



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)

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號 : 1075)

共建智慧城市 共享智慧未來

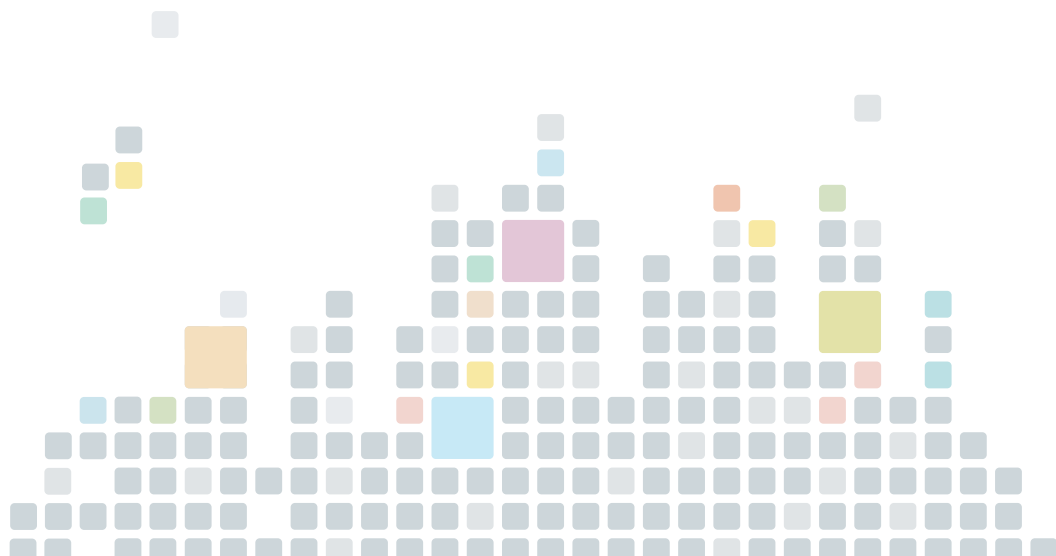
Join Efforts to Build Smart City
and Share the Smart Future



2014 中期報告
INTERIM REPORT

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MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

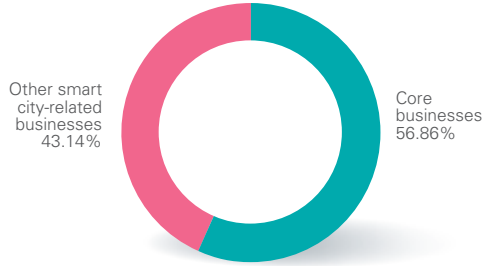
For the six months ended 30 June 2014, the Group recorded an unaudited revenue of approximately RMB288.6 million, representing a decrease of approximately 27.66% as compared with the same period of last year. The Group reached a gross profit of approximately RMB91.8 million, representing a decrease of 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.

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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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

Good corporate governance serves as a foundation for the Company to improve its management. The Company pursues sound corporate governance and believes that good corporate governance is in the interests of the Company, shareholders and stakeholders. The Company considers excellent corporate governance as an important goal. With an aim to continuously improve its corporate governance level, the Company constantly improves its corporate governance practices and procedures, with a standardized and improved corporate governance structure established. It also strictly complies with the state laws and regulations, relevant regulatory requirements and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as well as closely observes trends in regulatory changes in China and abroad.

During the reporting period, the Company has established a set of regulated and transparent management system and has been in strict compliance with all the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the corporate governance code. Currently, Dr. Wang Xu is both the Chairman and Chief Executive Officer of the Company. The Board believes that it is in the best interest of the Group to have Dr. Wang Xu taking up both roles for continuous effective management of the Board.



CORPORATE GOVERNANCE FRAMEWORK

In accordance with the relevant provisions of the laws and regulations including the PRC Companies Law ("Companies Law") and the Listing Rules as well as the Capinfo Company Limited's Articles of Association ("Articles of Association"), and with reference to the status quo of the Company, Capinfo constantly developed, improved and effectively implemented work systems and related work processes for the Board and its various specialized committees. The Company has established effective corporate governance system with general meeting as the organ of highest

CORPORATE GOVERNANCE

authority, the Board as the decision-making organ, the Board of Supervisors as the supervisory organ and the management as the implementation organ. During the reporting period, through the co-ordination and checks and balances among the general meeting, the Board and its specialized committees, the Board of Supervisors and the management led by the Chairman together with the effective operations of the internal control systems, the internal management operations of the Company have been further standardised and the level of its corporate governance has been continually enhanced.

BOARD OF DIRECTORS

The Board is responsible for managing the overall businesses of the Company. In accordance with Articles of Association and Rules of Procedures of the Board of Directors, the Board takes a conscientious and effective approach in leading and supervising the Company. All Directors are responsible for promoting the continuous business development of the Company in good faith and in the best interest of the Company. As an important part of good corporate governance, the Company established several specialized committees under the Board, including the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee, which are delegated to perform certain function of the Board so as to improve efficiency of the Board.

The Company's Board of Directors comprises eleven Directors, including one Executive Director, six Non-executive Directors and four Independent Non-executive Directors. The Company's Directors are professionals in finance, law, commerce and information services with extensive experience and expertise in various areas. In terms of the composition of the Board, the comprehensive professional backgrounds and the strong independent element of the Directors demonstrate significant importance in corporate governance. The Company has entered into service contracts with the Directors for a term expiring on 19 June 2015 and subject to re-election.

During the reporting period, the Board held three on-the-spot meetings, and signed meeting documents two times in the form of circulation. To enable the Directors to have a comprehensive knowledge of the Company's businesses, in addition to work report at the regular meetings of the Board and timely report of significant events at the special meetings of the Board, the Company also submits "Monthly Report to Directors" to the Directors every month, which contains information on the major trade and financial affairs of the Company, updating them on the business performance of the Company.

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The secretary of the Board and the Company Secretary to assist the Board of Directors to perform its responsibilities to the shareholders in accordance with the Listing Rules and provide professional advice to the Directors regarding corporate governance, so as to maintain smooth information communication among the members of the Board, arrange induction training and professional development for the Directors, ensure the compliance of the procedures of the Board and improve the efficiency of the Board. The secretary of the Board and the Company Secretary will provide introduction materials on the operation of the major businesses of the Company as well as the duties and responsibilities of the Directors as conferred by the laws, regulations and the Listing Rules to the Directors at the time of their appointment. In addition, relevant seminars, courses and training programmes will be provided to the Directors to assist them to achieve continuous professional development.

During the reporting period, all Directors have participated in various forms of training programmes to improve their knowledge and skills so as to ensure that their contribution into the Board remains informed and relevant. Directors should also ensure that they have enough time to handle the business of the Company. Liability insurance for Directors is maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties, so as to mitigate the liabilities of the Directors and enhance the effectiveness of decision-making.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors throughout the six months ended 30 June 2014. The senior managements and employees, who may have access to unpublished inside information because of their office, have been requested to comply with the requirements of the Model Code.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The audit committee usually holds four meetings every year, and is responsible for monitoring the financial, accounting policies and practices of the Company and assessing the effectiveness of the internal control system. The Company established the audit committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the operation of the audit committee. The audit committee of the Company comprises four members, including Ms. Zhou Liye (chairman), Mr. Chen Jing, Mr. Zeng Xianggao and Mr. Gong Zhiqiang, all being Independent Non-executive Directors.

During the reporting period, the audit committee held two on-the-spot meetings. The committee reviewed the Audited Financial Report of the Company for the year 2013, the overview report of the internal audit for year 2013, reappointment of auditor, two copies of Internal Audit Report and three copies of Internal Audit Follow-up Report, the Financial Analysis of the Company for the first quarter of 2014, two copies of Internal Audit Report and two copies of Internal Audit Follow-up Report.

REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee holds at least one meeting every year, and is responsible for reviewing remuneration and other matters. The Company established the remuneration and appraisal committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of Remuneration and Appraisal Committee to specify its written terms of reference, so as to regulate the operation of the remuneration and appraisal committee. The remuneration and appraisal committee of the Company comprises three members, including Mr. Chen Jing (chairman), Mr. Lu Lei and Mr. Gong Zhiqiang.

During the reporting period, the remuneration and appraisal committee signed meeting documents once in the form of circulation to recognize the Company's provision and implementation of total remuneration in 2013, and review the year-end bonus of senior management of the Company for the year 2013 and the basic annual salary of senior management for the year 2014.

CORPORATE GOVERNANCE

NOMINATION COMMITTEE

The nomination committee holds at least one meeting every year, and is responsible for nominating and recommending candidates to fill the vacancies of members of the Board, chief executive officer and financial controller. The Company established the nomination committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee in accordance with the requirements of Rule A.5.2 of Appendix 14 to the Listing Rules to specify its written terms of reference, so as to regulate the operation of the nomination committee. The nomination committee of the Company comprises three members, including Dr. Wang Xu (chairman), Mr. Chen Jing and Mr. Zeng Xianggao.

During the reporting period, the nomination committee signed meeting documents once in the form of circulation to recommend Mr. Wu Shengjiao as the candidate of Non-executive Director.

STRATEGY COMMITTEE

The strategy committee holds at least one meeting every year, and is responsible for making recommendations on the Company's long-term development strategies, major investment and financing plans, capital operations and other matters to the Board and supervising on the implementation of the said matters. The Company established the strategy committee and formulated the Articles of Strategy Committee to specify its written terms of reference, so as to regulate the operation of the strategy committee. The strategy committee of the Company comprises three members, including Dr. Wang Xu (chairman), Mr. Lu Lei and Mr. Chen Jing.

CORPORATE GOVERNANCE

BOARD OF SUPERVISORS

The Board of Supervisors holds at least two meetings every year, and is responsible for examining the financial affairs of the Company and supervising the legality and legitimacy of the performance of duties by the Directors and senior management and the decision-making procedures of the Company's meetings as well as the implementation of the solutions of the meetings. The Company established the Board of Supervisors in accordance with Article 118 of the Companies Law, and formulated the Rules of Procedures of the Board of Supervisors to specify its written terms of reference, so as to regulate the operation of the Board of Supervisors. The Board of Supervisors of the Company comprises three members, including Mr. Di Guojun (chairman), Mr. Liang XianJun and Ms. Xu Xiangyan.

During the reporting period, the Board of Supervisors signed meeting documents two times in the form of circulation to review the Audited Financial Report of the Company for the year 2013, the continuing connected transactions for the year 2013, the supervisors' report for the year 2013 and recommend Mr. Liang XianJun as candidate of supervisor representing shareholders.

INTERNAL CONTROL SYSTEM

The Board of the Company conducts review on the effectiveness of the internal control system of the Company regularly to ensure the relevant system is effectively and adequately followed. The internal control system is a risk control procedure provided by the Board, management and the persons concerned to enhance operating effectiveness and efficiency and the reliability of financial reporting, covering management on internal environment, risk assessment, control activities, information communication and supervision procedures, so as to identify and assess the risks to which the Company is exposed and allocate resources to control these risks based on their severity, with an aim to improve operating results. The Board is of the opinion that the existing internal control system of the Company worked effectively in finance, operation, compliance and risk management during the reporting period, so as to ensure smooth operation of all the business activities of the Company.

CORPORATE GOVERNANCE

INTERNAL CONTROL ACTIVITIES

The Company established the audit department, which is under the guidance of the Audit Committee and assumes the important responsibilities of supervising the internal governance of the Company. The audit department is responsible for carrying out independent internal audit on operations, management and major economic events of the Company in accordance with the principle of independence, objectivity and authority of internal audit, and for giving advice and suggestions on operations and internal control and management so as to promote the development of the Company's business. The audit committee assessed the effectiveness of the internal control system of the Company on behalf of the Board, covering the operating effectiveness and efficiency, the reliability of financial reporting and other matters. The audit committee is of the opinion that, as at 30 June 2014, adequate and effective internal control system was maintained to safeguard the investments of the shareholders and the assets of the Company.

CONTINUOUS DISCLOSURE OBLIGATIONS REGARDING INSIDE INFORMATION

The Company has developed a system with established policies, process and procedure across all relevant divisions and departments for complying with the disclosure obligations regarding inside information. The Company will further improve the mechanism based on the operation and development of business and the new rules and regulations. During the reporting period, there was no divulgence of inside information, and none of the Directors, supervisors or senior management of the Company made use of any inside information to deal with the shares of the Company. No investigation or rectification was conducted or required by the regulatory authorities in this regard.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 18 to the financial statements on page 44 of this report.

CORPORATE GOVERNANCE

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as of 30 June 2014, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Appendix 10 of the Listing Rules.

Long positions in the underlying shares – options granted under the share option scheme:

Name	Position	Number of H Shares subject to options outstanding as of 30 June 2014	
		Granted under the share option scheme	Approximate percentage to the issued H share capital
Dr. Wang Xu	Chairman (Chief Executive Officer)	1,466,000	0.19%
Mr. Pan Jiaren	Non-executive Director	1,466,000	0.19%
Ms. Xu Xiangyan	Supervisor	459,000	0.06%
		3,391,000	0.44%

All of the above-mentioned share options granted under the share option scheme of the Company were granted on 17 August 2004 at RMB1 per grant with an exercise price of HK\$0.41 per H Share. These share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the below schedule subject to restrictions imposed by the relevant PRC laws and regulations.

Proportion of share options granted and held by each of the Directors and the supervisors which become exercisable

Exercise period

25%	18 August 2005 to 17 August 2014
25%	18 August 2006 to 17 August 2014
25%	18 August 2007 to 17 August 2014
25%	18 August 2008 to 17 August 2014

CORPORATE GOVERNANCE

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors, supervisors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2014:

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

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

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

SUBSEQUENT EVENTS

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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF CAPINFO COMPANY LIMITED**

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Capinfo Company Limited (the “Company”) and its subsidiaries set out on pages 24 to 53, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

27 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Revenue	5	288,593	398,930
Cost of sales		(196,816)	(297,789)
Gross profit		91,777	101,141
Other income	6	23,170	9,833
Other gains and losses	7	(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	21(iv)	(61)	(76)
Share of results of associates		2,272	417
Profit before tax		15,829	45,103
Income tax expense	8	(3,049)	(3,947)
Profit for the period	9	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
		RMB cents	RMB cents
EARNINGS PER SHARE	11		
– Basic		0.44	1.42
– Diluted		0.44	1.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	148,366	165,451
Investment property	12	54,643	56,605
Intangible asset	13	20,262	14,537
Prepaid lease payments	14	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	15	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	14	10,177	7,051
Trade and other receivables	15	235,641	197,434
Amounts due from customers for contract works		81,014	68,125
Amounts due from related parties	21(iii)	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Current liabilities			
Trade and other payables	16	187,023	227,724
Amounts due to related parties	21(iii)	24,830	1,004
Amounts due to customers for contract works		166,638	107,591
Income tax payable		1,348	133
Loan from government	21(iv)	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	17	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

The condensed consolidated financial statements on pages 24 to 53 were approved by the board of directors on 27 August 2014 and are signed on its behalf by:

Dr. Wang Xu
CHAIRMAN &
CHIEF EXECUTIVE OFFICER

Mr. Lu Lei
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory	Retained	Total RMB'000	Non-	Total RMB'000
			surplus reserve RMB'000	profits RMB'000		controlling interests RMB'000	
At 1 January 2013 (Audited)	289,809	254,079	40,309	202,363	786,560	100	786,660
Profit and total comprehensive income for the period	-	-	-	41,105	41,105	51	41,156
Dividend recognised as distribution (note 10)	-	-	-	(37,685)	(37,685)	-	(37,685)
At 30 June 2013 (Unaudited)	289,809	254,079	40,309	205,783	789,980	151	790,131
At 1 January 2014 (Audited)	289,809	254,079	49,902	237,969	831,759	132	831,891
Profit and total comprehensive income for the period	-	-	-	12,842	12,842	(62)	12,780
Dividend recognised as distribution (note 10)	-	-	-	(37,675)	(37,675)	-	(37,675)
At 30 June 2014 (Unaudited)	289,809	254,079	49,902	213,136	806,926	70	806,996

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Net cash from (used in) operating activities		6,443	(109,776)
Net cash used in investing activities			
Interest received		2,394	3,105
Cash paid for a financial asset designated as at fair value through profit or loss ("FVTPL") and related guarantee contract		–	(151,500)
Cash received from investment gain on financial asset designated as at FVTPL		–	6,250
Dividend received from an associate		4,617	3,569
Cash paid for acquisition of property, plant and equipment		(17,059)	(21,891)
Cash paid for acquisition of intangible assets		(3,934)	–
Cash paid for addition to investment property		–	(1,288)
Deposits paid for acquisition of property, plant and equipment		(10,332)	(2,019)
Cash paid for prepaid lease payments		(9,338)	(3,681)
Net cash outflow on acquisition of a subsidiary	20	–	(1,919)
Repayment from related parties		2,536	–
Cash advanced to related parties		(52)	–
Placement of bank deposits		(1,879)	(2,214)
Withdrawal of bank deposits		–	135,452
		(33,047)	(36,136)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Cash used in financing activities		
Interest paid	(61)	(27)
	(61)	(27)
Net decrease in cash and cash equivalents	(26,665)	(145,939)
Cash and cash equivalents at beginning of the period	365,372	453,764
Cash and cash equivalents at end of the period, represented by bank balances and cash	338,707	307,825

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. REVENUE

Revenue represents revenue generated from sales of goods, and income from technology service contracts during the current interim period. An analysis of the Group's revenue for the current interim period is as follows:

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
<i>Income from technology service contracts</i>		
Operation and maintenance service	194,976	199,786
System integration service (Note)	72,077	180,099
Software development service	10,417	7,194
Technology service	3,897	4,518
Consulting service	678	1,074
	282,045	392,671
<i>Sales of goods</i>	6,548	6,259
	288,593	398,930

Note: System integration service revenue included the "build" revenue earned from Build-and-Transfer ("BT") projects amounting to nil in current interim period (six months ended 30 June 2013: RMB132,366,000) as all the BT projects were completed before the end of 2013 and the related trade receivables are repayable by installments over a five-year period after the completion date of the construction of the underlying projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. OTHER INCOME

An analysis of the Group's other income for the current interim period is as follows:

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Gross rental income from investment property	4,796	4,796
Interest income from bank deposits	2,394	3,105
Imputed interest income from BT projects	2,089	1,334
Government grants (Note 16(c))	9,930	598
De-recognition of trade and other payables	3,866	–
Others	95	–
	23,170	9,833

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Allowances for doubtful debts	(1,023)	(1,355)
Loss on disposal of property, plant and equipment	(3)	(26)
Gain on change in fair value of a financial asset designated as at FVTPL (Note)	-	6,708
	(1,026)	5,327

Note: Gain on change in fair value of a financial asset designated as at FVTPL in previous period represents the gain on change in fair value of a trust investment. The Group did not enter such transaction in current interim period. In January 2013, the Group entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Group invested RMB150 million in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27 December 2013. The Trust Investment would be wholly invested in fixed income financial instruments. The return of the Trust Investment was expected to be 10% per annum at a maximum. As at 31 December 2013, the Trust investment had been fully redeemed.

In respect of the Trust Investment, the Group entered into a guarantee agreement with Shenzhen Golden Regal Guarantee Co., Ltd. ("深圳市金瑞格融資擔保有限公司" or "Golden Regal") which Golden Regal agreed to guarantee the principal amount and the return of the Trust Investment to be not less than the prevailing time deposit interest rate in the PRC banks. The Group recognised the guarantee contract with initial fee of RMB1,500,000 as a derivative with gain or loss of changes in fair value recognised through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. INCOME TAX EXPENSE (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (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
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)
	9,536	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
	102,912	79,822
Less: Staff costs included in		
– research and development costs	(15,773)	(11,924)
– cost of sales	(36,530)	(34,432)
	50,609	33,466
Operating lease rentals in respect of		
– cable network	12,931	7,513
– office premises	21,083	15,921
	34,014	23,434
Less: Operating lease rentals included in		
– research and development costs	(1,176)	(492)
– cost of sales	(22,704)	(14,860)
	10,134	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. 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).

11. 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 RMB'000 (Unaudited)	30.6.2013 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. EARNINGS PER SHARE (CONTINUED)

	Six months ended	
	30.6.2014 (Unaudited)	30.6.2013 (Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	2,898,086,091	2,898,086,091
Effect of dilutive potential ordinary shares under the Company's share option scheme	15,254,143	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	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.

12. 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.

13. INTANGIBLE ASSETS

During the current interim period, the Group incurred approximately RMB6,162,000 (six months ended 30 June 2013: RMB2,328,000) on the addition of intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Current portion	10,177	7,051
Non-current portion	42,512	39,707
	52,689	46,758

Prepaid lease payments represent prepayments made by the Group for the rental of premises for a period from 4 to 10 years for installation of wireless equipment for the government network projects.

15. TRADE AND OTHER RECEIVABLES

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Total trade receivables	253,153	243,205
Less: Allowance for doubtful debts	(15,997)	(14,974)
	237,156	228,231
Less: Non-current portion which is shown in non-current assets (Note (a))	(70,170)	(89,533)
	166,986	138,698
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)
	68,655	58,736
Trade and other receivables shown in current assets	235,641	197,434

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Age		
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
	237,156	228,231

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. TRADE AND OTHER PAYABLES

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Trade payables	66,242	108,615
Accrued expenses (Note (a))	36,798	30,570
Other payables (Note (b))	43,799	49,461
Deferred income arising from government grants (Note (c))	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
	187,023	227,724

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. TRADE AND OTHER PAYABLES (CONTINUED)

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:

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Age		
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
	66,242	108,615

* 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.

17. SHARE CAPITAL

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. 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).

19. CAPITAL COMMITMENTS

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in these condensed consolidated financial statements in respect of acquisition of property, plant and equipment	9,061	10,850

20. ACQUISITION OF A SUBSIDIARY

On 31 May 2013, the Group acquired a 100% equity interest in 上海橫越計算機科技有限公司 (Shanghai Hengyue Computer Technology Co., Ltd.) ("Shanghai Hengyue") from third party individuals. Shanghai Hengyue is engaged in software development and operational maintenance of housing fund system. Shanghai Hengyue was acquired so as to continue the expansion of the Group's housing information technology service business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Consideration transferred

	RMB'000 (Unaudited)
Cash	2,680

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

Identifiable assets and liabilities recognised at the date of acquisition

	RMB'000 (Unaudited)
Non-current assets	
Property, plants and equipment	2
Intangible assets	2,328
Current assets	
Trade and other receivables	118
Bank balances and cash	761
Current liabilities	
Other payables	(529)
	2,680

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

Included in the profit of the Group for the six months ended 30 June 2013 was a loss of RMB66,000 attributable to Shanghai Hengyue. Revenue generated by Shanghai Hengyue from 31 May 2013, the date of acquisition by the Group, to 30 June 2013 did not have any material effect on the Group's revenue.

Had the acquisition of Shanghai Hengyue been effected at the beginning of the six months ended 30 June 2013, the total amount of revenue of the Group for the six months ended 30 June 2013 would have been RMB399,522,000, and the amount of the profit of the Group for the six months ended 30 June 2013 would have been RMB40,979,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the six months ended 30 June 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shanghai Hengyue been acquired at the beginning of the six months ended 30 June 2013, the directors of the Company calculated depreciation of equipment and the amortisation of intangible asset based on the recognised amounts of equipment and intangible assets at the date of the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES

(i) Transactions with fellow subsidiaries

Related party	Nature of transactions	Notes	Six months ended	
			30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Fellow subsidiaries				
Capnet Company Limited ("Capnet")	Income from technology service, for providing the network system and related maintenance services	(a)	4,961	2,972
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises	(b)	4,644	3,682
Beijing Petroleum Exchange Co., Ltd ("Beijing Petroleum Exchange")	Income from system integration service, for providing hardware, software, and related equipment management service	(c)	6,963	–
Beijing Guotong Xintai Investment Management Company Limited ("Guotong Xintai")	Income from system integration service, for construction of necessary technology infrastructure and application system of a hospital	(d)	13,665	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (continued)

Notes:

- (a) On 18 January 2013, Capinfo Technology and Capnet entered into a comprehensive services agreement under which Capinfo Technology is to provide the network system and the related maintenance service to Capnet to 31 December 2015. The service income of RMB4,961,000 was recognised for the current interim period (six months ended 30 June 2013: RMB2,972,000).
- (b) On 30 March 2012, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB402,000 for the period from 1 April 2012 to 31 March 2015.

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

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

On 1 August 2013, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at an monthly rent of approximately RMB168,000 for the period from 1 August 2013 to 31 March 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (continued)

- (c) On 23 December 2013, the Company and Beijing Petroleum Exchange entered into four contracts under which the Company will provide hardware, software and related equipment management service to Beijing Petroleum Exchange. The contract amount was RMB6,963,000, and the income of RMB6,963,000 was fully recognised during the current interim period (six months ended 30 June 2013: nil).
- (d) On 23 May 2013, the Company and Guotong Xintai entered into an agreement that the Company will provide services related to the construction project of Beijing Aiyuhua Hospital for Children and Women ("Beijing Aiyuhua Hospital"), including the construction of the necessary information technology infrastructure and application system before the commencement of the trial operation of Beijing Aiyuhua Hospital. The contract amount was RMB28,878,000, and the income of RMB13,665,000 was recognised during the current interim period (six months ended 30 June 2013: nil).

(ii) Transactions with an associate

An associate	Nature of transactions	Six months ended	
		30.6.2014 RMB'000 (Unaudited)	30.6.2013 RMB'000 (Unaudited)
Beijing Certificate Authority Co., Ltd.	Software development and providing related technical services to the Group	149	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Amounts due from related parties and amounts due to related parties

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Amounts due from related parties		
Trading nature:		
Fellow subsidiaries	14,834	4,723
Non-trading nature:		
Fellow subsidiaries (Note (a))	6,004	4,463
Associates	887	835
	6,891	5,298
	21,725	10,021
Amounts due to related parties		
Trading nature:		
Associates	101	197
Fellow subsidiaries	184	807
	285	1,004
Non-trading nature:		
Holding company (Note (b))	23,849	–
Fellow subsidiaries	696	–
	24,830	1,004

Notes:

- (a) Amount represents rental deposits and guarantee deposit paid for provision of technology service and other receivables.
- (b) Amount represents dividend payable for dividend declared in the current interim period.

Non-trading balances with related parties are unsecured, non-interest bearing and are repayable on demand.

Trade receivables from fellow subsidiaries are aged within one year with credit period of 5 to 180 days.

Trade payables to associates and fellow subsidiaries are aged within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, joint-controlled or significant influenced by the PRC government (“government-related entities”). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB250,542,000 (six months ended 30 June 2013: RMB394,019,000) to other government-related entities and the PRC government for the current period. The directors of the Company consider they are independent third parties so far as the Group’s business transactions with them are concerned.

As of 30 June 2014, loan from government of RMB3,630,000 (31 December 2013: RMB3,630,000) is borrowed from the Financial Bureau of Beijing which is unsecured, repayable on demand and bears interest at annual interest rate of 3.35% (31 December 2013: 3.72%), and the Group has incurred interest expenses of approximately RMB61,000 (six months ended 30 June 2013: RMB76,000) in the current interim period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

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

Except for trade and other receivables of approximately RMB175,880,000 (31 December 2013: RMB161,990,000), amounts due from customers for contract works of approximately RMB79,283,000 (31 December 2013: RMB67,031,000), amounts due to customers for contract works of approximately RMB160,693,000 (31 December 2013: RMB104,251,000) as at 30 June 2014, those transactions as disclosed above, and certain balances disclosed in respective notes to the condensed consolidated financial statements, the directors of the Company are of the opinion that transactions and balances with other government-related entities are not significant to the Group's operations.

(v) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the six months ended 30 June 2014 are approximately RMB2,135,000 (six months ended 30 June 2013: RMB2,790,000).

The post-employment benefits paid or payable by the Group to directors of the Company and other members of key management during the six months ended 30 June 2014 are approximately RMB169,000 (six months ended 30 June 2013: RMB217,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 July 2014, the Company entered into a share transfer agreement with 廈門銳泰隆投資發展有限公司 (Xiamen Ruitailong Investment Development Company Limited) (“Xiamen Ruitailong”), and the individual original shareholders regarding the acquisition of the equity interest of 廈門融通信息技術有限責任公司 (Xiamen Ritoinfo Technology Company Limited) (the “Target Company”) at the consideration of approximately RMB305 million (subject to adjustments as explained below) to be settled by instalments by way of cash. Details of the acquisition were set out in an announcement issued by the Company on 21 July 2014.

The consideration was based on a minimum consideration and subject to adjustments with reference to the guarantee provided by the original shareholders of the Target Company on the audited net profit after tax for the year ending 31 December 2014, 2015 and 2016 of the Target Company.

INFORMATION FOR INVESTORS

Financial Calendar

Announcement of interim results	27 August 2014
Dispatch of interim report to shareholders	12 September 2014

Interim Report

The Chinese and English versions of the interim report will be posted on the Company's website (www.capinfo.com.cn) on 11 September 2014

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