

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

FINANCIAL SUMMARY OF THE GROUP

- Revenue decreased by approximately 27.66% to approximately RMB288.6 million.
- Profit attributable to the owners of the Company decreased by approximately 68.76% to approximately RMB12.8 million.
- Basic earnings per share was RMB0.44 cents.
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (same period of 2013: Nil).

The board of directors (the “Board”) of Capinfo Company Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<i>Notes</i>	Six months ended	
		30.6.2014	30.6.2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue		288,593	398,930
Cost of sales		(196,816)	(297,789)
Gross profit		91,777	101,141
Other income		23,170	9,833
Other gains and losses		(1,026)	5,327
Research and development costs		(20,030)	(14,242)
Marketing and promotional expenses		(44,734)	(28,779)
Administrative expenses		(35,539)	(28,518)
Finance cost for loan from government, wholly repayable within 5 years		(61)	(76)
Share of results of associates		2,272	417
Profit before tax		15,829	45,103
Income tax expense	5	(3,049)	(3,947)
Profit for the period	6	12,780	41,156
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		12,842	41,105
– Non-controlling interests		(62)	51
		12,780	41,156
		<i>RMB cents</i>	<i>RMB cents</i>
EARNINGS PER SHARE	8		
– Basic		0.44	1.42
– Diluted		0.44	1.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30.6.2014 <i>RMB'000</i> (Unaudited)	31.12.2013 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	148,366	165,451
Investment property	9	54,643	56,605
Intangible asset		20,262	14,537
Prepaid lease payments		42,512	39,707
Deposits paid on acquisition of property, plant and equipment		12,259	2,505
Interests in associates		67,193	69,538
Available-for-sale investments		971	1,971
Trade receivables	10	70,170	89,533
Deferred tax assets		5,181	6,014
		421,557	445,861
Current assets			
Inventories		1,455	5,342
Prepaid lease payments		10,177	7,051
Trade and other receivables	10	235,641	197,434
Amounts due from customers for contract works		81,014	68,125
Amounts due from related parties		21,725	10,021
Income tax recoverable		4,543	–
Available-for-sale investments		1,000	–
Bank deposits		74,646	72,767
Bank balances and cash		338,707	365,372
		768,908	726,112
Current liabilities			
Trade and other payables	11	187,023	227,724
Amounts due to related parties		24,830	1,004
Amounts due to customers for contract works		166,638	107,591
Income tax payable		1,348	133
Loan from government		3,630	3,630
		383,469	340,082
Net current assets		385,439	386,030
Total assets less current liabilities		806,996	831,891
Capital and reserves			
Share capital	12	289,809	289,809
Share premium and reserves		517,117	541,950
Equity attributable to owners of the Company		806,926	831,759
Non-controlling interests		70	132
Total equity		806,996	831,891

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL

The Company is a joint stock limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Beijing State-owned Assets Management Co., Ltd. ("BSAM"), a state-owned enterprise, which was also established in the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities;
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 36	Recoverable Amounts Disclosures for Non-Financial Assets;
Amendments to HKAS 39	Novation of derivatives and continuation of Hedge Accounting; and
HK(IFRIC)-Int 21	Levies.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker. The CEO, for the purpose of resources allocation and assessment of performance, reviewed consolidated profit after taxation and the consolidated revenue of the Group as a whole prepared in accordance with the Accounting Standards for Business Enterprise of PRC, which has no significant difference as compared with the consolidated profit after taxation and the consolidated revenue reported under HKFRSs. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no segment information is presented.

In addition, all the Group's operations are located in the PRC and all the revenue of the Group derives from PRC customers. The Group's non-current assets are substantially located in the PRC.

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Current period	2,358	6,667
– Overprovision	(142)	(4,148)
Deferred tax charge	833	1,428
	3,049	3,947

The Company was accredited as a key software enterprise in the national planning layout for the years 2011-2012 in the first half year of 2013 and for the years 2013-2014 in December 2013 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation. According to the provision under the Notice on Enterprise Income Tax Policy to Further Encourage the Development of the Software and Integrated Circuit Industries (Cai Shui [2012] No. 27) that "key software enterprises in the national planning layout that have not enjoyed tax-free concessions in the year will be levied enterprise income tax at a reduced tax rate of 10%", the Company was therefore retrospectively entitled to a preferential tax rate of 10% for 2011 and 2012, and the same preferential 10% tax rate for years 2013 and 2014. Accordingly, overprovision of PRC Enterprise Income Tax amounting to RMB4,148,000 (based on a previously 15% preferential rate) has been reversed during the six months ended 30 June 2013.

The Company's subsidiary, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") was recognised as High Technology Enterprise ("HTE") and approved by The Committee of Beijing Science and Technology in 2011. Pursuant to the relevant laws and regulations in the PRC, it is entitled to a concession tax rate of 7.5% from 2011 to 2012, and 15% for the years ended/ending 31 December 2013 and 2014.

At the end of the reporting period, certain subsidiaries had unused tax losses of approximately RMB17,888,000 (31 December 2013: RMB10,309,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire before 2019.

The deferred tax charge in the current period is mainly due to the decrease of deferred tax assets in respect of deductible temporary difference of certain accrued expenses and payroll payables of the Group.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Amortisation of intangible assets	437	–
Depreciation of property, plant and equipment	26,637	24,566
Depreciation of investment property	1,962	1,924
	<u>29,036</u>	26,490
Total depreciation and amortisation	29,036	26,490
Less: Depreciation and amortisation included in		
– research and development costs	(1,181)	(911)
– cost of sales	(18,319)	(16,368)
	<u>9,536</u>	9,211
Directors' and supervisors' remuneration	552	542
Other staff costs	92,409	72,099
Other staff's retirement benefit scheme contributions	9,951	7,181
	<u>102,912</u>	79,822
Less: Staff costs included in		
– research and development costs	(15,773)	(11,924)
– cost of sales	(36,530)	(34,432)
	<u>50,609</u>	33,466
Operating lease rentals in respect of		
– cable network	12,931	7,513
– office premises	21,083	15,921
	<u>34,014</u>	23,434
Less: Operating lease rentals included in		
– research and development costs	(1,176)	(492)
– cost of sales	(22,704)	(14,860)
	<u>10,134</u>	8,082
Technology service contract costs recognised as expenses	71,401	71,153
Impairment loss of amounts due from customers for contract works (included in cost of sales)	4,726	–
Share of tax of associates (included in share of results of associates)	142	297
	<u>142</u>	297

7. DIVIDENDS

During the current interim period, a final dividend of RMB1.30 cents (pre-tax) per share in respect of the year ended 31 December 2013 was approved at the annual general meeting held on 20 June 2014. The aggregate amount of the final dividend approved in the current interim period amounted to RMB37,675,000 (2012 final dividend approved during the six months ended 30 June 2013: RMB1.30 cents (pre-tax) per share and amounted to RMB37,685,000).

The directors of the Company do not recommend the payment of any interim dividend for the current interim period (six months ended 30 June 2013: nil).

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	12,842	41,105
	2,898,086,091	2,898,086,091
	15,254,143	–
	2,913,340,234	2,898,086,091

The calculation of diluted earnings per share for the six months ended 30 June 2013 did not take into account the assumed exercise of the share options of the Company because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the six months ended 30 June 2013.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group incurred approximately RMB11,783,000 (six months ended 30 June 2013: RMB22,619,000) on the acquisition of property, plant and equipment.

As at 30 June 2014, the Group is in the process of obtaining the ownership title deed of the Group's investment property with a carrying amount of RMB54,643,000 (31 December 2013: RMB56,605,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use the above-mentioned properties without incurring significant additional cost in obtaining the title deed.

10. TRADE AND OTHER RECEIVABLES

	<u>30.6.2014</u>	<u>31.12.2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Total trade receivables	253,153	243,205
Less: Allowance for doubtful debts	(15,997)	(14,974)
	<u>237,156</u>	<u>228,231</u>
Less: Non-current portion which is shown in non-current assets (Note (a))	(70,170)	(89,533)
	<u>166,986</u>	<u>138,698</u>
Other receivables and prepayments (Note (b))	32,508	35,087
Deposits for technology service projects	39,076	26,578
Less: Allowance for doubtful debts	(2,929)	(2,929)
	<u>68,655</u>	<u>58,736</u>
Trade and other receivables shown in current assets	<u><u>235,641</u></u>	<u><u>197,434</u></u>

Notes:

- (a) The Group allows an average credit period of 180 days to its trade customers except certain BT projects. The trade receivables from the BT projects are unsecured, which are repayable by installments over a five-year period after the completion date of the construction of the underlying projects which include electronic monitoring system on public transportation lane for Beijing Municipal Public Security Bureau Traffic Management Bureau ("Electronic Monitoring System") and image information management system for Beijing Municipal Public Security Bureau Tongzhou Branch ("Image Information Management System"). At initial recognition, the fair values of the trade receivables from the BT projects were estimated at applicable effective interest rates of 6.15% and 5.41% per annum for Electronic Monitoring System and Image Information Management System, respectively.
- (b) The balance mainly represented deposits and prepayments for office premise rental and retention receivables for technology service projects.

The following is an analysis of trade receivables by age at 30 June 2014 and 31 December 2013, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	<u>30.6.2014</u>	<u>31.12.2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
<u>Age</u>		
0 to 6 months	157,399	183,629
7 to 12 months	42,555	41,958
1 to 2 years	35,648*	742
2 to 3 years	718	971
Over 3 years	836	931
	<u>237,156</u>	<u>228,231</u>

* Including the receivables from BT projects amounting to RMB28,677,000.

11. TRADE AND OTHER PAYABLES

	<u>30.6.2014</u>	<u>31.12.2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	66,242	108,615
Accrued expenses (<i>Note (a)</i>)	36,798	30,570
Other payables (<i>Note (b)</i>)	43,799	49,461
Deferred income arising from government grants (<i>Note (c)</i>)	10,045	7,709
Payroll and welfare payables	15,912	30,762
Dividend payable to shareholders other than holding company	13,826	–
Advance from customers	401	607
	<u>187,023</u>	<u>227,724</u>

Notes:

- (a) The balance mainly represented accrued cost for technology service projects.
- (b) The balance mainly represented payables and retention money for the acquisition of property, plant and equipment.
- (c) Government grants are obtained specifically for certain of the Group's research and development projects, for the purposes of compensating depreciation, staff costs, cable network and research and development costs incurred by the Group. The Group received government grants of RMB12,266,000 (six months ended 30 June 2013: RMB6,358,000) during the current interim period for certain technology research activities and released RMB9,930,000 (six months ended 30 June 2013: RMB598,000) in other income in the current interim period.

The following is an aging analysis of trade payables at 30 June 2014 and 31 December 2013, which is presented based on the date of material or service received or the billing date of contract work:

	<u>30.6.2014</u>	<u>31.12.2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
<u>Age</u>		
0 to 6 months	4,331	31,949
7 to 12 months	8,276	55,742
1 to 2 years	39,062*	4,616
2 to 3 years	4,784	3,874
Over 3 years	9,789	12,434
	<u>66,242</u>	<u>108,615</u>

* The balance as at 30 June 2014 was mainly for the payable to a supplier related to a BT project.

Included in trade payables are retention payables of RMB3,317,000 (31 December 2013: RMB3,317,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are to be settled in the Group's normal operating cycle which is usually longer than one year.

12. SHARE CAPITAL

	Number of shares		Share capital
	<u>Domestic shares</u>	<u>H shares</u>	<u><i>RMB'000</i></u>
Issued and fully paid			
Ordinary shares of RMB0.10 each			
at 1 January 2013, 30 June 2013,			
31 December 2013 and 30 June 2014	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

13. SHARE OPTIONS

The detailed information of share options scheme adopted by the Group is the same as those disclosed in the Group's consolidated financial statements for the year ended 31 December 2013.

During the current interim period, there was no exercise of existing outstanding share options and no new share options were granted by the Group. The number of share options lapsed during the six months ended 30 June 2014 was 918,000 (six months ended 30 June 2013: 1,466,000) share options. As at 30 June 2014, the outstanding number of share options is 37,352,000 (31 December 2013: 38,270,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately RMB288.6 million, representing a decrease of approximately 27.66% as compared with the same period of last year. The Group reached a gross profit of approximately RMB91.8 million, representing a decrease of approximately 9.26% as compared with the same period of last year, and a gross profit margin of 31.80%, representing an increase of approximately 6.45 percentage points as compared with the same period of last year. Such decrease in revenue was due to the slowdown in business expansion as affected by the industrial structure adjustment of the industry and the business transformation of the Company. Moreover, revenue recognized for the system integration service business decreased as compared with the same period of last year due to the project progress.

In accordance with the industry characteristics, revenue was recognized using the percentage of completion method. During the period under review, revenue from traditional core businesses including the Medical Insurance Information System, the Social Security Card System, the E-Government Network, the Internet of Things, the Community Service Information Network System and the Beijing-China Website Clusters was approximately RMB164.1 million, representing a decrease of approximately 6.17% as compared with the same period of last year and accounting for approximately 56.86% of total revenue.

Revenue from other smart city related businesses (other than core businesses) was approximately RMB124.5 million, representing a decrease of approximately 44.42% as compared with the same period of last year and accounting for approximately 43.14% of total revenue. Revenue was mainly derived from our smart city related businesses such as the Internet of Things extension, medical and healthcare information business, housing information business and e-government network extension business. Such decrease in the revenue from other smart city related businesses was mainly because the large-scale image information management system and electronic monitoring system projects undertaken by the Group contributed large amount of revenue in the same period of last year, while no revenue from such business was recognized during the current interim period as these two projects have been basically completed in 2013.

Other income was approximately RMB23.2 million, representing an increase of approximately 135.64% as compared with RMB9.8 million of the same period of last year, which was mainly derived from government grants for research projects, property rental and interest income. The increase was mainly attributable to the recognition of subsidies received in respect of the research and development and demonstrative application project of the application support platform for the Internet of Things in Beijing.

Other gains or losses was approximately RMB-1.0 million, representing a decrease of approximately 119.26% as compared with the same period of last year, mainly because that no entrusted investment was made as the Company reserved most of the capital for future investments, acquisitions and mergers, with an aim to speed up business development.

SHAREHOLDERS' EQUITY

The profit attributable to owners of the Group for the period under review was approximately RMB12.8 million, representing a decrease of 68.76% as compared with the same period of last year. Such decrease was mainly attributable to the decrease in revenue and the significant increase in expenses.

CURRENT RATIO AND NET GEARING RATIO

The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of 2 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of below 0.45%. Both ratios reflected the sufficiency in financial resources of the Group.

LOAN BORROWING AND CASH AND BANK DEPOSITS

The Group had unsecured loan borrowing of approximately RMB3.6 million as at 30 June 2014, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bearing interests at an average annualized interest rate of approximately 3.35%.

Bank deposits, and bank balances and cash of the Group were approximately RMB413.4 million, representing a decrease of approximately 5.66% as compared with that of the beginning of the year. Such decrease was mainly attributable to the large amount of investments in the information system construction project of Beijing Aiyuhua Hospital for Children and Women, the large-scale image information management system and electronic monitoring system projects and the construction project of CAPINFO Cloud Platform.

CAPITAL COMMITMENT AND PLEDGE OF ASSETS

The Group had capital commitment of approximately RMB9.1 million, representing a decrease of approximately 16.49% as compared with that of the beginning of the year. The Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not exposed to fluctuations in exchange rates or any related hedges.

EQUITY INVESTMENTS

As of 30 June 2014, the Company's income from equity investments in associates was approximately RMB2.3 million, representing an increase of approximately 444.84% as compared with the same period of last year. Such significant increase was mainly due to the increase from share of the profit of Beijing Certificate Authority Co., Ltd..

INCOME TAX

During the period under review, the income tax expense of the Group was approximately RMB3.0 million, representing a decrease of approximately 22.75% as compared with the same period of last year. The decrease was mainly due to the decrease in profit before tax.

BUSINESS REVIEW

In the first half of 2014, with the strategic objective of becoming a smart city operator, the Company proactively and prudently pushed ahead business transformation through acquisitions and mergers to facilitate industrialization and commercialization development, enhanced establishment of marketing and service channels, expanded product mix, increased investments in research and development and diversified business approaches.

SMART CITY SERVICE AND MANAGEMENT

During the reporting period, the Company focused on provision of outstanding IT services, with an aim to build a more developed, convenient and livable smart city. The scope of smart city information services continued to expand, covering many areas such as the e-government, government hotline, emergency system, safe city, smart medical service, transportation management and food supervision.

On the side of e-government business, leveraging on our long history in providing stable online services, the Company has built a solid customer base and successfully established itself as a safe and reliable brand. Our customers included the important administration departments of Beijing municipality, such as public security, personnel, civil affairs, human resources and social security departments. During the reporting period, the Company made huge amount of investments in research and development to facilitate product and technology innovation, so as to make rapid response to market adjustment. The E-Government Network maintained stable operation and revenue, handling an average of approximately 581 calls per month, with an average satisfaction level of 98.16%.

The Call Center operated by Capinfo provided support services for the government hotlines. During the reporting period, in addition to the social security card service hotline “96102” and Beijing municipal administration and heating supply hotline, the Company launched the call center service for the Third China (Beijing) International Fair for Trade in Services and call center service for Beijing hospital medical cards. In the first half of 2014, the Call Center had an average of approximately 141,240 incoming calls per month and received a total of 114,988 calls per month.

Continuous efforts were made to improve construction of the government Internet of Things. As at the end of June 2014, a total of 307 (same period of last year: 222) base stations have been established in Beijing, covering nearly 90% outdoor areas within the Fifth Ring Road and the administrative center of some suburban districts and counties such as Pinggu, Yanqing, Miyun and Huairou. The platform hosted 25 demonstrative application projects, an increase of over 10 projects from the beginning of the year.

The number of application projects based on the Internet of Things grew at a rapid pace. Leveraging on the Internet of Things, the “smart city operation management platform of Yanqing” was applied to 115 departments of Yanqing County, including the Emergency Management Office, 110 Police Service Center, all police stations, traffic enforcement teams, fire stations, Committee for Comprehensive Management of Public Security, Municipal Commission of City Administration and Environment, Bureau of City Administration and Law Enforcement, Social Construction Work Office, offices at the sub-district, village, town and community level. These departments may achieve real-time monitoring over the operation of the city through visual platform, grid platform and spatial geographical information platform, which significantly reduced administrative expenses and improved efficiency in handling the related issues.

Breakthroughs were achieved for the technology service projects in all municipal administration segments, including smart transportation, environment, water and city infrastructural pipelines. During the reporting period, efforts were made to push ahead the implementation of the monitoring system on LPG users, monitoring system on public transportation lane, real-time monitoring system on city life line system and roadside parking monitoring system. In its efforts to enter into the Internet of Vehicles, the Company intended to launch a vehicle travelling data recording terminal product. The Company has run trial test on vehicles, and it proved that the product was able to provide real-time monitoring over the movement track, travelling routes and operation of the vehicles carrying out municipal administration tasks through monitoring platform, so as to improve effectiveness of municipal administration function and efficiency in managing traffic conditions with sudden raid of snow and storm.

SMART PEOPLE’S LIVELIHOOD

The Medical Insurance System and the Social Security Cards System of Beijing are part of the basic projects for smart people’s livelihood constructed, operated and maintained by the Company. The Company is responsible for the safe operation of these systems, as well as the smooth implementation of necessary upgrades, so as to ensure smooth provision of medical and settlement services to the public. As at the end of June 2014, the total card issuance of social security cards in Beijing reached 14,837,400, of which 722,700 cards were issued in the first half of the year. The Social Security Cards System hotline received 225,000 inquiries which were handled by agents, and 161,000 inquiries which were handled by the Interactive Voice Response system. The Social Security Cards website recorded 2.31 million visits.

The housing provident fund information management business is a priority for the Company in its effort to extend business across the nation. Since the acquisition of Shanghai Hengyue Computer Technology Co., Ltd, the Company has formed a national service network with Beijing, Shanghai and Guangzhou at the core, consisting of one subsidiary, two branches and one office. During the reporting period, the total amount of funds collected, loaned and managed by housing provident fund management centres across the country under the Company’s system accounted for over 20% of the national total, making it one of the leaders within the industry. Meanwhile, the Company continued to increase its profit margin by investing in research and development and enhancing its technical

advantage. During the reporting period, four software products developed by the Company, including the “CAPINFO Housing Provident Fund Collection Manager” v1.0 and the “Mobile Application System for Housing Provident Fund Public Services”, have completed copyrights registration.

The Company was committed to developing personalized and smart communities through the application of technologies, which provide a more secure, convenient, comfortable and delightful living environment to the public living in the communities. The Company continued to invest in research and development in this area, making great progress in cloud computing, Internet of Things, location-based service, mobile interaction, smart home and other fundamental technologies. During the reporting period, core applications launched in the “5A5S Tuanjiehu Smart Community Project” developed by the Company included the community service and management system, community information kiosk, pocket smart community, 3D smart home, smart home-based elderly care system, community network and traffic integrated management system, community security system, home security system, No. 1 positioning system, and Internet of Things-based waste separation system. The project was awarded the “2014 China Top Ten Smart City Solutions” in the “2014 China Outstanding Case for Smart City” selection.

SMART MEDICAL SERVICE

In light of the huge growth potential of medical information market, the Company has overall strategic planning in place derived from in-depth analysis, focusing on new digitalized hospitals, elderly medical service information and regional medical information respectively, in an effort to foster our competitive strength and regional service capability in construction of information systems for newly-built hospitals, traditional hospital improvement, community old-age medical care, regional medical care and government public health service.

Regarding establishment of information system for new digitalized hospitals, during the reporting period, the Company progressed smoothly with the information system project undertook for Beijing Aiyuhua Hospital for Children and Women, with pre-opening information development moving ahead in full steam, and the information system testing had been completed. Furthermore, the Company has been actively exploring relevant services in the elderly care area, and launched preliminary preparatory works to develop the information system of Intech Rehabilitation Hospital. Through well-planned and targeted deployment, the Company will gain experience in developing information systems for digitalized hospitals of the new generation, so as to structure its product offerings for future development.

Designed for patients came to Beijing for treatment, Beijing hospital medical card system run well. As at the end of June 2014, there were 16 pilot hospitals with 1,405,500 cards issued in total. In addition, the Company took part in the construction of the “Medical Unity” platform, aiming to provide data sharing and more efficient diagnosis and treatment by connecting major hospitals with neighboring community hospitals in Beijing with information technology.

CLOUD SERVICE AND ENTERPRISE INFORMATION TECHNOLOGY

Traditional website operators often add new hardware equipments based on peak visit numbers, which results in a risk of system breakdown during peak hours, as well as a waste of resources during low hours. The flexibility provided by our Cloud Platform can effectively solve this issue. In view of the potential needs of its E-Government customers, the Company made adequate investments and preparation in relation to cloud service platform, big data and other areas, in order to proactively adapt to changing market demand through technical upgrades. With a maturing business model of “government purchase of service”, the Company will benefit from its investments gradually.

During the reporting period, construction of the CAPINFO Cloud Platform progressed smoothly. As at the end of June 2014, services on our cloud platform had been well positioned and were classified into three product lines.

First, Internet Cloud for government and public service applications. Through three phases of development of the “Beijing E-Government Internet Cloud Platform”, the Company has secured six contracts, and effectively met the special needs of the government customers for data independence, security and stability.

Second, Application Service Cloud for enterprises (SAAS). By extracting APP products that can be used on a standalone basis from traditional information solutions, the Company launched 13 cloud products such as mobile “Wei Xue Tong (為學通)”, “CAPINFO Public Sentiment Cloud System” and “Housing Provident Fund App” for marketing across the country through our online cloud product store (www.capcloud.com.cn), Wechat official account (Wechat account: Capinfo) and national service hotline (400-181-100).

Third, Virtual Private Cloud (VPC) for large groups and institutions. In light of the current market demand for private cloud development, the Company planned to roll out Virtual Private Cloud services for large groups and institutions.

As at the end of June 2014, the CAPINFO Cloud Platform Project had 3,002 virtual hosts, 741 of which were in use, representing a utilisation rate of 24.68%. Currently, the supervisory system of the State-owned Assets Supervision and Administration Commission of Beijing Municipality based on the Cloud Platform runs steadily with data collected from 58 primary enterprises in Beijing under its supervision. Some 90,000 entries of supervisory data preliminarily form a database for supervision and administration of assets owned by state-owned enterprises in Beijing. The system not only improves the customer’s efficiency in approval works, but also lays a good foundation for the Company to further expand its information-based business with state-owned enterprises.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 1,412 employees (30 June 2013: 1,345 employees). The staff cost was approximately RMB110.5 million (30 June 2013: RMB79.8 million).

Talents are the most valuable assets of the Company. During the reporting period, the Company further enhanced planning on human resources, with an aim to attract talents and young cadres from all lines of work. Through Capinfo Institute, the Company provided multi-level talent training programmes and implemented effective training plans in a flexible manner with online and offline trainings, covering professional skills, enterprise management, induction training and health education. Focusing on update of the latest technologies, the Company invited domestic and overseas experts to give lectures on the latest technology developments such as the clouding computing, the Internet of Things, big data, medical information as well as wearable gadgets and additive manufacturing (3D printing).

PROSPECT

In the first of 2014, the e-government market of Beijing showed signs of in-depth adjustment, with temporary slowdown in market demand. Customers started to attach emphasis to top-level design and reevaluate future potential demand. The e-government projects have shifted from the original pattern of “construction + operation and maintenance” to “government purchase of service”. After this run of adjustment, the Company expects that demand for cloud computing services will establish a strong market in the coming two to three years.

At the current stage, while ensuring stable operation of the core business systems, the Company will spare no effort to push ahead the construction and operation of the cloud platform. Meanwhile, by further integrating application and proprietary intellectual rights of the Internet of Things and consolidating resources and solution advantage of the cloud services and the operation platform of the Internet of Things, the Company will step up efforts to exploit the smart management market with a focus on cloud-based plus client. Strenuous efforts will be made to develop the enterprise information business.

Based on our positioning as “smart city operator”, the Company will increase investments in research and development, with an aim to develop products and technology to provide “cloud computing and operation support”. Meanwhile, the Company will learn how to integrate and upgrade the quality products of the acquired companies, so as to facilitate mutual development, and in turn improve profitability and profit margin of the Company.

SUBSEQUENT EVENT

In July 2014, the Board of the Company approved the acquisition of 100% equity interests in Xiamen Ritoinfo Technology Company Limited (“Xiamen Ritoinfo”) at a cash consideration of RMB300 million. Xiamen Ritoinfo is principally engaged in provision of capital regulatory system, construction supervision system and group financial company information system. Its core competitive strength lies in the management experience and technical skills of its existing team, marketing channels and its long-term and established cooperation relationship with clients in the Chinese tobacco industry, as well as a sound product management system and an outstanding research and development team.

The acquisition of the target company will enable the Company to expand its scope of service to other industries, and diversify its customer and income base, so as to establish its leading position in the e-government sector and significantly enrich its portfolio of company information products.

Currently, the Company provides IT services for the related information systems for major real estate groups in Beijing, China Beijing Equity Exchange and Beijing Petroleum Exchange. The acquisition of Xiamen Ritoinfo will promote rapid expansion in product mix of the capital regulatory, engineering construction management and group control segments, enabling the Company to capture opportunities arising in the relevant areas in the foreseeable future. Leveraging on the target company’s advantage in industrialization and commercialization, the Company will integrate clients’ resources and service network which will bring synergetic benefits, so as to guarantee realization of the objectives in the “Twelfth Five-year” Plan of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the Model Code contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Having made specific enquiry with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard as set out in the Company’s Code of Securities Transactions and the Model Code of the Stock Exchange throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

The audit committee has discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 with the senior management of the Company. The committee is of the view that the financial statements were prepared in accordance with applicable accounting policies, the Listing Rules and other applicable legal requirements.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2014.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
CAPINFO COMPANY LIMITED*
Wang Xu
Chairman

Beijing, the People's Republic of China
27 August 2014

As of the date hereof, the executive director of the Company is Dr. Wang Xu; the non-executive directors of the Company are Mr. Lu Lei, Mr. Wu Shengjiao, Mr. Pan Jiaren, Mr. Shi Hongyin, Ms. Hu Sha and Mr. Wang Zhuo, and the independent non-executive directors of the Company are Mr. Chen Jing, Ms. Zhou Liye, Mr. Zeng Xianggao and Mr. Gong Zhiqiang.

* *For identification purpose only*