THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capinfo Company Limited* (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

CAPINFO

CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

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

(Stock Code: 1075)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF XIAMEN RITOINFO TECHNOLOGY COMPANY LIMITED*

Financial adviser to the Company

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 4 to 19 of this circular.

25 August 2014

* *For identification purposes only*

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In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Interests by the Company which will be conducted in three phases, namely, the Phase I Transfer, the Phase II Transfer and the Phase III Transfer
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of the directors of the Company
"BSAM"	北京市國有資產經營有限責任公司 (Beijing State-Owned Assets Management Corporation Limited*), a company established in the PRC and is wholly-owned by the Beijing Municipal Government, being the controlling shareholder of the Company
"Company"	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company established in the PRC, the overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company are listed on the Main Board of the Stock Exchange (Stock code: 1075)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the consideration for the Acquisition
"Continuing Employment Undertakings"	the undertakings from the Individual Vendors that they shall continue to be employed by the Target Company from the Phase I Completion Date until 31 December 2018
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the directors of the Company
"Enlarged Group"	the Group after completion of the Acquisition
"Group"	the Company and its subsidiaries
"Independent Third Party(ies)"	third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons
"Individual Vendors"	the individual vendors under the Share Transfer Agreement, being 25 employees of the Target Company
"Latest Practicable Date"	21 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Phase I Completion Date"	the date of completion of the Phase I Transfer
"Phase I Interest"	51% of the Sale Interests to be transferred under the Phase I Transfer
"Phase I Transfer"	the transfer of 51% of the Sale Interests upon signing of the Share Transfer Agreement
"Phase II Transfer"	the transfer of 32% of the Sale Interests in 2016
"Phase III Transfer"	the transfer of 17% of the Sale Interests in 2017
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interests"	the entire equity interests in Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Shares"	ordinary share(s) of RMB0.10 each in the share capital of the Company
"Share Transfer Agreement"	the share transfer agreement dated 21 July 2014 entered into among the Company, Xiamen Ruitailong, the Individual Vendors and the Trustee regarding the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	廈門融通信息技術有限責任公司 (Xiamen Ritoinfo Technology Company Limited*)
"Trustee"	Fu Minghong (傅明虹)
"Valuer"	China Tong Cheng Assets Appraisal Co., Ltd. (中通誠資產評估有限公司), an independent valuer
"Vendors"	Xiamen Ruitailong and the Individual Vendors
"Xiamen Ruitailong"	廈門鋭泰隆投資發展有限公司 (Xiamen Ruitailong Investment Development Company Limited*)

* *For identification purposes only*

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

This circular is published on the website of the Company (www.capinfo.com.cn) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).

CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

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

(Stock Code: 1075)

Executive Director:
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Mr. Lu Lei
Mr. Wu Shengjiao
Mr. Pan Jiaren
Mr. Shi Hongyin
Ms. Hu Sha
Mr. Wang Zhuo

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25 August 2014

To the Shareholders:

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF XIAMEN RITOINFO TECHNOLOGY COMPANY LIMITED*

INTRODUCTION

Reference is made to the announcement of the Company dated 21 July 2014. The Board announced that on 21 July 2014 (after trading hours of the Stock Exchange), the Company entered into the Share Transfer Agreement with Xiamen Ruitailong, the Individual Vendors and the Trustee regarding the Acquisition. Pursuant to the Share Transfer Agreement, the Group has conditionally agreed to acquire for,

* *For identification purposes only*

and the Vendors have conditionally agreed to dispose of, the Sale Interests, representing the entire equity interest of the Target Company, at the Consideration of RMB305 million (subject to adjustments) to be settled by way of cash.

The purpose of this circular is to provide you with information regarding, among other things, (i) further details of the Acquisition; (ii) financial information of the Group; (iii) the accountant's report of the Target Company; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the appraisal report on the Target Company; and (vi) other information required under the Listing Rules.

THE ACQUISITION

Set out below are the principal terms of the Share Transfer Agreement:

Date

21 July 2014

Parties involved

(i) the Company

(ii) Xiamen Ruitailong

(iii) the Individual Vendors

(iv) the Trustee

As at the Latest Practicable Date, the Target Company is owned as to 60% by Xiamen Ruitailong and 40% by the Trustee in trust of the Individual Vendors (the "**Interest Held in Trust**"), being 25 employees of the Target Company (i.e. the Individual Vendors are the beneficial owners of the 40% equity interest in the Target Company). The Trustee will transfer the Interest Held in Trust to the Individual Vendors before completion of the Phase I Transfer. Detailed shareholding structure of the Target Company is set out under the sub-section headed "Information on the Target Company" below. Xiamen Ruitailong is a company incorporated in the PRC with limited liabilities and is principally engaged in the hi-tech information technology, real estate investment and investment management.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendors, the Trustee, the Target Company and their respective ultimate beneficial owner(s) (if applicable) and associates (a) is an Independent Third Party; and (b) does not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date; and (ii) there were no previous transactions or business relationship between the Company and each of the Vendors, the Trustee, the Target Company and their respective ultimate beneficial owner(s) (if applicable) and associates in the previous 12 months which would result in aggregation under Rule 14.22 of the Listing Rules.

Subject matter

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to acquire for, and the Vendors have conditionally agreed to dispose of, the Sale Interests, representing the entire equity interests of the Target Company, at the Consideration of RMB305 million (subject to adjustments) to be settled by way of cash.

The transfer of the Sale Interests will be conducted in three phases: (i) transfer of 51% of the Sale Interests (38% from Xiamen Ruitailong and 13% from the Individual Vendors) upon signing of the Share Transfer Agreement; (ii) transfer of 32% of the Sale Interests (16% from Xiamen Ruitailong and 16% from the Individual Vendors) in 2016; and (iii) transfer of 17% of the Sale Interests (6% from Xiamen Ruitailong and 11% from the Individual Vendors) in 2017 and the consideration would be adjusted based on the performance of the Target Company for the three years ending 31 December 2016 as detailed in the sub-section headed "Adjustments to the Consideration" below.

Upon completion of the Phase I Transfer, each of the Vendors will execute an irrevocable power of attorney, with effect from the date of signing of the power of attorney until he/it cease to be a shareholder of the Target Company, to assign his/its rights on his/its remaining interests in the Target Company (i.e. 49% of the Sale Interests in aggregate) to the Company. Accordingly, the Company will be entitled to (i) 100% dividends or distribution (if any) as well as the net assets of the Target Company; (ii) the rights to nominate/elect/appoint the legal representative, directors, supervisor, general manager and other senior management of the Target Company; (iii) 100% of the voting rights attached to the Sale Interest; (iv) entitlement of any gain or loss arising from the liquidation of the Target Company; and (v) entitlement to the excess of disposal proceeds from disposal of the 49% of the Sale Interests after deducting the respective Consideration set out in the Share Transfer Agreement, after the completion of the Phase I Transfer (the "**Rights Entitlement**"). As such, the Company is able to ensure that it receives all or substantially all of the returns to which it would be entitled as if it has already owned the Sale Interests. Therefore, the Company will in-substance have 100% ownership interest in the Target Company despite the legal title of the 49% of the Sale Interests is not registered under the name of the Company subsequent to the completion of the Phase I Transfer.

Upon completion of the Phase I Transfer, the Target Company will become a subsidiary of the Company and 100% of its financial results will be consolidated into the financial results of the Group.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and 100% of its financial results will continue to be consolidated into the financial results of the Group.

The above arrangement was arrived after arm's length negotiations among the Vendors and the Company after taking into account that (i) the Company intended to acquire 100% of the Sale Interests under the Acquisition; and (ii) conducting the transfer of the Sale Interests in three phrases would allow the possible adjustments to the Consideration which shall motivate the Individual Vendors on the operation of the Target Company and facilitate the execution of the Continuing Employment Undertakings.

Conditions precedent

Completion of the Phase I Transfer is conditional upon each of the following conditions (the "**Phase I Condition(s)**") being satisfied (or, where applicable, waived by the Company):

(i) the Trustee having completed the transfer of the Interest Held in Trust to the Individual Vendors and change the business registration for such transfer (as supported by the registration in the competent Administration for Industry and Commerce of the PRC);

(ii) all outstanding loan due from the Vendors to the Target Company (if any) and the outstanding loan (including shareholders' loan) due from the Target Company to the Vendors (if any) being settled;

(iii) the legal, financial and operational due diligence review on the Target Company having been completed to the satisfaction of the Company;

(iv) should the completion of the Acquisition requires approval of any third party(ies) according to legal requirements (if any), all written approval from such third party(ies) having been obtained;

(v) all of the Vendors and the Company having obtained the approvals of the Acquisition from their respective board of directors and/or shareholders, if applicable;

(vi) the Company having obtained the approval of the Acquisition from the relevant regulatory authorities, including the State-owned Assets Supervision and Administration Commission of the State Council and the Stock Exchange, if necessary;

(vii) the Target Company and the Individual Vendors having entered into the non-competition agreements in the format as stipulated in the Share Transfer Agreement;

(viii) the transfer of the Phase I Interests and the changes in the article of association, directors, supervisors and senior management of the Target Company, if applicable, having been registered or filed with the company registration authority, as supported by the registration in the competent Administration for Industry and Commerce of the PRC; and all documents filed to the company registration authority shall be verified by the Company;

(ix) all representations made and warrants given by the Vendors under the Share Transfer Agreement remain true, valid and accurate until the Phase I Completion Date;

(x) the Vendors having fulfilled and complied with all the undertakings and obligations in every aspects as stipulated under the Share Transfer Agreement until the Phase I Completion Date; and

(xi) no event or circumstance that incurred, or reasonably expected to incur material adverse impact on the Target Company having been occurred until the Phase I Completion Date.

Phase I Conditions (i), (v), (vi), (vii) and (viii) are not waivable.

Completion of the Phase II Transfer is subject to the signing of the settlement agreement for the execution of the Phase II Transfer.

Completion of the Phase III Transfer is subject to the signing of the settlement agreement for the execution of the Phase III Transfer.

As the actual considerations for Phase II Transfer and Phase III Transfer are subject to possible adjustments as stipulated under the sub-section headed "Adjustments to the Consideration" below, execution of relevant settlement agreements is necessary for the confirmation of the actual considerations for the Phase II Transfer and the Phase III Transfer.

Consideration

The Consideration of RMB305 million (subject to adjustments) was arrived after arm's length negotiations among the Vendors and the Company after taking into account the valuation of the entire equity interest of the Target Company of approximately RMB307.77 million as at 28 February 2014 (the "**Valuation**"), which was concluded by the Valuer by adopting the market approach. The Valuer had considered the market approach and the income approach in preparing the Valuation and adopted the result of the market approach for the Valuation. The results of the income approach was not adopted as (i) the results from the income approach contain uncertainties in the future expected revenue of the Target Company which may be affected by economic conditions of the PRC and PRC government's macroeconomic policies; and (ii) the income approach requires the adoption of assumptions which may or may not be valid throughout the forecast period. As such, the appraisal results based on the income approach is considered not as convincing as those based on the market approach. On the other hand, the market approach can better reflects the market fair value of the Target Company as it is based on the realistic value of market reference items of the Target Company and the data and information required for the relevant appraisal are directly from the market. The results of the income approach is approximately RMB310.85 million, representing a premium of approximately 1% over the results of the market approach. Details of the Valuation are set out in the appraisal report on the Target Company contained in Appendix V to this circular. The Consideration represents a slight discount to the Valuation. The Consideration shall be payable by the Company to the Vendors in three phases.

Save as and except for the Minimum Consideration (as defined below) which is entitled to Xiamen Ruitailong, the Consideration shall be paid by the Company to the Vendors in proportion to their respective equity interest in the Target Company to be disposed under the Acquisition.

Subject to adjustments, the consideration for the Phase I Transfer is RMB155.55 million ("**Phase I Consideration**"), the consideration for the Phase II Transfer is RMB97.60 million ("**Phase II Consideration**") and the consideration for the Phase III Transfer is RMB51.85 million ("**Phase III Consideration**"). The Consideration is payable by the Company in cash according to the below schedule:

	Amount payable to Xiamen Ruitailong *RMB'million*	Amount payable to the Individual Vendors *RMB'million*
Phase I Consideration		
within 15 business days after the satisfaction (or, where applicable, waived by the Company) of Phase I Conditions (i) to (vii)	61.005	16.77
within 15 business days after the satisfaction (or, where applicable, waived by the Company) of Phase I Conditions (viii) to (xi)	61.005	16.77
Sub-total	122.01	33.54
Phase II Consideration		
upon signing of the settlement agreement for the execution of the Phase II Transfer before 30 June 2016	28.16	20.64
upon completion of the Phase II Transfer before 31 August 2016	28.16	20.64
Sub-total	56.32	41.28
Phase III Consideration		
upon signing of the settlement agreement for the execution of the Phase III Transfer before 30 June 2017	11.735	–
upon completion of the Phase III Transfer before 31 August 2017	11.735	14.19
before 31 August 2018	–	14.19
Sub-total	23.47	28.38
The Consideration	201.80	103.20

Adjustments to the Consideration

Pursuant to the Share Transfer Agreement, the minimum Consideration which is payable to Xiamen Ruitailong is RMB47.00 million (the "**Minimum Consideration**") which was arrived after arm's length negotiations between the Company and Xiamen Ruitailong. The respective minimum consideration under the Phase I Transfer, the Phase II Transfer and the Phase III Transfer for Xiamen Ruitailong are RMB23.97 million, RMB15.04 million and RMB7.99 million respectively (the "**Phase I/Phase II/Phase III Minimum Consideration**"). For avoidance of doubt, the Minimum Consideration is only entitled to Xiamen Ruitailong. Such arrangement was arrived after arm's length negotiations between the Company and Xiamen Ruitailong after taking into account the majority stake in the Target Company (i.e. 60% of the Sale Interests) held by Xiamen Ruitailong.

Pursuant to the Share Transfer Agreement, the Consideration is subject to adjustments with reference to the guarantee provided by the Vendors severally on the audited net profit after tax (excluding extraordinary items) of the Target Company of RMB28,587,500, RMB31,470,900 and RMB34,596,500 for the three years ending 31 December 2016 respectively (the "**2014/2015/2016 Guaranteed Profit**"), in the following manners:

Adjustment I

The Phase II Consideration will be adjusted in the following manner:

A. Should the sum of the audited net profit after tax (excluding extraordinary items) for the two years ending 31 December 2015 (the "**2014/2015 Actual Profit**") exceed 110% of the sum of the 2014/2015 Guaranteed Profit (i.e. RMB60,058,400), the Phase II Consideration would be:

Phase II Minimum Consideration + (Consideration – Minimum Consideration) X 32% X 110%

B. Should the sum of the 2014/2015 Actual Profit fall between 85% to 110% of the sum of the 2014/2015 Guaranteed Profit, the Phase II Consideration would be:

Phase II Minimum Consideration + (Consideration – Minimum Consideration) X 32% X the sum of the 2014/2015 Actual Profit ÷ the sum of the 2014/2015 Guaranteed Profit

C. Should the sum of the 2014/2015 Actual Profit fall below 85% of the sum of 2014/2015 Guaranteed Profit, the Phase II Consideration would be:

Phase II Minimum Consideration + (Consideration – Minimum Consideration) ÷ 2 X 32% X the sum of the 2014/2015 Actual Profit ÷ the sum of the 2014/2015 Guaranteed Profit

Accordingly, for illustration purpose, the maximum amount of the Phase II Consideration (based on Adjustment I(A)) will be:

RMB15.04 million + (RMB305 million – RMB47 million) X 32% X 110% = RMB105.856 million

Out of the above amount, Xiamen Ruitailong and the Individual Vendors will be entitled to RMB60.448 million and RMB45.408 million respectively.

Adjustment II

Should the sum of the 2014/2015 Actual Profit fall below 60% of the sum of 2014/2015 Guaranteed Profit, the Vendors will compensate the Company in cash in the amount to be determined by the formula below:

Cash compensation =
(Phase I Consideration – Phase I Minimum Consideration) X (the sum of 2014/2015 Guaranteed Profit – the sum of the 2014/2015 Actual Profit) ÷ the sum of the 2014/2015/2016 Guaranteed Profit

The maximum amount of cash compensation under Adjustment II is the difference between the Phase I Consideration and the Phase I Minimum Consideration and such cash compensation shall be paid by the Vendors to the Company in 2016 at the same time of the payment of the Phase II Consideration.

Adjustment III

The Phase III Consideration will be adjusted in the following manner:

A. Should the sum of the audited net profit after tax (excluding extraordinary items) for the three years ending 31 December 2016 (the "**2014/2015/2016 Actual Profit**") exceed 110% of the sum of the 2014/2015/2016 Guaranteed Profit (i.e. RMB94,654,900), the Phase III Consideration would be:

Phase III Minimum Consideration + (Consideration – Minimum Consideration) X 17% X 110%

B. Should the sum of the 2014/2015/2016 Actual Profit fall between 85% to 110% of the sum of the 2014/2015/2016 Guaranteed Profit, the Phase III Consideration would be:

Phase III Minimum Consideration + (Consideration – Minimum Consideration) X 17% X the sum of the 2014/2015/2016 Actual Profit ÷ the sum of the 2014/2015/2016 Guaranteed Profit

C. Should the sum of the 2014/2015/2016 Actual Profit fall below 85% of the sum of the 2014/2015/2016 Guaranteed Profit, the Phase III Consideration would be:

Phase III Minimum Consideration + (Consideration – Minimum Consideration) ÷ 2 X 17% X the sum of the 2014/2015/2016 Actual Profit ÷ the sum of the 2014/2015/2016 Guaranteed Profit

Accordingly, for illustration purpose, the maximum amount of the Phase III Consideration (based on Adjustment III(A)) will be:

RMB7.99 million + (RMB305 million – RMB47 million) X 17% X 110% = RMB56.236 million

Out of the above amount, Xiamen Ruitailong and the Individual Vendors will be entitled to RMB25.018 million and RMB31.218 million respectively.

Adjustment IV

Should the sum of the 2014/2015/2016 Actual Profit fall below 60% of the sum of 2014/2015/2016 Guaranteed Profit, the Vendors will compensate the Company in cash in the amount to be determined by the formulae below:

A. In the event that Adjustment I(A) or I(B) above apply,

Cash compensation =
(Phase I Consideration + Phase II Consideration – Phase I Minimum Consideration – Phase II Minimum Consideration) X (the sum of 2014/2015/2016 Guaranteed Profit – the sum of the 2014/2015/2016 Actual Profit) ÷ the sum of the 2014/2015/2016 Guaranteed Profit

The maximum amount of cash compensation under Adjustment IV(A) is the difference between (i) the aggregated amount of the Phase I Consideration and the Phase II Consideration; and (ii) the aggregated amount of the Phase I Minimum Consideration and the Phase II Minimum Consideration. Such cash compensation shall be paid by the Vendors to the Company in 2017/2018 (as the case may be) at the same time of the payment of the Phase III Consideration.

B. In the event that Adjustment I(C) above apply,

Cash compensation =
(Phase I Consideration – Phase I Minimum Consideration) X (the sum of 2014/2015/2016 Guaranteed Profit – the sum of the 2014/2015/2016 Actual Profit) ÷ the sum of the 2014/2015/2016 Guaranteed Profit – Cash compensation paid under Adjustment II (if any)

The maximum amount of cash compensation under Adjustment IV(B) is the difference between the Phase I Consideration and the Phase I Minimum Consideration and such cash compensation shall be paid by the Vendors to the Company in 2017/2018 (as the case may be) at the same time of the payment of the Phase III Consideration.

Adjustment V

After 31 December 2016, the Company will engage an intermediary who is an Independent Third Party and qualified to carry out securities and futures business to conduct impairment test on the then entire equity interest of the Target Company and prepare an impairment test report. If the amount impaired as at 31 December 2016 exceed the aggregated cash compensation made by the Vendors under Adjustment II and Adjustment IV (if any), the Vendors shall further compensate the Company in cash for such difference. The maximum amount of cash compensation under Adjustment V is the difference between the Consideration and the Minimum Consideration. Such cash compensation shall be paid by the Vendors to the Company in 2017/2018 (as the case may be) at the same time of the payment of the Phase III Consideration.

Save as and except for the Phase II Minimum Consideration and the Phase III Minimum Consideration which are entitled to Xiamen Ruitailong, the Phase II Consideration and the Phase III Consideration (after possible adjustments in accordance with Adjustment I and Adjustment III, if any) shall be paid by the Company to the Vendors in proportion to their respective equity interest in the Target Company to be transferred under the Phase II Transfer and the Phase III Transfer.

The cash compensation under Adjustment II, Adjustment IV and Adjustment V will be payable by the Vendors to the Company in proportion to their respective equity interest in the Target Company to be transferred under the Phase I Transfer, the Phase II Transfer and the Phase III Transfer (as the case may be).

For avoidance of doubt, the Company will be entitled to the cash compensation under all of the Adjustment II, Adjustment IV and Adjustment V when the relevant conditions are satisfied.

Given the above possible adjustments to the Consideration, the maximum amount of the Consideration will be RMB317,642,000.

Undertakings from the Vendors

Pursuant to the Share Transfer Agreement, the Individual Vendors (nine of whom are senior management of the Target Company, namely Jiang Haiping (姜海平), Fu Ruqing (傅如青), Zhong Xuxin (鐘徐新), Wu Xiadan(吳夏丹), Zeng Zhigang (曾志剛), Lan Xingsheng (藍興生), Li Feng (李鋒), Li Huayong (李化勇) and Xie Rong (謝榕) (the "**Management Owners**")) undertaken to the Company that they shall continue to be employed by the Target Company from the Phase I Completion Date until 31 December 2018 (the "**Undertaken Employment Period**").

In addition, each of the Vendors has provided non-competition undertakings to the Company for a term of five years from the Phase I Completion Date under the Share Transfer Agreement. Pursuant to the non-competition undertakings, the Vendors shall not, directly or indirectly or through their connected parties, individually or in collaboration with other party, carry out any of the following activities without the prior consent of the Company:

(a) invest in any company incorporated in the PRC that engages in business identical, similar or competing with the Target Company;

(b) engage or being employed with business identical, similar or competing with the Target Company or being connected with or having economical interests in such business;

(c) employ or assist the employment of any employees of the Target Company, or carry out any business competing with the Target Company, in collaboration with any employees of the Target Company; or

(d) instigate any senior management or employees of the Target Company to terminate the employment relationship with the Target Company.

In the event that (i) any of the Management Owners resign from the Target Company during the Undertaken Employment Period; or (ii) any of the Individual Vendors breach the non-competition undertakings, the resigning person/the person breaching the non-competition undertakings shall:

(i) dispose and the Company shall purchase his/her remaining equity interest in the Target Company at a consideration equivalent to (a) the amount of capital contribution of the Target Company (i.e. RMB20 million in total as at 28 February 2014) in proportion to his/her remaining equity interest in the Target Company; or (b) the amount of the Consideration after adjustments (as stipulated under the sub-section headed "Adjustments to the Consideration" above, if any) in proportion to his/her remaining equity interest in the Target Company at the time of resign/breach of the non-competition undertakings (as the case may be), whichever is lower; and

(ii) refund the difference between (a) the then consideration received by him/her for the Acquisition by the time of resign/breach of the non-competition undertakings (as the case may be); and (b) the amount of capital contribution of the Target Company in proportion to his/her percentage equity interest in the Target Company disposed under the Acquisition. Any cash compensation made by the resigning person/the person breaching the non-competition undertakings as stipulated under the sub-section headed "Adjustments to Consideration" above shall be deducted from the amount of the refund.

In the event that any of the Individual Vendors other than the Management Owners resign from the Target Company during the Undertaken Employment Period, the resigning person shall:

(i) dispose and the Company shall purchase his/her remaining equity interest in the Target Company at a consideration equivalent to (a) the amount of capital contribution of the Target Company in proportion to his/her remaining equity interest in the Target Company; or (b) the amount of the Consideration after adjustments (as stipulated under the sub-section headed "Adjustments to the Consideration" above, if any) in proportion to his/her remaining equity interest in the Target Company at the time of resign, whichever is lower;

(ii) be entitled to the difference between (a) the then Consideration received by him/her for the Acquisition by the time of resign; and (b) the amount of capital contribution of the Target Company in proportion to his/her percentage equity interest in the Target Company disposed under the Acquisition, in proportion to the length of his/her service from the Phase I Completion Date to his/her time of resign over the Undertaken Employment Period (the "**Entitlement**"); and

(iii) refund the difference between (a) the then consideration received by him/her for the Acquisition by the time of resign; and (b) the amount of capital contribution of the Target Company in proportion to his/her percentage equity interest in the Target Company disposed under the Acquisition. The Entitlement and any cash compensation made by the resigning person as stipulated under the sub-section headed "Adjustments to Consideration" above shall be deducted from the amount of the refund.

In the event that Xiamen Ruitailong breach the non-competition undertakings, Xiamen Ruitailong shall:

(i) dispose and the Company shall purchase its remaining equity interest in the Target Company at a consideration equivalent to (a) the aggregated amount of capital contribution of the Target Company and the Minimum Consideration in proportion to its remaining equity interest in the Target Company; or (b) the amount of the Consideration after adjustments (as stipulated under the sub-section headed "Adjustments to the Consideration" above, if any) in proportion to its remaining equity interest in the Target Company at the time of breach of the non-competition undertakings, whichever is lower; and

(ii) refund the difference between (a) the then consideration received by it for the Acquisition by the time of breach of the non-competition undertakings; and (b) the aggregated amount of capital contribution of the Target Company and the Minimum Consideration in proportion to its percentage equity interest in the Target Company disposed under the Acquisition. Any cash compensation made by Xiamen Ruitailong as stipulated under the sub-section headed "Adjustments to Consideration" above shall be deducted from the amount of the refund.

Management of the Target Company

Upon completion of the Phase I Transfer, the board of directors of the Target Company shall comprise of five directors, all of which will be nominated by the Company. The Company will nominate a supervisor for the Target Company. In addition, a general manager will be appointed by the board of directors of the Target Company.

REASONS FOR THE ACQUISITION

The principal activities of the Group consist of the provision of information technologies and services supply including system integration, software development, IT planning and consultancy, IT operation and maintenance, etc.

According to the Group's Twelfth Five-year strategic planning of expansion in specialised industry and to increase in scale through mergers and acquisition, the Group intend to expand its operation scope in addition to strengthening its leading position in information technology service field based on its existing resources, capabilities and strategic direction. Going forward, the Group will utilise its financial resources to implement the merger and acquisition strategy such that the Group would be able to effectively integrate its resources to create comprehensive competitiveness for the Group. In this relation, the Directors consider that the Acquisition would enable the Group to expand its scope of service to the tobacco industry and diversify the Group's income and customer base.

In view of that (i) the Consideration represents a slight discount to the Valuation; (ii) the Consideration would only be adjusted upward if the 2014/2015/2016 Actual Profit exceed(s) the 2014/2015/2016 Guaranteed Profit; and (iii) the Consideration would be adjusted downward if the 2014/2015/2016 Actual Profit fall(s) below the 2014/2015/2016 Guaranteed Profit, the Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Having also taken into account (i) the Rights Entitlement; and (ii) the historical financial performance of the Target Company, the Directors are of the view that the Acquisition would be in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are fair and reasonable and on normal commercial terms.

As none of the Directors had any material interest in the Acquisition, no Directors had abstained from voting on the Board resolutions on approving the Acquisition.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC on 10 June 2011. The Target Company is principally engaged in the provision of (i) information technology service in tobacco industry, including capital regulatory system, construction supervision system, quality control system and policies and regulatory management platform; (ii) group financial company information system; and (iii) information technology security services.

Financial information

Set out below is the audited consolidated financial information of Target Company for the two years ended 31 December 2013 and the two months ended 28 February 2014 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2012 *RMB'million*	**For the year ended 31 December 2013** *RMB'million*	**For the two months ended 28 February 2014** *RMB'million*
Profit/(loss) before tax	18.19	29.61	(2.14)
Profit/(loss) after tax	18.37	25.80	(2.01)

	As at 31 December 2012 *RMB'million*	**As at 31 December 2013** *RMB'million*	**As at 28 February 2014** *RMB'million*
Net assets	33.25	67.05	65.04

Shareholding structure

Set out below are the percentage equity interests of the Target Company beneficially owned by the Vendors and the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Phase I Transfer; (iii) immediately after the completion of the Phase I Transfer and the Phase II Transfer; and (iv) immediately after the completion of the Acquisition:

Name of beneficial owners *(Note)*	% of equity interest in Target Company as at the Latest Practicable Date	immediately after the completion of the Phase I Transfer	immediately after the completion of the Phase I Transfer and Phase II Transfer	immediately after the completion of the Acquisition
The Company	–	51.00	83.00	100
Xiamen Ruitailong	60.00	22.00	6.00	–
Management Owners				
Jiang Haiping (姜海平)	23.00	15.53	6.33	–
Fu Ruqing (傅如青)	1.80	1.22	0.50	–
Zhong Xuxin (鐘徐新)	5.00	3.38	1.38	–
Wu Xiadan (吳夏丹)	0.80	0.54	0.22	–
Zeng Zhigang (曾志剛)	0.80	0.54	0.22	–
Lan Xingsheng (藍興生)	0.50	0.34	0.14	–
Li Feng (李鋒)	0.50	0.34	0.14	–
Li Huayong (李化勇)	1.20	0.81	0.33	–
Xie Rong (謝榕)	1.00	0.68	0.28	–
Other Individual Vendors				
Huang Wucheng (黃武城)	0.30	0.20	0.08	–
Zhang Feng (張鋒)	0.50	0.34	0.14	–
Jiang Zhigang (蔣志剛)	0.40	0.27	0.11	–
Chen Gang (陳剛)	0.45	0.30	0.12	–
Chen Weixian (陳為賢)	0.40	0.27	0.11	–
Huang Haoming (黃浩明)	0.30	0.20	0.08	–
Wang Jingxiu (王敬秀)	0.15	0.10	0.04	–
Jiang Yicong (江藝聰)	0.30	0.20	0.08	–
Zhang Songyu (張松宇)	0.30	0.20	0.08	–
Li Daohua (李道華)	0.30	0.20	0.08	–
Zhang Yong (張勇)	0.30	0.20	0.08	–
Xu Chenhui (許晨暉)	0.30	0.20	0.08	–
Zhou Jinbo (周瑾波)	0.50	0.34	0.14	–
Xiang Shilin (向世林)	0.30	0.20	0.08	–
Zhou Min (周敏)	0.30	0.20	0.08	–
Li Bin (李斌)	0.30	0.20	0.08	–
Total	**100**	**100**	**100**	**100**

Note: 40% equity interest of the Target Company is held by the Trustee in trust of the Individual Vendors as at the Latest Practicable Date.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Group and all the profit and loss and assets and liabilities of the Target Company will be consolidated to the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated assets of the Group would increase from approximately RMB1,172 million as at 31 December 2013 to approximately RMB1,196 million and the unaudited pro forma consolidated total liabilities of the Group would increase from approximately RMB340 million as at 31 December 2013 to approximately RMB366 million, as a result of the Acquisition.

In light of (i) the historical financial performance of the Target Company; (ii) that the Acquisition is in line with the Group's strategic planning as detailed in the sub-section headed "Financial and trading prospect of the Enlarged Group" in Appendix I to this circular; and (iii) the future prospects of the Target Company, the Directors are of the view that the Acquisition would likely to have a positive impact on the future turnover and earnings of the Enlarged Group.

Shareholders should note that since the fair value of the assets and liabilities of the Target Company may be different at completion of the Acquisition as compared to their respective values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of assets and liabilities and the goodwill to be recorded in the financial statements of the Group may be different from the estimated amounts shown in Appendix IV to this circular. As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

LISTING RULES IMPLICATION

As one of the highest percentage ratios of the Acquisition calculated pursuant to Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders under Chapter 14 of the Listing Rules.

The Company has obtained a written approval from BSAM, the controlling shareholder of the Company holding 1,834,541,756 Shares as at the Latest Practicable Date (representing approximately 63.31% of the issued share capital of the Company), in respect of the Share Transfer Agreement and transactions contemplated herein. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and no qualified opinion has been issued by the auditors in the accountants' report on the Target Company, all conditions under Rule 14.44 of the Listing Rules have been fulfilled, no waiver is required to be obtained from the Stock Exchange.

Hence, no general meeting of the Company will be held for approving the Acquisition.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
CAPINFO COMPANY LIMITED*
Wang Xu
Chairman

* *For identification purposes only*

1. THREE YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2011, the year ended 31 December 2012 and the year ended 31 December 2013 are disclosed on pages 71-164 of the annual report 2011 published on 26 April 2012, pages 91-156 of the annual report 2012 published on 26 April 2013, and pages 103-173 of the annual report 2013 published on 29 April 2014 of the Company respectively, which were published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.capinfo.com.cn).

2. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2014, being the Latest Practicable Date prior to the printing of this circular for ascertaining certain information relating to this indebtedness statement, the indebtedness of the Enlarged Group was as follows:

(i) Unsecured other borrowing

The Enlarged Group had outstanding other borrowing granted by the Finance Bureau of Beijing of approximately RMB3,630,000 which is unguaranteed, unsecured and bears interest at an interest rate of 2.55% per annum and repayable on demand.

(ii) Amounts due to related parties of the Company

The Enlarged Group had amounts due to related parties of the Company of approximately RMB1,959,000, which are unguaranteed, unsecured, non-interest bearing and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on the Latest Practicable Date.

The directors of the Company confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 30 June 2014, being the date for determining the Enlarged Group's indebtedness up to the date of this circular.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for a period of 12 months from the date of this circular.

The Enlarged Group does not have any persons or institutions providing any financing facilities available to the Enlarged Group.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

In 2013, the Group recorded steady growth in its traditional core businesses and achieved remarkable results in new business development, and also made breakthrough in management innovation which in turns further enhanced shareholder value. The Group recorded a turnover of approximately RMB754.8 million, the highest level in history, representing an increase of approximately 43.47% as compared with the corresponding period of last year. Profit attributable to shareholders amounted to approximately RMB82.9 million, representing a decrease of approximately 3.15% as compared with the previous year. The decrease was due to the increase in investment in research and development activities focusing on areas such as the Internet of Things, cloud computing and Big Data as the Company expedited expansion of smart city business in the national market. By continuously enriching the important IT infrastructures of smart city operated by the Company, the Group further extended our business to the downstream customers, laying a solid foundation for future development. Leveraging on the cloud computing technology and national service network, the new businesses of the Company showed a rapid growth momentum.

The Company continued to optimize corporate management and build its core competitiveness, transforming from a "Digital Beijing operator" to a "smart city service provider". Capitalizing on the Internet of Things and our leading position in Beijing market, the Company provided integrated solution service in respect of various smart city areas during the year, and developed products with proprietary intellectual property rights.

While making efforts to consolidate and develop our core businesses, the Company also proactively explored the market to reinforce its leading position in the industry and increase the market share of housing information service business, so as to improve its overall competitive strength. As the pioneer in implementing our strategy of "industrializing to expand throughout China", the housing information service business achieved remarkable results in market expansion.

To accelerate the expansion of housing information service business, the Company successfully acquired Shanghai Hengyue Computer Technology Co., Ltd. which engaged in housing information business in Shanghai for years, facilitating the rapid expansion of housing information business in the markets of Shanghai and its surrounding cities. At present, the housing information business has preliminarily formed a business development network with Beijing, Shanghai and Guangzhou at the core and covering the surrounding cities at fast pace, accumulating precious experience for the successful expansion of other businesses to other cities.

Looking forward, upholding the principle of "technology innovation" and leveraging on its own technology and industry advantage, the Company will promote development in the high-end IT business areas of Internet of Things, cloud computing and Big Data and enhance our core competitiveness so as to achieve sustainable development. Through investments, acquisitions and mergers and operation on the capital market, the Company will work hard to achieve great strides in development and build a long-lasting brand. In particular, the company will look for suitable investment opportunities for mergers and acquisitions in industries such as electricity, tobacco, finance and education.

Upon completion of the Acquisition, the Group will further facilitate its development strategies of industry-specific, product centered development and business expansion in the nation.

As the Target Company already has extensive project experience and client base in the field of tobacco information technology, the Group would be able to promptly penetrate into the tobacco industry through the Acquisition. In addition, the Acquisition would enrich the Group's image as an industry-specific company with diversified client base and revenue sources as well as reducing the Group's operation risks.

By incorporating the Target Company's experience in product centered development, the Group would be able to accelerate the construction of a standardised technology platform to improve the overall research and development capabilities and efficiency, and hence promote the level of product centered development of the Group.

The Group would be able to further expand its business across the nation based on the Target Company's existing service delivery team and service network. In particular, the Group would proactively explore markets outside Beijing with supports from the Target Company's existing network, so as to improve the Group's marketing capabilities across the nation and cultivate market resources and delivery capabilities over the nation.

Moreover, as the Group will share qualifications, products and market resources with the Target Company after completion of the Acquisition, it is expected that the Group will realise synergetic effects with the Target Company. While the Group will exploit its advantages in capital, qualifications and brand name to assist the Target Company in obtaining larger scale projects, the Group will also promote the Target Company's existing products to the stated-owned enterprises headquartered in Beijing.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

25 August 2014

The Board of Directors
Capinfo Company Limited
12th Floor, Quantum Silver Plaza,
No. 23 ZhiChun Road,
HaiDian District,
Beijing 100191, China

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Xiamen Ritoinfo Technology Company Limited* 廈門融通信息技術有限責任公司 (the "Target Company"), which comprises the statements of financial position as at 31 December 2011, 2012, 2013 and 28 February 2014, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for the period from 10 June 2011 (date of establishment) to 31 December 2011, two years ended 31 December 2012 and 2013 and the two months ended 28 February 2014 (the "Relevant Periods") and notes thereto. The Financial Information has been prepared by the directors of the Target Company for inclusion in Appendix II of the circular dated 25 August 2014 (the "Circular") issued by Capinfo Company Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of the Target Company by the Company (the "Proposed Acquisition").

The Target Company was established with limited liability in the People's Republic of China (the "PRC") on 10 June 2011. The Target Company is engaged in the sales of self-developed computer software and provision of computer technical consultancy services. The Target Company has adopted 31 December as its financial year end date.

The statutory financial statements of the Target Company for the period from 10 June 2011 (date of establishment) to 31 December 2011, year ended 31 December 2012 and year ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Xiamen Yongda Certified Public Accountants Co.,Ltd.* 廈門永大會計師事務所有限公司, Xiamen Zhongwei Jing Xian Certified Public Accountants

* *The English names are for identification purpose only.*

Co.,Ltd.* 廈門中威敬賢會計師事務所有限公司 and Xiamen Fanghua Certified Public Accountants Co., Ltd.* 廈門方華會計師事務所有限公司 respectively, all the firms were certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Target Company has prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Financial Information is prepared using accounting policies which are materially consistent with those of the Company.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Target Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatements, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company, in respect of any period subsequent to 28 February 2014.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2011, 2012, 2013 and 28 February 2014 and of the results and cash flows of the Target Company for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATIONS

For the purpose of this report, we have reviewed the unaudited financial information of the Target Company including the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the two months ended 28 February 2013, together with the notes thereto have been extracted from the Target Company's unaudited financial information for the same period (the "February 2013 Financial Information") which was prepared by the directors of the Target Company solely for the purpose of this report. We have reviewed the February 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagement to Review Historical Financial Statements" issued by the HKICPA. Our review of February 2013 Financial Information consists of making enquiries of the Target Company's management responsible for financial and accounting matters and applying analytical procedures and other review procedures A review is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we should become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the February 2013 Financial Information.

Basis on of our review, nothing has come to our attention that causes us to believe that the February 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with the HKFRSs.

A. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	Notes	Period from 10 June 2011 (date of establishment) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Two months ended 28 February 2013	Two months ended 28 February 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*7*	11,422	60,729	85,748	5,134	4,952
Costs of sales		(2,349)	(14,567)	(32,427)	(2,397)	(2,728)
Gross profit		9,073	46,162	53,321	2,737	2,224
Other income	*8*	30	383	625	36	40
Selling expenses		(1,227)	(6,122)	(6,174)	(1,015)	(687)
Administrative expenses		(4,737)	(22,238)	(18,160)	(2,384)	(3,714)
Profit (loss) before tax		3,139	18,185	29,612	(626)	(2,137)
Income tax (expense) credit	*9*	(258)	186	(3,817)	–	127
Profit (loss) and total comprehensive income (expense) for the period/year	*10*	2,881	18,371	25,795	(626)	(2,010)

Statements of financial position

		As at 31 December			As at 28 February
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	*13*	1	785	629	599
Intangible assets	*14*	327	5,190	8,394	8,627
Deferred tax assets	*22*	–	191	497	624
		328	6,166	9,520	9,850
Current assets					
Inventories	*16*	2,897	16,557	9,662	9,484
Trade and other receivables	*17*	16,841	25,594	34,531	37,835
Financial assets at fair value through profit or loss	*15*	–	4,000	–	12,000
Amount due from ultimate holding company	*21*	–	–	–	16,000
Bank balances and cash	*18*	5,888	21,410	39,627	1,838
		25,626	67,561	83,820	77,157
Current liabilities					
Trade and other payables	*19*	9,427	34,178	20,715	16,921
Provision for warranty claims	*20*	407	1,297	1,455	1,136
Income tax payable		239	–	4,123	3,913
Amount due to ultimate holding company	*21*	9,000	5,000	–	–
		19,073	40,475	26,293	21,970
Net current assets		6,553	27,086	57,527	55,187
Net assets		6,881	33,252	67,047	65,037
Capital and reserves					
Paid-in capital	*23*	4,000	12,000	20,000	20,000
Reserves		2,881	21,252	47,047	45,037
		6,881	33,252	67,047	65,037

Statements of changes in equity

	Paid-in capital *RMB'000*	Statutory surplus reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
Capital contribution on date of establishment	4,000	–	–	4,000
Profit and total comprehensive income for the period	–	–	2,881	2,881
Appropriation to statutory reserve	–	288	(288)	–
At 31 December 2011	4,000	288	2,593	6,881
Capital contribution	8,000	–	–	8,000
Profit and total comprehensive income for the year	–	–	18,371	18,371
Appropriation to statutory reserve	–	1,837	(1,837)	–
At 31 December 2012	12,000	2,125	19,127	33,252
Capital contribution	8,000	–	–	8,000
Profit and total comprehensive income for the year	–	–	25,795	25,795
Appropriation to statutory reserve	–	2,579	(2,579)	–
At 31 December 2013	20,000	4,704	42,343	67,047
Loss and total comprehensive expense for the period	–	–	(2,010)	(2,010)
At 28 February 2014	20,000	4,704	40,333	65,037
At 1 January 2013 (audited)	12,000	2,125	19,127	33,252
Loss and total comprehensive expense for the period (unaudited)	–	–	(626)	(626)
At 28 February 2013 (unaudited)	12,000	2,125	18,501	32,626

Note:

As stipulated by regulations in the PRC, the Target Company are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

Statements of cash flows

	Period from 10 June 2011 (date of establishment) to 31 December 2011	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit (loss) before tax	3,139	18,185	29,612	(626)	(2,137)
Adjustments for:					
Bank interest income	(8)	(17)	(23)	–	–
Net gain from financial assets at fair value through profit or loss	(22)	(43)	(188)	(24)	(40)
Depreciation of plant and equipment	–	81	175	29	30
Impairment loss recognised in respect of trade receivables	–	123	533	–	964
Increase (decrease) in provision for warranty claims	407	890	158	158	(319)
Amortisation of intangible assets	–	155	2,153	225	453
Operating cash flows before movements in working capital	3,516	19,374	32,420	(238)	(1,049)
(Increase) decrease in financial assets at fair value through profit or loss	–	(4,000)	4,000	(6,000)	(12,000)
(Increase) decrease in work in progress	(2,897)	(13,660)	6,895	(1,415)	178
(Increase) decrease in trade and other receivables	(16,841)	(8,876)	(9,470)	16,603	(4,268)
Increase (decrease) in trade and other payables	9,427	24,751	(13,463)	(21,415)	(3,794)
Cash (used in) generated from operations	(6,795)	17,589	20,382	(12,465)	(20,933)
Enterprise Income Tax paid	(19)	(244)	–	–	(210)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(6,814)	17,345	20,382	(12,465)	(21,143)

	Period from 10 June 2011 (date of establishment) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Two months ended 28 February 2013	Two months ended 28 February 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Additions to intangible assets	(327)	(5,018)	(5,357)	(835)	(686)
Purchase of plant and equipment	(1)	(865)	(19)	(5)	–
Advance to ultimate holding company	–	–	–	–	(16,000)
Interest income received from financial assets at fair value through profit or loss	22	43	188	24	40
Bank interest received	8	17	23	–	–
NET CASH USED IN INVESTING ACTIVITIES	(298)	(5,823)	(5,165)	(816)	(16,646)
FINANCING ACTIVITIES					
Advanced from (repayment to) ultimate holding company	9,000	(4,000)	(5,000)	(5,000)	–
Proceeds from capital contribution	4,000	8,000	8,000	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	13,000	4,000	3,000	(5,000)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,888	15,522	18,217	(18,281)	(37,789)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	–	5,888	21,410	21,410	39,627
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR, represented by bank balances and cash	5,888	21,410	39,627	3,129	1,838

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was established with limited liability in the PRC on 10 June 2011.

The address of the registered office of the Target Company is Flat 218 Building A, Part 1 of Taiwan Street 289, Jiangtou, Huli District Xiamen City, the PRC and principal place of business is 8th floor, Xiamen Software Park, No. 61 South Wang Hai Road, Xiamen, the PRC.

The principal activities of the Target Company are sales of self-developed computer software and provision of computer technical consultancy services.

The directors of the Target Company consider that the immediate and ultimate holding company of the Target Company as at the date of this report is Xiamen Ruitailong Investment Development Company Limited* 廈門銳泰隆投資發展有限公司, a limited company established in the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company. RMB is the currency of the primary economic environment in which the Target Company operates.

2. APPLICATION OF NEW AND REVISED HKFRSS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods and the two months ended 28 February 2013, the Target Company has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the financial year beginning on 1 January 2014.

The Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[3]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

* *The English name is for identification purpose only.*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Target Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Target Company's financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Target Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Target Company's financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Target Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that until a detailed review has been completed.

The directors of the Target Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

(a) Plant and equipment

Plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

(b) Inventories

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

(c) Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand. For the purpose of the statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

(d) Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

(e) Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Target Company's financial assets are classified as FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from ultimate holding company and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for acquisition of plant and equipment for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Target Company's financial liabilities are classified into other financial liabilities.

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables and amount due to ultimate holding company are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

(f) Provisions

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(g) Impairment losses on tangible and intangible assets

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sales of self-developed computer software and services provided in the normal course of business, net of discounts, returns and sales related taxes.

(i) Sales of self-developed computer software

Revenue from the sales of self-developed computer software is recognised when the computer software are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Target Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Target company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target company; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Provision of computer technical consultancy services

Computer technical consultancy services are provided either in the form of fixed-period contracts or each services provided. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract for the fixed period contract.

(iii) Interest income from financial assets

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

(i) Leasing

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

The Target Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(j) Government grant

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

Government grants are recognised in profit or loss on a systematic basis over the relevant periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate.

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

(k) Retirement benefit costs

Payments to a state-managed retirement benefit scheme in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

(l) Taxation

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(m) Fair value measurement

When measuring fair value except for the Target Company's value in use of CGUs and intangible asset for the purpose of impairment assessment, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Target Company categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Target Company determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Amortisation of intangible assets

Intangibles assets are amortised on a straight-line basis over their estimated useful lives according to the industrial experiences over the usage of intangible assets and also by reference to the relevant industrial norm. If the actual useful lives of intangible assets is less than original estimated useful lives due to changes in commercial and technological environment, such difference will impact the amortisation charge for the remaining period.

Estimated impairment of intangible assets

In considering the impairment losses of intangible assets, recoverable amount of the asset needs to be determined if there is indication that those assets may settle on impairment loss. The recoverable amount is the greater of the fair value less costs to sell and the value-in-use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price, amount of operating costs and discount rates. The Target Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price, amount of operating costs and discount rates. As at 31 December 2011, 2012 and 2013 and 28 February 2014, the carrying amount of intangible assets are approximately RMB327,000, RMB5,190,000, RMB8,394,000 and RMB8,627,000 respectively.

Estimated impairment of trade and other receivables

The Target Company performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Target Company continuously monitors collections and payments from its customers and maintains a provision of estimated credit losses based upon its historical experience. Credit losses have historically been within the Target Company's expectations and the Target Company will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2011, 2012, 2013 and 28 February 2014, the carrying amounts of trade receivables and other receivable were approximately RMB16,841,000, RMB25,594,000, RMB34,531,000 and RMB37,835,000 respectively, net of accumulated impairment loss of nil, approximately RMB123,000, RMB656,000 and RMB1,620,000 respectively.

Income taxes

The Target Company is subject to income taxes in the PRC. Significant estimation is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision for warranty claims

Provision for warranty is made based on the possible claims on the products by customers with reference to the warranty coverage period and the percentage of warranty expenses incurred over total sales amounts during the Relevant Periods. Where the actual claims are greater than expected, a material increase in warranty expenses may arise, which would be recognised in profit or loss for the period in which such a claim takes place. As at 31 December 2011, 2012, 2013 and 28 February 2014, the carrying amounts of provision for warranty claims were approximately RMB407,000, RMB1,297,000, RMB1,455,000 and RMB1,136,000 respectively.

Fair value measurements and valuation processes

Some of the Target Company's assets are measured at fair value for financial reporting purposes. The board of directors of the Company has to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Target Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors of the Target Company work closely to establish the appropriate valuation techniques and inputs to the model.

The Target Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 6(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Company consists of cash and cash equivalents and equity attributable to owners of the Target Company, comprising paid-in-capital and reserves.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the raising of new debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including bank balances and cash)	18,983	46,369	73,524	54,841
FVTPL	–	4,000	–	12,000
Financial liabilities				
Amortised cost	15,213	21,207	12,619	8,301

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include trade and other receivables, amount due from ultimate holding company, bank balances and cash, trade and other payables and financial assets at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Target Company's business activities and its assets and liabilities were denominated in RMB. The management considers the Target Company is not exposed to significant foreign currency risk as majority of its operations and transactions are denominated in the functional currency of the Target Company. The Target Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Target Company's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Target Company's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. Hence, no sensitivity analysis is presented.

Credit risk

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Target Company has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that its credit risk is significantly reduced.

With respect to credit risk arising from amount due from ultimate holding company, the Target Company's exposure to credit risk arising from default of the counterparty is limited as the counterparty have a good history of repayment. The Target Company does not expect to incur a significant loss for uncollectable consider that the Target Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At 31 December 2011, the Target Company has concentration of credit risk as 20% and 79% of the total trade receivables were due from the Target Company's largest customer and the five largest customers respectively.

At 31 December 2012, the Target Company has concentration of credit risk as 6% and 20% of the total trade receivables were due from the Target Company's largest customer and the five largest customers respectively.

At 31 December 2013, the Target Company has concentration of credit risk as 9% and 16% of the total trade receivables were due from the Target Company's largest customer and the five largest customers respectively.

At 28 February 2014, the Target Company has concentration of credit risk as 4% and 9% of the total trade receivables were due from the Target Company's largest customer and the five largest customers respectively.

As at 31 December 2011, 2012, 2013 and 28 February 2014, the Target Company's concentration of credit risk by geographical locations is only in the PRC. However, the credit risk on geographical location is limited as the counterparties are spread over among different cities and provinces in the PRC.

Liquidity risk

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

All financial liabilities are non-interest bearing and their maturity dates are repayable on demand or within one year as at the end of each reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

Some of the Target Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at				Fair value hierarchy	Valuation techniques and key input
	31/12/2011	31/12/2012	31/12/2013	28/2/2014		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		
Derivative financial assets – index-linked structure deposits	N/A	4,000	N/A	4,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward index (from observable forward index at the end of the reporting period).
Derivative financial assets – investment-linked structure deposits	N/A	N/A	N/A	8,000	Level 3	Discount cash flow. Future cash flows are estimated based on the expected return rate from the investments (from unobservable return rate provided by the relevant banks).

There were no transfers between level 2 and 3 in the Relevant Periods.

The directors of the Target Company consider that the carrying amounts of other current financial assets and other current financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their immediate or short-term maturities.

7. REVENUE AND SEGMENT INFORMATION

The Target Company is principally engaged in sales of self-developed computer software and provision of computer technical consultancy services.

An analysis of the Target Company's revenue is as follows:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of self-developed computer software	11,239	60,430	84,111	5,134	4,665
Provision of computer technical consultancy services	183	299	1,637	–	287
	11,422	60,729	85,748	5,134	4,952

Segment revenues, results, assets and liabilities

The Target Company's revenue, results, assets and liabilities are primarily attributable to the sales of self-developed computer software and provision of computer technical consultancy services, based on information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. The directors of the Target Company consider that there is only one operating and reportable segment for the Target Company.

Geographical information

As all the Target Company's revenue is derived from customers based in the PRC and all the Target Company's non-current assets are located in the PRC, no geographic information is presented.

Information about major customers

Revenues from customers of the corresponding periods/years contributing over 10% of the total revenue of the Target Company are as follows:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	1,658	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer B	1,417	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer C	1,915	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer D	1,581	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer E	1,521	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer F	1,728	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer G	N/A[1]	N/A[1]	N/A[1]	618	N/A[1]
Customer H	N/A[1]	N/A[1]	N/A[1]	N/A[1]	2,170
Customer I	N/A[1]	N/A[1]	N/A[1]	N/A[1]	1,311

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target Company in the corresponding period of the Relevant Periods.

8. OTHER INCOME

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income from bank deposits	8	17	23	–	–
Net gain from financial assets at FVTPL	22	43	188	24	40
Government grants *(Note)*	–	320	400	–	–
Sundry income	–	3	14	12	–
	30	383	625	36	40

Note: Government grants were received from several local government authorities for the Target Company's contribution in software development industry, of which the Target Company fulfilled all conditions or contingencies relating to those subsidies.

9. INCOME TAX EXPENSE (CREDIT)

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current PRC Enterprise Income Tax (the "EIT")	258	5	4,123	–	–
Deferred taxation *(Note 22)*	–	(191)	(306)	–	(127)
	258	(186)	3,817	–	(127)

No provision for Hong Kong Profits tax has been made as the Target Company's income neither arises in, nor is derived from, Hong Kong.

The Target Company was recognised as a High Technology Enterprise ("HTE") in 2012 and subject to PRC income tax at 15% for three years from 2012 to 2014 in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law").

In accordance with the tax legislations applicable to the enterprises which newly engaged in the development of software in the PRC, the Target Company is entitled to exemptions from the PRC EIT for the first two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years. According to the EIT Law, the first year income tax exemption commenced for the period ended 31 December 2011 and enjoyed the second year income tax exemption for the year ended 31 December 2012. The effective tax rate for the year ended 31 December 2013 and two months ended 28 February 2014 is 12.5%.

No provision for the EIT has been made as the Target Company did not have any assessable profits for the two months ended 28 February 2013 and 2014.

As at 28 February 2014, the Target Company had tax losses of approximately RMB1,106,000 available for offset against future profits. No deferred tax asset has been recognised due to the amount is minimal. The unused tax loss will expire in 5 years from the year of origination.

The income tax expense (credit) for the Relevant Periods and for the two months ended 28 February 2013 can be reconciled to the profit (loss) before tax per the statements of profit or loss and other comprehensive income as follows:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) before tax	3,139	18,185	29,612	(626)	(2,137)
Tax at the domestic income tax rate of 15%	471	2,728	4,442	(94)	(321)
Income tax on concessionary rate	(213)	(2,914)	(824)	–	–
Tax effect of income not taxable for tax purpose	–	–	(47)	–	(10)
Tax effect of expenses not deductible for tax purpose	–	–	246	–	38
Tax effect of unused tax losses not recognised	–	–	–	94	166
Income tax expense (credit) for the year/period	258	(186)	3,817	–	(127)

10. PROFIT (LOSS) FOR THE PERIOD/YEAR

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) for the period/year has been arrived at after charging:					
Staff cost (including directors', chief executives' and supervisors' emoluments):					
Salaries, allowances and other benefits	4,463	21,060	27,099	6,299	2,973
Retirement benefit scheme contributions	597	3,551	5,816	1,180	438
Total staff costs	5,060	24,611	32,915	7,479	3,411
Amortisation of intangible assets (included in cost of sales and administrative expenses)	–	155	2,153	225	453
Provision of warranty claims	407	1,297	1,455	–	57
Depreciation of plant and equipment (included in administrative expenses)	–	81	175	29	30
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	–	123	533	–	964
Operating lease charges in respect of properties	231	573	508	96	124

11. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISOR' S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors', chief executives' and supervisor's emoluments

Details of the emoluments paid or payable to the directors, chief executives' and supervisor's of the Target Company during the Relevant Periods and for the two months ended 28 February 2013 were as follows:

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Period from 10 June 2011 (date of establishment) to 31 December 2011			
Directors			
Mr. Li Qianwen *(Note (i), (iii))*	–	–	–
Mr. Zhang Xiansheng *(Note (iii))*	–	–	–
Chief Executives			
Mr. Li Qianwen *(Note (i), (iv))*	–	–	–
Mr. Jiang Haiping *(Note (iv))*	90	10	100
Supervisor			
Ms. Fu Minghong *(Note (ii))*	–	–	–
	90	10	100
Year ended 31 December 2012			
Director			
Mr. Zhang Xiansheng	–	–	–
Chief Executive			
Mr. Jiang Haiping	360	37	397
Supervisor			
Ms. Fu Minghong	–	–	–
	360	37	397
Year ended 31 December 2013			
Director			
Mr. Zhang Xiansheng	–	–	–
Chief Executive			
Mr. Jiang Haiping	414	38	452
Supervisor			
Ms. Fu Minghong	–	–	–
	414	38	452

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Two months ended 28 February 2014			
Director			
Mr. Zhang Xiansheng	–	–	–
Chief Executive			
Mr. Jiang Haiping	110	6	116
Supervisor			
Ms. Fu Minghong	–	–	–
	110	6	116

Notes:

(i) Ms. Li Qianwen was appointed as executive director and chief executive on 7 June 2011.

(ii) Ms. Fu Minghong was appointed as supervisor on 7 June 2011.

(iii) Mr. Zhang Xiansheng was appointed and Mr. Li Qianwen was resigned as the executive director on 24 October 2011.

(iv) Mr. Jian Haiping was appointed and Mr. Li Qianwen was resigned as the chief executive on 24 October 2011.

No directors, chief executive or supervisor waived or agree to waive any emolument paid by the Target Company during the Relevant Periods and for the two months ended 28 February 2013. No emoluments were paid by the Target Company to the directors, chief executive or supervisor of the Target Company as an incentive payment to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods and for the two months ended 28 February 2013.

(b) Employees' emoluments

Of the five individuals with highest emoluments for the Relevant Periods and for the two months ended 28 February 2013, one was chief executive of the Target Company whose emoluments is set out in the above. No directors were included in the five highest paid individuals of the Target Company during the Relevant Periods and for the two months ended 28 February 2013. The emoluments of the remaining four highest paid individuals were as follows:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits	374	1,415	1,726	1,072	457
Retirement benefit scheme contributions	38	126	137	97	28
	412	1,541	1,863	1,169	485

The emoluments fall within the following bands:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HK$1,000,000 (equivalent to approximately: 31/12/2011: RMB818,000; 31/12/2012: RMB813,000; 31/12/2013: RMB788,000; 28/2/2013: RMB810,000; 28/2/2014: RMB789,000)	4	4	4	4	4

No emoluments were paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensations for loss of office during the Relevant Periods and for the two months ended 28 February 2013.

12. DIVIDENDS AND EARNINGS PER SHARE

No dividend was paid or proposed during the Relevant Periods and for the two months ended 28 February 2013, nor has any dividend been proposed since the end of the reporting period.

No earnings per share information is presented as its inclusion, for purpose of this report, is not meaningful.

13. PLANT AND EQUIPMENT

	Office equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
COST			
At 10 June 2011 (date of establishment)	–	–	–
Additions	1	–	1
At 31 December 2011	1	–	1
Additions	355	510	865
At 31 December 2012	356	510	866
Additions	19	–	19
At 31 December 2013 and 28 February 2014	375	510	885
ACCUMULATED DEPRECIATION			
At 10 June 2011 (date of establishment) and 31 December 2011	–	–	–
Charge for the year	38	43	81
At 31 December 2012	38	43	81
Charge for the year	73	102	175
At 31 December 2013	111	145	256
Charge for the period	13	17	30
At 28 February 2014	124	162	286
CARRYING VALUES			
At 31 December 2011	1	–	1
At 31 December 2012	318	467	785
At 31 December 2013	264	365	629
At 28 February 2014	251	348	599

The above items of plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Office equipment	20%
Motor vehicle	20%

14. INTANGIBLE ASSETS

	Self-developed computer software *RMB'000*	Acquired computer software *RMB'000*	Total *RMB'000*
COST			
At 10 June 2011 (date of establishment)	–	–	–
Additions	327	–	327
At 31 December 2011	327	–	327
Additions	4,418	600	5,018
At 31 December 2012	4,745	600	5,345
Additions	5,284	73	5,357
At 31 December 2013	10,029	673	10,702
Additions	686	–	686
At 28 February 2014	10,715	673	11,388
ACCUMULATED AMORTISATION			
At 10 June 2011 (date of establishment) and 31 December 2011	–	–	–
Charge for the year	130	25	155
At 31 December 2012	130	25	155
Charge for the year	2,090	63	2,153
At 31 December 2013	2,220	88	2,308
Charge for the period	442	11	453
At 28 February 2014	2,662	99	2,761
CARRYING VALUES			
At 31 December 2011	327	–	327
At 31 December 2012	4,615	575	5,190
At 31 December 2013	7,809	585	8,394
At 28 February 2014	8,053	574	8,627

The self-developed computer software and acquired computer software which bought from third parties with definite useful life of 3 years and 10 years respectively.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments:				
Fair value of financial assets at FVTPL	–	4,000	–	12,000

As at 31 December 2012

The financial assets at FVTPL as at 31 December 2012 represented a 1-month contract of index-linked deposit structured with a bank, with principal of RMB4,000,000 being guaranteed by the relevant bank without early redemption right. The return is determined by reference to the changes in Hushen 300 Index. The index-linked deposits are designated as financial assets at FVTPL on initial recognition as it contains non-closely related embedded derivative. The directors of the Target Company consider the fair value of the index-linked deposit, which is based on the prices the counterparty bank would pay to redeem at 31 December 2012, approximate to its carrying value of the index-linked deposits as at 31 December 2012. Accordingly, no change in the fair value was recognised in profit or loss during the year ended 31 December 2012.

As at 28 February 2014

The financial assets at FVTPL as at 28 February 2014 represented (i) a 2-months contract of index-linked deposit structured with a bank, with principal of RMB4,000,000 being guaranteed by the relevant bank without early redemption right and (ii) two 2-months contracts of investment-linked deposit structured with banks, with principal of RMB4,000,000 of each. One of the investment-linked deposits was guaranteed by the relevant bank without early redemption right and another investment-linked deposit has no guarantee on principal by the relevant bank with early redemption right.

The return of index-linked deposit is determined by reference to the changes in Hushen 300 Index and the return of the investment-linked deposits are determined by reference to the performance of investment portfolio managed by the relevant banks.

The index-linked deposit and investment-linked deposits are designated as financial assets at FVTPL on initial recognition as it contains non-closely related embedded derivative. The directors of the Target Company consider the fair values of the index-linked deposit and investment-linked deposits, which is based on the prices the counterparty bank would pay to redeem at 28 February 2014, approximate to their carrying values of the index-linked deposit and investment-linked deposits as at 28 February 2014. Accordingly, no change in the fair value was recognised in profit or loss during the two months ended 28 February 2014. As at the date of the accountants' report, all the investment-linked deposits have been redeemed.

16. INVENTORIES

Included in the inventories is the work-in-progress computer software product.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	8,776	20,856	28,770	30,873
Less: impairment loss recognised	–	(123)	(656)	(1,620)
	8,776	20,733	28,114	29,253
Prepayment	3,746	635	634	832
Deposits and other receivables	4,319	4,226	5,783	7,750
	8,065	4,861	6,417	8,582
	16,841	25,594	34,531	37,835

i) The Target Company's trading terms with its customers are mainly on credit, except for the government, where no specific credit period was required. The credit period is generally around immediate to 180 days. The Target Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Target Company did not hold any collateral on these balances.

ii) The movements in impairment loss of trade receivables of the Target Company are as follows:

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the period/year	–	–	123	656
Recognised during the period/year	–	123	533	964
At the end of the period/year	–	123	656	1,620

At 31 December 2012, 2013 and 28 February 2014, included in the impairment losses are individually impaired trade receivables with an aggregate balance of approximately RMB123,000, RMB656,000 and RMB1,620,000 respectively which are due to long outstanding.

iii) The following is an aged analysis of trade receivables (net of impairment loss) of the Target Company presented based on the date of revenue recognition at the end of the reporting periods:

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	8,776	14,733	16,977	3,475
7 to 12 months	–	4,533	3,386	15,991
13 to 18 months	–	1,467	5,587	2,861
19 to 24 months	–	–	1,538	5,167
25 to 30 months	–	–	626	1,367
Over 30 months	–	–	–	392
	8,776	20,733	28,114	29,253

iv) The aging analysis of the trade receivables (net of impairment loss) of the Target Company presented based on the due dates was as follows:

		Neither past due nor	Past due but not impaired				
	Total	impaired	1 to 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Over 25 months
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011	8,776	8,776	–	–	–	–	–
At 31 December 2012	20,733	19,240	825	668	–	–	–
At 31 December 2013	28,114	25,808	1,464	170	343	329	–
At 28 February 2014	29,253	19,358	8,205	1,018	161	305	206

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Company. Based on past experience, the directors of the Target Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. BANK BALANCES AND CASH

Bank balances carried market interest rates at 0.5% per annum for the period from 10 June 2011 (date of establishment) to 31 December 2011, ranged from 0.35% to 0.5% per annum for the year ended 31 December 2012 and 0.35% per annum for the year ended 31 December 2013 and two months ended 28 February 2014.

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payable	1,866	6,302	5,462	4,152
Accruals and other payables	4,347	9,905	7,157	4,149
Receipt in advance	3,214	17,971	8,096	8,620
	9,427	34,178	20,715	16,921

The following is an aged analysis of accounts payable presented based on the invoice date at the end of each reporting period.

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 6 months	1,866	6,259	2,577	519
6 to 12 months	–	43	2,885	753
Over 12 months	–	–	–	2,880
	1,866	6,302	5,462	4,152

The average credit period on purchases of goods is 90 days. The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

20. PROVISION FOR WARRANTY CLAIMS

The provision for warranty claims represents management's best estimate of the Target Company's liability under 1-year warrant granted on after-sale service.

	As at 31 December			As at 28 February
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of period/year	–	407	1,297	1,455
Additional provision in the period/year	407	1,297	1,455	57
Reduction resulting from payments	–	(407)	(1,297)	(376)
At the end of period/year	407	1,297	1,455	1,136

21. AMOUNT DUE FROM/TO ULTIMATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and repayable on demand. The balance of amount due from ultimate holding company as at 28 February 2014 has been fully recovered subsequent to 28 February 2014.

22. DEFERRED TAXATION

The movements in deferred tax assets of the Target Company during the Relevant Periods are as follows:

	Temporary difference on trade and other receivables	Accelerated tax depreciation	Temporary difference on provision for warranty claims	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 10 June 2011 (date of establishment) and 31 December 2011	–	–	–	–
Credited to profit or loss	15	14	162	191
At 31 December 2012	15	14	162	191
Credited to profit or loss	67	219	20	306
At 31 December 2013	82	233	182	497
Credited (charged) to profit or loss	121	46	(40)	127
At 28 February 2014	203	279	142	624

23. PAID-IN CAPITAL

	Total
	RMB'000
Registered and paid-in capital at 10 June 2011(date of establishment), 31 December 2011, 31 December 2012, 31 December 2013 and 28 February 2014	20,000
At 10 June 2011 (date of establishment) and 31 December 2011	4,000
Increase during the year	8,000
At 31 December 2012	12,000
Increase during the year	8,000
At 31 December 2013 and 28 February 2014	20,000

Target Company was established on 10 June 2011. On 7 March 2012 and 4 June 2013, RMB8,000,000 were fully paid up by equity holders of the Target Company respectively.

24. COMMITMENTS UNDER OPERATING LEASE

The Target Company as leasee

The Target Company leases certain of its office properties and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from half year to two years and rentals are fixed for an average of half year to two years. The Target Company does not have an option to purchase the leased asset at the expiry of the lease period.

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

	As at 31 December			As at 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	23	15	18

25. RETIREMENT BENEFITS SCHEME

The employees of the Target Company are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Target Company is required to contribute certain percentage of applicable payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Company with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the statements of profit or loss and other comprehensive income of approximately RMB597,000, RMB3,551,000, RMB5,816,000, RMB1,180,000 and RMB438,000 for the period from 10 June 2011(date of establishment) to 31 December 2011, years ended 31 December 2012, 2013 and the two months ended 28 February 2013 and 2014 respectively.

26. RELATED PARTY TRANSACTIONS

(a) The Target Company had balance with a fellow subsidiary included in trade and other receivables as follows:

	As at 31 December			As at 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xiamen Henglongxing Information Technology Co., Ltd.* 廈門恒隆興信息技術有限公司	–	–	174	174

* *The English name is for identification purpose only.*

(b) In addition to related party balances detailed in Note 21, the Target Company entered into the following significant transactions with related parties during the Relevant Periods and the two months ended 28 February 2013:

	Period from 10 June 2011 (date of establishment) to 31 December	Year ended 31 December		Two months ended 28 February	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales to ultimate holding company	–	38	1,582	–	–
Purchase from a fellow subsidiary	–	600	–	–	–
Sales to a fellow subsidiary	–	–	3,174	–	–

Note: All transactions were conducted in the normal course of business at prices and terms not less than those charged to and contracted with other third party customers.

(c) Compensation of key management personnel

The key management personnel of the Target Company comprises all the directors, supervisors and chief executives of the Target Company. Details of directors', supervisors' and chief executives' are included in Note 11(a).

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 28 February 2014.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
25 August 2014

Set out below is the management discussion and analysis of the operating results, business review and other financial information of the Target Company for the three years ended 31 December 2013 and the two months ended 28 February 2014:

BUSINESS REVIEW

The Target Company was established in June 2011. The Target Company is principally engaged in the provision of (i) information technology service in tobacco industry, including capital regulatory system, construction supervision system, quality control system and policies and regulatory management platform; (ii) group financial company information system; and (iii) information technology security services, among which the capital regulatory system for tobacco industry is the main product of the Target Company. The Target Company is the only vendor authorized by China National Tobacco Corporation throughout the PRC.

Since its establishment, the Target Company has maintained rapid growth in both revenue and net profit. From the year 2011 to 2013, the gross profit margin of the Target Company stayed above 60% and the net profit margin maintained at around 30% except for the year of inception. Due to seasonal factors which is common in the industry, the Target Company recorded relatively weak financial performance in January and February 2014.

The Target Company's revenue is mainly derived from the segments of technology development, security engineering, system integration, technical services and the sale of self-developed software, among which the technology development segment has been the largest contributor to the revenue. Save for security engineering segment which accounted for 12.89% of revenue in 2013, the historical contributions of each of the other segments are below 10%. Among the five segments, technical services, technology development and the sale of self-developed software ranked ahead in terms of gross profit margin, posting average gross profit margin of 82.37%, 70.48% and 62.38% respectively in 2013.

The asset-liability ratio demonstrated a decreasing trend in the past few years, with liabilities primarily consists of trade payables, advances from customers for outstanding contracts, accrued payroll, enterprise income tax payable and other operating liabilities.

Revenue and gross profit

Set out below are the revenue and gross profit of the Target Company for the three years and two months ended 28 February 2014:

	For the year ended 31 December			For the two months ended 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	11,422	60,729	85,748	4,952
Gross profit	9,073	46,162	53,321	2,224
Gross profit margin	79.43%	76.01%	62.18%	44.91%

For the three years ended 31 December 2013, the Target Company recorded an increase of revenue from approximately RMB11.42 million in 2011 to approximately RMB85.75 million in 2013, representing a significant growth of approximately 650.7%. For the three years ended 31 December 2013, the Target Company maintained the gross profit margin of over 60%. The annual change of gross profit margin was mainly attributable to the cycles of software projects and the regular changes of income structure.

Cost of sales

	For the year ended 31 December			For the two months ended 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of sales	2,349	14,567	32,427	2,728

The cost of sales increased from approximately RMB2.35 million in 2011 to approximately RMB32.43 million in 2013 as the revenue expanded.

Other operating expenses and income tax

	For the year ended 31 December			For the two months ended 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Selling expenses	1,227	6,122	6,174	687
Administrative expenses	4,737	22,238	18,160	3,714
Income tax expense	258	(186)	3,817	(127)

Selling expenses

Selling expenses mainly consist of the salary and bonus paid to sales representatives, entertainment expenses, outsourcing fee, benefits, traveling expenses, and advertising and marketing expenses. Selling expenses increased from approximately RMB1.227 million in 2011 to approximately RMB6.174 million in 2013.

Administrative expenses

Administrative expenses increased from approximately RMB4.74 million in 2011 to approximately RMB22.24 million in 2012, and then decreased by 18.34% to approximately RMB18.16 million in 2013.

Income tax expense

The Target Company recorded income tax expense of approximately RMB258,000 in 2011. The Target Company recorded a tax credit of approximately RMB186,000 in 2012 and income tax expense of approximately RMB3.82 million in 2013.

Net profit/loss

	For the year ended 31 December			For the two months ended 28 February
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net profit/loss	2,881	18,371	25,795	(2,010)

For the three years ended 31 December 2013, the Target Company recorded a significant growth in net profits of approximately 795.3% from approximately RMB2.88 million in 2011 to approximately RMB25.80 million in 2013. During the first two months in 2014, the Target Company recorded a net loss of RMB2.01 million, resulting from seasonality in the industry.

Financial position of the Target Company

The Target Company generally finances its operations with cash flows generated internally from its operating activities. As at 31 December 2011, 2012 and 2013, cash and cash equivalents of the Target Company amounted to approximately RMB5.888 million, approximately RMB21.410 million and approximately RMB39.627 million, respectively. As at 28 February 2014, the cash and cash equivalents of the Target Company amounted to approximately RMB1.838 million. The decrease in cash was attributable to the purchase of wealth investment products launched by the banks and shareholders' occupation of fund. The Target Company did not have any outstanding bank borrowings for the three years and two months ended 28 February 2014.

As at 31 December 2011, 2012, 2013 and 28 February 2014, the gearing ratio of the Target Company was 72.56%, 54.70%, 27.92% and 24.90%, respectively which demonstrated a decreasing trend.

Human resources

As at 31 December 2011, 2012, 2013 and 28 February 2014, the number of employees of the Target Company were 233, 283, 271 and 273, respectively. The total staff cost of the Target Company for the three years ended 31 December 2013 and the two months ended 28 February 2014 were approximately RMB5.1 million, approximately RMB24.6 million, approximately RMB32.9 million and approximately RMB3.4 million respectively.

The Target Company's remuneration structure includes base salary, job wages, social benefits and bonuses. The Target Company set a total annual bonus amount for the whole company and design the formula and coefficients for the calculation of the bonus amount for each of the departments. Based on the performance and fulfillment of the annual business target of the Target Company, the total amount of the actual bonus will be determined and distribute to the departments. The department will access each of the individual employee's performance and allocate the bonus accordingly.

In the next three years, the training scheme of the Target Company will be focused on the improvement of the operational capacity of the professional and technical personnel, management and leadership skill of the middle and senior management, construction and improvement of the project management system. It is expected that the provision of the training scheme shall enhance the long term development of the Target Company.

DEVELOPMENT STRATEGY

The Target Company is engaged in the provision of leading products and comprehensive solutions with a focus on capital supervision, capital management, group surveillance and business intelligence, where sound progresses have been made in recent years. Looking forward, the Target Company expects to derive sustainable momentum from the perspective of industry, strategic customer and product in order to arrive its strategic goal of building itself into an integrated IT service provider for companies leading in the corporate financial and group surveillance sector in the PRC.

The Target Company will capitalise on the existing leading position to develop cutting-edge and leading solutions for tobacco groups, finance companies and conglomerates in alignment with the industry trends. For tobacco industry, the Target Company will focus on: (1) upgrading Capital Supervision System V2.0, such that the payment function and supervision over time deposits, corporate banking cards and POS machines, as well as the support to mobile approval process can be further improved; (2) promoting the application of capital supervision system for tobacco groups with diversified investment; (3) promoting the application of construction supervision system in commercial logistics projects; (4) further promoting the group surveillance system and the policies and regulatory management platform; (5) carrying forward pilot application and modelling of the precision marketing system and, on that ground, developing prefecture-level and municipal data centres for tobacco merchandising companies; and (6) while ensuring capital safety through the capital supervision system, promoting application of capital management products in finance system of tobacco groups to improve capital utilisation efficiency. For conglomerates and finance companies, more resources will be committed in promoting the core system, while at the same time strengthen the development and promote the financial service applications based on the core system. According to the stricter requirements of the PRC central government on anti-corruption and supervision over state-owned assets, the Target Company will push forward the implementation of capital supervision system, construction supervision system and group surveillance system in centrally-administered stated-owned enterprises.

The Target Company will continue with its pursuit for premium service to secure and explore strategic customers. Multi-location research and delivery teams will be established in Beijing, Shanghai, Xiamen, Wuhan and Qingdao to facilitate proximate delivery of more cost-effective products and solutions to customers. A nationwide customer service system will be gradually established to improve customer support and ensure continuous customer satisfaction. Meanwhile, the software products and solutions with proven applicability and cross-selling value which are developed based on the strategic customers who are leading in business and management, will further cement the strategic partnership with these customers effectively.

Ongoing innovation, which is reflected by software products for IT companies, is essential for corporate survival. The Target Company will adhere to the product-oriented philosophy to constantly increase its investment in product development. In the future, the Target Company will put more efforts on the supervision information technology, digitalised disciplinary inspection and supervisory platform, big data and corporate mobile financial service application to introduce more innovative products and solutions, as well as maintaining its product leadership and uniqueness in the fields with established strengths.

Lastly, the Target Company expects to uplift its corporate image and sustain the partnership through a multi-channel public communication mechanism, and employ a variety of means to strengthen its teambuilding.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The unaudited pro forma financial information of Capinfo Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") and 廈門融通信息技術有限責任公司 Xiamen Ritoinfo Technology Company Limited* (the "**Target Company**") (together with the Group, hereinafter referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**") has been prepared to illustrate the effect of the proposed acquisition of the entire equity interest ("**Sale Interests**") in the Target Company (the "**Acquisition**"). The settlement and basis of calculation of consideration are detailed in page 8 in this Circular headed "Consideration".

Pursuant to the Share Transfer Agreement dated 21 July 2014, the Company, has conditionally agreed to acquire the entire equity interest of the Target Company which will be satisfied by cash consideration of RMB305 millions with adjustments based on the audited net profit after tax excluding extraordinary items of the Target Company for the year ending 31 December 2014, two years ending 31 December 2015 and three years ending 31 December 2016 respectively ("**Phase I Transfer**"/"**Phase II Transfer**"/"**Phase III Transfer**").

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Unaudited Pro Forma Financial Information have been prepared by the directors of the Company for illustrative purposes only and because of their hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 28 February 2014 or any future dates.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Company as at 31 December 2013, which has been extracted from the published annual report of the Company for the year ended 31 December 2013 and the audited statement of financial position of the Target Company as at 28 February 2014 as extracted from the accountants' report set out in Appendix II of this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the acquisition had been completed on 28 February 2014.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I of this circular, historical financial information of the Target Company as set out in Appendix II of the circular and other financial information included elsewhere in the circular.

	The Group as at 31 December 2013	The Target Group as at 28 February 2014	Sub-total	Pro forma adjustments	Notes	The Enlarged Group as if the Acquisition has been completed as at 28 February 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(Note 1)	*(Note 2)*				
Non-current assets						
Property, plant and equipment	165,451	599	166,050	49	*6*	166,099
Investment property	56,605	–	56,605	–		56,605
Goodwill	–	–	–	167,094	*4*	167,094
Intangible assets	14,537	8,627	23,164	15,186	*6*	38,350
Prepaid lease payments	39,707	–	39,707	–		39,707
Deposits paid on acquisition of property plant and equipment	2,505	–	2,505	–		2,505
Interests in associates	69,538	–	69,538	–		69,538
Available-for-sale investments	1,971	–	1,971	–		1,971
Trade receivables	89,533	–	89,533	–		89,533
Deferred tax assets	6,014	624	6,638	–		6,638
	445,861	9,850	455,711	182,329		638,040
Current assets						
Inventories	5,342	9,484	14,826	–		14,826
Prepaid lease payments	7,051	–	7,051	–		7,051
Trade and other receivables	197,434	37,835	235,269	–		235,269
Financial assets at fair value through profit or loss	–	12,000	12,000	–		12,000
Amount due from ultimate holding company	–	16,000	16,000	(16,000)	*5*	–
Amounts due from customers for contract works	68,125	–	68,125	–		68,125
Amounts due from related parties	10,021	–	10,021	–		10,021
Bank deposits	72,767	–	72,767	–		72,767
Bank balances and cash	365,372	1,838	367,210	(229,081)	*3,5*	138,129
	726,112	77,157	803,269	(245,081)		558,188

	The Group as at 31 December 2013 *RMB'000* *(Note 1)*	The Target Group as at 28 February 2014 *RMB'000* *(Note 2)*	Sub-total *RMB'000*	Pro forma adjustments *RMB'000*	*Notes*	The Enlarged Group as if acquisition has been completed as at 28 February 2014 *RMB'000*
Current liabilities						
Trade and other payables	227,724	16,921	244,645	1,165	7	245,810
Provision for warranty claims	–	1,136	1,136	–		1,136
Amounts due to related parties	1,004	–	1,004	–		1,004
Amount due to customers for contract works	107,591	–	107,591	–		107,591
Income tax payable	133	3,913	4,046	–		4,046
Loan from government	3,630	–	3,630	–		3,630
	340,082	21,970	362,052	1,165		363,217
Net current assets	386,030	55,187	441,217	(246,246)		194,971
Total assets less current liabilities	831,891	65,037	896,928	(63,917)		833,011
Non-current liability						
Deferred tax liability	–	–	–	2,285	6	2,285
	–	–	–	2,285		2,285
	831,891	65,037	896,928	(66,202)		830,726

Notes:

1. The carrying amounts of assets and liabilities are extracted from the audited consolidated statement of financial position of the Company as at 31 December 2013 included in the published annual report of the Company for the year ended 31 December 2013.

2. The carrying amounts of assets and liabilities are extracted from the audited statement of financial position of the Target Company as at 28 February 2014 included in the accountants' report of the Target Company, as set out in Appendix II of this circular.

3. The estimated fair value of the contingent consideration for the Acquisition as at 28 February 2014 approximately RMB245,081,000, represent a) the consideration with adjustments for acquiring of the entire equity interest of the Target Company with reference to the valuation carried out by Chung Tong Cheng which based on the audited net profit after tax excluding extraordinary items of the Target Company for the year ending 31 December 2014, two years ending 31 December 2015 and three years ending 31 December 2016 respectively, b) the contingent consideration for undertaking all of the individual vendors who are existing employees of the Target Company, to which they shall continue to be employed by the Target Company until 31 December 2018, and c) the contingent consideration for all of the vendors undertaking to the Company that after the completion of the Acquisition, they shall not compete with the Group for five years (the "**Non-competing Clause**") unless agreement with the Group. The details of the undertaking and Non-competing Clause are stated in this Circular headed "Undertaking from the Vendors". The fair value of contingent consideration for Phase I Transfer, Phase II Transfer and Phase III Transfer of approximately RMB142,945,000, RMB69,663,000 and RMB32,473,000 respectively, which included the fair value of the contingent consideration of the undertaken of individual vendors to continue be employed by the Target Company from completion of acquisition until 31 December 2018 and it is determined by 中通誠資產評估有限公司 Chung Tong Cheng Assets Valuation Company Limited* ("**Chung Tong Cheng**"), an independent professional valuer not connected to the Group. The fair value of such contingent consideration is arrived at adopting scenario analysis of each of the outcome based on estimation of the directors of the Target Company on probability of each possible outcomes and discounted into present value, and considering the turnover ratio of employment of Target Company based on historical trend. The possible outcomes on the Target Company is prepared by the directors of the Target Company after considering the audited financial result of the Target Company for the year ended 31 December 2011, 2012 and 2013 and two months ended 28 February 2014, existing and estimated available customer base resources. The assumption applied by the directors of the Company is the same as disclosure in Appendix V, page 93 of the Circular.

   The discount rate of 12.04% adopted by the Target Company for the possible outcomes representing the weighted average cost of capital of the Company, which stated in the valuation report issued by Chung Tong Cheng.

   The turnover ratio of employment of the Target Company is determined by Chung Tong Cheng by reference to the historical staff turnover rate of Target Company, which results in range of 0% to 0.3% on Individual Vendors from 2014 to 2018.

   In the opinion of the directors of the Company, the Non-competing Clause has no material effect to the unaudited pro forma financial information. The whole amount of contingent consideration is settled by cash as if the Acquisition had been completed on 28 February 2014.

* *English names are for identification purpose only*

The reporting accountants considered and concurred with basis and assumption adopted by the Target Company as stated in the valuation report by Chung Tong Cheng in accordance with applicable standards.

4. The identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". For the purpose of determining goodwill arising from the acquisition transaction in the Unaudited Pro Forma Financial Information, the identifiable assets and liabilities of the Target Company are recorded in the Unaudited Pro Forma Financial Information at their fair values as if the Acquisition was completed on 28 February 2014.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company have assessed whether the goodwill may be impaired as at 28 February 2014 on a pro forma basis in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and concluded that there is no impairment on the goodwill arising from the Acquisition as at 28 February 2014 as if the Acquisition was completed on the same date based on the management's assessment on the business plan to be executed and the recoverable amount of the cash generating unit comprising the goodwill with reference to valuation carried out by Chung Tong Cheng. The recoverable amount is arrived at using the present value of future operating free cash flow discounted into present value which disclosed in Appendix V, page 103 to 109 of the Circular. The actual amount of impairment of goodwill arising from Acquisition at the date of completion may be different from that presented above and the difference may be significant.

The calculation of goodwill arising from the Acquisition is calculated as follows:

	Carrying amount	**Fair value adjustment**		**Fair value**
	RMB'000	*RMB'000*	*Notes*	*RMB'000*
The Target Company				
Plant and equipment	599	49	*6*	648
Intangible assets	8,627	15,186	*6*	23,813
Deferred tax assets	624	–		624
Inventories	9,484	–		9,484
Trade and other receivables	37,835	–		37,835
Financial assets at fair value through profit or loss	12,000	–		12,000
Amount due from ultimate holding company	16,000	–		16,000
Bank balances and cash	1,838	–		1,838
Trade and other payables	(16,921)	–		(16,921)
Provision for warranty claims	(1,136)	–		(1,136)
Income tax payable	(3,913)	–		(3,913)
Deferred tax liability	–	(2,285)	*6*	(2,285)
Fair value of net identified assets and liabilities acquired				77,987

Goodwill arising on acquisition:

		RMB'000
Consideration transferred	*3*	245,081
Less: Fair value of net identified assets and liabilities acquired		(77,987)
Goodwill arising on acquisition		167,094

Upon completion, the fair value of the identified assets and liabilities of Target Company and contingent consideration will have to be reassessed. As a result the amount of goodwill may be different from that estimated as stated above for the purpose of the unaudited pro forma financial information.

5. The adjustment represented the settlement of outstanding loan by 廈門鋭泰隆投資發展有限公司 Xiamen Ruitailong Investment Development Company Limited* to the Target Company of RMB16,000,000 in accordance with the condition as stated in the Share Transfer Agreement.

6. The adjustments on intangible assets and plant and equipment of approximately RMB15,186,000 and RMB49,000 represents the excess of fair values of intangible assets of the internally generated computer software and plant and equipment respectively over their carrying amounts as at 28 February 2014. The corresponding deferred tax liability of approximately RMB2,285,000 is charged at the People's Republic of China enterprise income tax with concessionary tax rate of 15% due to the Target Company was recognised as a High Technology Enterprise. The directors of the Company noted that the basis on the cash consideration is not determined by income approach as disclosed in section "Consideration" headed "Letter from the Board" in this circular and the valuation of intangible assets is not covered by the appraisal report on the value of the entire shareholders' equity of Target Company as stated in Appendix V. The intangible assets represent certain identifiable self-developed computer software. The Target Company is the copyright owner for all software. All computer software are protected by Copyright Law of The People's Republic of China. The fair value of the intangible assets as at 28 February 2014 was determined with reference to the valuation carried out by Chung Tong Cheng which based on present value of expected cash flow forecast provided by the Target Company. Chung Tong Cheng considered in the valuation report that cost approach is not reliable as it is not appropriate to justify the fair value of intangible assets which mainly caused by the creativity and competency of labour cost. Market approach is also not considered appropriate by Chung Tong Cheng as it is not applicable to identify similar market transaction for trading of specific intangible assets in public market. As a result, income approach is adopted and considered as most appropriate by using the expected cash flow from the intangible assets during the useful life of each intangible asset and discounted by average of pre-tax weighted average cost of capital of certain market comparable companies. The fair value of plant and equipment is determined by cost replacement approach with reference to valuation carried out by Chung Tong Cheng as at 28 February 2014.

   The directors of the Company have reviewed the carrying values of the intangible assets of the Enlarged Group taking into account the independent valuation report. Based on the valuation report, the directors of the Company are of the opinion that there are no indications that the values of the intangible assets of the Enlarged Group may be impaired as at 28 February 2014.

7. The adjustment represented the estimated legal and professional fee of approximately RMB1,165,000 in relation to the Acquisition.

8. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 28 February 2014. Unless otherwise stated, the above adjustments do not have a continuing impact on the Enlarged Group's financial statements in subsequent years.

* *English name is for identification purpose only*

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

25 August 2014

The Board of Directors
Capinfo Company Limited
No. 11 Xi San Huan Zhong Road,
Haidian District, Beijing 100036,
People's Republic of China

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Capinfo Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 28 February 2014, and related notes as set out on pages 68 to 73 of the investment circular in connection with the proposed acquisition (the "**Acquisition**") of the entire equity interest of Xiamen Ritoinfo Technology Company Limited* 廈門融通信息技術有限責任公司 (the "**Target Company**") (together with the Group hereinafter referred to as the "**Enlarged Group**") issued by the Company dated 25 August 2014 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on Appendix IV of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2013 as if the Acquisition had taken place at 28 February 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the year ended 31 December 2013, on which an independent auditor's report has been published.

* *The English name is for identification purpose only.*

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 28 February 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
25 August 2014

SUMMARY

I. ECONOMIC BEHAVIOUR CORRESPONDING TO THIS APPRAISAL

The economic behaviour corresponding to this appraisal is the proposed strategic acquisition by CAPINFO COMPANY LIMITED of Xiamen Ritoinfo Technology Company Limited.

II. PURPOSE OF APPRAISAL

As CAPINFO COMPANY LIMITED proposes to strategically acquire Xiamen Ritoinfo Technology Company Limited, the purpose of this appraisal is to provide a reference for the principal to determine the value of the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited.

Such economic behaviour has been approved by way of a resolution at the 27th meeting of the 5th Board of CAPINFO COMPANY LIMITED.

III. SUBJECT AND SCOPE OF APPRAISAL

The subject and scope of this appraisal commissioned are consistent with those involved in the appraisal of the economic behaviour.

The subject of this appraisal is the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited.

The scope of this appraisal includes all assets and liabilities on the balance sheet declared by Xiamen Ritoinfo Technology Company Limited as at the appraisal base date. The corresponding accounting statements within the appraisal scope have been audited by ShineWing Certified Public Accountants LLP which subsequently issued an unqualified auditor's report (XYZH/2013A2052) on 25 June 2014. Details of which are set forth in the following table:

Unit: RMB

	Items	**Carrying amount**
1	Current assets	77,156,402.96
2	Non-current assets	9,849,867.84
3	Among which: Fixed assets	599,514.81
4	Intangible assets	5,869,953.90
5	Development expenses	2,756,455.24
6	Deferred income tax assets	623,943.89
7	**Total assets**	87,006,270.80
8	Current liabilities	21,969,723.74
9	**Total liabilities**	21,969,723.74
10	**Net assets (Owners' equity)**	65,036,547.06

IV. VALUE TYPE

Market value.

V. APPRAISAL BASE DATE

28 February 2014.

VI. APPRAISAL METHODS

Market approach and income approach have been adopted for this appraisal, and the appraisal conclusion is arrived at using the market approach.

VII. APPRAISAL CONCLUSIONS AND THE VALID PERIOD THEREOF

As at the appraisal base date (being 28 February 2014), the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited were valued at RMB307,768,600.

The appraisal conclusion disclosed in the appraisal report shall be valid for one year from the appraisal base date (being 28 February 2014) to 27 February 2015.

VIII. SPECIAL MATTERS AFFECTING THE CONCLUSIONS OF THIS APPRAISAL

None.

This summary is extracted from the text of the appraisal report. For details of this appraisal project and reasonable understanding of the appraisal conclusions, please read the full text of the appraisal report and pay special attention to the section headed "Description of Special Matters".

APPRAISAL REPORT ON THE PROPOSED STRATEGIC ACQUISITION BY CAPINFO COMPANY LIMITED OF THE ENTIRE EQUITY OF XIAMEN RITOINFO TECHNOLOGY COMPANY LIMITED

Zhong Tong Ping Bao Zi [2014] No. 213

To CAPINFO COMPANY LIMITED:

As commissioned by the Company, China Tong Cheng Assets Appraisal Co. Ltd. has conducted the appraisal of the market value of the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited, proposed to be strategically acquired by the Company, as at the appraisal base date (being 28 February 2014) using both market approach and income approach in accordance with necessary appraisal procedures under relevant laws, regulations, asset appraisal standards and asset appraisal principles. The assets appraisal is hereby reported as follows:

I. THE PRINCIPAL, THE APPRAISED ENTITY AND ANY OTHER APPRAISAL REPORT USERS OTHER THAN THE PRINCIPAL

(I) Principal

1. Basic information

Name:	CAPINFO COMPANY LIMITED
Company type:	Other Joint-Stock Limited Liability Company (Listed)
Address:	No. 11, West 3rd Ring Middle Road, Haidian District, Beijing (North Door, Ground Floor, Beijing Central Tower)
Legal representative:	Wang Xu
Registered capital:	RMB289,808,609
Scope of business:	provision of information resources services; e-commerce services; technical development, consultancy, services and training with respect to network interconnection, computer equipment, software and hardware products as well as communication software and hardware products; information and network system integration and proxy services; sales of computers and peripheral equipment; directly trading in or acting as consignee in importation and exportation of goods and technologies (other than those restricted by the State or prohibited for import and export); professional contracting.

2. Corporate History and Profile

Established in January 1998, CAPINFO COMPANY LIMITED is a state-owned IT service provider which has been listed on the main board of the Hong Kong Stock Exchange (stock code: 1075) since January 2011.

As a famous "digital city operator" and "smart city service provider", CAPINFO COMPANY LIMITED has, through its time-tested and professional IT service capability and high level of social responsibility developed for more than a decade, implemented the BOT/BOO mode in an innovative manner by contracting numerous key information technology infrastructure projects and major information technology application projects including Medical Insurance Information System of Beijing Municipal, Social Security Card System of Beijing Municipal, Wireless Internet of Things of Beijing Municipal, "Beijing-China" website, community public service platform of Beijing Municipal, E-Government Cloud Platform of Beijing Municipal, Housing Fund System of Beijing Municipal and the Management System for Parking on Roadsides, thereby having become a new model enterprise in practicing urban information technology construction mode.

Looking forward, CAPINFO COMPANY LIMITED will continue to adhere to its corporate mission "to create reliable online business environment and provide quality network application services" and its corporate vision of being "a leader in providing information technology services to enhance customers' value and an innovator in integration and application of information resources", and to develop its core competitive strength by focusing its efforts on high-end IT business sectors including cloud computing, Internet of Things, medical and healthcare information technology and Big Data.

(II) Appraised Entity

1. Basic information

Name:	Xiamen Ritoinfo Technology Company Limited
Address:	Flat 218, Building A, Part 1 of Taiwan Street 289, Jiangtou, Huli District, Xiamen City
Name of legal representative:	Zhang Xiansheng
Registered capital:	RMB20,000,000
Paid-in capital:	RMB20,000,000
Company type:	Limited Liability Company (Invested or controlled by a natural person)

Scope of business: 1. research and development of computer information technology; 2. development of computer software, integration of computer systems and relevant technical consultancy, technical training and technical services; 3. design and installation of intelligent engineering; 4. sales of products and accessories related to the above businesses. (The above scope shall be subject to the approval from relevant departments before the commencement of business where any licensed business item is involved.)

2. Corporate History and Profile

Established in June 2011, Xiamen Ritoinfo Technology Company Limited is mainly engaged in information technology of the tobacco industry, information technology of finance companies under the group and the security business. The company currently has nearly 300 employees and is headquartered in Xiamen, with branches and offices established in Beijing, Shanghai, Wuhan and Qingdao, and local service outlets covering all capital cities across the PRC. Currently, the company has passed ISO9001 and CMMI3 certifications and obtained technology and trade qualifications. The company has also been recognized as a software enterprise in possession of various copyrights of software products.

The current business of Xiamen Ritoinfo Technology Company Limited comprises of three segments: i) provision of information technology services for the tobacco industry, including funds monitoring systems, construction supervision systems, quality control systems as well as policies and regulations management platform; ii) provision of information technology systems for finance companies under the group; and iii) the security business. The above business segments contributed approximately 80%, 15% and 5% of the total revenue of the company, respectively. The company's revenue from software accounted for more than 90%.

Since its inception in June 2011, the establishment, capital increase and change of shareholding of Xiamen Ritoinfo Technology Company Limited are as follows:

Xiamen Ritoinfo Technology Company Limited was jointly established by Li Qianwen and Fu Minghong on 3 June 2011 with a registered capital of RMB20,000,000, of which RMB4,000,000, being the 1st tranche of the registered capital (paid-up capital), was contributed by Li Qianwen, a shareholder, in cash. On 8 June 2011, Xiamen Chuhan Zhengzhong Certified Public Accountants Co., Ltd. (廈門楚瀚正中會計師事務所有限公司) issued a capital verification report (Xia Chu Zheng Hui Yan Zi [2011] No.082) in respect of the above-mentioned capital contribution. On 10 June 2011, Xiamen Administration of

Industry and Commerce issued the *Business License For the Enterprise Legal Person* (《企業法人營業執照》) to the company. The amounts contributed by each shareholder and the percentages thereof when the company was established are as follows:

Name of shareholder	**Committed capital contribution** *(RMB ten thousand)*	**Paid-in capital** *(RMB ten thousand)*	**Outstanding capital** *(RMB ten thousand)*	**Percentage of contribution**
Li Qianwen	1,200.00	400.00	800.00	20.00%
Fu Minghong	800.00	0.00	800.00	0.00%
Total	2,000.00	400.00	1,600.00	20.00%

Transfer of equity interest

On 24 October 2011, pursuant to a resolution passed at the general meeting of Xiamen Ritoinfo Technology Company Limited, Li Qianwen transferred 60% of the equity interest that she held in Xiamen Ritoinfo Technology Company Limited and her paid-in capital of RMB4,000,000 to Xiamen Ruitailong Investment and Development Company Limited (廈門瑞泰隆投資發展有限公司). Upon completion of this transfer of equity interest, the amounts contributed by each shareholder and the percentages thereof are as follows:

Name of shareholder	**Committed capital contribution** *(RMB ten thousand)*	**Paid-in capital** *(RMB ten thousand)*	**Outstanding capital** *(RMB ten thousand)*	**Percentage of contribution**
Xiamen Ruitailong Investment and Development Company Limited (廈門瑞泰隆投資發展有限公司)	1,200.00	400.00	800.00	20.00%
Fu Minghong	800.00	0.00	800.00	0.00%
Total	2,000.00	400.00	1,600.00	20.00%

Payment of 2nd tranche of committed capital contribution

On 7 March 2012, certain shareholder of the company paid the 2nd tranche of committed capital contribution, primarily represented by the capital contribution of RMB8,000,000 made by Xiamen Ruitailong Investment and Development Company Limited (廈門瑞泰隆投資發展有限公司), a shareholder, in cash. On 7 March 2012, Xiamen Hongzheng Certified Public Accountants Co., Ltd. (廈門泓正會計師事務所有限公司) issued a capital verification report (Xia Hong Zheng Suo Yan YZ Zi (2012) No.0076) in respect of the above-mentioned capital contribution. Upon completion of this capital contribution, the amounts contributed by each shareholder and the percentages thereof are as follows:

Name of shareholder	Committed capital contribution *(RMB ten thousand)*	Paid-in capital *(RMB ten thousand)*	Outstanding capital *(RMB ten thousand)*	Percentage of contribution
Xiamen Ruitailong Investment and Development Company Limited (廈門瑞泰隆投資發展有限公司)	1,200.00	1,200.00	0.00	60.00%
Fu Minghong	800.00	0.00	800.00	0.00%
Total	2,000.00	1,200.00	800.00	60.00%

Payment of 3rd tranche of committed capital contribution

On 5 June 2013, certain shareholder of Xiamen Ritoinfo Technology Company Limited paid the 3rd tranche of committed capital contribution, primarily represented by the capital contribution of RMB8,000,000 made by Fu Minghong, a shareholder, in cash. On 5 June 2013, Fujian Zhonghao Certified Public Accountants Co., Ltd. (福建中浩會計師事務所) issued a capital verification report (Fu Zhong Hao Nei Yan Zi (2013) No. LY118) in respect of the above-mentioned capital contribution. Upon completion of this capital contribution, the amounts contributed by each shareholder and the percentages thereof are as follows:

Name of shareholder	Committed capital contribution *(RMB ten thousand)*	Paid-in capital *(RMB ten thousand)*	Outstanding capital *(RMB ten thousand)*	Percentage of contribution
Xiamen Ruitailong Investment and Development Company Limited (廈門瑞泰隆投資發展有限公司)	1,200.00	1,200.00	0.00	60.00%
Fu Minghong	800.00	800.00	0.00	40.00%
Total	2,000.00	2,000.00	0.00	100.00%

On 6 June 2013, Xiamen Administration of Industry and Commerce issued the updated *Business License For the Enterprise Legal Person* (《企業法人營業執照》) to Xiamen Ritoinfo Technology Company Limited.

Upon completion of this capital contribution, the registered capital of Xiamen Ritoinfo Technology Company Limited had been fully paid without any outstanding capital contribution. The amounts contributed by each shareholder and the percentages thereof are shown in the above table.

3. Assets, financial position, liabilities and operating results of the company for the past three years

The carrying amounts of total assets, liabilities and net assets of Xiamen Ritoinfo Technology Company Limited included in the appraisal scope were RMB87,006,270.80, RMB21,969,723.74 and RMB65,036,547.06, respectively. The company's operating income and net profit were RMB12,071,914.67 and RMB2,881,233.32 for June to December 2011, RMB62,645,970.24 and RMB18,370,960.93 for January to December 2012, RMB86,329,319.78 and RMB25,794,472.24 for January to December 2013, and RMB4,941,740.41 and RMB-2,010,119.43 for January to February 2014, respectively. The company's financial position for 2011 to February 2014 is set forth in the table below.

Unit: RMB

Item	**2011**	**2012**	**2013**	**February 2014**
Total assets	25,954,606.22	73,727,754.29	93,339,412.31	87,006,270.80
Total fixed assets	1,409.72	785,070.21	629,058.07	599,514.81
Total liabilities	19,073,372.90	40,475,560.04	26,292,745.82	21,969,723.74
Net assets	6,881,233.32	33,252,194.25	67,046,666.49	65,036,547.06
Operating income	12,071,914.67	62,645,970.24	86,329,319.78	4,941,740.41
Total profit	3,139,243.29	18,184,484.81	29,611,013.80	-2,137,103.62
Net profit	2,881,233.32	18,370,960.93	25,794,472.24	-2,010,119.43

The corresponding financial statements within the appraisal scope have been audited by ShineWing Certified Public Accountants LLP which subsequently issued an unqualified auditor's report (XYZH/2013A2052) on 25 June 2014.

(III) Other users of this appraisal report

Save for the principal, the appraised entity and the users of this appraisal report as stipulated in state laws and regulations, no other parties are authorised to use this appraisal report as specified in the engagement letter. Therefore, users of this appraisal report only include the principal, the appraised entity and the users of this appraisal report as stipulated in state laws and regulations.

II. PURPOSE OF APPRAISAL

As CAPINFO COMPANY LIMITED proposes to strategically acquire the equity interests of Xiamen Ritoinfo Technology Company Limited, the purpose of this appraisal is to provide a reference for the principal to determine the value of the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited.

Such economic behaviour has been approved by way of a resolution at the 27th meeting of the 5th Board of CAPINFO COMPANY LIMITED.

III. SUBJECT AND SCOPE OF APPRAISAL

The subject and scope of appraisal commissioned are consistent with those involved in the appraisal of the economic behaviour.

The subject of this appraisal is the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited.

The scope of this appraisal includes all assets and liabilities on and off the balance sheet declared by Xiamen Ritoinfo Technology Company Limited as at the appraisal base date. The corresponding accounting statements within the appraisal scope have been audited by ShineWing Certified Public Accountants LLP which subsequently issued an unqualified auditor's report (XYZH/2013A2052) on 25 June 2014. The details are set forth in the following table:

Unit: RMB

	Items	**Carrying amount**
1	Current assets	77,156,402.96
2	Non-current assets	9,849,867.84
3	Among which: Fixed assets	599,514.81
4	Intangible assets	5,869,953.90
5	Development expenses	2,756,455.24
6	Deferred income tax assets	623,943.89
7	**Total assets**	87,006,270.80
8	Current liabilities	21,969,723.74
9	**Total liabilities**	21,969,723.74
10	**Net assets (Owners' equity)**	65,036,547.06

The appraisers have conducted a thorough check and verification on the carrying amount, actual quantity, asset formation and usage as well as the ownership of the above-mentioned assets and liabilities in cooperation with the principal and the appraised entity in accordance with the national regulations for assets appraisal, and has examined the significant events that may affect the asset appraisal.

IV. VALUE TYPES AND DEFINITION

Value types that can be adopted in an appraisal include market value and various value types other than market value. Value types other than market value typically include, but not limited to, investment value, value in use, liquidation value and residual value. Market value has been adopted as the value type in this appraisal after taking consideration of the appraisal purpose, market conditions as well as the conditions of the appraisal subject.

Market value refers to the estimated value of a subject asset being transferred in a normal and fair transaction made on the appraisal base date between a voluntary buyer and a voluntary seller who are acting with reason and are not under any compulsion.

V. APPRAISAL BASE DATE

The appraisal base date hereof is 28 February 2014.

In determining the appraisal base date, the principal mainly considered the time required for completion of the economic behaviour. A date matching the end of an accounting period was then picked for determination of the specific appraisal scope and accurate and efficient assessment of assets.

VI. APPRAISAL BASIS

(I) Basis of Economic Behaviour

1. Resolution of 27th Meeting of the 5th Board of CAPINFO COMPANY LIMITED.

(II) Basis of Laws and Regulations

1. The Company Law (Presidential Order No. 42 of the People's Republic of China);

2. The Securities Law (Presidential Order No. 43 of the People's Republic of China);

3. Administrative Measures for State-Owned Assets Assessment (State Council Order No. 91);

4. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36);

5. Interim Measures for the Supervision and Administration of State-Owned Assets of the Enterprises (State Council Order No. 378);

6. Opinions on Reforming the Executive Administration on State-Owned Asset Appraisal and Strengthening the Regulatory Work on Asset Appraisal (Guo Ban Fa [2001] No. 102);

7. Interim Measures for the Administration of Assessment of State-Owned Assets of Enterprises (Order of the State-owned Assets Supervision and Administration Commission of the State Council No. 12);

8. Several Issues Concerning the Administration of State-Owned Asset Appraisal Provisions (Ministry of Finance Order No. 14);

9. Interim Measures for the Administration of Transfer of State-Owned Equity Interests of Enterprises (Order of the State-owned Assets Supervision and Administration Commission and the Ministry of Finance of the State Council No. 3);

10. Notice on Issues Related to the Strengthening of the Administration of Appraisal of State-Owned Assets (Guo Zi Wei Chan Quan [2006] No. 274).

(III) Basis of Appraisal Standards

1. Standards for Asset Appraisal – Basic Standards and Standards of Assets Evaluation Professional Ethics – Basic Standards (Cai Qi [2004] No. 20);

2. Guiding Opinions for Certified Asset Appraiser on Legal Ownership of Subject under Appraisal (Kuai Xie [2003] No. 18);

3. Standards for Asset Appraisal – Enterprise Value (Zhong Ping Xie [2011] No. 227);

4. Seven standards for asset appraisal including the Standards for Asset Appraisal – Appraisal Report (Zhong Ping Xie [2007] No. 189);

5. Guidelines for Appraisal Report of State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218);

6. Guidelines on Business Quality Control of Appraisal Agencies (Zhong Ping Xie [2010] No. 214);

7. Notice of China Appraisal Society on Revising the Appraisal Report Standards in Relation to Signature Terms (Zhong Ping Xie [2011] No. 230);

8. Standards of Assets Evaluation Professional Ethics – Independence (Zhong Ping Xie [2012] No. 248);

9. Standards for Asset Appraisal -Using the Work of An Expert (Zhong Ping Xie [2012] No. 244).

(IV) Basis of Ownership

1. Invoices of certain equipment provided by the appraised entity;

2. Relevant vehicle licenses;

3. Relevant software copyright certificates.

(V) Basis of Pricing

1. Latest Handbook of Commonly Used Data and Parameters in Asset Appraisal (2012 version);

2. Latest deposit and lending rates for financial institutions announced by the People's Bank of China;

3. Inquiry for quotation, reference materials and other information collected by the appraisal firm;

4. Relevant information available on Genius Information Terminal (巨靈資訊終端);

5. Records of on-site investigations;

6. Information on profit forecast provided by the appraised entity;

7. Other information provided by the appraised entity.

VII. APPRAISAL METHODS

(I) Selection of appraisal methods

In accordance with the Standards for Asset Appraisal – Enterprise Value (Zhong Ping Xie [2011] No. 227), certified asset appraisers engaged in the appraisal of enterprise value shall select one or more basic asset appraisal approaches by analysing the applicability of the three basic approaches of asset appraisal, namely, income approach, market approach and asset-based approach, in light of relevant conditions such as the appraisal purpose, appraisal subject, appraisal type and information collection.

Pursuant to the Notice on Issues Related to the Strengthening of the Administration of Appraisal of State-Owned Assets (Guo Zi Wei Chan Quan [2006] No.274), an appraisal of assets in relation to enterprise value which is conducted on the basis of on-going operation, two or more methods shall be adopted in principle and presented in the appraisal report. Following comprehensive analysis based on the actual circumstances, the appraiser shall consider the conclusions being drawn by using different methods and adopt only one of them as the conclusion of the appraisal report.

After careful examination and in view of the appraisal purpose and the characteristics of the appraisal subject, and given that the subject assets of the appraised entity are in proportion to its operating income and such proportion is quantifiable, and that future income can be estimated, the appraisers have decided to employ the income approach for this appraisal.

As the appraised entity is engaged in the IT services sector which is relatively active in the current capital market, there are a number of listed peers in the capital market. Therefore, information including comparable indicators and parameters of comparable companies can be collected and quantified, thus satisfying the conditions to adopt the market comparison approach.

As such, both the market approach and the income approach have been employed for this appraisal.

(II) Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method which compares the appraisal subject with comparable listed companies or comparable transaction cases so as to determine the value of the appraisal subject. Two common methods used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method seeks to compare and analyse the appropriate value ratio or economic indicator calculated by analysing the operating and financial data of the companies listed in the capital market and operated in the same or similar industry as the appraised entity with that of the appraised entity so as to determine the value of the appraisal subject.

The transaction case comparison method refers to the method which analyses the purchase and sale, acquisition and merger cases of companies in the industry that is the same as or similar to that of the appraised entity and obtains and analyses the data of these transaction cases to calculate an appropriate value ratio or economic indicator so as to determine the value of the appraisal subject based on the comparison and analysis of the appraised entity.

As comparable transaction cases are difficult to collect and it is unclear whether there are factors not related to market value in such cases, it is inappropriate to adopt the transaction case comparison method. In view of the relatively transparent and objective nature of the operating and financial data of comparable listed companies, the listed company comparison method enjoys better operability. In addition, taking into account the appraisal subject, appraisal purpose and information collected by the appraisers for assets appraisal, the listed company comparison method has been adopted.

The listed company comparison method of market approach seeks to determine the fair market value of the appraised entity by comparing the fair market value of a listed company operating in the same industry as the appraised entity. Typically, a listed company which operates in the same industry as the appraised entity and whose shares are actively traded is firstly selected as the comparable company, then the market value of the comparable company will be calculated based on the share price of the company concerned. Meanwhile, one or more income, asset or special parameter(s) of the comparable company, such as EBIT and EBITDA, will be selected as the "analysis parameter(s)". Lastly, calculation is made regarding the proportionate relation between the market value of the comparable company and the corresponding analysis parameter(s), which is known as the "value multiplies". The above value multiplies will be applied to the analysis parameters of the appraised entity to determine the market value of the appraisal subject.

We may obtain the value multiples of income category and assets category by calculating the market value and analysis parameters of the comparable company. The market value of the appraised entity is derived from the following steps of calculation: firstly, make corrections to the relevant value multiples of each comparable company using the method of corrections to value multiple coefficients; secondly, estimate the value multiples of the appraised entity by using an appropriate method after comprehensive analysis; lastly, select one or more of these value multiples of the appraised entity and apply the same to the appraised entity, namely:

Market value of the appraised entity = Selected value multiples of the appraised entity × Corresponding indicators of the appraised entity

Final appraised value of equity = (Value multiples of full investment × Corresponding parameters of the appraised entity – Interest-bearing debts +/- adjustment to retained amount of working capital) × (1 – Discount for lack of liquidity) × (1 + Premium rate of control) + Net non-operating and surplus assets

OR:

Final appraised value of equity = (Value multiples of equity investment × Corresponding parameters of the appraised entity +/- adjustment to retained amount of working capital) × (1 – Discount for lack of liquidity) × (1 + Premium rate of control) + Net non-operating and surplus assets

Basic steps for overall appraisal using the listed company comparison method are as follows:

1. Collect information on listed companies and select comparable companies;
2. Collect, analyse and make adjustments to the data contained in the financial reports of the comparable companies;
3. Select and calculate the value multiples of the comparable companies;
4. Make adjustments and corrections to the value multiples of the comparable companies;
5. Derive a value multiple from the value multiples of the comparable companies and use the same as the value multiple of the appraised entity;
6. Estimate relevant parameters of the appraised entity, calculate the corresponding appraisal results of each value multiple, and select the appraisal result which is deemed to be the most reasonable as the preliminary appraisal conclusion;
7. Consider whether it is necessary to make discount/premium adjustments;
8. Add back net non-operating assets and net surplus assets, and reach the final conclusions of the appraisal.

(III) Income approach

The income approach refers to the appraisal method used in determining the value of the appraised entity by capitalizing or discounting the expected income. The income approach normally includes the dividend discount method and the discounted cash flow method.

The discount model of the Free Cash Flow of Firm (FCFF) of the Discounted Cash Flow method has been adopted for the appraisal. Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the value of the entire shareholders' equity is arrived at by subtracting the value of interest-bearing debts from the overall assets value of the entity (calculated by using the operating asset value (being the sum of the expected FCFF for each of the coming years) plus the value of the surplus assets and non-operating assets). The basic formula is as follows:

Value of the entire shareholders' equity = Value of operating assets – Value of interest-bearing debts + Value of non-operating assets – Value of non-operating liabilities + Value of surplus assets

The calculation formula of the income approach is as follows:

$$P = P' + A' - D' - D$$

$$P' = \sum_{i=0.83}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r} \times \frac{1}{(1+r)^n}$$

Wherein:

P – the appraisal value of the entire shareholders' equity in the appraised entity

P' – the discounted value of the entire revenue of firm

D – the interest-bearing debts of the appraised entity

A' – non-operating assets and surplus assets

D' – non-operating liabilities

R_i – the expected income generated during No. i income period in the future (FCFF)

i – the income period, i=0.83, 1.83, 2.83, ..., n

r – the discount rate

VIII. IMPLEMENTATION PROCESS AND CONDITIONS OF THE APPRAISAL PROCEDURES

(I) Acceptance of commission

We entered into an engagement letter with the principal on the appraisal purpose, appraisal subject and scope, appraisal base date and other basic matters after comprehensive analysis of the professional competence and independence as well as evaluation of business risks based on the knowledge to the assets commissioned for appraisal upon communications with the principal. Specifically, based on the actual conditions, we have determined the appraisal value type, developed an understanding of the appraisal assumptions and limitations that may affect the evaluation business and conclusions, formulated the appraisal plan and established the appraisal project team.

(II) Asset verification

We have instructed the appraised entity to carry out an asset inventory check and prepare the information for appraisal, based on which we have verified the assets that are within the scope of this appraisal. We have also carried out due inspection to verify the information on legal ownership, and reviewed, audited and verified the information obtained and collected for this appraisal.

(III) Appraisal estimates

The appropriate appraisal approach has been identified based on the appraisal subject, value type, information collected and other relevant conditions. In combination with the appraisal information at hand, we have carried out market research, collected relevant market information and determined the appraisal basis to make relevant appraisal estimates.

(IV) Issue of report

The appraisal conclusion has been arrived at after aggregating, reviewing, analysing, judging and improving the appraisal results. We have prepared the appraisal report, and issued the formal report after necessary communications with the principal and related parties in relation to the relevant contents in the appraisal report upon internal audit.

IX. ASSUMPTIONS OF APPRAISAL

This appraisal report and the appraisal conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transaction assumption. Under the transaction assumption, it is assumed that all assets to be appraised are already in the process of transaction, and the appraiser carries out an appraisal based on the transaction conditions of the assets to be appraised in a simulated market.

2. Open market assumption. Under the open market assumption, it is assumed that the assets to be appraised can be transacted in the open market to realize its market value. The market value of assets is subject to the market mechanisms and depends on the market quotation rather than an individual transaction. Open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have the opportunities and time to gain sufficient market information, whereby the transaction is conducted on a willing, rational (rather than forced or unrestricted) basis on either buyer or seller.

3. In-use and continue-to-use assumption. Under the in-use and continue-to-use assumption, it is assumed that the appraised assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. It is assumed that there will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the State, and there will be no significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located.

2. It is assumed that the appraised entity is a going concern.

3. It is assumed that the operators of the company exercise due diligence and the management of the company are competent in discharging their duties.

4. Unless otherwise stated, it is assumed that the company is in full compliance with all relevant laws and regulations.

5. It is assumed that the accounting policies to be adopted by the company in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that the same current orientation in the business scope and business model of the company will remain on the basis of its existing management approach and standards.

7. It is assumed that there will be no material changes in the interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that no other force majeure and unpredictable factors will have a material adverse effect on the entity.

According to the requirements of the asset appraisal, these assumptions are deemed to be valid on the appraisal base date. We will not accept any responsibility for any different appraisal conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

X. APPRAISAL CONCLUSION

(I) Appraisal Conclusion

1. Appraisal results based on the market approach

The appraisal conclusion has been arrived at based on the above-mentioned appraisal work. As at the appraisal base date (being 28 February 2014), the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited was valued at RMB307,768,600.

2. Appraisal results based on the income approach

The appraisal conclusion has been arrived at based on the above-mentioned appraisal work. As at the appraisal base date (being 28 February 2014), the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited was valued at RMB310,846,700.

(II) Differences Between the Two Types of Appraisal Results and Reasons Thereof

The difference in entire shareholders' equity between the two types of appraisal results is shown in the table below:

Unit: RMB ten thousand

Appraisal Method	Carrying value of entire shareholders' equity	Appraised value of entire shareholders' equity	Amount of appreciation	Rate of appreciation
Market approach	**6,503.65**	**30,776.86**	**24,273.21**	**373.22%**
Income approach		**31,084.67**	**24,581.02**	**377.96%**
	Difference	**-307.81**		

The difference in appraisal conclusion between the two types of appraisal results is principally attributable to the fact that: the market approach can better reflect the market fair value of the subject of appraisal as at the appraisal base date as it is based on the realistic value of market reference items of the appraised entity, the data and information required for the relevant appraisal are directly from the market, and the relevant information on which it is based is the latest published historical information of listed companies; while the income approach is based on the expected return of assets and reflects the output capacity of the assets (i.e. profitability), which is usually affected by various factors including macro economy, government control and effective use of assets.

(III) Final Appraisal Conclusion

Although the operating results of the appraised entity are currently acceptable, there are significant uncertainties in its future expected revenue due to the currently unprecedented fierce competition in the software industry and the great impact of the government's macroeconomic policies on the software research direction of the appraised entity. The market approach can better reflect the market fair value of the subject of appraisal as at the appraisal base date as it is based on the realistic value of market reference items of the appraised entity, the data and information required for the relevant appraisal are directly from the market, and the relevant information on which it is based is the latest published historical information of listed companies. In the context of the uncertainties in the current macroeconomic policies, the appraisal results based on the income approach are not as convincing as those based on the market approach. Therefore, after weighing the appraisal results based on both approaches, we believe that the market approach better reflects the market value of Xiamen Ritoinfo Technology Company Limited. As such, we have used the appraisal results based on the market approach as our final appraisal conclusion. Hence, our final appraisal conclusion is as follows:

As at the appraisal base date, being 28 February 2014, the entire shareholders' equity of Xiamen Ritoinfo Technology Company Limited was valued at RMB307,768,600.

XI. DESCRIPTION OF SPECIAL MATTERS

None.

XII. RESTRICTIONS ON THE USE OF THIS APPRAISAL REPORT

(I) This appraisal report is only to be used for the objectives and purposes as stated herein.

(II) This appraisal report is only to be used by the users as stated herein.

(III) Before all or any part of the contents of this appraisal report is extracted, quoted or disclosed to the public media, the relevant contents shall be reviewed by the appraisal firm, unless required by laws and regulations or otherwise agreed by the relevant parties.

(IV) The appraisal conclusion drawn in this appraisal report shall be effective for one year from the appraisal base date (being 28 February 2014) to 27 February 2015.

XIII. DATE OF THIS APPRAISAL REPORT

This appraisal report is dated 21 July 2014.

Legal representatives (or authorized representatives) of the appraisal firm: Pan Yu

Certified asset appraiser: Tao Tao

Certified asset appraiser: Zhang Rui

21 July 2014

BRIEF DESCRIPTION OF THE APPRAISAL METHODS

(I) MARKET APPROACH

1. Preconditions for application of the market approach

(1) There is an adequately developed and active capital market;

(2) There are a sufficient number of comparable companies which are identical or similar to the appraised entity, or a sufficient number of transaction cases in the capital market;

(3) The market information, financial information and other relevant information on comparable companies can be collected and obtained;

(4) It is convinced that the information based on which the appraisal is made are representative and reasonable, and are valid as at the appraisal date.

2. Reasons for selecting the specific appraisal method

As comparable transaction cases are difficult to collect and it is unclear whether there are factors not related to market value in such cases, the transaction case comparison method is hardly applicable. In view of the relatively transparent and objective nature of the operating and financial data of comparable listed companies, the listed company comparison method enjoys better operability. In addition, taking into account the appraisal subject, appraisal purpose and information collected by the appraisers for this assets appraisal, the listed company comparison method has been adopted.

3. Description of basic steps

The listed company comparison method of market approach is to determine the fair market value of the appraised entity by comparing the fair market value of a listed company in the same industry with the appraised entity. Typically, a listed company which operates in the same industry of the appraised entity and enjoys active trading is first selected as the comparable company, then the market value of the comparable company will be calculated based on the share price of the company concerned. Meanwhile, one or more income, asset or special parameters of the comparable company, such as EBIT, EBITDA, would be selected as the "analysis parameters". Lastly, calculation is made regarding to the proportionate relation between the market value of the comparable company and corresponding analysis parameters, which is known as the "rate multiplies". The above rate multiplies will be applied to the analysis parameters of the appraised entity to determine the market value of the appraised entity.

We may obtain the rate multiples of income category and assets category by calculating the market value and analysis parameters of the comparable company. The market value of the appraised entity is derived from the following steps of calculation: firstly, make corrections to relevant rate multiples of each comparable company using the method of corrections to rate multiple coefficients;

secondly, estimate the rate multiples of the appraised entity in a manner deemed most appropriate after comprehensive analysis; lastly, select one or more of these rate multiples of the appraised entity and apply the same to the appraised entity. Namely:

Market value of the appraised entity	=	Selected rate multiple(s) of the appraised entity × Corresponding indicators of the appraised entity
Final appraised value of equity	=	(Value ratio of full investment × Corresponding parameters of the appraised entity – Interest-bearing debts +/- adjustment to retained amount of working capital) × (1 – Discount for lack of liquidity) × (1 + Premium rate of control) + Net non-operating surplus assets

OR:

Final appraised value of equity	=	(Value ratio of equity investment × Corresponding parameters of the appraised entity +/- adjustment to retained amount of working capital) × (1 – Discount for lack of liquidity) × (1 + Premium rate of control) + Net non-operating and surplus assets

Basic steps for overall appraisal using the listed company comparison method are as follows:

(1) Collect information on listed companies and select comparable companies;

(2) Collect, analyze and make adjustments to the data contained in the financial reports of the comparable companies;

(3) Select and calculate the value multiples of the comparable companies;

(4) Make adjustments and corrections to the value multiples of the comparable companies;

(5) Derive a value multiple from the value multiples of the comparable companies as the value multiple of the appraised entity;

(6) Estimate relevant parameters of the appraised entity, calculate the corresponding appraisal results of each value multiple, and select the appraisal result which deemed most reasonable as the preliminary appraisal conclusion;

(7) Consider whether it is necessary to make discount/premium adjustments;

(8) Add back net non-operational assets and net surplus assets, and reach the final conclusions of the appraisal.

During the appraisal process, we have searched 109 listed companies which are engaged in software and information technology services in PRC, and selected 3 of them, i.e. Neusoft Group (600718), Yonyou Software (600588) and eGOVA (300075). We then calculated and modified the corresponding value multiples as follows:

Stock code	Stock name	Value multiples of EBIT	Value multiples of EBITDA	Value multiples of NOIAT	Value multiples of equity profit	Value multiples of equity cash flow
600718	Neusoft Group	9.23	13.51	15.13	7.56	12.90
600588	Yonyou Software	13.07	14.29	16.45	11.48	13.46
300075	eGOVA	10.12	11.21	13.23	11.71	12.99

The three comparable listed companies selected by us are highly similar to the appraised entity. The appraisers calculated simple arithmetic averages of the value multiples of the comparable companies, and taken the average of Value multiples of the comparable companies as the value multiples of the appraised entity.

Table of computations for the preliminary appraisal conclusion of the appraised entity

Unit: RMB ten thousand

Items	Value multiples of EBIT	Value multiples of EBITDA	Value multiples of NOIAT	Value multiples of equity profit	Value multiples of equity cash flow
Value multiples of the appraised entity	10.81	13.00	14.94	10.25	13.12
Corresponding parameters of the appraised entity	2,961.71	3,177.86	2,796.09	2,579.95	2,796.09
Interest-bearing debts of the appraised entity	0.00	0.00	0.00	0.00	0.00
Adjustment to retained amount of working capital	0.00	0.00	0.00	0.00	0.00
Appraised value of the corresponding value multiples	32,016.09	41,312.18	41,773.58	26,444.49	36,684.70
Preliminary appraisal conclusion			35,646.21		

4. Adjustments to liquidity

Free liquidity of equity pose a significant impact on its value. As the appraised entity is a non-listed company, its equity is non-tradable on stock markets. Therefore, the impact of the discount for lack of liquidity should be taken into account.

When calculating the lack of liquidity discount for this appraisal, we adopted the estimation of offering price of new shares, a method designated to derive the discount for lack of liquidity from the difference between the offering price of the initial public offering of a domestically listed company and the trading price of the shares upon listing. When launching an initial public offering, domestically listed companies determine the offering price of their new shares using the inquiry method. New shares are generally listed and tradable following the date of issue. Typically, the offering price of new shares is lower than the trading price after listing. The offering price of new shares may not be considered the trading price in a stock market, as the shares are non-tradable when the offering is made. As such, being not developed under the "market trading mechanism", the offering price is substantially not a trading price in the market, but a fair trading price. Upon listing of new shares, the effective market trading mechanism is developed. Therefore, the difference in value between the two circumstances may be deemed to arise due to the fact that no effective market trading mechanism has been formed.

The following conclusions are drawn by collecting and studying the offering prices of new shares in more than 1,200 IPOs from 2002 to 2011, and studying the relationship among the average prices of the 1st trading day, the 30th trading day, the 60th trading day and the 90th trading day upon listing:

Table of Calculations of Discount for Lack of Liquidity for the Estimation of Offering Price of New Shares 2002-2011

No.	Name of industry	Number of samples	Average offering price	Closing price on the 1st trading day	Closing price on the 30th trading day	Closing price on the 60th trading day	Closing price on the 90th trading day	Discount for lack of liquidity (%) Closing price on the 1st trading day	Closing price on the 30th trading day	Closing price on the 60th trading day	Closing price on the 90th trading day	Average price
1	Extractive industry	31	18.96	30.18	30.37	30.87	29.65	37.68%	36.56%	35.82%	33.61%	35.91%
2	Communication and cultural industry	16	21.74	36.70	35.50	33.21	31.08	42.26%	36.94%	33.33%	30.10%	35.66%
3	Generation and supply of electric power, coal gas and water	21	7.40	11.85	11.52	11.33	11.29	39.04%	37.31%	35.56%	34.14%	36.51%
4	Electronic	99	21.16	32.93	31.02	30.86	31.24	35.50%	32.28%	33.15%	33.47%	33.60%
5	Real Estate	13	11.01	20.64	20.52	20.60	20.27	43.57%	44.11%	44.21%	41.05%	43.23%
6	Textiles, clothing and fur	41	16.73	22.83	21.19	21.03	21.12	26.19%	21.37%	22.34%	23.00%	23.23%
7	Machinery, equipment and instruments	280	21.36	31.38	29.96	29.72	28.64	29.97%	25.63%	24.57%	21.66%	25.46%
8	Construction	34	16.32	22.70	22.91	23.14	23.50	31.98%	31.27%	30.44%	29.24%	30.73%
9	Transportation and warehousing	35	7.43	12.47	12.37	12.55	12.50	36.85%	37.88%	38.57%	38.11%	37.85%
10	Finance and insurance	25	12.18	17.56	18.07	17.77	17.44	26.88%	28.61%	28.71%	27.07%	27.82%
11	Metal and non-metal	111	15.48	24.01	23.11	23.05	22.28	33.92%	31.51%	31.29%	28.98%	31.43%
12	Wood and furniture	9	22.69	23.71	24.05	24.52	21.33	11.93%	13.53%	10.88%	-5.06%	7.82%
13	Agriculture, forestry, animal husbandry and fishery	29	16.97	28.19	28.18	29.44	29.58	37.93%	36.62%	35.68%	34.60%	36.21%
14	Wholesale and retail trade	31	21.13	28.08	28.10	27.66	27.55	28.84%	26.96%	25.27%	23.20%	26.07%
15	Other manufacturing	22	16.26	25.95	24.98	25.00	25.03	37.12%	34.46%	32.84%	32.85%	34.32%
16	Social services	35	26.45	41.12	39.86	40.98	40.29	37.51%	34.51%	33.97%	32.55%	34.63%
17	Petroleum, chemical and plastic	139	19.25	28.23	26.90	26.55	25.95	31.57%	27.96%	27.41%	25.59%	28.13%
18	Food and beverage	39	23.70	36.42	34.22	32.64	31.73	37.24%	34.25%	30.86%	28.10%	32.61%
19	IT industry	132	25.59	38.39	37.92	37.14	36.58	31.51%	30.12%	28.77%	26.71%	29.27%
20	Pharmaceuticals and biological products	68	26.61	37.02	34.29	34.15	34.01	32.07%	27.45%	26.96%	25.75%	28.06%
21	Paper and printing	27	17.41	24.21	22.80	22.26	21.77	30.41%	26.03%	23.95%	21.58%	25.49%
22	Comprehensive	4	10.57	14.33	14.22	14.39	13.22	32.13%	29.89%	29.75%	24.64%	29.10%
23	Total/average	1,241	18.02	26.77	26.00	25.86	25.28	33.28%	31.15%	30.20%	27.77%	30.60%

Source: Wind Info

Based on the data shown in the above table, during the decade from 2002 to 2011, the discount for lack of liquidity of all industries are different, ranging from approximately 7.8% to approximately 43% and with the average of 30.6%. The discount for lack of liquidity for this appraisal is determined at 29.27%, being the discount rate of IT industry.

5. Adjustments to control

Tradable shares of listed companies are generally representative of the minority interests, and thus have no control over those listed companies. Where the appraised equity has the control, corresponding premium adjustments shall be made to the control.

As the object of this appraisal is the shareholders' entire equity of Xiamen Ritoinfo Technology Company Limited, the impact of premium over the control has been taken into account for this appraisal.

Among the more than 5,000 cases of acquisition of equity interests by non-listed companies by the end of 2012, which were collected using CVSource, a type of financial data product released by the PRC-based China Venture, over 3,100 cases which involve the trading of less than 49% equity interests can be identified as minority equity trading cases, and 1,900 cases which involve the trading of more than 50% equity interests can be basically identified as controlling equity trading cases. It is believed that the difference in price-earnings multiples between these two types of equity trading cases can reasonably reflect the premiums over control or the discounts to control. Details are set out in the following table:

Table of estimated premium of control and discount for lack of control

	Transaction in minority shareholding		Transaction in controlling shareholding			
Year	Number of cases about mergers and acquisitions	P/E	Number of cases about mergers and acquisitions	(P/E)	Premium rate of control (%)	Discount for lack of control (%)
2012	456	13.16	266	14.80	12.49	11.10
2011	498	19.36	408	21.35	10.26	9.31
2010	461	16.67	346	18.54	11.22	10.09
2009	470	13.82	251	17.32	25.37	20.24
2008	450	14.82	257	17.31	16.75	14.34
2007	408	15.81	244	20.23	27.91	21.82
2006	130	15.01	83	19.49	29.89	23.01
In and before 2005	231	17.73	119	19.22	8.40	7.75
Total/average	3,104	15.80	1,974	18.53	17.31	14.18

As shown from the table above, the average of the premium rate of control is 17.31% and the average of the discount rate for lack of control is 14.18%. For this appraisal, the premium rate of control is fixed at 17.31%.

6. Final Appraisal Conclusion

According to the formula of equity evaluation:

Final appraised value of equity = (Value multiples of full investment × Corresponding parameters of the appraised entity – Interest-bearing debts +/- adjustment to retained amount of working capital) × (1 – Discount for lack of liquidity) × (1 + Premium rate of control) +Net non-operating and surplus net assets

Through the appraisal processes above, the final equity value of the appraised equity is concluded as follows:

Appraisal results based on the market approach

Unit: RMB ten thousand

Items	**Value multiples of EBIT**	**Value multiples of EBITDA**	**Value multiples of NOIAT**	**Value multiples of equity profit**	**Value multiples of equity cash flow**
Value multiples of the appraised entity	10.81	13.00	14.94	10.25	13.12
Corresponding parameters of the appraised entity	2,961.71	3,177.86	2,796.09	2,579.95	2,796.09
Interest-bearing debts of the appraised entity	0.00	0.00	0.00	0.00	0.00
Adjustment to retained amount of working capital	0.00	0.00	0.00	0.00	0.00
Appraised value of the corresponding value multiples	32,016.09	41,312.18	41,773.58	26,444.49	36,684.70
Preliminary appraisal conclusion			35,646.21		
Discount rate for lack of liquidity			29.27%		
Premium rate of control			17.31%		
Net non-operating and surplus net assets			1,200.00		
Value of equity of the appraised entity			30,776.86		

(II) INCOME APPROACH

1. Preconditions for application of the income approach

This appraisal is designed to value the assets of the appraised entity in a complete and real course of business and market environment. As the appraisal is based on the estimated future income and the selected discount rate of the appraised entity, the appraised assets shall satisfy the following preconditions:

(1) The appraised assets are individual assets or aggregate assets the future income of which can be and shall be measured in currency;

(2) The appraised assets are in stable proportion to the income therefrom, and the future income and the future business risks to be borne by the title holder(s) shall also be measured in currency;

(3) The expected profitable years of the appraised assets shall be predictable.

2. Reasons and rationales for selecting the income approach

Xiamen Ritoinfo Technology Company Limited is an enterprise with independent profitability, whose assets are in stable proportion to the operating income. Both its future income and the risks associated with the generation of such income are predicted and can be quantified, which satisfy the preconditions for application of the income approach. As such, the income approach is employed for this appraisal.

The above income forecast of the appraised entity are prepared using proper methods under the principles of objectiveness and truthfulness in accordance with relevant requirements of the current national laws, regulations and corporate accounting system, based on the operating conditions and the ability of the appraised entity in the historical years as well as the expected future operating results and financial indicators subsequent to the appraisal base date, and taking into account the current development prospects of the type of main business of the appraised entity in the market as well as certain basic information including the future development prospects and market outlook anticipated by the management of the appraised entity.

3. Assumptions for the income forecast

(1) There would be no material changes in the relevant national and local laws, regulations and policies of the State currently in force which the appraised entity shall abide by as well as the macro-economic conditions, nor the political, economic and social environment of the regions in which each party involved in this transaction is located would experience material changes, and there would be no other material and adverse impact(s) resulting from unpredictable circumstances and force majeure.

(2) In view of the actual conditions of assets as at the appraisal base date, we assume that the appraised entity operates on an ongoing-concern basis.

(3) We assume that the operators of the appraised entity are responsible and the management of the appraised entity is capable of performing their respective roles, and that the appraised entity is able to maintain normal business operations and basically meet its development plans and production and operation plans on schedule.

(4) We assume that the appraised entity fully complies with all applicable laws and regulations of the State, and there would be no significant violation thereof affecting the development and realization of income of the appraised entity.

(5) We assume that the accounting policies to be adopted by the appraised entity in the future are basically identical to those adopted in the preparation of this report in all material aspects.

(6) We assume that the appraised entity remains the same in its business scope, business model and current business orientation on the basis of its existing management approach and standards.

(7) We assume that there would be no material changes in the interest rate, exchange rate, tax base and tax rate and policy imposed levies currently effective or confirmed to be effective according to the State's regulations.

(8) There would be no other force majeure or unforeseeable circumstances affecting the appraised entity materially and adversely.

According to the requirements of assets appraisal, these assumptions are deemed to be valid on the appraisal base date. We will not accept any responsibility for any different appraisal conclusion resulted from any change in these assumptions where economic environment has been significantly changed.

4. Appraisal process using the income approach

(1) Determination of the profitable years

The profitable years are assumed to be infinite based on the specific operational conditions and characteristics of the appraised entity in the course of the valuation. The forecast period is divided into two timeframes: the first timeframe is from 1 March 2014 to 31 December 2018, and the second one is from 1 January 2019 up to perpetuity. The level of the expected income after 2019 is assumed to be as stable as that of 2018.

(2) Forecast of the future income

Based on the business characteristics and operational model of the appraisal object, the appraisers determine the future net profit of the appraised entity by forecasting the variables, such as the future income, cost, expenses incurred in the period and income tax provided by the appraised entity, and finally determine the FCFF through forecasting the corresponding capital expenditure and the movements of working capital according to the future development plan, asset purchase plan and fund management plan of the appraised entity. For details of the forecast, please refer to the attached "Table of Calculations Using the Income Approach".

(3) Determination of the discount rate

The appraisers adopt the commonly used Weighted Average Capital Cost (WACC) appraisal model for selection of the discount rate.

Determination of the expected rate of return on long-term treasury bonds (Rf)

The risk-free rate of return is determined by reference to the average of yields (the compound interest) of treasury bonds valid for a term of more than 10 years which are effective as at the appraisal base date. The risk-free rate of return is calculated at 4.4347%.

Determination of the rate of return for excessive risks in the equity market (Rm-Rf)

The Equity Risk Premiums (ERP) reflect the risk compensation demanded by investors for investing in the capital market with relatively high risks, which is higher than the risk-free rate of return.

The volatility of a country's stock market against its bond market is calculated based on the annual standard deviations of the stock index and those of the bonds of that country, i.e. δ stock/δ bonds. Aswath Damodaran (2008) believes that the global average volatility of the stock market against bonds is 1.5.

Final market risk premiums	=	U.S. stock market yields + China's national compensation for the risk of default × δ stock/δ bonds
	=	5.88%+0.7×1.5=6.93%

Determination of the relative risk β coefficient of comparable companies in the stock market

We first collected information on a number of listed companies which operate in the same or similar industry. After screening, we selected 3 listed companies, which operate similar business to the appraised entity, as the comparable companies; and retrieved their unleveraged β coefficients (source: Genius Finance) for 104 weeks to calculate the average value as the unleveraged β coefficients of the appraised entity. The unleveraged β coefficients of the comparable companies are shown as follows:

Stock code	Abbreviation	Industry classified by CSRC	Beta (unleveraged)
600588	Yonyou Software	Software and IT services	0.6303
600718	Neusoft Group	Information services	0.6842
300075	eGOVA	Information services	0.7669
Average			0.6938

We determined the β coefficient applicable to the appraised entity by making adjustments to the financial structure of the appraised entity for the forecast years. The formula is as follows:

Leveraged β = Unleveraged β × [1+ (1-T) (Liabilities%/Equity%)]

Based on the above, the leveraged β of the appraised entity is 0.6938.

Determination of scale risk rate of return

In view of the differences in the structure and size of assets between the appraised company and listed companies, there are certain risks associated with additional experience. Coupled with the equity of the appraised company is of a non-liquidity, the individual adjustment factor Rs is determined at 3%, taking into account the above difference of individuality.

Determination of cost of equity capital

$$\begin{aligned} R &= Rf + \beta \times (Rm\text{-}Rf) + RS \\ &= 4.4347\%+0.6938\times6.93\%+3\% \\ &= 12.24\% \end{aligned}$$

Determination of cost of debt capital

As the appraised unity has neither long-term nor short-term borrowings, the cost of debt capital is nil.

Determination of WACC

Based on the relevant analysis above as well as the formula for the calculation of WACC, the WACC is calculated at 12.24%.

Name of parameter	**Value of parameter (14E)**
Income tax rate	15.00%
Lending rate	6.00%
Unleveraged β	0.6938
Leveraged β’	0.6938
Risk premiums	6.93%
Risk-free rate of return	4.4347%
Scale adjustment coefficient	3.00%
Ke	12.24%
Kd	5.10%
Interest-bearing debt (D)	0.00
Equity value (E)	31,084.67
We	100.00%
Wd	0.00%
WACC (CAPM)	12.24%

(4) Adjustments to liquidity

Free liquidity of equity has a significant impact on its value. As the appraised entity is a non-listed company, its equity can not be traded on stock markets. Therefore, the impact of the discount for lack of liquidity should be taken into account. The discount for lack of liquidity for this appraisal is determined at 29.27%.

(5) Adjustment to the control

Tradable shares of listed companies are generally representative of the minority interests, and thus have no control over those listed companies. Where the appraised equity has the control, the corresponding premium adjustments shall be made to the control.

As the object of this appraisal is the shareholders’ entire equity of Xiamen Ritoinfo Technology Company Limited, the impact of premium over the control has been taken into account for this appraisal. The average of premium over the control is 17.31%. Therefore, the premium rate of control for this appraisal is determined at 17.31%.

(6) Operational assets, non-operational assets and liabilities and surplus assets

After investigation and analysis, the appraisers jointly confirmed with the appraised entity that the appraised entity had held-for-trading financial assets of RMB12,000,000 as at the appraisal base date, which were all non-operational assets. Save for these non-operational assets, the appraised entity had no other non-operational assets or liabilities.

In addition, the appraised entity had no surplus assets as at the appraisal base date.

(7) Interest-bearing debt

The appraised entity had no interest-bearing debt as at the appraisal base date.

(8) The entire shareholders' equity is valued as follows:

Table of Calculations Using the Income Approach

Unit: RMB ten thousand

		Forecast years					
Items		**March-December 2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Operating income		8,792.53	9,965.99	10,962.58	12,058.84	13,264.73	13,264.73
Less:	Operating cost	3,097.12	3,387.34	3,611.09	3,802.73	4,225.86	4,225.86
	Business tax	126.62	130.28	143.61	157.97	173.77	173.77
	Selling expenses	618.73	774.77	827.24	861.25	896.73	896.73
	Administrative expenses	1,448.87	1,971.57	2,096.27	2,175.73	2,231.96	2,231.96
	Finance cost	1.42	1.89	2.08	2.29	2.52	2.52
	Impairment loss on assets	19.91	95.81	27.77	30.54	33.60	0.00
Add:	Profit from other operations	–	–	–	–	–	–
	Gains on investments	5.95	10.00	10.00	10.00	10.00	10.00
Profit from operations		**3,485.81**	**3,614.33**	**4,264.52**	**5,038.33**	**5,710.29**	**5,743.89**
Add:	Non-operating income	–	–	–	–	–	–
Less:	Non-operating expenses	2.40	2.40	2.40	2.40	2.40	2.40
Total profit		**3,483.41**	**3,611.93**	**4,262.12**	**5,035.93**	**5,707.89**	**5,741.49**
Less:	Income tax expenses	421.41	451.49	639.32	755.39	856.18	861.22
Net profit		**3,062.00**	**3,160.44**	**3,622.80**	**4,280.54**	**4,851.71**	**4,880.27**
Less:	Capital expenditure	0.00	0.00	863.07	88.53	357.00	357.00
	Replenishment of working capital	-114.37	165.67	272.10	291.17	352.02	
Add:	Depreciation and amortisation	241.43	289.72	289.72	289.72	357.00	357.00
	Impairment loss on assets	19.91	95.81	27.77	30.54	33.60	0.00
	Interest*(1-T)	0.00	0.00	0.00	0.00	0.00	0.00
FCFE	FCFE	3,437.71	3,380.30	2,805.12	4,221.10	4,533.29	4,880.27
Discount period	Discount period	0.83	1.83	2.83	3.83	4.83	5.83
CAPM	Discount rate	12.24%	12.24%	12.24%	12.24%	12.24%	12.24%
	Discount coefficient	0.9086	0.8095	0.7212	0.6426	0.5725	4.6773
DCF	DCF	3,123.50	2,736.35	2,023.05	2,712.48	2,595.31	22,826.49
Total of discount value				36,017.18			
Discount rate for lack of liquidity				29.27%			
Premium rate of control				17.31%			
Add:	Non-operational assets			–			
	Surplus assets			1,200.00			
	Of which: Cash and bank balances			–			
	Interests receivable			–			
	Held-to-maturity investments			0.00			
	Held-for-trading financial assets			1,200.00			
	Long-term equity investment			–			
Less:	Non-operational liabilities			–			
	Interest-bearing debt			–			
Appraised value of shareholders' entire equity				31,084.67			

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

(a) Interests of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more shareholding

Save as disclosed below, the Directors are not aware of any other interests and short positions in Shares and underlying Shares of any person (other than a Director or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at Latest Practicable Date:

Name	Number of Shares	Nature of interests	Appropriate percentage of shareholding
BSAM	1,834,541,756 domestic shares	Beneficial owner	63.31%

As at the Latest Practicable Date, Mr. Wu Shengjiao is an employee of BSAM, the controlling Shareholder whose interest in Shares has been disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

The Company has entered into service contracts with each of the members of the 5th Board of Directors.

The terms and conditions of the employment/appointment are summarised below:

Name of Director	Date of service contract/letter of appointment	Term	Prevailing Directors' annual remuneration *(RMB)*	Termination notice period or payment in lieu of notice *(Note 1)*
Executive Director				
Dr. Wang Xu	19 June 2012	19 June 2012 to 19 June 2015	Nil *(Note 2)*	N/A
Non-executive Directors				
Mr. Lu Lei	19 June 2012	19 June 2012 to 19 June 2015	Nil *(Note 3)*	N/A
Mr. Wu Shengjiao	20 June 2014	20 June 2014 to 19 June 2015	Nil *(Note 4)*	N/A
Mr. Pan Jiaren	19 June 2012	19 June 2012 to 19 June 2015	Nil *(Note 4)*	N/A
Mr. Shi Hongyin	19 June 2012	19 June 2012 to 19 June 2015	Nil *(Note 4)*	N/A
Ms. Hu Sha	30 July 2013	30 July 2013 to 19 June 2015	Nil *(Note 4)*	N/A
Mr. Wang Zhuo	19 June 2012	19 June 2012 to 19 June 2015	Nil *(Note 4)*	N/A
Independent non-executive Directors				
Ms. Zhou Liye	19 June 2012	19 June 2012 to 19 June 2015	75,000	N/A
Mr. Chen Jing	19 June 2012	19 June 2012 to 19 June 2015	60,000	N/A
Mr. Zeng Xianggao	19 June 2012	19 June 2012 to 19 June 2015	60,000	N/A
Mr. Gong Zhiqiang	19 June 2012	19 June 2012 to 19 June 2015	60,000	N/A

Notes:

1. All Directors have the rights to resign from the Company during their respective period of employment and the resignation shall be effective as the resignation letter arrived the Board. In addition, the Company have the right to terminate the duties of any Directors by obtaining approval from Shareholder's meetings.

2. Dr. Wang Xu does not receive any remuneration as Director. However, Dr. Wang Xu receives salary as the chief executive of the Company.

3. Mr. Lu Lei does not receive any remuneration as Director. However, Mr. Lu Lei receives salary as the secretary of the Board.

4. Mr. Wu Shengjiao, Mr. Pan Jiaren, Mr. Shi Hongyin, Ms. Hu Sha and Mr. Wang Zhuo Lei do not receive any remuneration as Director.

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 as at the Latest Practicable Date.

4. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the Supervisors or their respective associates had any interests in any business which competed or might compete with the business of the Group.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2013, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2013, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2013, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save and except for the decrease in the Group's revenue and profit for the six months ended 30 June 2014 as compared to the six months ended 30 June 2013 due to (i) delay in progress of projects under construction which in turns lead to the decrease in revenue recognised from the system integration service segment; and (ii) increase in labour cost and rental expenses, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published consolidated audited financial statements of the Group were made up).

7. LITIGATION

As at the Latest Practicable Date, 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.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(i) the Share Transfer Agreement dated 21 July 2014;

(ii) the conditional undertaking dated 21 March 2014 provided to Beijing Certificate Authority Co., Ltd. in relation to the proposed disposal of existing shares of Beijing Certificate Authority Co., Ltd. under the proposed listing of the shares Beijing Certificate Authority Co., Ltd. on the ChiNext of Shenzhen Stock Exchange;

(iii) the entrusted cash management agreements dated 21 January 2013 entered into between the Company and 華能貴誠信託有限公司 (Huaneng Trustee Limited*) in relation to the management of a sum of RMB150 million (the "**Trust Investment**") for a term commencing from 21 January 2013 to 27 December 2013; and

(iv) the guarantee agreements dated 21 January 2013 entered into between the Company and 深圳市金瑞格融資擔保有限公司 (Shenzhen Golden Regal Guarantee and Investment Co., Ltd.*) in relation to the provision of guarantee to the Company for the return of the Trust Investment.

9. QUALIFICATIONS AND CONSENTS OF EXPERT

The following are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
China Tong Cheng Assets Appraisal Co., Limited	PRC Independent Valuer

* *For identification purposes only*

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have, directly or indirectly, any interest in any assets which had since 31 December 2013 (being the date to which the latest published consolidated audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

(a) The registered office of the Company is located at No. 11 Xi San Huan Zhong Road, Beijing 100036, the PRC.

(b) The principal place of business of the Company in Hong Kong is located at Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

(c) The principal place of business of the Company in the PRC is located at 12th Floor, Quantum Silver Plaza, No. 23 Zhi Chun Road, Haidian District, Beijing 100191, the PRC.

(d) The secretary of the Company is Ms. Koo Ching Fan, who is 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.

(e) The H share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company in Hong Kong during normal business hours on any business day from the date of this circular up to and including 10 September 2014:

(a) the article of association of the Company;

(b) the annual reports of the Company for the financial years ended 31 December 2012 and 2013;

(c) the accountants' report of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the appraisal report dated 21 July 2014 prepared by China Tong Cheng Assets Appraisal Co., Limited, the text of which is set out in Appendix V to this circular;

(f) the consent letters from SHINEWING (HK) CPA Limited and China Tong Cheng Assets Appraisal Co., Limited referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix;

(g) the material contracts disclosed in the sub-section headed "Material contracts" in this Appendix to this circular;

(h) the Share Transfer Agreement; and

(i) this circular.