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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)

CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

- Revenue increased by 5.71% to RMB929.7 million.
- Profit attributable to owners of the Company increased by 7.58% to RMB109.2 million.
- Basic earnings per share increased by 7.71% to RMB3.77 cents per share.
- The board of directors has recommended the payment of a final dividend of RMB1.09 cents per share (2015: RMB1.57 cents per share) totalling approximately RMB31.6 million for the year ended 31 December 2016, subject to approval by shareholders at the forthcoming annual general meeting.

The board of directors (the "Board") of Capinfo Company Limited (the "Company") is pleased to announce the consolidated financial results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 together with the comparative figures for the corresponding period of 2015. These financial results and financial position have been audited by Grant Thornton Hong Kong Limited, Certified Public Accountants and reviewed by the Board and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**929,651**	879,473
Cost of sales		**(621,033)**	(618,760)
Gross profit		**308,618**	260,713
Other income		**24,177**	31,374
Other gains and losses	5	**(2,617)**	48,871
Research and development costs		**(58,269)**	(75,124)
Marketing and promotional expenses		**(94,597)**	(84,805)
Administrative expenses		**(77,652)**	(94,717)
Finance cost for loan wholly repayable within five years		**(40)**	(679)
Share of results of associates		**20,977**	16,272
Profit before tax		**120,597**	101,905
Income tax expense	6	**(10,653)**	(361)
Profit for the year	7	**109,944**	101,544
Profit and total comprehensive income for the year attributable to			
– Owners of the Company		**109,234**	101,542
– Non-controlling interests		**710**	2
		109,944	101,544
Earnings per share for profit attributable to owners of the Company during the year	9		
– Basic		**RMB3.77 cents**	RMB3.50 cents
– Diluted		**RMB3.77 cents**	RMB3.50 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment		**167,645**	152,147
Investment property		**45,283**	49,057
Goodwill		**184,598**	184,598
Intangible assets		**21,695**	32,568
Prepaid lease payments		**25,322**	32,578
Deposits paid on acquisition of property, plant and equipment		**1,730**	1,149
Interests in associates		**130,134**	75,974
Financial assets at fair value through profit or loss		**3,565**	6,659
Available-for-sale investments		**971**	971
Trade receivables	*11*	**25,123**	57,040
Deferred tax assets		**28,737**	18,046
		634,803	610,787
Current assets			
Inventories	*10*	**23,116**	17,461
Prepaid lease payments		**7,373**	8,548
Trade and other receivables	*11*	**374,790**	327,928
Income tax recoverable		**–**	1,098
Amounts due from customers for contract works	*12*	**96,661**	59,235
Amounts due from related parties		**37,150**	24,711
Bank deposits		**61,135**	80,910
Bank balances and cash		**510,063**	498,559
		1,110,288	1,018,450
Current liabilities			
Trade and other payables	*13*	**359,363**	335,042
Other financial liabilities		**30,336**	82,255
Amounts due to related parties		**20,942**	4,463
Amounts due to customers for contract works	*12*	**291,362**	243,515
Loan from government	*14*	**900**	1,810
Income tax payable		**23,974**	7,125
		726,877	674,210

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Net current assets		**383,411**	344,240
Total assets less current liabilities		**1,018,214**	955,027
Non-current liabilities			
Other financial liabilities		**9,894**	37,438
Deferred tax liabilities		**–**	547
		9,894	37,985
Net assets		**1,008,320**	917,042
Capital and reserves			
Share capital	*15*	**289,809**	289,809
Share premium and reserves		**686,928**	627,094
Equity attributable to owners of the Company		**976,737**	916,903
Non-controlling interests		**31,583**	139
Total equity		**1,008,320**	917,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	289,809	254,079	58,663	243,530	846,081	137	846,218
Profit and total comprehensive income for the year	–	–	–	101,542	101,542	2	101,544
Dividend recognised as distribution *(note 8)*	–	–	–	(30,720)	(30,720)	–	(30,720)
Profit appropriations	–	–	5,580	(5,580)	–	–	–
At 31 December 2015 and 1 January 2016	**289,809**	**254,079**	**64,243**	**308,772**	**916,903**	**139**	**917,042**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**109,234**	**109,234**	**710**	**109,944**
Dividend recognised as distribution *(note 8)*	**–**	**–**	**–**	**(45,500)**	**(45,500)**	**–**	**(45,500)**
Disposal of partial interest in a subsidiary *(note 16)*	**–**	**–**	**–**	**(3,900)**	**(3,900)**	**30,734**	**26,834**
Profit appropriations	**–**	**–**	**7,964**	**(7,964)**	**–**	**–**	**–**
At 31 December 2016	**289,809**	**254,079**	**72,207**	**360,642**	**976,737**	**31,583**	**1,008,320**

1. GENERAL

The Company is a joint stock limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is 北京市國有資產經營有限責任公司(Beijing State-owned Assets Management Co., Ltd., or "BSAM"), a state-owned enterprise, 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 and self-developed computer software.

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

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

New and amended HKFRSs that are effective for annual period beginning on 1 January 2016

The Group has applied for the first time the new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective for the current accounting period of the Group's financial statements. None of these new and amended HKFRSs have any material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented.

New and amended HKFRSs issued but not yet effective

The Group has not early applied the following new and amended HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Available for early application, the mandatory effective date is subject to a date to be determined

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

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosure that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

An entity applies its judgement when determining the exact form and content of the disclosures needed. The amendments suggest a number of specific disclosures in order to satisfy the above requirement, including:

– changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses.

– a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

The directors consider that the application of amendments to HKAS 7 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 9 Financial Instruments

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single and comprehensive framework for determining when to recognise and how much revenue to recognise through a 5-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

HKFRS 15 supersedes HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and revenue-related interpretations.

HKFRS 15 establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The directors are currently assessing the possible impact of HKFRS 15 on the Group's results and financial position in the first year of application.

HKFRS 16 Leases

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 and impaired, if any, following the requirements of HKAS 36. The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases are retained. HKFRS 16 replaces HKAS 17 "Leases", and related Interpretations. HKFRS 16 is effective from 1 January 2019, an entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 "Revenue from Contracts with Customers".

The directors are currently assessing the impact of HKFRS 16 upon adoption and expect that certain portion of lease commitments will be required to be recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability.

3. SEGMENT INFORMATION

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

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

The Group's operations are located in the PRC and all the revenue of the Group comes from the PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government for the year ended 31 December 2016 are approximately RMB807,189,000 (2015: RMB672,740,000). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

4. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Income from technology service contracts		
Operation and maintenance service	**526,317**	494,607
System integration service	**238,056**	193,547
Software development service	**159,489**	173,323
Consulting service	**5,763**	5,602
	929,625	867,079
Sales of goods	**26**	12,394
	929,651	879,473

5. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(3,094)**	5,594
Gain on disposal of available-for-sale investments *(note)*	**–**	56,862
Fair value changes of contingent consideration payable	**(9,172)**	(6,532)
Loss on disposal of property, plant and equipment	**(1,895)**	(201)
Gain on deemed disposal of partial interest in an associate	**37,590**	–
Impairment losses on trade and other receivables *(note 11)*	**(30,960)**	(9,419)
Written back of long outstanding payables	**1,250**	–
Exchange gain, net	**3,664**	2,567
	(2,617)	48,871

Note:

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

Pursuant to the merger agreement, Mozido has conditionally agreed to cause its First Subsidiary to merge with and into PayEase and, promptly after, PayEase to merge with and into Second Subsidiary, with Second Subsidiary surviving as a wholly-owned subsidiary of Mozido. It has been agreed between PayEase and Mozido that (subject to certain closing adjustments) the aggregate consideration for the mergers is US$750 million, which will be satisfied by (i) US$135 million in the form of cash, less third party expenses, PayEase Group's debt, amounts set aside for expenses to be incurred by the person representing the security holders in PayEase for the purposes of the merger agreement, and working capital deficit; (ii) the allotment and issue of approximately 8,977,361 shares of Series C-1 preferred stock of Mozido ("C-1 Stock") at an issuance price of US$12.81 per share (approximately RMB78.29); and (iii) the allotment and issue of approximately 39,032,006 shares of Series C-2 preferred stock of Mozido ("C-2 Stock") at an issuance price of US$12.81 per share (approximately RMB78.29).

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

As informed by PayEase, based on the Group's shareholding in PayEase, subject to any escrow arrangements, the expected consideration receivable by the Group following the execution and return of certain documents will be amounted to approximately US$14.8 million in form of cash; 1,254,164 shares of C-1 Stock; and 5,452,886 shares of C-2 Stock. The expected consideration is subject to closing adjustments.

During the year ended 31 December 2015, the Group recognised gain on the deemed disposal of PayEase amounting to RMB56,862,000. The gain comprised of cash received of RMB51,441,000 and 2,771,484 shares of C-2 Stock valued at RMB5,421,000.

As the Group is not a party to the merger agreement, in the opinion of the management, the stock price of US$12.81 (approximately RMB78.29) per share does not represent the fair value of the C-1 Stock and C-2 Stock (which are of different terms) and therefore the fair value of C-2 Stock has been determined by reference to the valuation of professional valuer on a combination of market approach and Black-Scholes option pricing model.

The Group did not recognise the remaining cash portion and C-1 Stock and C-2 Stock withheld under escrow agent and subject to escrow arrangements and closing adjustments as the ultimate realisation of the amount of cash portion and number of C-1 Stock and C-2 Stock are unable to ascertain and the economic inflow is uncertain as at the date of this announcement.

Details are set out in the Company's announcements dated 18 November 2014, 8 January 2015, 17 February 2015, 14 April 2015, 14 May 2015 and a circular dated 26 October 2015.

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Current year	**21,041**	7,993
– Under provision in prior years	**850**	403
Deferred tax credit		
– Current year	**(10,910)**	(3,153)
– Effect of change in tax rate	**(328)**	(4,882)
Income tax expense	**10,653**	361

The Company was accredited as a High Technology Enterprise ("HTE") in 2014 and subject to the PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on Enterprise Income Tax ("EIT").

The Company's subsidiary, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") was accredited as HTE and subject to PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on EIT.

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

Rito Info was recognised as a HTE in 2012 and further accredited in 2015, in accordance with the Law of the PRC on EIT, which was accredited to the PRC income tax at 15% for three years after the Tax Preferential Period.

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

7. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging the following items:		
Staff costs and contribution to retirement benefit scheme (including directors', chief executive's and supervisors' remuneration)	**274,575**	281,563
Less: Staff costs included in		
– research and development costs	**(38,275)**	(51,470)
– cost of sales	**(120,673)**	(101,718)
	115,627	128,375
Depreciation of property, plant and equipment	**54,770**	72,516
Depreciation of investment property	**3,774**	3,774
Total depreciation	**58,544**	76,290
Less: Depreciation included in		
– research and development costs	**(3,704)**	(3,737)
– cost of sales	**(41,316)**	(40,806)
	13,524	31,747
Amortisation of intangible assets	**17,960**	19,195
Operating lease rentals in respect of		
– cable network	**41,467**	45,575
– office premises	**29,716**	38,568
	71,183	84,143
Less: Operating lease rentals included in		
– research and development costs	**(3,903)**	(4,609)
– cost of sales	**(54,144)**	(59,724)
	13,136	19,810
Auditor's remuneration	**1,704**	1,817
Direct operating expenses arising from investment property that generated rental income	**2,361**	3,617
Cost of inventories recognised as expenses	**158,871**	168,461
Share of tax of associates (included in share of results of associates)	**4,928**	2,528

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2014 Final – RMB1.06 cents per share	**–**	30,720
2015 Final – RMB1.57 cents per share	**45,500**	–
	45,500	30,720

Subsequent to the end of the reporting period, a final dividend of RMB1.09 cents pre-tax per share in respect of the year ended 31 December 2016 (2015: final dividend of RMB1.57 cents pre-tax per share in respect of the year ended 31 December 2015) in total of approximately RMB31,589,000 (2015: RMB45,500,000) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. 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:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**109,234**	101,542

Number of shares	**2016**	2015
Number of ordinary shares for the purpose of basic and diluted earnings per share	**2,898,086,091**	2,898,086,091

Diluted earnings per share for the years ended 31 December 2016 and 2015 are the same as the basic earnings per share as there are no potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

10. INVENTORIES

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

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Total trade receivables	**375,423**	329,483
Less: Impairment losses	**(58,433)**	(29,406)
	316,990	300,077
Less: Non-current portion which is shown in non-current assets	**(25,123)**	(57,040)
	291,867	243,037
Other receivables and prepayments	**28,898**	19,977
Deposits for technology service contracts	**54,847**	65,667
Less: Impairment losses	**(822)**	(753)
	82,923	84,891
Trade and other receivables shown in current assets	**374,790**	327,928

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

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

	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 6 months	**184,821**	175,058
7 to 12 months	**54,439**	26,245
Over 1 year	**77,730**	98,774
	316,990	300,077
Less: Non-current portion	**(25,123)**	(57,040)
	291,867	243,037

Movements in the impairment losses on trade and other receivables:

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of the year	**30,159**	22,782
Impairment losses recognised during the year *(note 5)*	**30,960**	9,419
Written-off as uncollectible	**(1,864)**	(2,042)
Balance at end of the year	**59,255**	30,159

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

12. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2016	2015
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**497,838**	540,380
Recognised profits less recognised losses	**133,444**	162,079
	631,282	702,459
Less: Progress billings	**(825,983)**	(886,739)
	(194,701)	(184,280)
Recognised and included in the consolidated statement of financial position:		
Amounts due from customers for contract works	**96,661**	59,235
Amounts due to customers for contract works	**(291,362)**	(243,515)
	(194,701)	(184,280)

13. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**106,569**	128,278
Bills payable	**–**	1,164
Deferred income arising from government grants *(note)*	**28,250**	25,069
Other payables	**51,147**	46,630
Accrued expenses	**96,750**	76,638
Payroll and welfare payables	**66,227**	52,720
Advance from customers	**10,420**	4,543
	359,363	335,042

Note:

The balance arises as a result of the benefit received from the government. The Group received government grants of RMB7,287,000 (2015: RMB29,898,000) during the current year for certain technology research activities and recognised RMB4,106,000 (2015: RMB14,149,000) in other income in the current year.

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

	2016	2015
	RMB'000	*RMB'000*
Age		
1 year	**63,953**	75,420
1 to 2 years	**16,846**	14,949
2 to 3 years	**4,050**	24,456
Over 3 years	**21,720**	13,453
	106,569	128,278

The average credit period on purchase of goods is 15 days (2015: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in trade payables are retention payables of RMB3,356,000 (2015: RMB3,356,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

14. LOAN FROM GOVERNMENT

	2016	2015
	RMB'000	*RMB'000*
Carrying amount repayable on demand and shown under current liabilities	**900**	1,810

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 1.80% (2015: 3.35%) per annum and repayable on demand.

15. SHARE CAPITAL

	Number of shares		**Registered, issued and fully paid**
	Domestic shares	**H shares**	*RMB'000*
Balance of share capital of RMB0.10 per share at 1 January 2015, 31 December 2015 and 31 December 2016	2,123,588,091	774,498,000	289,809

16. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 3 May 2016, the Company entered into an agreement with Capnet Company Limited ("Capnet"), a fellow subsidiary controlled by BSAM to dispose of its 26% equity interests in Capinfo Technology, a wholly owned subsidiary of the Company to Capnet, at a consideration of approximately RMB29,276,000 (the "Disposal"). The Disposal was completed on 30 June 2016, which did not result loss of control in Capinfo Technology.

Immediately after the completion of the Disposal, Capinfo Technology became a 74% owned subsidiary of the Company, the financial results of Capinfo Technology continue to be consolidated in the Company's consolidated financial statements and the Disposal was accounted for as an equity transaction.

The difference of approximately RMB3,900,000 between the consideration of approximately RMB29,276,000, the relevant tax of approximately RMB2,442,000 and the carrying amount of non-controlling interests of approximately RMB30,734,000 was recorded in retained profits during the current year.

BUSINESS REVIEW

In 2016, China vigorously implemented the strategy of "Prosper Country via Internet", enhanced the influence of internet information technology on country management and society governance. It focused on advancing E-government, establishing new smart cities, took data concentration and sharing as the approach, established the integrated national big-data center, advanced fusion of technologies, businesses and data and realized synergetic management and service of cross levels, regions, systems, functions and businesses. The Group seized this important strategic opportunity, proactively adapted to the new and common status of economic development, took its advantages to adjust development pattern and business structure, focused on smart infrastructure service, "Internet+ Government" service, smart medical and health care, informatization of smart enterprises, put emphasis on cultivating new momentum of innovative development; the Group also optimized operation and management mechanism, formulated top-level design for talent development, strengthened working study of investment and fund-raising, promoted its continuous healthy and rapid development via dual-wheel driven endogenous development and external development. During the reporting period, the Group recorded revenue of RMB929.65 million, representing an increase of 5.71% as compared with the corresponding period of last year; and profit attributable to owners of the Company of RMB109.23 million, representing an increase of 7.58% as compared with the corresponding period of last year.

During the reporting period, the Group maintained growth in overall revenue and profit. The overall scale of revenue of core businesses kept flat with the same period of last year, but the completion schedule of some projects were expedited, thus their income confirmation ratio was improved a little bit; the seed businesses also maintained the growing momentum which was not so high in the growth speed nevertheless. The operation improving strategy of quality and efficiency, strict control over cost and expense achieved excellent effects; there was a reduction in cost and administrative expense of main businesses; the gross profit margin was increased, and the profit growth was higher than the revenue growth.

Smart Infrastructure Service

During the reporting period, the Group strictly guaranteed the steady operation of E-governance website, Internet of Things data website and other important systems. The adoption of BOT mode for establishing municipal-level E-governance Internet has connected over 1,000 bureaus, offices, enterprises and state institutions, units and over 8,000 households in the whole city. The E-governance intranet has formed a business layout of "focusing on municipal-level intranet and covering 16 districts" and over 300 units have been connected. The coverage rate of Internet of Things data website was increased, 331 stations were built and it undertook over 60 applications including public vehicle security systems, communication system of humanitarian aid vehicles of Beijing Red Cross, Internet of Things monitoring system of key locations in Beijing Firefighting Bureau, flood control and drought relief monitoring system of Beijing Water Conservancy Bureau, supervision system of armed police's dynamic servicing. Capinfo Cloud Platform has provided access service for over 30 governmental, enterprise and public institutions including Supreme People's Court, Beijing Construction Committee, the Third Intermediate People's Court of Beijing, Industrial and Commercial Bureau of Beijing. The traditional customized systems underwent technical structure modification and formed the "cloud service" mode covering everything.

Regarding establishment of technical structure, the basic development platform CAPINFO EA V1.0 has been completed and piloted firstly in the "points-based household registration of Beijing". R&D of big-data platforms was improved continuously, and has started to explore related applications in the elderly care service industry and successfully applied to the Development and Reform Committee of Beijing for "the Innovative Capacity Construction Project of Beijing Engineering Laboratory for internet technology of smart health and elderly care industry". The Group's infrastructure platform of new generation has been established preliminarily, which further improved the core competitiveness.

"Internet+ Government Affair" Service

During the reporting period, the Group continuously provided reliable service for "Beijing-China Website Clusters" (www.beijing.gov.cn) and maintained a leading position in the government informatization field. The credit information service business has got comprehensive development progress, obtained many projects successively including construction project for Beijing big credit platform, second-phase project of personal credit platform, "Credit Beijing" (http://www.creditbj.gov.cn) operation and maintenance. Meanwhile, the establishment of public credit information database has provided full support for credit information sharing of cross functions, fields, departments and regions. The human resource and talent system undertook over 70 kinds of examinations of Beijing area and even the whole country, such as, civil service examination, professional technological qualification examination and occupational qualification examination, over 1.2 million examinees served annually. The successful bid of the security monitoring project for neighborhoods in Yanqing, which was the first district-county level all-digital safe city monitoring system with high definition, has provided potent safeguard for all sorts of disaster relief, emergency handling and coordination.

During the reporting period, the Group gradually became the service provider for informatization projects of national ministries and commissions including the State Intellectual Property Office, the Central Organization Ministry, and the United Front Work Department, which demonstrated the breakthrough in customer promotion. In the housing construction field, the Group has become the core software provider for the housing pension systems in Beijing, Shanghai, Chongqing, Guangzhou, and Nanning and gradually expanded nationwide.

Smart Medical and Health Service

During the reporting period, the Group put a lot of efforts in exploring the blue sea of smart medical and health field. The medical insurance and social security system has gradually provided medical settlement and service security for holders all over the city. Over 18 million social security cards have been issued and the technical system of medical insurance "card financial settlement with account closed" has been put into operation. The business of "Beijing hospital medical card" has expanded to 34 hospitals and over 8 million cards were issued in total. The renovation of platform for Beijing medical insurance settlement system, thereby facilitating medical insurance settlement in cross-province and long-distance cases.

Regarding innovative and value-added service, "hospital medical insurance high-usable group system" and "safe operation and full trusteeship service", two medical insurance value-added services, had signed contracts with 52 customers and achieved a service contract renewal rate of 99%. The self-developed "hospital financial settlement platform" has entered commercial use stage and realized timely compensation for commercial insurances within the cooperation with Chaoyang Hospital and Ping An Insurance, thus cultivating the new business growth sources.

Enterprise Smart Innovation

During the reporting period, the Group proactively made layout for enterprise smart innovation field, and constantly improved the technical service capabilities and service levels to create the characteristic brand of Capinfo. A strategic cooperation framework agreement was signed with BSAM, which create conditions for the expansion of state-owned enterprises cloud services market. The obtention of the asset management information system project of Beijing Foreign Trade & Economic Holding Group Co., Ltd. and the non-recurring asset operation and management system project of Beijing Real Estate Group has created opportunities for entering into the enterprise asset information management field. The agreements signed for the online banking system development with First Automobile Finance Co. Ltd., "wealth marketing service platform" with Beijing International Trust Co. Ltd., financial core business system transformation project with Dalian Port have successfully expanded the new business, new industries, and new customers.

During the reporting period, the Group initiated and received three patent applications from the State Intellectual Property Office with two patents being newly authorized. As of 31 December 2016, the Group was authorized six patents. During the reporting period, the Group registered 224 software copyright items in total.

The Group Management and Control

During the reporting period, the Group optimized a series of operation and management mechanisms to enhance the overall operational efficiency and strengthen internal control management. With regard to investment and mergers and acquisitions ("M&A"), the Group widely looked for M&A targets, completed survey of numerous information technology enterprises and analysis and research on some of the industries, and discussed specific cooperation intentions with the relevant parties.

Human Resources

As of 31 December 2016, the Group had 1,508 employees (2015: 1,518 employees), including 981 technology and research and development employees (2015: 896 employees), 329 function management personnel at all levels (2015: 329 employees), 114 call center representatives (2015: 176 employees), 84 sales staff (2015: 117 employees). Expense of the Group's employees was approximately RMB274.6 million (2015: RMB281.6 million).

During the reporting period, the Group formulated the human resources planning report for the "13th Five-Year Plan" period. The Group deepened the reform of salary management and performance appraisal system program and strengthened the research on incentive mechanism. It improved the recruitment process and channels, carried out youth training camp activity, and offered project training and daily training to strengthen the construction of talent team through multiple initiatives.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded revenue of RMB929.65 million, representing an increase of 5.71% as compared with the same period of last year. The Group recorded a gross profit of RMB308.62 million, representing an increase of 18.37% as compared with the same period of last year, and profit attributable to owners of the Company of RMB109.23 million, representing an increase of 7.58% as compared with the same period of last year.

For the year ended 31 December 2016, the core business of the Group accumulated revenue of RMB315.68 million, representing an increase of 8.54% as compared with the corresponding period of last year, accounting for 33.96% (2015: 33.07%) of the total revenue of the Group; costs of core business was RMB233.04 million, representing a decrease of 4.04% as compared with the corresponding period of last year, accounting for 37.52% (2015: 39.25%) of the total costs of the Group. The core businesses of the Group mainly include government projects for smart city businesses constructed on the basis of the E-Governance network and the Internet of Things platform, the smart livelihood businesses such as the Beijing Medical Insurance Information System and the Beijing Social Security Card System as well as the Beijing-China website clusters and community service information system. In addition, the new business which was a derivative from the core businesses for market expansion recorded revenue of RMB525.82 million, representing an increase of 3.51% over the corresponding period of last year, accounting for 56.56% (2015: 57.76%) of the total revenue of the Group. As of 31 December 2016, revenue of other businesses of the Group amounted to RMB88.15 million, representing an increase of 9.31% over the corresponding period of last year, accounting for 9.48% of the total revenue of the Group (2015: 9.17%); costs of other businesses was RMB41.74 million, representing an increase of 17.11% over the corresponding period of last year, accounting for 6.72% of the total costs of the Group (2015: 5.76%), mainly derived from contribution from Rito Info.

Other income of the Group amounted to RMB24.18 million, representing a decrease of 22.94% over the corresponding period of last year, mainly due to income from project research and development and property rent, where income from project research and development was RMB4.11 million, representing a decrease of 70.98% over the corresponding period of last year. Digital Beijing Building's rental income was RMB13.41 million, representing an increase of 14.60% over the corresponding period of last year.

With regard to other gains and losses, the losses of the Group amounted to RMB2.62 million, representing a decrease of gains by RMB51.49 million over the corresponding period of last year, mainly due to one-off gains of RMB56.86 million on the deemed disposal of equity interest in PayEase in the last year. During the reporting period, the loss of fair value changes of 2,771,484 shares of C-2 Stock of Mozido due to disposal of the equity interest in PayEase in the last year was RMB3.09 million, representing a decrease of gains by RMB8.69 million over the same period last year. Impairment losses amounted to RMB30.96 million, representing an increase of impairment loss by RMB21.54 million over the corresponding period of last year; the loss of changes in fair value of contingent consideration payable amounted to RMB9.17 million, representing an increase of loss of RMB2.64 million over the corresponding period of last year. As Beijing Certificate Authority Co., Ltd. ("BJCA") was officially listed on the GEM of the Shenzhen Stock Exchange through initial public offering this year, the percentage of shares of BJCA held by the Group was diluted from the original 34.98% to 26.24%. The dilution has been treated as deemed disposal of partial interest in an associate and the one-off gain of RMB37.59 million was recognized.

In respect of the Group's business model, the main businesses included operation and maintenance, system integration, software development, IT consultancy and sales of goods. Of which, revenue from operation and maintenance amounted to RMB526.32 million, representing an increase of 6.41% as compared with the corresponding period of last year and accounting for 56.61% (2015: 56.24%) of the total revenue of the Group; revenue from system integration amounted to RMB238.06 million, representing an increase of 23.00% as compared with the corresponding period of last year and accounting for 25.61% (2015: 22.01%) of the total revenue of the Group; revenue from software development amounted to RMB159.49 million, representing a decrease of 7.98% as compared with the corresponding period of last year and accounting for 17.16% (2015: 19.71%) of the total revenue of the Group; revenue from IT consultancy and sales of goods totaled RMB5.79 million, representing a decrease of 67.83% as compared with the corresponding period of last year and accounting for 0.62% (2015: 2.04%) of the total revenue of the Group. In addition, in respect of industries which our clients are engaged in, government clients of the Group accounted for the largest share, with 86.83% (2015: 76.49%) of revenue from the government clients. In respect of regions of business distribution, the revenue of the Group was still derived mainly from Beijing currently, which accounted for 87.57% (2015: 76.91%) of the total revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2016, the Group had total assets of RMB1,745.09 million, representing an increase of 7.11% as compared with the corresponding period of last year. Equity attributable to owners of the parent company amounted to RMB976.74 million, representing an increase of 6.53% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.53 times, maintaining stable as compared with the corresponding period of last year; while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3%. For the year ended 31 December 2016, the Group had no pledged assets.

The Group's unsecured loan from government of RMB0.90 million was applied for construction of E-commercial platform from Beijing Finance Bureau in 2002, bearing an average annualized interest rate of 1.8%. Bank deposits, bank balance and cash of the Group amounted to RMB571.20 million, representing a decrease of 1.43% over the corresponding period of last year. The fund was mainly used for investment in large projects of the Group and the payment of partial consideration in connection with acquisition of Rito Info amounted to RMB88.64 million.

Equity Investments

In 2016, the Group's share of results of associates was RMB20.98 million, representing an increase of 28.91% over the corresponding period of last year, which was mainly due to the contribution from BJCA. On 23 December 2016, BJCA was officially listed on the GEM of the Shenzhen Stock Exchange through initial public offering.

Income Tax

In view of key software enterprises filing in 2016 national planning has not started yet, enterprise income tax of the Company for 2016 was imposed at a rate of 15%. This year, the income tax expense of the Group was RMB10.65 million, representing an increase of RMB10.29 million as compared with the same period of last year, mainly due to an increase in operating profit for the year and adjustment of income tax rate of the Company from 10% in the previous years to 15% in the last year, resulting in an increase in deferred tax credit in the last year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Room, 15th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC on Friday, 26 May 2017 at 10:00 a.m. ("AGM"). The notice of AGM will be published and despatched to shareholders of the Company in due course pursuant to the requirements of the Listing Rules.

DIVIDEND

Owing to a stable result, sufficient cash flow of business including recurrent business, the Board has recommended the payment of a final cash dividend of RMB1.09 cents per share totaling approximately RMB31.6 million for the year ended 31 December 2016 (2015: RMB1.57 cents per share) to the shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Friday, 9 June 2017. Payment of dividends is subject to the approval by the shareholders at the AGM. Payment of dividends will be made on or before Friday, 29 September 2017.

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

The Company will withhold 10% of the dividend to be distributed to the individual holders of H shares of the Company as individual income tax unless otherwise specified by the tax regulations and relevant tax agreements, in which case the Company will withhold individual income tax of such dividend at the tax rates and according to the procedures as specified by the relevant regulations.

CLOSURE OF REGISTER OF MEMBERS

(a) Eligibility to attend and vote at the AGM

The register of members of the Company will be closed from Wednesday, 26 April 2017 to Friday, 26 May 2017 (both days inclusive), during which no transfer of shares will be effected for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Tuesday, 25 April 2017.

(b) Qualification for the proposed final dividend

Subject to the approval of the shareholders at the AGM for the resolution regarding the proposed payment of final dividend, the register of members of the Company will be closed from Friday, 2 June 2017 to Friday, 9 June 2017 (both days inclusive), during which no transfer of shares will be affected. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Thursday, 1 June 2017.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining statutory and regulatory standards and adherence to the principles of corporate governance. During the year and thereafter, the Company has complied with all code provisions set out in the CG Code, except that there was 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, Mr. Xu Zhe and Mr. Yu Donghui are the Chairman and the Chief Executive Officer of the Company respectively. Before the appointment of Mr. Yu Donghui as Chief Executive Officer of the Company on 25 November 2016, the daily management of the Company was under the leadership of Mr. Xu Zhe and delegated to vice president of each business sector, through which shared a great extent of the responsibilities of the Chief Executive Officer, and ensured the effective operation and monitoring of the Company.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has formulated the "Code for securities transactions" regarding Directors' and supervisors' 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 with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard of dealings and the Group's code for securities transactions regarding Directors' and supervisors' securities transactions throughout the year ended 31 December 2016.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S SHARES

During the year ended 31 December 2016, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Group has established an audit committee and formulated the Rules and Procedures of Audit Committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control system of the Group. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group and the identification and appointment of external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board conducted regular reviews on the risk management and internal control system of the Group to ensure the relevant system is effective and adequate. The Board convened meetings regularly to discuss financial, operational and risk management control.

PUBLISHING ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Group's annual report for the year 2016 will be despatched to the Company's shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.capinfo.com.cn) in due course for inspection by shareholders and investors.

By Order of the Board
CAPINFO COMPANY LIMITED*
Mr. Xu Zhe
Chairman

Beijing, the People's Republic of China, 24 March, 2017

As of the date hereof, the executive directors of the Company are Ms. Lin Yankun and Mr. Yu Donghui; the non-executive directors of the Company are Mr. Xu Zhe, Dr. Feng Hao Cheng, Mr. Cao Jun, Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili, and the independent non-executive directors of the Company are Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Li He and Mr. Yang Xiaohui.

* *For identification purpose only*