Enterprises" and its related new regulations, affected undistributed profit at the beginning of the period was RMB-37,178,367.66.
- 2 Please refer to Note III. 30. for the impact of the retrospective adjustment on the undistributed profit at the beginning of the period based on the "Accounting Standards for Business Enterprises" and its related new regulations.

According to the requirements of the Company's Articles of Association, available-for-distribution profits for the Company's shareholders refer to amounts in the statements prepared in accordance with the Chinese Accounting Standards and Regulations.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

36. Operating income and operating cost

Items	Amount for current period		Amount for last period	
	Income	Cost	Income	Cost
Main businesses	1,116,695,673.57	742,265,594.26	990,183,462.93	655,963,676.72
Other businesses	14,811,022.89	1,011,937.32	18,123,092.49	811,318.69

(1) Main businesses (sub-businesses)

Name of business	Amount for current period		Amount for last period	
	Operating income	Operating cost	Operating income	Operating cost
Software development and sales	97,098,939.17	66,649,435.25	121,883,711.21	61,988,842.04
Operation and maintenance service	635,539,263.47	380,137,225.09	550,481,463.58	352,896,851.55
System integration service	375,047,148.51	294,559,092.56	310,060,655.75	240,159,700.09
Consulting service	9,010,322.42	919,841.36	7,757,632.39	918,283.04
Total	1,116,695,673.57	742,265,594.26	990,183,462.93	655,963,676.72

(2) Other businesses (sub-businesses)

Name of business	Amount for current period		Amount for last period	
	Operating income	Operating cost	Operating income	Operating cost
Rental income from investment property	14,441,211.57	1,011,937.32	13,564,867.64	811,318.69
Income from subject fund project	369,811.32	-	4,434,952.78	-
Other	-	-	123,272.07	-
Total	14,811,022.89	1,011,937.32	18,123,092.49	811,318.69

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

36. Operating income and operating cost (continued)

(3) Timing of revenue recognition

Revenue recognition method	2018
At a certain point of time	472,146,087.68
Over a period of time	644,549,585.89
Total	1,116,695,673.57

37. Sales expenses

Items	Amount for current period	Amount for last period
Employee compensation	98,451,057.64	82,670,966.23
Housing rents	6,820,655.30	6,037,592.38
Depreciation and amortisation	1,747,833.79	1,469,382.33
External negotiation fee	1,410,461.57	450,723.09
Entertainment fee	1,280,432.37	1,986,858.01
Transportation fee	768,764.29	902,262.94
Communication fee	221,022.29	237,977.35
Office expenses	155,549.98	574,175.92
Other	145,810.54	814,348.99
Total	111,001,587.77	95,144,287.24

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

38. Administrative expenses

Items	Amount for current period	Amount for last period
Employee compensation	38,984,575.99	35,545,861.74
Rents & leases	12,361,428.56	7,207,942.23
Depreciation and amortisation	11,175,655.30	8,761,085.30
Property and water & electricity fee	5,150,375.74	2,818,303.90
Consulting fee	4,213,023.94	3,778,392.84
Disabled security fund	3,727,497.30	–
Audit and evaluation fee	2,131,698.73	2,433,028.14
Travelling expense	2,587,240.88	2,102,343.36
Office expenses	1,320,913.79	1,332,732.80
Service fee	995,922.83	1,013,403.44
Transportation fee	293,554.58	665,262.21
Entertainment fee	75,594.10	331,033.42
Communication fee	71,935.96	50,894.80
Other	1,709,720.93	1,868,427.04
Total	84,799,138.63	67,908,711.22

39. R&D expenses

Items	Amount for current period	Amount for last period
Employee compensation	52,920,311.59	45,740,833.90
Entrust external research and development expenses	7,533,572.26	5,654,616.55
Depreciation and amortisation	4,544,036.47	9,120,730.85
Other	2,007,430.45	9,910,503.72
Total	67,005,350.77	70,426,685.02

40. Finance expenses

Items	Amount for current period	Amount for last period
Interest expenses	–	5,233,377.44
Less: Interest income	1,314,784.99	3,633,731.36
Exchange difference	-3,697,602.23	3,344,255.53
Bank charges and others	103,673.09	95,343.73
Total	-4,908,714.13	5,039,245.34

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

41. Assets impairment loss

Items	Amount for current period	Amount for last period
(1) Bad debt expenses		27,108,344.76
(2) Impairment loss on goodwill	42,715,027.47	6,622,071.30
Total	42,715,027.47	33,730,416.06

42. Impairment losses of credit

Items	Amount for current period	Amount for last period
Bad debts losses of notes and accounts receivables	38,777,880.22	–
Impairment losses of contractual assets	-6,002,216.61	–
Total	32,775,663.61	

43. Other income

Grant projects (source of other income)	Amount for current period	Amount for last period	Related to assets/ Related to income
Development and industrialization of the unified management system of the group funds	200,000.00		Related to income
Third batch of enterprises R & D subsidy funds in 2017	98,800.00		Related to income
Technology trading bonus in 2017	120,771.00		Related to income
First batch of enterprises R & D subsidy funds in 2108	218,200.00		Related to income
About reporting software and information service industry development special funds in 2018	17,000.00		Related to income
The bonus of Beijing City Technology information Center	94,339.62		Related to income
Individual tax rebate	1,503,771.09		Related to income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big data analysis	791,321.49	6,325,191.13	Related to assets
Third batch of enterprises R & D subsidy funds in 2016		387,400.00	Related to income
Project funds of Science & Technology plans in 2016		300,000.00	Related to income
Second batch of technology trading bonus in 2016		233,705.00	Related to income
First batch of enterprises R & D subsidy funds in 2017		148,200.00	Related to income
Others	255,782.95	74,087.70	Related to income
Total	3,299,986.15	7,468,583.83	

Notes: For details of government grant, please see Note XIII.3 Government grant.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

44. Investment gain

Item	Amount for current period	Amount for last period
Gains on long-term equity investments calculated on equity method	22,704,229.76	22,203,681.39
Investment income from disposal of long-term equity investment	–	40,810,489.24
Income of structural deposits	6,622,140.90	455,268.47
Settlement of losses	–	-291,200.00
Total	29,326,370.66	63,178,239.10

Notes: (1) See "Notes V. 12" for "Gains on long-term equity investments calculated on equity method".

45. Gains from changes in fair value

Sources of gains from changes in fair value	Amount for current period	Amount for last period
Financial assets at fair value through current profit or loss	–	-3,564,709.74
Total	–	-3,564,709.74

46. Gain from disposal of assets

Item	Amount for current period	Amount for last period
Gains on disposal of fixed assets (loss is shown as "-")	15,136.78	29,236.21

47. Non-operating income

Items	Amount for current period	Amount for last period	Amounts included in non-recurring profit or loss for current period
Incentives	25,000.15	8,312.65	25,000.15

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

48. Non-operating expenses

Items	Amount for current period	Amount for last period	Amounts included in non-recurring profit or loss for current period
Default	2,158,722.46	562,950.87	2,158,722.46
Fines and Late fees		101.30	
Other	339.20	–	339.20
Total	2,159,061.66	563,052.17	2,159,061.66

49. Income tax expenses

(1) Breakdown of income tax expenses

Items	Amount for current period	Amount for last period
The current income tax calculated in accordance with the tax law and relevant provisions	22,804,973.31	50,792,324.46
Deferred income tax expenses	-11,613,248.05	4,315,697.37
Total	11,191,725.26	55,108,021.83

(2) Relationship between income tax expense and total profit is stated as follow:

Item	Amount (audited)
Total profit	78,326,437.28
Income tax expenses calculated at appropriate/applicable tax rate	7,832,643.73
Effect of subsidiaries applicable to various tax rates	856,991.86
Effect of adjustment of income tax for previous period	
Effect of non-taxable income	-2,270,422.98
Effect of non-deductible costs, expenses and losses	437,383.57
Effect of development expenses plus taxes deducted	
Effect of deductible losses of using deferred income tax assets not recognized in previous period	-34,117.26
Effect of deductible temporary difference or deductible losses of deferred income tax assets not recognized in current period	4,369,246.34
Other	
Total	11,191,725.26

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

50. Supplementary information to cash flows statement

(1) Supplementary information to cash flows statement

Supplementary information	Amount for current period	Amount for last period
I. Reconciliation from net profit to cash flows from operating activities:		
Net profit	67,134,712.02	84,878,805.97
Plus: Provisions for assets impairment	75,490,691.08	33,730,416.06
Depreciation of fixed assets, depreciation of investment property	48,434,410.65	53,229,323.55
Amortization of intangible assets	21,710,385.73	16,134,260.58
Amortization of long term deferred expenses	11,210,911.90	12,193,284.36
Loss on disposal of fixed assets, intangible assets and other noncurrent assets (gain is shown as "-")	-15,136.78	-29,236.21
Loss on write-off of fixed assets (gain is shown as "-")	-	-
Loss on changes in fair value (gain is shown as "-")	-	3,564,709.74
Finance costs (gain is shown as "-")	-3,697,602.23	8,577,632.97
Loss on investments (gain is shown as "-")	-29,326,370.66	-63,178,239.10
Decrease in deferred tax assets (increase is shown as "-")	-11,613,248.05	4,315,697.37
Increase in deferred tax liabilities (decrease is shown as "-")	-	-
Decrease in inventories (increase is shown as "-")	-51,415,515.97	33,644,421.51
Decrease in operating receivables (increase is shown as "-")	-93,026,524.00	-30,043,486.45
Increase in operating payables (decrease is shown as "-")	165,118,181.94	62,179,241.59
Other	-	12,206,963.89
Net cash flows generated from operational activities	200,004,895.63	231,403,795.83
II. Significant non-cash investment and financing activities:		
Debts changed to capital	-	-
Convertible bonds mature within 1 year	-	-
Fixed assets acquired under finance lease	-	-
III. Changes in cash and cash equivalents:		
Cash at end of period	627,190,473.40	652,586,184.64
Less: cash at beginning of period	652,586,184.64	535,062,062.24
Plus: cash equivalents at end of period	-	-
Less: cash equivalents at beginning of period	-	-
Net increase in cash and cash equivalents	-25,395,711.24	117,524,122.40

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ITEMS (continued)

50. Supplementary information to cash flows statement

(2) Composition of cash and cash equivalents

Item	End of period	Beginning of the period
I. Cash	627,190,473.40	652,586,184.64
Incl: Cash on hand	119,216.61	137,504.24
Bank deposits available on demand	620,758,241.70	652,448,680.40
Other cash assets available on demand	6,313,015.09	–
Deposits with other banks	–	–
Inter-bank lending	–	–
II. Cash equivalents	–	–
Incl: Bond investments mature within 3 months	–	–
III. Closing balance of cash and cash equivalents	627,190,473.40	652,586,184.64

51. Assets with limited title or use

Item	Carrying value at end of period	Cause
Monetary fund	25,322,708.68	Guarantee issuance

52. Foreign currency monetary items

Item	Foreign balance at end of period	Exchange rate	Translated RMB balance at end of period
Monetary fund			62,037,961.69
Including: US dollar	8,339,359.12	6.8632	57,235,290.97
Euro	1.30	7.8473	10.17
Hong Kong dollar	5,476,268.45	0.8762	4,802,660.55

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VI. CHANGES IN THE CONSOLIDATED SCOPE

During the current period, two subsidiaries were newly established, namely Capinfo Medical United and Capinfo Cloud Technology.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiary

(1) Composition of the Group

Name of subsidiary	Type of legal person	Operating location	Location of registration	Nature of business	Shareholding percentage %		Means of acquisition person
					Direct	Indirect	
Capinfo Technology	Legal person	Beijing	Beijing	Information technology	74.00	-	Set up by investment
Shanghai Hengyue	Legal person	Shanghai	Shanghai	Information technology	100.00	-	Business combination not under common control
Capinfo Hong Kong	Legal person	Hong Kong	Hong Kong	Investment	100.00	-	Set up by investment
Parking Management	Legal person	Beijing	Beijing	Information technology	100.00	-	Set up by investment
Rito Info	Legal person	Xiamen	Xiamen	Information technology	100.00	-	Business combination not under common control
Capinfo Medical United	Legal person	Beijing	Beijing	Information technology	100.00	-	newly established
Capinfo Cloud Technology	Legal person	Beijing	Beijing	Information technology	37.00	-	newly established

Notes 1: Subsidiaries of the Company did not issue share capital or securities as at 31 December 2018.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiary (continued)

(1) Composition of the Group (continued)

Notes 2: Capinfo Cloud Technology is jointly established by the Group and the related party Beijing Capinfo Network Creation and Network Information Service Co., Ltd. (北京首信網創網路資訊服務有限責任公司). According to the Articles of Association of Capinfo Cloud Technology, the registered capital is RMB50 million, the Group subscribes RMB18.5 million, shareholding percentage is 37%, maturity of subscription is 31 December 2018, another shareholder subscribes RMB31.5 million, shareholding percentage is 63%, maturity of subscription is 31 December 2037; the Group includes it into the scope of the consolidated statement because of:

- 1) As of 31 December 2018, the paid up capital contribution of the Group is RMB18.5 million, representing 100% of paid up capital of Capinfo Cloud Technology. According to the Articles of Association of Capinfo Cloud Technology, shareholders will vote and receive Company's bonus in accordance with the paid up percentage.
- 2) There will be no Board of Directors, Supervisory Committee of Capinfo Cloud Technology but has executive directors, supervisors. The executive directors, supervisors are nominated by the Group and elected on the general meeting; the company has managers whose are nominated by the Group and appointed or dismissed by the executive directors.

(2) Significant non-wholly-owned subsidiary

Name of subsidiary	Share percentage of minority shareholders (%)	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders for the period	Balance of minority interests at the period
Capinfo Technology	26.00	4,965,383.89		34,600,544.37

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiary (continued)

(3) Main financial information on material non-wholly-owned subsidiary:

Name of subsidiary	Balance at end of period		
	Current assets	Non-current assets	Total assets
Capinfo Technology	503,672,598.43	6,764,065.03	510,436,663.46

Name of subsidiary	Balance at end of period		
	Current liabilities	Non-current liabilities	Total liabilities
Capinfo Technology	377,357,646.64	–	377,357,646.64

Name of subsidiary	Balance at beginning of period		
	Current assets	Non-current assets	Total assets
Capinfo Technology	368,877,674.67	3,906,893.77	372,784,568.44

Name of subsidiary	Balance at beginning of period		
	Current liabilities	Non-current liabilities	Total liabilities
Capinfo Technology	258,803,181.95	–	258,803,181.95

Name of subsidiary	Amount incurred in the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Capinfo Technology	226,321,282.56	19,097,630.33	19,097,630.33	21,912,425.00

Name of subsidiary	Amount incurred in the current period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Capinfo Technology	187,750,570.48	15,386,852.78	15,386,852.78	59,099,257.36

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

2. Equity in joint ventures or associates

(1) Significant affiliates

Name of affiliate	Location of operation	Location of registration	Business nature	Shareholding percentage (%)		Accounting treatment for the investment in affiliates
				Direct	Indirect	
Beijing Digital Certification Co., Ltd.	Beijing	Beijing	Scientific research and Technology services	26.24	–	Equity approach

Notes: Beijing Digital Certification Co., Ltd. was listed on GEM, Shenzhen Stock Exchange on 23 December 2016. The stock market value held by the Company based on the closing price as at 31 December 2018 was RMB715,914,801.54.

(2) Main financial information of significant affiliates:

Item	Beijing Digital Certification Co., Ltd.	
	Balance at end of period	Balance at beginning of period
Current assets	1,043,165,452.31	871,048,877.64
Non-current assets	82,242,887.18	60,297,185.43
Total assets	1,125,408,339.49	931,346,063.07
Current liabilities	499,834,365.26	372,304,055.97
Non-current liabilities	13,256,986.48	13,612,332.09
Total liabilities	513,091,351.74	385,916,388.06
Net asset	612,316,987.75	545,429,675.01
Including: Minority interests	–	–
Attributable to owners of the parent company	612,316,987.75	545,429,675.01
Share in net asset pro rata shares held	160,644,530.48	143,096,297.83
Adjustment	-589.75	-589.75
Including: Goodwill	–	–
Gains or losses on unrealized internal trading	–	–
Impairment provision	–	–
Others	-589.75	-589.75
Book value of equity investment to affiliate		
Fair value of equity investment with quoted price	160,643,940.73	143,095,708.08

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

2. Equity in joint ventures or associates (continued)

(2) Main financial information of significant affiliates: (continued)

Item	Beijing Digital Certification Co., Ltd.	
	Accrued during the period	Accrued during the previous period
Operating income	667,720,172.71	519,848,359.34
Net profit	86,455,400.69	83,112,653.12
Net profit on discontinued operation		–
Other comprehensive income		–
Total comprehensive income	86,455,400.69	83,112,653.12
Dividend receivable from affiliate during the period	6,296,524.20	6,296,524.20

(3) Summarised financial information of other non-significant affiliate

Item	Balance at end of period/ Accrued during the period	Balance at beginning of period/ Accrued during the previous period
	Affiliate:	
Total carrying value of investment	2,967,660.57	2,945,452.60
Total of the followings at shareholding percentage		
Net profit	22,207.97	101,435.89
Other comprehensive income		–
Total comprehensive income	22,207.97	101,435.89

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT

1. Goal and policies of risk management

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular or ad hoc reviews of internal control system to check whether such system is compliant with the risk management policies.

The Group has exposure to the following risks from its use of financial instruments, namely credit risk, liquidity risk and market risk (including interest rate risk and exchange risk).

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyse the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of credit risk, liquidity risk and market risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the risk management committee in accordance with the policies approved by the board. Risk management committee identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures, and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio, and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Goal and policies of risk management (continued)

(1) Credit risk

Credit risk is the risk that one counterparty will cause a financial loss for the Group by failing to discharge an obligation.

The Group manages credit risk by collective classification. Credit risk is mainly attributable to cash at bank and receivables.

The bank deposit of the Group is mainly held with well-known financial institutions with high credit ratings. The counterparties of the Group's bank deposits are placed in the well-established banks with high credit ratings. The management does not foresee any significant credit risk from these deposits.

In respect of receivables, the Group has established a credit policy to control credit risk exposure. Based on the debtors' financial position, the external ratings of the customers, their possibility of acquiring guarantee from third parties, their credit record and other factors (e.g. existing market conditions), the Group assesses the credit quality of its debtors, and sets up the outstanding limits and credit terms accordingly. The Group has adopted policies to cooperate with the counterparties with good credit record, and obtain full collateral, if necessary, to relieve the risk of financial loss arising from default of these counterparties. The Group will monitor the credit record of its customers, and ensure the overall credit risk of the Group within controllable extent by issuing written collection notice, reducing credit terms or cancelling credit terms for the debtors with poor credit records.

The Group's accounts receivable debtors are the customers distributed in different industries and regions. The Group will continually conduct credit assessment on the financial position of the accounts receivable, and secure credit guarantee insurance as appropriate.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Goal and policies of risk management (continued)

(1) Credit risk (continued)

The maximum credit risk exposure to the Group is the carrying amount of each financial asset presented in the balance sheet. The Group does not provide any other guarantee that may enable the Group to assume credit risk. Among the accounts receivable of the Group, the accounts receivable attributable to the top five customers account for 36.97% of the Group's total accounts receivable. Other receivables attributable to the top five companies account for 37.23% of the Group's total other receivables.

(2) Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

In managing liquidity risk, the Group ensures to monitor the cash and cash equivalent the management considered as sufficient, in order to meet the Group's needs for operation, and lower the effects from fluctuation of cash flow. The management monitors the usage of bank borrowings, and ensures compliance with the borrowing agreements. At the same time, the Group secures adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The financial liabilities and off balance sheet guarantee held by the Group at end of period are analysed at terms of the remaining undiscounted contractual cash flows as follows (expressed in RMB10,000.00):

Item	Within 1 year	More than 1 year	Total undiscounted cash flows	Total
Financial liabilities:				
Accounts payable	11,546.27	5,660.52	17,206.79	17,206.79
Other payables	8,436.52	10,790.19	19,226.71	19,226.71
Non-current liabilities due within one year	4,815.58		4,815.58	4,815.58
Total financial liabilities and contingent liabilities	24,798.37	16,450.71	41,249.08	41,249.08

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Goal and policies of risk management (continued)

(3) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes interest rate risk, exchange risk and other price risk.

Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial asset or future cash flow arising from changes in market interest rate. Interest rate may arise in the recognised interest-bearing financial instruments and unrecognized financial instruments (e.g. some loan commitments).

The Group's interest rate risk is mainly attributable to bank deposits. The Group closely monitors the interest rate risk due to the effect of changes in interest rate. At present, the Group does not adopt any interest rate hedging policies. However, the management is responsible for monitoring interest rate risk, and considers hedging significant interest rate risk as necessary. Since the term deposits are short-term deposits, so the interest rate risk for the fair value of these bank deposits is not significant.

As at 31 December 2018, it is estimated that a general increase or decrease of 10 basis points in interest rates, if floating, with all other variables held constant, would decrease or increase the Group's net profit and shareholders' equity by RMB1,400.00.

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

1. Goal and policies of risk management (continued)

(3) Market risk (continued)

Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The exchange rate risk is mainly the effect of the fluctuation of the foreign exchange rate on the Group's financial position and cash flow. Except that the subsidiaries established in Hong Kong hold monetary fund in Hong Kong dollars as the settlement currency, the proportion of assets and liabilities held by the Group in foreign currency to total assets and liabilities is not significant. Therefore, the Group believes that its exposure to exchange rate risks is not significant.

The Group monitors closely the impact of changes in exchange rate on the exchange rate risks the Group is exposed to. The Group currently does not take any measure to avoid exchange rate risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

As of 31 December 2018, for the Group's monetary fund denominated in foreign currencies, assuming that the RMB appreciates or depreciates against foreign currencies (mainly for the US dollar, Hong Kong dollar) by 10%, while other factors remain unchanged, both shareholders' equity and net profit of the Group will increase or decrease by approximately RMB6,203,300.00.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (continued)

2. Capital Management

The goal of the Group's capital management policy is to ensure that the Group has the ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders while maintaining the optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce debts.

The Group monitors the capital structure based on the gearing ratio (i.e. total liabilities divided by total assets). As of 31 December 2018, the Group's gearing ratio was 52.90%.

IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

IX. FAIR VALUE (continued)

(1) Items and amounts measured at fair value

As at 31 December 2018, assets and liabilities measured at fair value are listed as follows based on the three hierarchies set out above:

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuing fair value measurement				
(I) Financial assets at fair value through profit or loss				
(1) Equity instrument investments				
The fair value of the C-2 Stock received due to deemed disposal of the equity interest in PayEase			-	-
(II) Financial assets at fair value through other comprehensive income				
(1) Equity instrument investments				
The fair value of the equity of Capinfo Soft Co., Ltd			971,326.53	971,326.53
Uniresource Investment Co., Ltd. (紫光信業投資股份有限公司)				
Loyalty Alliance Enterprise Corporation ("LAEC")				
Total liabilities subject to continuing fair value measurement			971,326.53	971,326.53

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

IX. FAIR VALUE (continued)

(2) Valuation method for fair value measurement of financial assets at fair value through profit or loss

- 1 Referring to the price quotation from a bank in the PRC, which is mainly determined with reference to the prices quote of debentures, asset management plans and reverse purchases, and interest rates of interbank borrowing.
- 2 Referring to the price quotation from an independent fund company, which is mainly determined with reference to the interest rates of bank deposits and fixed income products, and the price quotation of a private equity fund managed by the independent fund company.

(3) The quantitative information of important unobservable input used in the Level 3 fair value measurement

Items	Closing fair value	Valuation techniques	Unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
The fair value of the C-2 Stock received due to the deemed disposal of equity interest in PayEase	-			
The fair value of the equity of Capinfo Soft Co., Ltd	971,326.53			
Uniresource Investment Co., Ltd. (紫光信業投資股份有限公司)	-			
Loyalty Alliance Enterprise Corporation ("LAEC")	-			

Note:

1. The Group holds 2,771,484.00 C-2 shares in Mozido. DTZ issued a report No. F19-001218. The fair value of C-2 shares as of 31 December 2018 recognized is RMB0 given that (1) the availability of information for assessments was limited; (2) as confirmed by the management of the Company, Mozido currently did not engage in any principal business; and (3) as illustrated in the balance sheet provided by the management of the Company, Mozido was currently significantly insolvent.
2. As there is inadequate recent information to determine fair value, cost represents the best estimate of fair value of equity of Capinfo Soft Co., Ltd.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

IX. FAIR VALUE (continued)

(4) Table of reconciliation of fair value measurements categorized into level 3 of the fair value hierarchy

Amount for the current period	Opening balance	Transfer into level 3	Transfer out from level 3	Total profit or loss for the current period		Purchase, issuance, sale and settlement				Closing balances	Assets held at the end of the reporting period are included in profit or loss as changes in gain or loss that are not realized in the period	
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement			
The fair value of the C-2												
Stock received due to deemed disposal of the equity interest in PayEase	-	-	-	-	-	-	-	-	-	-	-	-
The fair value of the equity of Capinfo Soft Co., Ltd	971,326.53	-	-	-	-	-	-	-	-	971,326.53	-	-
Uniresource Investment Co., Ltd. (紫光信業投資股份有限公司)	-	-	-	-	-	-	-	-	-	-	-	-
Loyalty Alliance Enterprise Corporation ("LAEC")	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS

1. Information on the parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Parent company's shareholding percentage to the Company %	Parent company's percentage of voting rights to the Company %
Beijing State-owned Assets Management Corporation Limited (hereinafter referred to as BSAM)	Beijing	Investment Management	1,000,000.00	63.31	63.31

The ultimate controlling party of the Company is: the People's Government of Beijing Municipality.

2. Information on the subsidiaries of the Company

Details on the subsidiaries are set out in Note VII.1.

3. Information on the joint ventures and affiliates of the Group

Details of the important joint ventures and affiliates are set out in Note VII.2.

Set out below are other joint ventures or affiliates which were involved in connected transactions with the Group during the period, or for which balances were formed due to their involvement in connected transactions with the Group during previous periods:

Name of joint ventures or affiliates	Relationship with the Group
Beijing Certificate Authority Co., Ltd. (hereinafter referred to as BJCA, BJCA and its subsidiaries)	associates
Beijing Culture & Sports Technology Co., Ltd. (hereinafter referred to as BST)	associates

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

4. Information on other related parties of the Group

Name of related parties	Relations with the Group
Beijing Aiyuhua Hospital for Children and Women Co., Ltd. (hereinafter referred to as Aiyuhua Company)	The same ultimate controlling party
Beijing Anxintianxing Science Co., Ltd. (hereinafter referred to as Anxintianxing, BJCA and its subsidiaries)	A subsidiary of BJCA, which is an affiliate of the Company
China Beijing Equity Exchange Limited (hereinafter referred to as Beijing Equity Exchange)	The same ultimate controlling party
Beijing Chenghejing Investment Co., Ltd. (hereinafter referred to as Chenghejing Investment)	The same ultimate controlling party
Beijing Chenghejing Elderly Caring Service Co., Ltd. (hereinafter referred to as Chenghejing Elderly Caring)	The same ultimate controlling party
Beijing Industrial Development Investment Management Co., Ltd. (hereinafter referred to as Industrial Development)	The same ultimate controlling party
Beijing National Swimming Centre Co., Ltd. (hereinafter referred to as National Swimming Centre)	The same ultimate controlling party
Beijing Huayu Energy Technology Holdings Co., Ltd. (hereinafter referred to as Beijing Huayu Energy Technology)	The same ultimate controlling party
Beijing Huimin Traditional Chinese Medicine Children's Hospital Co., Ltd. (hereinafter referred to as Huimin Chinese Medicine Children's Hospital)	The same ultimate controlling party
Beijing IC Design Park Co., Ltd. (hereinafter referred to as BIDP)	The same ultimate controlling party
Beijing QYT Pay Sci-tech Co., Ltd. (hereinafter referred to as QYT Pay)	The same ultimate controlling party
Beijing Petroleum Exchange (hereinafter referred to as Beijing Petroleum Exchange)	The same ultimate controlling party
Beijing Urban Drainage Monitoring Station Co., Ltd. (hereinafter referred to as Beijing Drainage Monitoring Station)	The same ultimate controlling party
Capnet Company Limited (hereinafter referred to as Capnet)	The same ultimate controlling party
Beijing Crystal Digital Co., Ltd. (hereinafter referred to as Beijing Crystal Digital)	The same ultimate controlling party
Beijing Culture and Sports Technology Co., Ltd. (hereinafter referred to as Beijing Sports Technology)	The same ultimate controlling party
Beijing Xinlongfu Culture Investment Co., Ltd. (hereinafter referred to as Xinlongfu Culture)	The same ultimate controlling party
Beijing SME Credit Re-guarantee Co., Ltd. (hereinafter referred to as Beijing SME Credit Re-guarantee)	The same ultimate controlling party
National Sport Stadium Co., Ltd. (hereinafter referred to as National Stadium)	The same ultimate controlling party
Capital Healthcare Industry Group Co., Ltd. (hereinafter referred to as the Capital Medical Health Industry)	The same ultimate controlling party
Yingzhi Recovery Investment Management Limited (hereinafter referred to as Yingzhi Recovery Hospital)	The same ultimate controlling party
Beijing Science Park Development (Group) Co., Ltd. (hereinafter referred to as Beijing Science Development)	The same ultimate controlling party
Beijing Guorongchuangyin Investment Management Co., Ltd. (hereinafter referred to as Guorong Chuangyin)	The same ultimate controlling party
Beijing Guotong Asset Management Co., Ltd. (hereinafter referred to as Beijing Guotong)	The same ultimate controlling party

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

5. Information on connected transactions

(1) Information on connected purchases and sales

1 Purchase of goods and receipt of labor service

Related parties	Subjects of connected transactions	Amount incurred for the current period (RMB ten thousand)	Amount incurred for the previous period (RMB ten thousand)
BJCA and its subsidiaries	Purchase of network security system and relevant technical service	514.55	313.62
Capnet	Purchase of hardware and relevant service	0.27	7.87
Crystal Digital Image Company (水晶石數位影像公司)	Purchase of Technology service	19.81	-
Beijing Petroleum Exchange	Purchase of network security system and service	-	0.14
Beijing Crystal Digital	Relevant expenses for promotion of business	-	36.23
Xinlongfu Culture	Fees for property management	197.22	16.43

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

5. Information on connected transactions (continued)

(1) Information on connected purchases and sales (continued)

2 Sale of goods and provision of labor service

Related parties	Subjects of connected transactions	Amount incurred for the current period (RMB ten thousand)	Amount incurred for the previous period (RMB ten thousand)
Beijing Urban Drainage Monitoring	Provision of network system and relevant technical service	3.39	–
Chenghe JingYangLao (誠和敬養老)	Provision of network system and relevant technical service	0.61	–
Chenghejing Elderly Caring	Provision of network system and relevant technical service	1.71	–
Industrial Development	Provision of network system and relevant technical service	7.72	–
Guotong Assets Company (國通資產公司)	Provision of network system and relevant technical service	5.17	–
Guoyuan Sports Culture Investment (國苑體育文化投資)	Provision of network system and relevant technical service	3.39	–
Science Park Construction Company (科技園建設公司)	Provision of network system and relevant technical service	5.47	–
Meiruishan Yanglao Company (美瑞山養老公司)	Provision of network system and relevant technical service	0.53	–
Software and Information Service Exchange (軟體和資訊服務交易所)	Purchase of hardware and relevant technical service	6.83	–
Capnet	Purchase of network security system and relevant operation and maintenance service	1,130.00	1,130.00
Beijing Equity Exchange	Purchase of network security system and service	64.74	274.96

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

5. Information on connected transactions (continued)

(1) Information on connected purchases and sales (continued)

2 Sale of goods and provision of labor service (continued)

Related parties	Subjects of connected transactions	Amount incurred for the current period (RMB ten thousand)	Amount incurred for the previous period (RMB ten thousand)
BJCA and its subsidiaries	Purchase of network security system and relevant operation and maintenance service	45.82	207.35
BSAM	Provision of network system and relevant technical service	85.94	115.97
Huimin Traditional Chinese Medicine Children's Hospital	Provision of network system and relevant technical service	0.42	2.63
Beijing Huayu Energy Technology	Provision of network system and relevant technical service	0.86	0.35
National Sport Stadium	Provision of network system and relevant technical service	–	49.89
Chenghejing Investment	Provision of network system and relevant technical service	–	116.89
National Swimming Centre	Provision of network system and relevant technical service	5.17	2.68
Capital Healthcare Industry	Provision of network system and relevant technical service	0.61	11.25
QYT Pay	Provision of network system and relevant technical service	–	185.67
Aiyuhua Company	Purchase of network security system and service	12.26	130.67
Beijing Petroleum Exchange	Provision of hardware, software and relevant technical service	–	14.02
INTECH	Purchase of hardware and relevant technical service	0.03	–
BIDP	Provision of network system and relevant technical service	5.17	0.17
BSAM	Charges for equity custodian service	–	9.43

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

5. Information on connected transactions (continued)

(2) Other connected transactions

A. Leasing

Lessor	Subjects of connected transactions	Method of pricing and procedure for decision-making in respect of connected transactions	Amount incurred for the current period (RMB10,000.00)	Amount incurred for the previous period (RMB10,000.00)
BIDP	Leasing of office	Based on prevailing market price	877.56	1,150.00
Xinlongfu Culture	Leasing of office	Based on prevailing market price	1,131.53	-

B. Joint research and development

On 28 July 2017, the Company entered into a project cooperation agreement with BJCA, Anxintianxing and six other independent cooperative manufacturers. The Company agreed that BJCA shall act as the leading party while the Company, Anxintianxing and other six independent cooperative manufacturers as the participants, to jointly cooperate on the project of "key technology for service certification and certification based on domestic cryptographic algorithms". The project will complete the research and development of five topics, among which the Company will participate in the research and development of three under the cooperation project. This project received a total of RMB21,860,000.00 from the central government budget, and the self-raised research funding of RMB10,000,000.00 from BJCA, RMB12,000,000 from the Company and RMB1,000,000.00 from one of the independent project participants and RMB2,000,000.00 from Anxintianxing. During the implementation of the project, all parties shall take timely measures of intellectual property protection in regard to scientific and technological achievements, and shall determine their ownership in accordance with the relevant provisions of the National Science and Technology Plan for Intellectual Property Management. Regardless of the exclusive or shared intellectual property rights, the parties to the project shall have priority in the assignment under the same conditions. In 2017, the Company actually received a grant of RMB1,389,700.00 from the central government budget. In 2018, the Company actually received a grant of RMB1,464,800.00 from the central government budget.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

5. Information on connected transactions (continued)

(3) Compensation of key management personnel

The compensation of key management personnel is set out in Note XIII.4.

(4) Loans to directors, legal entities controlled by these directors or entities connected to these directors

In 2018 and 2017, the Company did not provide loans to directors, legal entities controlled by these directors, or entities connected to such directors.

6. Amounts receivable from and payable to related parties

(1) Amounts receivable from related parties

Names of subjects	Related parties	Closing amount		Opening amount	
		Balance in the account	Provision for bad debts	Balance in the account	Provision for bad debts
Accounts receivable	BSAM	228,000.00	2,280.00	-	-
Accounts receivable	Beijing Urban Drainage Monitoring	39,312.00	393.12	-	-
Accounts receivable	Chenghejing Investment	543,912.60	135,978.15	-	-
Accounts receivable	National Swimming Centre	59,950.00	599.50	-	-
Accounts receivable	Guotong Assets Company (國通資產公司)	70,278.40	10,927.90	-	-
Accounts receivable	Guoyuan Sports Culture Investment (國苑體育文化投資)	40,848.79	408.49	-	-
Accounts receivable	BIDP	59,950.00	599.50	-	-
Accounts receivable	Financial Assets Exchange (金融資產交易所)	67,500.00	67,500.00	-	-
Accounts receivable	Capital Healthcare Industry	104,750.00	1,047.50	-	-
Accounts receivable	Aiyuhua Company	8,893,389.16	4,064,475.50	8,893,389.16	1,841,128.21
Accounts receivable	Capnet	11,300,000.00	349,250.00	5,000,000.00	187,500.00
Accounts receivable	Industrial Development	12,843.60	12,843.60	12,843.60	12,843.60
Accounts receivable	BSAM	-	-	10,328.40	10,328.40
Accounts receivable	Beijing Petroleum Exchange	-	-	90,000.00	-
Accounts receivable	Beijing Equity Exchange	-	-	466,748.58	-
Accounts receivable	Anxintianxing	729,346.00	7,293.46	943,550.40	-
Accounts receivable	Chenghejing Investment	-	-	543,912.60	-
Accounts receivable	QYT Pay	113,850.00	28,462.50	113,850.00	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(1) Amounts receivable from related parties (continued)

Names of subjects	Related parties	Closing amount		Opening amount	
		Balance in the account	Provision for bad debts	Balance in the account	Provision for bad debts
Accounts receivable	National Sport Stadium	-	-	35,000.00	-
Accounts receivable	Yingzhi Recovery Hospital	-	-	46,500.00	-
Contractual assets	Beijing Huayu Energy Technology	633.96	6.34	-	-
Other receivables	Capnet	9,462,767.69	-	8,239,796.06	-
Other receivables	Culture and Sports	190,780.86	-	190,780.86	-
Other receivables	Xinlongfu Property (新隆福物業)	300,000.00	-	-	-
Other receivables	Xinlongfu Investments (新隆福投資)	4,512,039.00	-	-	-
Other receivables	Beijing Sports Technology (北京體育科技)	-	-	500.93	-
Other receivables	BSAM	100,000.00	-	100,000.00	-
Other receivables	BIDP	532,080.00	-	2,853,972.00	-
Other receivables	Beijing Equity Exchange	-	-	5,798.13	-
Other receivables	Aiyuhua Company	-	-	1,689,338.92	-
Amount paid in advance	BJCA and its subsidiaries	11,435,604.00	-	322,800.00	-
Amount paid in advance	Xinlongfu Property (新隆福物業)	136,957.54	-	-	-
Amount paid in advance	Aiyuhua Company	-	-	609,601.12	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(2) Amounts payable to related parties

Names of Items	Related parties	Closing amount	Opening amount
Amount payables	BJCA and its subsidiaries BEBBJCA	4,323,330.00	3,678,900.00
Amount payables	BIDP	695,865.55	695,865.55
Amount payables	Capnet	202,559.09	215,442.09
Amount payables	Software and Information Service Exchange (軟體和資訊服務交易所)	24,000.00	
Amount payables	Crystal Digital Image Company (水晶石數位影像公司)	210,000.00	-
Other payables	Science Park Construction Company (科技園建設公司)	84,000.00	-
Other payables	Culture and Sports	2,240.00	2,240.00
Other payables	Capnet	2,150.15	1,750,157.62
Other payables	Beijing Petroleum Exchange	-	9,341.51
Other payables	BSAM	12,000,000.00	33,728.16
Contractual liabilities	Beiao Group (北奧集團)	22,641.51	-
Contractual liabilities	Beijing Equity Exchange	163,687.26	-
Contractual liabilities	Beijing Huayu Energy Technology	10,566.04	-
Contractual liabilities	Beijing Urban Drainage Monitoring	12,603.78	-
Contractual liabilities	Beijing Artists Management Corp., Ltd.	16,035.85	-
Contractual liabilities	Beijing Crystal Digital	9,243.40	-
Contractual liabilities	Beijing SME Credit Re-guarantee	51,603.78	-
Contractual liabilities	Chenghe JingYangLao (誠和敬養老)	39,009.44	-
Contractual liabilities	Chenghejing Elderly Caring	14,528.30	-
Contractual liabilities	Industrial Development	28,301.89	-
Contractual liabilities	National Swimming Centre	3,622.64	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (continued)

6. Amounts receivable from and payable to related parties (continued)

(2) Amounts payable to related parties (continued)

Names of Items	Related parties	Closing amount	Opening amount
Contractual liabilities	Guotong Assets Company (國通資產公司)	4,528.30	-
Contractual liabilities	BIDP	18,762.26	-
Contractual liabilities	Science Park Construction Company (科技園建設公司)	71,585.38	-
Contractual liabilities	QYT Pay	105,188.68	-
Contractual liabilities	Capital Healthcare Industry	253,694.62	-
Contractual liabilities	Xinlongfu Culture	36,320.75	-
Amount collected in advance	Anxintianxing	-	103,512.40
Amount collected in advance	Huimin Traditional Chinese Medicine Children's Hospital	-	4,245.28
Amount collected in advance	Industrial Development	-	77,185.85
Amount collected in advance	Beijing SME Credit Re-guarantee	-	25,801.89
Amount collected in advance	Beijing Huayu Energy Technology	-	8,553.46
Amount collected in advance	Beijing Urban Drainage Monitoring	-	6,301.89
Amount collected in advance	National Sport Stadium	-	5,189.69
Amount collected in advance	Chenghejing Elderly Caring	-	17,075.47
Amount collected in advance	Capital Healthcare Industry	-	96,070.95
Amount collected in advance	Aiyuhua Company	-	86,792.45
Amount collected in advance	BIDP	-	18,762.26

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

1. Principal commitments

(1) Capital commitments

Capital commitments contracted but not yet confirmed in the financial statements	Closing amount	Opening amount
Commitment to acquisition and construction of long-term assets		
– Contracted but not executed	7,964,421.00	9,320,318.82
– Authorized but not contracted	56,758,495.79	57,900,200.94
Total	64,722,916.79	67,220,519.76

(2) Operating lease commitments

As of the balance sheet date, the irrevocable operating lease contracts signed by the Company are summarized as follows:

Minimum lease payments under irrevocable operating leases	Closing amount	Opening amount
1 year after the balance sheet date	23,894,155.04	21,196,304.89
2-5 years after the balance sheet date	24,866,561.79	19,161,891.65
Total	48,760,716.83	40,358,196.54

(3) Other commitments

As of 31 December 2018, the Group had no other discloseable commitments.

2. Contingencies

As of 31 December 2018, the Group has no pending lawsuits, external guarantees and other contingencies that should be disclosed.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XII. EXPLANATION OF POST-BALANCE SHEET DATE EVENTS

1. Dividend distribution

According to the Board's resolution as at 25 March 2019, the Board of directors has recommended the payment of cash dividend of RMB0.97 cent per share, calculating based on 2,898,086,091.00 issued shares, the total cash dividend is RMB28,111,435.08 (of which, 774,498,000.00 shares are foreign listed H shares, total cash dividend is RMB7,512,630.60). The above proposal is subject to approval in the General Meeting of Shareholders.

2. Entering into participation agreement and limited partnership agreement

On 25 March 2019, the Group entered into the Participation Agreement and the Limited Partnership Agreement with Guorong Chuangyin, BSAM, Beijing Science Development, Beijing Equity Exchange, Beijing Guotong, National Stadium and BICD according to which the Company agreed to act as the Limited Partner of the Partnership and subscribe for Interests in the Partnership established by Guorong Chuangyin and BSAM on 23 August 2018 with a capital commitment of RMB300,000,000.00. The Participation Agreement and the Limited Partnership Agreement shall take effect upon approval by the Shareholders.

3. Explanation of other post-balance sheet date events

As of 25 March 2019 (the date of the approval of the report by the Board of Directors), the Group did not have other discloseable post-balance sheet date events.

XIII. OTHER SIGNIFICANT EVENTS

1. Correction of errors

The Group has no correction of errors during the reporting period.

2. Segment reporting

The Group does not have a variety of operations that have a significant impact on its operating results. At the same time, as the Group only operates in one geographical area, its revenue mainly comes from China, and its major assets are also located within China. Therefore, it's not necessary for the Group to disclose the segment data.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Government grants

- (1) Government grants included in deferred income are subsequently measured using the total method

Government grants projects	Type	Opening balance	Increase in the current year	Amounts carried forward into the profits and losses in the current year	Other Changes	Closing balance	Items carried forward into the profits and losses in the current year	Related to asset/income
Capital support to the project of Beijing hospital medical information service platform which is based on big data analysis in Zhongguancun	Fiscal appropriation	2,732,471.81		791,321.49		1,941,150.32	Other incomes	Related to asset
Collaboration on the 2017 Cyberspace Security Key Project titled Research, Development and Application of Demonstration of the Information Services Trust Management Platform	Fiscal appropriation	949,700.00				949,700.00		Related to asset
Service fees of project of China Academy of Information and Communication Technology	Fiscal appropriation	440,000.00		-		440,000.00		Related to asset
Cyberspace Security-Key Technology of Service Authentication and Certification Based on Domestic Cryptographic Algorithm-Development and Application of Information Service Trusted Management Platform	Fiscal appropriation		474,800.00			474,800.00		Related to asset
Cyberspace Security - "Key Technology for Service Certification and Certification Based on Domestic Cryptographic Algorithm" item - "Research on Information Service Security Evaluation System and Evaluation Standards"	Fiscal appropriation		240,000.00			240,000.00		Related to asset
Cyberspace Security Key Item - "Trustworthiness and Functional Integrity Certification Technology Research of Information Service "	Fiscal appropriation		750,000.00			750,000.00		Related to asset
Health and Elder Cross-border Service Platform - Research and application demonstration of key technologies of modern service industry	Fiscal appropriation		2,440,000.00			2,440,000.00		Related to asset
Total		4,122,171.81	3,904,800.00	791,321.49		7,235,650.32		

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Government grants (continued)

(2) Government grants included in profits and losses in the current year measured using the total method

Government grants projects	Type	Amounts included in the profits and losses in the current year	Items included in the profits and losses in the current year	Related to asset/income
Development and industrialization of the unified management system of the group funds	Fiscal appropriation	200,000.00	Other incomes	Related to income
The grants of R&D funds to the third batch of enterprises in 2017	Fiscal appropriation	98,800.00	Other incomes	Related to income
Technical trading incentives in 2017	Fiscal appropriation	120,771.00	Other incomes	Related to income
The grants of R&D funds to the first batch of enterprises in 2018	Fiscal appropriation	218,200.00	Other incomes	Related to income
About reporting software and information service industry development special funds in 2018	Fiscal appropriation	17,000.00	Other incomes	Related to income
The bonus of Beijing City Technology information Center	Fiscal appropriation	94,339.62	Other incomes	Related to income
Individual tax rebate	Fiscal appropriation	1,503,771.09	Other incomes	Related to income
Support funds of Z-Park's Beijing Medical Information Service Platform project based on big information analysis	Fiscal appropriation	791,321.49	Other incomes	Related to asset
Others	Fiscal appropriation	255,782.95	Other incomes	Related to income
Total		3,299,986.15		

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

4. Compensation of Directors, Supervisors and Chief Executive Officers

(1) Compensation of Directors, Supervisors and Chief Executive Officers

The remuneration of each of the Directors, Supervisors and Chief Executive Officers in 2018 was as follows: (unit: RMB10,000)

Title	Name	Fees	Salaries, Allowances and subsidies	Retirement benefit scheme contributions	Total
Chairman, Executive Director	Lin Yankun		109.41	5.53	114.94
Executive Director, Chief Executive Officer	Yu Donghui		109.41	5.53	114.94
Executive Director	Zong Zhaoxing		83.51	5.09	88.60
Non-executive Director	Cao Huaizhi		-	-	-
Non-executive Director	Zhou Weihua		-	-	-
Non-executive Director	Shan Yuhu		-	-	-
Non-executive Director	Ma Linxiang		-	-	-
Non-executive Director	Feng Jianxun		-	-	-
Independent Non-executive Director	Yang Xiaohui	6.50	-	-	6.50
Independent Non-executive Director	Gong Zhiqiang	7.00	-	-	7.00
Independent Non-executive Director	Cheung, Wai Hung	6.00	-	-	6.00
Independent Non-executive Director	Li He	6.00	-	-	6.00
Chairman of the Supervisory	Zhu Jie		-	-	-
Supervisor	Zhao Kewen		74.13	4.55	78.68
Supervisor	Lei Yiping		-	-	-
Vice President	Xia Xiaoqing		71.70	3.77	75.47
Vice President	Gong Chengliang		93.64	5.53	99.17
Vice President	Lu Lei		93.67	5.53	99.20
Non-executive Director	Feng Haocheng (Resigned)		-	-	-
Non-executive Director	An Lili (Resigned)		-	-	-
Non-executive Director	Cao Jun (Resigned)		-	-	-
Chairman of the Supervisory	Di Guojun (Resigned)		-	-	-
Supervisor	Liang Xianjun (Resigned)		-	-	-

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

4. Compensation of Directors, Supervisors and Chief Executive Officers (continued)

(1) Compensation of Directors, Supervisors and Chief Executive Officers (continued)

Notes:

- 1 Mr. Zong Zhaoxing was appointed as an executive director in June 2018.
- 2 Mr. Cao Huaizhi was appointed to replace Dr. Feng Haocheng as the non-executive director in June 2018.
- 3 Mr. Ma Linxiang was appointed to replace Ms. An Lili as the non-executive director in June 2018.
- 4 Mr. Feng Jianxun was appointed to replace Mr. Cao Jun as the non-executive director in June 2018.
- 5 Mr. Zhu Jie was appointed to replace Di Guojun as the chairman of the Supervisory in June 2018.
- 6 Mr. Lei Yiping was appointed to replace Mr. Liang Xianjun as the supervisor in June 2018.
- 7 Mr. Zhao Kewen was elected to take over as employee representative supervisor by the employees' of the Company in April 2018.
- 8 Mr. Xia Xiaoqing was appointed as vice president of the Company at the 27th meeting of the sixth session of the Board in May 2018.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

4. Compensation of Directors, Supervisors and Chief Executive Officers (continued)

(1) Compensation of Directors, Supervisors and Chief Executive Officers (continued)

The remuneration of each of the Directors, Supervisors and Chief Executive Officers in 2017 was as follows:

Title	Name	Fees	Salaries, Allowances and subsidies	Retirement benefit scheme contributions	Total
Chairman, Executive Director	Lin Yankun	–	104.89	5.06	109.95
Chairman	Xu Zhe (Resigned)	–	–	–	–
Executive Director, Chief Executive Officer	Yu Donghui	–	104.89	5.06	109.95
Non-executive Director	Feng Haocheng	–	–	–	–
Non-executive Director	Cao Jun	–	–	–	–
Non-executive Director	Zhou Weihua	–	–	–	–
Non-executive Director	Shan Yuhu	–	–	–	–
Non-executive Director	An Lili	–	–	–	–
Independent Non-executive Director	Yang Xiaohui	6.50	–	–	6.50
Independent Non-executive Director	Gong Zhiqiang	7.00	–	–	7.00
Independent Non-executive Director	Cheung, Wai Hung	6.00	–	–	6.00
Independent Non-executive Director	Li He	6.00	–	–	6.00
Chairman of Supervisory Committee	Di Guojun	–	–	–	–
Supervisory	Lang Jianjun	–	38.27	4.22	42.49
Supervisory	Liang Xianjun	–	–	–	–
Vice President	Gong Chengliang	–	96.67	5.06	101.73
Vice President	Lu Lei	–	90.45	5.06	95.51

Of which, Lu Lei resigned as Executive Director in January 2017 and Xu Zhe resigned in October 2017.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

4. Compensation of Directors, Supervisors and Chief Executive Officers (continued)

- (2) Payments made or benefits provided for directors (including former directors and shadow directors) who terminate services

During the year, the Company did not make payments or provide benefits for the directors (including former directors and shadow directors) who terminate services. (2017: nil)

- (3) Details about any compensation arrangement that directors have waived or agreed to waive

During the year, no director of the Company has waived or agreed to waive any compensation arrangement (2017: nil)

- (4) Payment to cooperative manufacturers for obtaining directorship services

During the year, the Company did not pay the cooperative manufacturers for the services provided by the directors. (2017: nil).

- (5) Loans, quasi-loans and other transactions provided to directors, legal entities controlled by directors, and connected parties of directors, or guarantees on loans to directors, and connected parties of directors

During the year, the Company did not provide loans, quasi-loans, and other transactions for any directors, legal entities controlled by directors, and connected parties of directors, or provided guarantees on loans to directors, legal entities controlled by directors, and connected parties of directors. (2017: nil)

- (6) Significant interests of directors in transactions, arrangements or contracts

During the year, the Company did not enter into any important transaction, arrangement or contract that is related to the business of the Group and where the directors of the Company have direct or indirect interests in it. (2017: nil)

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

4. Compensation of Directors, Supervisors and Chief Executive Officers (continued)

(7) Top five employees with the highest salary

The top five employees with the highest salary for the current year included one acted as chairman, one acted as director and chief executive officer, two Vice Presidents. Details of their remuneration are shown in Note XIII.4 (1). Details of the remaining one highest paid employee included the non-directors and non-executive chief executive officers are set out as follows:

Item	Closing amount (RMB ten thousand)	Opening amount (RMB ten thousand)
Basic salaries and allowances	100.95	278.22
Retirement benefit scheme contributions	5.53	15.18
Total	106.48	293.40

Number of the highest paid employees who is non-directors and non-executive chief executive officers within the following remuneration range is set out as follows:

Item	Number of employees	
	Closing amount	Opening amount
HK\$0 to HK\$1,000,000.00	–	–
HK\$1,000,000.00 to HK\$1,500,000.00	1	3
Total	1	3

5. Progress of the case

The Company suspected that the former shareholders of an acquired company had committed contract fraud. In order to protect the interest of the Company's shareholders, the Company reported the case to the Haidian Branch of the Beijing Public Security Bureau on 5 June 2018. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. As of the date of approval of the report, the case was still under investigation.

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIV. SUPPLEMENTARY INFORMATION

1. Earnings per share

(1) Basic earnings per share

Item	Amount incurred in the current period	Amount incurred in the previous period
Consolidated net profit attributable to ordinary shareholders of the Company	62,169,328.13	81,130,475.64
Weighted average number of ordinary shares outstanding of the Company	2,898,086,091	2,898,086,091
Basic earnings per share	0.021	0.028
Diluted earnings per share	0.021	0.028

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

(2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive shares during the period.

Note: As of 31 December 2018 to the date of approval of the financial report, there was no change in the number of ordinary shares outstanding of the Company.

2. Dividends

The Company approved a final dividend of RMB1.25 cents per share for the year ended 31 December 2017 (before tax) at the annual general meeting convened on 19 June 2018. Final dividend for 2017 approved during 2018 amounted to RMB36,226,076.14 (final dividend for 2016 approved during 2017: RMB1.09 cents per share (before tax), totaling RMB31,589,000.00).

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIV. SUPPLEMENTARY INFORMATION (continued)

3. Balance sheet of the parent company

31 December 2018

Prepared by: Capinfo Company Limited

Unit: RMB

Items	31 December 2018	1 January 2018	31 December 2017
Current assets:			
Monetary fund	342,673,239.46	457,520,672.99	457,520,672.99
Tradable financial assets	-	-	-
Financial assets at fair value through profit or loss			-
Notes receivables and accounts receivables	243,873,913.71	120,622,144.05	199,899,228.32
Including: Notes receivables	-	-	-
Trade receivables	243,873,913.71	120,622,144.05	199,899,228.32
Prepayments	47,798,838.23	36,874,660.00	36,874,660.00
Other receivables	120,253,453.82	83,816,801.57	83,816,801.57
Including: Interest receivables	-	-	-
Dividend receivables	-	6,296,524.20	6,296,524.20
Inventories	124,075,871.75	160,891,027.98	51,089,622.49
Contractual assets	33,019,636.93	49,563,827.50	
Assets held for sale	-	-	-
Non-current assets due within one year	2,010,148.40	26,237,343.74	26,237,343.74
Other current assets	200,000,000.00	511,434.54	511,434.54
Total current assets	1,113,705,102.30	936,037,912.37	855,949,763.65

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIV. SUPPLEMENTARY INFORMATION (continued)

3. Balance sheet of the parent company (continued)

Items	31 December 2018	1 January 2018	31 December 2017
Non-current assets:			
Debt investments	-	-	
Available-for-sale financial assets			971,326.53
Other debt investments	-	-	
Held-to-maturity investments	-		
Long-term receivables	-	3,947,515.56	3,947,515.56
Long-term equity investments	486,934,370.44	472,158,987.23	472,158,987.23
Other equity instrument investments	971,326.53	971,326.53	
Other non-current financial assets	-	-	
Investment properties	37,736,600.24	41,510,260.28	41,510,260.28
Fixed assets	60,212,823.79	89,007,705.58	89,007,705.58
Construction in progress	-	-	-
Productive biological assets	-	-	-
Oil and gas assets	-	-	-
Intangible assets	23,365,577.28	32,723,256.93	32,723,256.93
Development expenditures	-	-	-
Goodwill	-	-	-
Long-term deferred expenses	30,839,264.56	41,151,711.47	41,151,711.47
Deferred income tax assets	15,881,626.24	13,096,831.39	13,596,839.61
Other non-current assets	-	-	-
Total non-current assets	655,941,589.08	694,567,594.97	695,067,603.19
Total assets	1,769,646,691.38	1,630,605,507.34	1,551,017,366.84

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIV. SUPPLEMENTARY INFORMATION (continued)

3. Balance sheet of the parent company (continued)

Items	31 December 2018	1 January 2018	31 December 2017
Current Liabilities:			-
Short-term borrowings	-	-	-
Tradable financial liabilities	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-
Notes payables and accounts payables	165,233,134.08	133,000,065.83	133,000,065.83
Advances received	-	-	191,149,390.28
Contractual liabilities	315,599,455.28	300,194,955.91	
Payroll payables	52,603,525.99	47,874,730.78	47,874,730.78
Tax payables	20,744,620.27	16,019,862.15	16,019,862.15
Other payables	217,613,852.12	198,012,106.15	198,012,106.15
Including: Interest payables	-	-	-
Dividend payables	-	-	-
Liabilities held for sale	-	-	-
Non-current liabilities due within one year	48,155,773.77	46,897,051.31	46,897,051.31
Other current liabilities	-	-	-
Total current liabilities	819,950,361.51	741,998,772.13	632,953,206.50
Non-current Liabilities:			
Long-term borrowings	-	-	-
Bonds payables	-	-	-
Long-term payables	-	-	-
Long-term payroll payables	-	-	-
Accrued liabilities	-	-	-
Deferred income	7,235,650.32	4,122,171.81	4,122,171.81
Deferred income tax liabilities	-	-	-
Other non-current liabilities	-	15,512,453.80	15,512,453.80
Total non-current liabilities	7,235,650.32	19,634,625.61	19,634,625.61
Total liabilities	827,186,011.83	761,633,397.74	652,587,832.11

Notes to the Financial Statements

Year 2018 (All amounts in RMB unless otherwise stated)

XIV. SUPPLEMENTARY INFORMATION (continued)

3. Balance sheet of the parent company (continued)

Items	31 December 2018	1 January 2018	31 December 2017
Share capital	289,808,609.10	289,808,609.10	289,808,609.10
Other equity instruments	-	-	-
Including: Preferred shares	-	-	-
Perpetual debts	-	-	-
Capital reserves	292,833,401.46	291,670,666.40	291,670,666.40
Less: Treasury stock	-	-	-
Other comprehensive income	-7,471,840.33	-7,471,840.33	-
Special reserves	-	-	-
Surplus reserves	77,047,186.08	66,193,737.60	68,392,296.08
Unallocated profits	290,243,323.24	228,770,936.83	248,557,963.15
Total equity attributable to owners of the parent	942,460,679.55	868,972,109.60	898,429,534.73
Minority interests	-	-	-
Total shareholders' (or owners') equity	942,460,679.55	868,972,109.60	898,429,534.73
Total liabilities and shareholders'(or owners') equity	1,769,646,691.38	1,630,605,507.34	1,551,017,366.84

Capinfo Company Limited

25 March 2019

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.
Capinfo Medical United	Capinfo Medical United Information Technology Company Limited
Capinfo Cloud Technology	Capinfo Cloud Technology 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.
BJCA	Beijing Certificate Authority Co., Ltd.
BST	Beijing Culture & Sports Technology Co., Ltd.
Capinfo Soft	Capinfo Soft Co., Ltd.
BSAM	Beijing State-owned Assets Management Co., Ltd.
Capnet	Capnet Company Limited
BIDP	Beijing IC Design Park Co., Ltd.
Beijing Assets and Equity Exchange	China Beijing Equity Exchange Co., Ltd.* (北京產權交易所有限公司)
Beijing Quanyitong	Beijing QYT Pay Sci-tech Co., Ltd.* (北京權益通支付科技有限公司)
Beijing Anxintianxing	Beijing Anxintianxing Science. Co., Ltd.* (北京安信天行科技有限公司)
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Grant Thornton	Grant Thornton LLP (special general partnership)
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 2018
Reporting Period	the period from 1 January 2018 to 31 December 2018

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