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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)

**ANNUAL CONSOLIDATED RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2023**

- Loss attributable to owners of the Company was RMB72.91 million.
- Operating revenue increased by 0.18% to RMB1,425.58 million.
- Basic loss per share was RMB2.5 cents (2022: basic earning per share of RMB4.4 cents).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: RMB1.75 cents per share), subject to shareholders' approval at the forthcoming annual general meeting.

The board of directors (the “**Board**”) of Capinfo Company Limited* (the “**Company**”) hereby announces the consolidated financial results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the same period in 2022. The financial results and financial position have been audited by Grant Thornton (Special General Partnership), a certified public accountants, and reviewed by the Board and the audit committee (the “**Audit Committee**”) of the Company.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEETS

31 December 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Notes	Balance as at the end of the period	Balance as at the end of the previous year
Current assets:			
Monetary funds		814,097,620.53	923,417,020.76
Held-for-trading financial assets			
Notes receivable	6	76,620.81	58,293.75
Accounts receivable	7	463,361,943.70	452,027,020.14
Receivables financing			
Prepayments		64,397,788.90	75,130,905.31
Other receivables		73,564,280.38	66,761,546.95
Of which: Interest receivable			
Dividends receivable			
Inventory		121,049,721.55	217,310,713.94
Contractual assets	8	24,452,746.54	25,335,457.12
Assets held for sales	9	30,257,681.13	
Non-current assets due within one year			
Other current assets		1,137,871.39	1,954,319.76
Total current assets		1,592,396,274.93	1,761,995,277.73
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investment		237,082,620.23	246,553,157.19
Investment in other equity instruments			
Other non-current financial assets		51,300,941.47	37,133,667.59
Investment properties		19,327,556.00	22,948,130.72
Fixed assets		125,554,131.98	136,104,319.03
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		27,069,182.55	31,784,060.40
Intangible assets		162,751,298.53	46,720,998.23
Development expenditures		63,112,867.93	78,642,530.16
Goodwill			
Long-term unamortized expenses		7,759,096.20	13,194,805.16
Deferred income tax assets		103,816,826.47	67,817,049.32
Other non-current assets		106,652,602.74	103,102,602.74
Total non-current assets		904,427,124.10	784,001,320.54
Total assets		2,496,823,399.03	2,545,996,598.27

Items	Notes	Balance as at the end of the period	Balance as at the end of the previous year
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Notes payable		1,669,827.20	
Accounts payable	10	398,969,828.62	348,072,086.81
Advances from customers			
Contractual liabilities	11	315,570,239.61	335,630,190.76
Payroll payable		93,476,126.63	98,526,115.17
Tax payable		38,906,832.96	53,200,129.74
Other payables		349,845,189.48	292,583,177.67
Of which: Interest payable			
Dividends payable			
Held-for-sales liabilities			
Non-current liabilities due within one year		63,536,275.58	83,229,021.20
Other current liabilities			
Total current liabilities		<u>1,261,974,320.08</u>	<u>1,211,240,721.35</u>
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liabilities		19,197,462.75	3,575,081.98
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		254,273.51	1,826,923.08
Deferred income tax liabilities		12,584,587.33	8,066,910.70
Other non-current liabilities			
Total non-current liabilities		<u>32,036,323.59</u>	<u>13,468,915.76</u>
Total liabilities		<u>1,294,010,643.67</u>	<u>1,224,709,637.11</u>

Items	<i>Notes</i>	Balance as at the end of the period	Balance as at the end of the previous year
Share capital		289,808,609.10	289,808,609.10
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserves		304,991,645.96	299,080,451.37
Less: treasury shares			
Other comprehensive income		-8,443,166.86	-8,443,166.86
Special reserves			
Surplus reserves		129,525,384.77	129,525,384.77
Undistributed profit	12	429,068,885.33	552,691,825.04
Total equity attributable to shareholders of the parent company		1,144,951,358.30	1,262,663,103.42
Minority interests		57,861,397.06	58,623,857.74
Total shareholder's equity		<u>1,202,812,755.36</u>	<u>1,321,286,961.16</u>
Total liabilities and shareholders' equity		<u>2,496,823,399.03</u>	<u>2,545,996,598.27</u>

CONSOLIDATED INCOME STATEMENTS

Year 2023

Prepared by: Capinfo Company Limited

Unit: RMB

Items	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Operating revenue	13	1,425,581,774.41	1,422,953,747.26
Less: operating costs	13	1,026,537,902.00	889,550,905.46
Taxes and surcharges		4,945,875.70	6,777,553.61
Selling expenses		111,011,501.44	118,392,324.02
Administrative expenses		165,336,128.83	136,153,542.05
Research and development expenses		134,576,665.42	137,294,867.10
Financial expenses		-10,022,094.04	-16,226,264.07
Including: interest expense		950,719.01	2,365,032.94
Interest revenue		10,397,426.77	13,438,693.53
Plus: other incomes		2,601,915.11	9,405,312.83
Investment income (loss is indicated with "-")		-6,505,500.95	28,370,315.26
Including: income from investment in associates and joint ventures		-12,383,797.64	24,252,514.81
Income from derecognition of financial assets at amortized cost (loss is indicated with "-")			
Net exposure hedging income (loss is indicated with "-")			
Income from change of fair value (loss is indicated with "-")		1,532,437.34	3,803,187.24
Credit impairment losses (loss is indicated with "-")		-4,347,767.97	-32,047,693.63
Asset impairment losses (loss is indicated with "-")		-71,065,461.71	463,466.98
Income from disposal of assets (loss is indicated with "-")		-5,832,369.74	14,795.59
II. Operating profit (loss is indicated with "-")		-90,420,952.86	161,020,203.36
Add: non-operating income		190,503.97	12,861.93
Less: non-operating expenses		3,766.28	316,146.27
III. Total profit (total loss is indicated with "-")		-90,234,215.17	160,716,919.02
Less: income tax expenses	14	-28,142,161.34	20,012,270.59
IV. Net profit (net loss is indicated with "-")		-62,092,053.83	140,704,648.43
(I) Classified by operating continuity:			
Including: net profit from continuing operations (net loss is indicated with "-")		-62,092,053.83	140,704,648.43
Net profit from discontinuing operations (net loss is indicated with "-")			
(II) Classified by ownership:			
Including: net profit attributable to shareholders of the parent company (net loss is indicated with "-")		-72,906,433.12	128,591,326.60
Minority interests (net loss is indicated with "-")		10,814,379.29	12,113,321.83

Items	<i>Notes</i>	Amount incurred in the current period	Amount incurred in the previous period
V. Other comprehensive income, net of tax			
Other comprehensive income net of tax attributable to shareholders of parent company			
Other comprehensive income net of tax attributable to the minority shareholders			
VI. Total comprehensive income		-62,092,053.83	140,704,648.43
Total comprehensive income attributable to shareholders of the parent company		-72,906,433.12	128,591,326.60
Total comprehensive income attributable to minority shareholders		10,814,379.29	12,113,321.83
VII. Earnings per share			
(I) Basic earnings per share	<i>15</i>	-0.025	0.044
(II) Diluted earnings per share	<i>15</i>	_____	_____

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY GENERAL INFORMATION

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

The Company has established the corporate governance structure consisting of the General Meeting, Party Committee, Board of Directors and Board of Supervisors, and formed an organizational structure comprising of three major sectors: business front-office, technical middle-office, and management back-office. The business front-office consists of four mature business divisions (Social Security Division, Housing Provident Fund Division, Organization Division and Governance Division), two key departments (Business Development Department and Network Business Department) and coverage expansion. The technical middle-office consists of five centers (Product Center, Network Center, Innovation Center, Big Data Center and Operation Center) and two departments (Technical Management Department and Comprehensive Management Department). The management back-office consists of 14 functional departments. The Company has 14 branches, namely Beijing Yanqing Branch, Shunyi Branch, Daxing Branch, Tongzhou Branch, Dongcheng Branch, Guangzhou Branch, Chongqing Branch, Hebei Xiong’an Branch, Shanghai Hengyue Information Service branch, Hubei branch, Hebei branch, Jilin branch, Inner Mongolia Autonomous Region branch and Xinjiang branch.

The Company and its subsidiaries (hereinafter referred to as the “**Group**”) belong to software industry and are principally engaged in online application service and system integration. The business scope includes the provision of information source service; e-commerce service; technical development, technical consulting, technical service and technical training of network interconnection, computer equipment, hardware and software products as well as communication hardware and software products; integration and agency of information and network system; sales of computer peripheral equipment; proprietary and agency of all kinds of goods and technologies import and export business (excluding those restricted or prohibited by the state from import and export); professional contracting; sale agency of entrance tickets.

During the period, there are aggregately 7 accounting units consolidated into financial statements, including the Company, Capinfo (Hong Kong) Co., Ltd. (hereinafter referred to as “**Capinfo Hong Kong**”), Capinfo Technology Development Co., Ltd. (hereinafter referred to as “**Capinfo Technology**”), Beijing Parking Management Centre Co., Ltd. (hereinafter referred to as “**Parking Management**”), Xiamen Rito Info Technology Co. Ltd. (hereinafter referred to as “**Rito Info**”), Capinfo Medical United Information Technology Company Limited (hereinafter referred to as “**Capinfo Medical United**”) and Capinfo Cloud Technology Co., Ltd. (hereinafter referred to as “**Capinfo Cloud Technology**”).

2. PREPARATION BASIS FOR FINANCIAL STATEMENTS

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

The financial statements are presented on a going concern basis.

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

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in critical accounting policies

① *Interpretation No. 16 of Accounting Standards for Business Enterprises*

The Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) (“**Interpretation No. 16**”) in November 2022.

According to the Interpretation No. 16, regarding single transactions that are not business combinations and do not affect either accounting profit or taxable income (or deductible losses) at the time of the transactions, and single transactions whose assets and liabilities initially recognized result in taxable temporary differences and deductible temporary differences of equal amounts, for the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transactions, enterprises shall respectively recognize the corresponding deferred income tax liabilities and deferred income tax assets upon the occurrence of the transactions in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 18 – Income Tax and other relevant regulations. For the above transactions that occurred between the beginning of the earliest period as shown in financial statements in which the above provisions were first applied and the date of application of this interpretation, enterprises shall adjust the opening retained income and other related items in financial statements for the earliest period as shown in financial statements by the accumulated affected amounts according to the above interpretation and the above provisions. The above accounting treatment provisions shall be effective from 1 January 2023.

Adjustment are made in accordance with Interpretation No. 16 for taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognized in respect of leasing business and estimated liabilities and assets related to the retirement obligation recognized.

The impact of the above accounting policies on the consolidated balance sheet as at 31 December 2023 and the consolidated income statements for 2023 is as follows:

Items of consolidated balance sheet 31 December 2023	Affected amount
Long-term equity investment	59,481.02
Deferred income tax assets	4,171,603.16
Deferred income tax liabilities	4,195,526.52
Capital reserves	1,033.79
Surplus reserves	14,023.81
Undistributed profit	38,540.83
Minority interests	-18,040.77

Items of consolidated income statements 2023	Affected amount
Investment income	-9,545.14
Income tax expenses	24,150.02
Net profit	-33,695.16
Incl: net profit attributable to shareholders of the parent company	-42,851.01
Minority interests	9,155.85

The impact of the above changes in accounting policies on the consolidated balance sheet as at 31 December 2022 and the consolidated income statements for 2022 is as follows:

Items of consolidated balance sheet 31 December 2022	Before adjustment	Adjusted amount	After adjustment
Long-term equity investment	246,485,219.16	67,938.03	246,553,157.19
Deferred income tax assets	62,531,772.56	5,285,276.76	67,817,049.32
Deferred income tax liabilities	2,781,860.60	5,285,050.10	8,066,910.70
Capital reserves	299,080,505.71	-54.34	299,080,451.37
Surplus reserves	129,512,206.34	13,178.43	129,525,384.77
Undistributed profit	552,609,587.82	82,237.22	552,691,825.04
Minority interests	58,651,054.36	-27,196.62	58,623,857.74

Items of consolidated income statements 2022	Before adjustment	Adjusted amount	After adjustment
Investment income	28,352,032.00	18,283.26	28,370,315.26
Income tax expenses	20,088,805.30	-76,534.71	20,012,270.59
Net profit attributable to shareholders of the parent company	128,492,464.52	98,862.08	128,591,326.60
Minority interests	12,117,365.94	-4,044.11	12,113,321.83

The impact of the above changes in accounting policies on the consolidated balance sheet as at 1 January 2022 is as follows:

Items of consolidated balance sheet	Before adjustment	Adjusted amount	After adjustment
Long-term equity investment	226,772,589.63	49,709.11	226,822,298.74
Deferred income tax assets	56,756,984.92	8,526,863.21	65,283,848.13
Deferred income tax liabilities	3,248,391.92	8,603,171.26	11,851,563.18
Surplus reserves	118,524,908.97	-344.64	118,524,564.33
Undistributed profit	443,449,232.82	-3,101.79	443,446,131.03
Minority interests	46,533,688.42	-23,152.51	46,510,535.91

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

Affected items	Current period	Previous period
Net assets at the beginning of period	—	-26,598.94
Incl: Retained earnings	—	-3,446.43
Net profit	-33,695.16	94,817.97
Net assets at the end of period	35,557.66	—
Incl: Retained earnings	52,564.64	—

(2) Changes in critical accounting estimates

Nil.

4. SEGMENT REPORTING

Apart from the principal business, the Group does not operate any other business that has a significant impact on the results of operations. As the Group operates in only one geographical region, its revenue is mainly derived from within the PRC and its major assets are located within the PRC. Therefore, the Group is not required to disclose segment data.

5. TAX

1. Main tax types and tax rates

Tax type	Taxation basis	Statutory tax rate %
Value added tax	Taxable value-added amount	5, 6, 9, 13
Urban maintenance and construction tax	Turnover tax actually paid	7
Educational Surtax	Turnover tax actually paid	2, 3
Enterprise income tax	Taxable income	25

Name of taxable entity	Income tax rate %
The Company	15
Capinfo Hong Kong	–
Capinfo Technology	15
Parking Management	20
Rito Info	15
Capinfo Medical United	15
Capinfo Cloud Technology	15

2. Tax preference and approvals

(1) Value-added tax

In accordance with the requirements of the Circular of Value-added Tax Policies for Software Products (《關於軟件產品增值稅政策的通知》) (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, Rito Info sells its own-developed and produced software. After the value-added tax is levied at the rate of 13%, the policy of immediate refund shall be implemented for the part of the actual value-added tax burden exceeding 3%.

According to the requirements of the Circular of Inclusion of Railway Transportation and Post Industry into the Pilot Proposals for the Change from Business Tax to Value-added Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) (Cai Shui [2015] No. 118) promulgated by the Ministry of Finance and the State Administration of Taxation, contracts of provision of technological transfer, development and related technological consulting or technological services of Rito Info are exempt from value-added tax upon recognition by the Municipal Competent Department of Science & Technology and reported to the Competent State Administration of Taxation for file.

(2) Corporate income tax

Capinfo Hong Kong has no payable tax profit during the year.

The Company obtained its Certificate of Hi-tech Enterprise, No. GR202311002001 on 26 October 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Technology obtained its Certificate of Hi-tech Enterprise, No. GR202311002117 on 26 October 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Rito Info obtained its Certificate of Hi-tech Enterprise, No. GR202135101116 on 14 December 2021 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Cloud Technology obtained its Certificate of Hi-tech Enterprise, No. GR202311004480 on 30 November 2023 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Capinfo Medical United obtained its Certificate of Hi-tech Enterprise, No. GR202211004422 on 1 December 2022 and is entitled to a reduced corporate income tax of 15% for a period of three years.

Parking Management is entitled to the preferential income tax as national small and micro enterprises. The policies are as follows:

According to relevant provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small and Micro Enterprises (《財政部稅務總局關於進一步實施小微企業所得稅優惠政策的公告》) (Announcement No. 13 [2022] of the MOF and the SAT), from 1 January 2022 to 31 December 2024, the portion of annual taxable income of a small low-profit enterprise which exceeds RMB1 million but does not exceed RMB3 million shall be calculated at a reduced rate of 25% as taxable income amount and shall be subject to corporate income tax at 20%.

6. NOTES RECEIVABLE

Notes type	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Bank acceptance bill	77,630.00	1,009.19	76,620.81	-	-	-
Commercial acceptance bill	-	-	-	62,500.00	4,206.25	58,293.75
Total	77,630.00	1,009.19	76,620.81	62,500.00	4,206.25	58,293.75

- (1) At the end of the period, the Group did not have any pledged notes receivable.
- (2) At the end of the period, the Group did not have any endorsed or discounted notes receivable that were not due.
- (3) At the end of the period, the Group did not have any note receivable which were transferred to accounts receivable due to the default of the drawer.
- (4) Classified by provision for bad debt method

Category	Balance as at the end of the period				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on collective basis	77,630.00	100.00	1,009.19	1.30	76,620.81
Of which:					
Bank acceptance bill	77,630.00	100.00	1,009.19	1.30	76,620.81
Total	77,630.00	100.00	1,009.19	1.30	76,620.81

Continued:

Category	Balance as at the end of the previous year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on collective basis	62,500.00	100.00	4,206.25	6.73	58,293.75
Of which:					
Commercial acceptance bill	62,500.00	100.00	4,206.25	6.73	58,293.75
Total	62,500.00	100.00	4,206.25	6.73	58,293.75

Provision for bad debts on collective basis:

Item with provision on collective basis: Bank acceptance bills

Name	Balance as at the end of the period			Balance as at the end of the previous year		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
0-6 months	<u>77,630.00</u>	<u>1,009.19</u>	<u>1.30</u>	<u>-</u>	<u>-</u>	<u>-</u>

Item with provision on collective basis: Commercial acceptance bills

Name	Balance as at the end of the period			Balance as at the end of the previous year		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
7 months – 1 year	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,500.00</u>	<u>4,206.25</u>	<u>6.73</u>

(5) Provision for bad debts made, recovered or reversed in the current period

	Provision for bad debts
Balance as at the beginning of the period	4,206.25
Current reversal	<u>3,197.06</u>
Balance as at the end of the period	<u>1,009.19</u>

7. ACCOUNTS RECEIVABLE

(1) Disclosure by aging

Account receivables are recognized when the customer obtains control of goods or services and the Group has an unconditional right to consideration. The Group provides customers with an average credit period of 180 days, and the accounts receivables are non-interest bearing.

Age	Balance as at the end of the period	Balance as at the end of the previous year
0-6 months (6 months inclusive)	354,249,021.22	326,206,862.30
7 months-1 year	57,299,778.18	17,791,051.96
1-2 years	50,318,658.19	134,761,287.00
2-3 years	67,010,090.15	47,849,420.79
Above 3 years	<u>127,428,177.87</u>	<u>114,011,214.97</u>
Subtotal	<u>656,305,725.61</u>	<u>640,619,837.02</u>
Less: Provision for bad debts	<u>192,943,781.91</u>	<u>188,592,816.88</u>
Total	<u>463,361,943.70</u>	<u>452,027,020.14</u>

(2) Classified disclosure by provision for bad debt method

Category	Balance as at the end of the period				Book value
	Book balance	Provision for bad debts			
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Accounts receivable with provision for bad debts on individual basis	4,166,902.28	0.63	4,093,090.09	98.23	73,812.19
Accounts receivable with provision for bad debts on collective basis	652,138,823.33	99.37	188,850,691.82	28.96	463,288,131.51
Of which:					
E-government portfolio	513,804,665.04	78.29	123,743,338.93	24.08	390,061,326.11
E-commerce portfolio	<u>138,334,158.29</u>	<u>21.08</u>	<u>65,107,352.89</u>	<u>47.07</u>	<u>73,226,805.40</u>
Total	<u>656,305,725.61</u>	<u>100.00</u>	<u>192,943,781.91</u>	<u>28.96</u>	<u>463,361,943.70</u>

Continued:

Category	Book balance		Balance as at the end of the previous year Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Accounts receivable with provision for bad debts on individual basis	647,685.78	0.10	262,685.78	40.56	385,000.00
Accounts receivable with provision for bad debts on collective basis	639,972,151.24	99.90	188,330,131.10	29.43	451,642,020.14
Of which:					
E-government portfolio	519,795,644.26	81.14	133,285,638.76	25.64	386,510,005.50
E-commerce portfolio	<u>120,176,506.98</u>	<u>18.76</u>	<u>55,044,492.34</u>	<u>45.80</u>	<u>65,132,014.64</u>
Total	<u>640,619,837.02</u>	<u>100.00</u>	<u>188,592,816.88</u>	<u>29.44</u>	<u>452,027,020.14</u>

Provision for bad debts is made on an individual basis:

Name	Book balance	Balance as at the end of the period		Provision reason
		Provision for bad debts	Expected credit loss rate (%)	
China Tobacco Hubei Industrial Co. Ltd.	989,100.00	989,100.00	100.00	Not expected to be recovered
China Tongguang Electronics Co., Ltd.	550,000.00	550,000.00	100.00	Not expected to be recovered
China National Tobacco Corporation Sichuan Branch	519,000.00	519,000.00	100.00	Not expected to be recovered
China National Tobacco Corporation Guangdong Branch	394,720.00	394,720.00	100.00	Not expected to be recovered
New Hope Finance Co., Ltd.	300,128.00	300,128.00	100.00	Not expected to be recovered
Hainan Hongta Cigarette Co., Ltd.	164,972.20	133,218.75	80.75	Expected partial non-recovery
Haier Group Finance Co., Ltd.	133,600.00	133,600.00	100.00	Not expected to be recovered
China National Tobacco Corporation Hainan Branch	106,000.00	106,000.00	100.00	Not expected to be recovered
China Tobacco Hunan Industrial Co., Ltd.	105,116.64	99,166.70	94.34	Expected partial non-recovery
Beidaihe Rest Home	97,685.78	97,685.78	100.00	Not expected to be recovered
Others	806,579.66	770,470.86	95.52	Expected partial non-recovery
Total	<u>4,166,902.28</u>	<u>4,093,090.09</u>	<u>98.23</u>	-

Continued:

Name	Book balance	Balance as at the end of the previous year		Provision reason
		Provision for bad debts	Expected credit loss rate (%)	
China Tongguang Electronics Co., Ltd.	550,000.00	165,000.00	30.00	Expected partial non-recovery
Beidaihe Rest Home	<u>97,685.78</u>	<u>97,685.78</u>	<u>100.00</u>	Not expected to be recovered
Total	<u>647,685.78</u>	<u>262,685.78</u>	<u>40.56</u>	-

Provision for bad debts is made on a portfolio basis:

Account provision on collective basis: e-government portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Book balance	Provision for bad debts	Expected credit loss rate (%)
0-6 months (6 months inclusive)	287,584,313.06	3,738,596.07	1.30	270,438,228.30	2,812,557.57	1.04
7 months-1 year	51,576,779.28	3,393,752.08	6.58	15,115,683.84	1,017,285.53	6.73
1-2 years	36,126,606.56	8,720,962.82	24.14	121,004,274.92	32,102,434.15	26.53
2-3 years	57,065,284.47	26,438,346.29	46.33	31,654,236.14	15,770,140.45	49.82
Above 3 years	81,451,681.67	81,451,681.67	100.00	81,583,221.06	81,583,221.06	100.00
Total	513,804,665.04	123,743,338.93	24.08	519,795,644.26	133,285,638.76	25.64

Account provision on collective basis: e-commerce portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Book balance	Provision for bad debts	Expected credit loss rate (%)
0-6 months (6 months inclusive)	66,590,895.91	3,775,703.80	5.67	55,768,634.00	730,569.11	1.31
7 months-1 year	4,349,386.62	959,039.75	22.05	2,675,368.12	531,595.65	19.87
1-2 years	12,120,259.66	5,098,993.24	42.07	13,757,012.08	5,806,834.80	42.21
2-3 years	9,944,805.68	9,944,805.68	100.00	16,095,184.65	16,095,184.65	100.00
Above 3 years	45,328,810.42	45,328,810.42	100.00	31,880,308.13	31,880,308.13	100.00
Total	138,334,158.29	65,107,352.89	47.07	120,176,506.98	55,044,492.34	45.80

(3) Provision for bad debts made, recovered or reversed in the current period

Item	Amount of provision for bad debts
Balance as at the beginning of the period	188,592,816.88
Current provision	4,350,965.03
Recovery or reversal during the current period	—
Current write-off	—
Balance as at the end of the period	192,943,781.91

(4) Top five customers with closing balance of accounts receivable and contractual assets collected by arrear party

The aggregate amount of the top five accounts receivable and contractual assets by party in arrears at the end of the reporting period was RMB236,349,434.65, accounting for 34.69% of the total closing balance of accounts receivable and contractual assets, and the corresponding total closing balance of provision for bad debts was RMB31,046,863.65.

8. CONTRACTUAL ASSETS

Item	Balance as at the end of the period	Balance as at the end of the previous year
Contractual assets	24,984,727.58	26,067,517.24
Less: impairment provision of contractual assets	<u>531,981.04</u>	<u>732,060.12</u>
Subtotal	24,452,746.54	25,335,457.12
Less: contractual assets included in other non-current assets	<u>-</u>	<u>-</u>
Total	<u>24,452,746.54</u>	<u>25,335,457.12</u>

(1) Provision for impairment of contractual assets

Type	Book balance	Proportion (%)	Balance as at the end of the period		Book value
			Provision for bad debts	Expected credit loss rate (%)	
Contractual assets with provision for bad debts on individual basis	-	-	-	-	-
Contractual assets with provision for bad debts on collective basis	24,984,727.58	100.00	531,981.04	2.13	24,452,746.54
Of which:					
E-government portfolio	24,769,138.54	99.14	519,757.14	2.10	24,249,381.40
E-commerce portfolio	<u>215,589.04</u>	<u>0.86</u>	<u>12,223.90</u>	<u>5.67</u>	<u>203,365.14</u>
Total	<u>24,984,727.58</u>	<u>100.00</u>	<u>531,981.04</u>	<u>2.13</u>	<u>24,452,746.54</u>

Type	Book balance	Balance as at the end of the previous year		Book value
		Proportion (%)	Provision for bad debts	
Contractual assets with provision for bad debts on individual basis	-	-	-	-
Contractual assets with provision for bad debts on collective basis	26,067,517.24	100.00	732,060.12	25,335,457.12
Of which:				
E-government portfolio	23,469,972.61	90.04	692,154.95	22,777,817.66
E-commerce portfolio	<u>2,597,544.63</u>	<u>9.96</u>	<u>39,905.17</u>	<u>2,557,639.46</u>
Total	<u>26,067,517.24</u>	<u>100.00</u>	<u>732,060.12</u>	<u>25,335,457.12</u>

Provision for bad debts made on a collective basis:

Account provision on collective basis: e-government portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Contractual assets	Impairment provision	Expected credit loss rate (%)	Contractual assets	Impairment provision	Expected credit loss rate (%)
0-6 months (6 months inclusive)	22,232,024.95	289,016.32	1.30	20,789,696.64	216,212.83	1.04
7 months-1 year	2,376,613.59	156,381.17	6.58	1,187,550.97	79,922.18	6.73
1-2 years	-	-	-	1,492,725.00	396,019.94	26.53
2-3 years	<u>160,500.00</u>	<u>74,359.65</u>	<u>46.33</u>	-	-	-
Total	<u>24,769,138.54</u>	<u>519,757.14</u>	<u>2.10</u>	<u>23,469,972.61</u>	<u>692,154.95</u>	<u>2.95</u>

Account provision on collective basis: e-commerce portfolio

	Balance as at the end of the period			Balance as at the end of the previous year		
	Contractual assets	Impairment provision	Expected credit loss rate (%)	Contractual assets	Impairment provision	Expected credit loss rate (%)
0-6 months (6 months inclusive)	215,589.04	12,223.90	5.67	2,565,877.96	33,613.00	1.31
7 months-1 year	-	-	-	31,666.67	6,292.17	19.87
Total	<u>215,589.04</u>	<u>12,223.90</u>	<u>5.67</u>	<u>2,597,544.63</u>	<u>39,905.17</u>	<u>1.54</u>

(2) **Provision for impairment of contractual assets made, recovered or reversed in the current period**

Item	Current provision	Current reversal	Resales/write-off for the period	Reason
Provision for impairment of contractual assets	-	<u>200,079.08</u>	-	-

9. ASSETS HELD FOR SALE

Item	Balance as at the end of the period		
	Book balance	Provision for impairment	Book value
Assets in the disposal group held for sale			
Incl: asset group of government network service project	<u>89,060,867.96</u>	<u>58,803,186.83</u>	<u>30,257,681.13</u>

Note:

- (1) The asset group of government network service project mainly consisted of optical cable construction projects, switches, servers, computers, hard drives and other equipment, as well as supporting system software such as network management software, budget software and anti-virus engines.
- (2) The asset group of government network service project met the conditions of recognition as held for sale: (i) the operating agreement in relation to the government network service project expired and it was deemed sold (transferred) under the current circumstance; (ii) the Company entered into a transfer agreement with the Beijing Municipal Government Information Security Center, and the management has obtained firm purchase commitments and preliminarily determined, upon a third party review, the amount of the asset group to be transferred; (iii) the transfer of the asset group of government network service project commenced in February 2023 and the transfer is expected to be completed by 30 June 2024. The above asset group of government network service project to be transferred is presented as a disposal group held for sale.
- (3) The Group reduced the book value of the asset group of government network service project to the net amount after the fair value minus the disposal cost, and recognized an asset impairment loss of RMB58,803,186.83.

Provision for impairment of assets held for sale

Item	Balance as at		Decrease for the period		Balance as at the end of period
	the beginning of period	Increase for the period	Reversal for the period	Disposal for the period	
Assets in the disposal group held for sale					
Incl: asset group of government network service project	-	<u>58,803,186.83</u>	-	-	<u>58,803,186.83</u>

10. ACCOUNTS PAYABLE

(1) Disclosure of accounts payable by type

Item	Balance as at the end of the period	Balance as at the end of the previous year
Payment for goods	<u>398,969,828.62</u>	<u>348,072,086.81</u>

(2) Disclosure of accounts payable by aging

Item	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	234,755,064.91	160,571,264.40
1-2 years	45,659,868.36	71,198,150.09
2-3 years	38,107,259.19	70,537,113.22
Above 3 years	<u>80,447,636.16</u>	<u>45,765,559.10</u>
Total	<u>398,969,828.62</u>	<u>348,072,086.81</u>

Note: The aging of accounts payable is presented based on the date of receipt of goods and services.

Of which, important payables aged over 1 year

Item	Balance as at the end of the period	Reasons for being outstanding or not carried forward
Beijing United Video Technology Co., Ltd. (北京聯合視訊技術有限公司)	13,296,328.00	Project not settled
Beijing Huacheng Zhiyun Software Co., Ltd. (北京華成智雲軟件股份有限公司)	8,380,772.00	Project not settled
Zhong Jin Guo Yin (Beijing) Information Service Co., Ltd. (中金國銀(北京)信息服務有限公司)	<u>7,937,691.05</u>	<u>Project not settled</u>
Total	<u>29,614,791.05</u>	<u>—</u>

11. CONTRACTUAL LIABILITIES

Item	Balance as at the end of the period	Balance as at the end of the previous year
Item receipt	<u>315,570,239.61</u>	<u>335,630,190.76</u>

Of which, major contractual liabilities aged over 1 year

Item	Balance as at the end of the period	Reasons for being outstanding or not carried forward
Beijing Municipal Public Security Bureau Tongzhou Branch	11,883,192.47	Project not settled
Finance Bureau of Haidian District, Beijing	<u>11,000,000.00</u>	<u>Project not settled</u>
Total	<u>22,883,192.47</u>	<u>–</u>

Note: The contract liability at the beginning of 2023 was RMB335,630,190.76, of which RMB247,375,245.91 was recognized as revenue in 2023.

12. UNDISTRIBUTED PROFIT

Item	Amount incurred in the current period	Amount incurred in the previous period
Undistributed profits at the end of the previous period before adjustment	552,691,825.04	443,449,232.82
Total amount of adjustment for undistributed profits at the beginning of the period ("+” for increase and “-” for decrease)	–	-3,101.79
Undistributed profits at the beginning of the period after adjustment	552,691,825.04	443,446,131.03
Plus: Net profit attributable to shareholders of the parent company	-72,906,433.12	128,591,326.60
Less: Withdrawal of legal surplus reserve	–	11,000,820.44
Ordinary share dividends payable	50,716,506.59	8,344,812.15
Undistributed profits at the end of the period	<u>429,068,885.33</u>	<u>552,691,825.04</u>

According to the requirements of the Company's Articles of Association, the available-for-distribution profits for the Company's shareholders refer to amounts in the statements prepared in accordance with the Chinese Accounting Standards and Regulations.

Due to changes in accounting policies, the undistributed profit at the beginning of the previous period was RMB-3,101.79.

For the impact of changes in accounting policies on undistributed profits at the beginning of the previous period, please refer to Note 3. (1)

13. OPERATING INCOME AND OPERATING COST

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	1,409,887,000.33	1,021,948,994.26	1,402,938,780.41	884,994,988.54
Other business	<u>15,694,774.08</u>	<u>4,588,907.74</u>	<u>20,014,966.85</u>	<u>4,555,916.92</u>
Total	<u>1,425,581,774.41</u>	<u>1,026,537,902.00</u>	<u>1,422,953,747.26</u>	<u>889,550,905.46</u>

(1) Principal business (sub-businesses)

Business name	Amount incurred in the current period		Amount incurred in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Software development and service	722,848,747.60	484,613,802.57	678,308,184.11	383,511,544.68
System integration	375,830,996.91	298,301,537.04	433,826,219.04	316,856,908.41
Data processing service	261,221,241.42	199,149,813.76	260,889,845.43	160,171,340.87
Information professional service	<u>49,986,014.40</u>	<u>39,883,840.89</u>	<u>29,914,531.83</u>	<u>24,455,194.58</u>
Total	<u>1,409,887,000.33</u>	<u>1,021,948,994.26</u>	<u>1,402,938,780.41</u>	<u>884,994,988.54</u>

(2) Other business (sub-business)

Business name	Amount incurred in the current period		Amount incurred in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Rental income from investment property	<u>15,694,774.08</u>	<u>4,588,907.74</u>	<u>20,014,966.85</u>	<u>4,555,916.92</u>

(3) Operating revenue by timing of transfer of goods

Item	Amount incurred in the current period
Principal business revenue	1,409,887,000.33
Of which: At a certain point of time	515,983,609.79
Over a period of time	893,903,390.54
Other operating revenue	15,694,774.08
Of which: Leasing revenue	15,694,774.08
Total	<u>1,425,581,774.41</u>

14. INCOME TAX EXPENSE

(1) Breakdown of income tax expense

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax calculated according to tax law and relevant provisions	3,339,939.18	26,330,124.26
Deferred income tax expenses	<u>-31,482,100.52</u>	<u>-6,317,853.67</u>
Total	<u>-28,142,161.34</u>	<u>20,012,270.59</u>

(2) Relationship between income tax expenses and total profits is presented as follows:

Item	Amount incurred in the current period	Amount incurred in the previous period
Total profit	-90,234,215.17	160,716,919.02
Income tax expense calculated at statutory (or applicable) tax rate	-13,535,132.28	16,071,691.90
Impact of different tax rates applied to certain subsidiaries	-157,924.20	3,576,075.36
Adjustments to current income taxes of prior periods	-514,814.21	6,260,083.08
Profit or loss in joint ventures and associates accounted by equity method	1,857,569.65	-2,425,251.48
Revenue not subject to taxation	-	-
Non-deductible costs, expenses and losses	213,809.17	74,089.54
Impact of changes in tax rate on opening balance of deferred income tax	-11,892,526.60	-
Tax effect of utilizing unrecognized deductible losses and deductible temporary differences from prior years (indicated with "-")	-	-158,998.10
Tax effect of unrecognized deductible losses and deductible temporary differences	8,077,987.79	3,969,398.42
Impact of R&D expenses plus as deductible tax (indicated with "-")	-10,768,931.98	-7,278,283.42
Others	-1,422,198.68	-76,534.71
Income tax expense	<u>-28,142,161.34</u>	<u>20,012,270.59</u>

15. EARNINGS PER SHARE

(1) Basic earnings per share

Item	Amount incurred in the current period	Amount incurred in the previous period
Consolidated net profit attributable to the Company's common shareholders	-72,906,433.12	128,591,326.60
Weighted average number of ordinary shares of the Company	<u>2,898,086,091</u>	<u>2,898,086,091</u>
Basic earnings per share	<u><u>-0.025</u></u>	<u><u>0.044</u></u>

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares.

(2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive ordinary shares during the current reporting period.

Note: From 31 December 2023 to the date of approval of the financial report, there was no change in the number of ordinary shares of the Company.

16. DIVIDENDS

The Company approved a final dividend of RMB1.75 cents per share for the year ended 31 December 2022 (before tax) at the annual general meeting convened on 16 June 2023. Final dividend for 2022 approved during the year amounted to RMB50,716,506.59. (final dividend for 2021 approved during 2022: RMB0.29 cents per share (before tax), totaling RMB8,404,449.66).

17. OTHER IMPORTANT MATTERS

On 21 July 2014, the Company entered into a share transfer agreement with Xiamen Ruitailong Investment Development Company Limited* (廈門銳泰隆投資發展有限公司) and other transferors (the “**Former Shareholders**”) to acquire the equity interest of Rito Info. On the ground that the Former Shareholders were suspected of exaggeration of financial performance for the period under assessment, in order to protect the interests of the Company and its Shareholders, a new legal proceeding was instituted by the Company in the Beijing First Intermediate People’s Court (北京市第一中級人民法院) on 3 April 2023, to seek legal action against the Former Shareholders according to law, requesting, among other things, the revocation of the share transfer agreement and the refund of the consideration paid for the share transfer. The Company applied for property preservation on 25 April 2023, and the preservation measures shall be limited to RMB335,995,436.60. The Beijing First Intermediate People’s Court (北京市第一中級人民法院) made a civil judgment and imposed preservation measures on the Former Shareholders in accordance with the law. During the trial of the case, the Former Shareholders counterclaimed that the Company should continue to pay the third installment of the consideration for the share transfer in accordance with the share transfer agreement in dispute, and filed an application for property preservation. The Beijing First Intermediate People’s Court (北京市第一中級人民法院) ruled to freeze the bank deposits of the Company in the amount of RMB21,428,269.54. As of 31 December 2023, the case is still in the process of hearing.

Capinfo Company Limited
28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2023 was critical for taking forward the innovation and development of digital economy, fostering the deep integration of digital technology and real economy, improving the data infrastructure, and promoting open access and circulation of data. With the changing market environment, the development of the industry has shown a new trend, presenting both opportunities and challenges. In 2023, the Group recorded a year-on-year increase in contract amount and significant results in market expansion, and was selected as one of the “Demonstration Enterprise of Scientific and Technological Reform” by State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”). During the reporting period, the Group recorded an operating revenue of RMB1,425.58 million, representing an increase of 0.18% as compared with the same period of last year. As a result of non-recurring factors and market conditions as well as strategic investments, loss attributable to owners of the Company amounted to RMB72.91 million, representing a decrease of 156.70% as compared with the same period of last year.

Pressing on with the construction of critical systems

During the reporting period, the Company pressed on with the construction of the new medical insurance platform. The medical insurance handling system was officially launched and showed stable operation. “Vertical” and “horizontal” medical insurance network connectivity was achieved, and 16 application systems were built and launched to support the operation of core business of medical insurance. The Company participated in facilitating the direct connection and expansion of the “three medical systems”, completed the development of medical insurance mobile payment system, and realized direct connection and expansion for more than 110 key hospitals. The Company promoted the transformation of the settings of medical insurance card payment in more than 5,000 designated medical institutions in the city. The Company also worked devotedly to build systems for the supervision of state-owned enterprises and the digital Longfusi.

Making comprehensive product transformation

During the reporting period, the Company strengthened the research and development of basic platform, continued to optimize its cloud-native CCAF technology framework, and intensified its efforts in the development of digital base products. The Company accelerated the research and development of industry products, and exhibited the “New Version of Housing Provident Fund Integrated Platform” CIFTIS, attracting great attention from all sectors of society. The integrated digital intelligent platform for immediate handling of compliant was selected as one of the digital innovative solutions of Beijing. The system for supervision on decision-making of “three major and one significant” matters accommodated national database, and contracts were signed with more than 10 customers. The intelligent personnel management PAD software product has been available for sale in multiple locations. The research and development of V1.0 digital archive product were completed, and a contract was signed with the Archive of Tongzhou District. The Company was dedicated to the independent development of products, and achieved business synergy through applying “Capinfo directory block chain basic service platform” in different scenarios. “Capinfo Connect” was selected as an outstanding case of digital application for 2023. The Company actively promoted joint research and development, and established the Capinfo Smart City Digital Economy Expert Advisory Committee, and set up the Capinfo-BUAA Smart City and Data Element Innovation Joint Laboratory for the innovation and research on big models and data.

Accelerating business breakthroughs

Focusing on “creating value for customers”

The Company conducted in-depth market research to understand customer needs, established effective customer feedback channels, enhanced solution capabilities, strengthened communication and cooperation with upstream and downstream enterprises, established a synergistic development model, and further improved its ability to serve customers.

Consolidating the foundation for the “two platforms”

The integrated network platform operated smoothly, with the availability rate of backbone network reaching 99.999%, providing e-government extranet services for nearly 20,000 units, and providing wireless broadband and cluster scheduling services for nearly 20,000 terminals of 1.4G private networks. Capinfo Cloud Platform operated reliably, providing services for more than 150 commissions, offices and bureaus across the city and more than 200 municipal enterprises.

Strengthening the business of the “four sectors”

In the “digital government service” sector, personnel management business made significant inroads outside Beijing, thus gaining a leading advantage in the region. The integrated platform for civil servant was selected as one of the “Innovative Digital Solutions in Beijing”. The construction project of integrated government service center for Dongcheng District was implemented.

In the “digital medical care” sector, the Company advanced the construction of credit medical treatment platform of Haidian District, and completed the system interface modification and online trial run for 37 medical institutions. The Company also completed the HIS transformation of mobile payment of Shijingshan Hospital, medical insurance mobile payment and Alipay payment authentication of Chaoyang Hospital, off-site appointment and payment by kiosks for patients with medical insurance, transformation of emergency one-code service, and connection of the reconciliation platform with the HIS, banks and other systems of Aerospace Center Hospital.

In the “digital governance” sector, the Company cooperated with the Municipal Bureau of Economy and Information Technology in advancing the implementation of the “Digital Community Application Demonstration Project”, collaborated with industry enterprises in compiling the “Framework Guide for Digital Community Construction” to facilitate digital governance and applications in actual operation. The integrated information coordinating platform for “accelerated advancement by relieving and rectification” operated in a stable manner. The project of cultural and tourism industry management platform of Dongcheng District successfully passed inspection.

In the “digital enterprise” sector, the Company made a major breakthrough in the central enterprise market with the signing of contracts with CITIC and Huaneng Group in respect of digital transformation. V1.0 state-owned digital platform for arts and culture was successfully launched. The project of investor supervision information platform of the local SASAC completed final inspection. Capinfo Cloud and the Beijing Software and Information Services Exchange jointly set up the ITAI Adaption Verification Joint Laboratory.

Group management and control

During the reporting period, the Company continued to deepen its reforms and steadily promoted refined management. The Company actively explored the development and operation of data resources to bring new productive force, established and continuously improved the integrated product control system to effectively enhance the efficiency of product research and development and improve operating results; deepened the reform of the remuneration management system, highlighted performance appraisal, and activated the new impetus for the high-quality development of human resources; continued to optimize the core control platform, and made use of informatization to enable the sharing of resources and enhance the management efficiency; actively participated in international and domestic events and won numerous awards, steadily increased its brand awareness and core competitiveness; continued to improve its compliance management system and maintained full coverage of the “three legal audits”, supported subsidiaries in building up their compliance systems and effectively prevented legal risks.

Looking Forward

2024 will be critical for deepening reform and development of the Company. Shouldering the mission of “providing innovative digital services to make the city smarter and life better”, the Group will leverage on digitalization, the core force of new productivity changes, seize the golden period of development of the digital economy, give full play to innovation-driven model, strive to enhance the strength of product research and development and the ability to ensure the operation of important systems, and continuously shape the development of new dynamics and new advantages, so as to achieve rapid growth in business scale and steady improvement of operation efficiency.

Human Resources

As of 31 December 2023, the Group had 1,624 employees (2022: 1,816), including 1,224 technology and research and development employees (2022: 1,467), 335 function management personnel at all levels (2022: 279), 65 sales staff (2022: 70 employees). Expense of the Group’s employees was approximately RMB507.46 million (2022: RMB491.84 million).

FINANCIAL REVIEW

In 2023, the Group recorded an operating revenue of RMB1,425.58 million, representing an increase of 0.18% as compared with the same period of last year. The Group recorded a gross profit of RMB399.04 million, representing a decrease of 25.19% as compared with the same period of last year, and loss attributable to shareholders amounted to RMB72.91 million.

Other income of the Group amounted to RMB15.69 million, representing a decrease of 21.58% over the same period of last year, mainly attributable to property rental income.

The Group’s gain or loss on fair value changes for the year was RMB1.53 million, which was the gain or loss on fair value changes recognized for the investment in FOF. During the current year, the investment revenue amounted to RMB-6.51 million, representing a decrease of RMB34.88 million as compared with the same period of last year, which was mainly attributable to the decline in results of Beijing Certificate Authority Co., Ltd. (“BJCA”) during the year. During the year, interest income of RMB3.55 million was recognized on a large sum of bank deposit, and gain of RMB2.52 million was recognized for the investment in FOF. During the year, the impairment loss of assets amounted to RMB71.07 million, mainly attributable to the provision for impairment of assets held for sale of government network service project and the provision for impairment of intangible assets and development expenditures of Rito Info. Credit impairment loss amounted to RMB4.35 million during the year.

In respect of the Group's business model, business operations included software development and service, system integration, data processing service and information professional service, of which revenue from software development and service amounted to RMB722.85 million, representing an increase of 6.57% as compared with last year and accounting for 50.71% (2022: 47.67%) of the total operating revenue of the Group; revenue from system integration amounted to RMB375.83 million, representing a decrease of 13.37% as compared with last year and accounting for 26.36% (2022: 30.49%) of the total operating revenue of the Group; revenue from data processing service amounted to RMB261.22 million, representing an increase of 0.13% as compared with last year and accounting for 18.32% (2022:18.33%) of the total operating revenue of the Group; revenue from information professional service amounted to RMB49.99 million, representing an increase of 67.10% as compared with last year and accounting for 3.51% (2022: 2.10%) of the total operating revenue of the Group.

CAPITAL EXPENDITURE, LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2023, the Group had total assets amounting to RMB2,496.82 million, representing a decrease of 1.93% as compared with last year. Equity attributable to shareholders of the parent company amounted to RMB1,144.95 million, representing a decrease of 9.32% as compared with last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.26, representing a decrease of 0.19 from that of the corresponding period of last year. For the year ended 31 December 2023, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB814.10 million, representing a decrease of 11.84% as compared with the corresponding period of last year. In addition, bank certificates of deposit in large amounts of RMB106.65 million was reported under other non-current assets.

PROVISIONS FOR IMPAIRMENT OF ASSETS OF GOVERNMENT NETWORK SERVICE PROJECT

The government network service project undertaken by the Company entered the settlement stage during the year. Based on prudent judgement, the management made a provision for impairment of assets of RMB58.80 million in respect of the project as the estimated recoverable amount of the assets transferred from the project was lower than the residual value of the assets. Although the impairment of the assets had an impact on the profit for the current period, the project was profitable overall throughout 22 years of service, and the settlement of the government network service project was basically completed. As a result, it will not have a material adverse impact on the future operating results of the Company.

Opinions of the Company on the Provision for Impairment of Assets

Opinion of the Board

The Board has reviewed and approved the proposal on the provision for impairment of assets in respect of the government network service project of the Company. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's financial management policy, the provision for impairment of assets reflects the actual situation of assets of the Company in a more accurate manner, with sufficient basis, and is in the interests of the shareholders of the Company in the long term. Therefore, the Board agreed and approved the provision for impairment of assets mentioned above.

Opinion of the Audit Committee of the Board

The provision for impairment of assets complies with the relevant requirements of the Accounting Standards for Business Enterprises and accounting policies. It is based on sufficient basis and truly and reasonably reflects the overall operation and asset position of the Company. There is no prejudice to the interests of the Company or its shareholders, in particular the minority shareholders. Therefore, the Audit Committee approved the provision for impairment of assets and submitted to the Board for consideration and approval.

Opinion of the independent non-executive Directors

The provision for impairment of assets of the government network service project complies with the requirements of financial accounting standards. It will reduce financial risks, ensure disciplined operation of the Company, reflect its financial condition and operating results, and help provide investors with true, reliable and accurate accounting information. There is no prejudice to the interests of the Company and its shareholders, in particular the minority shareholders. Therefore, the independent non-executive Directors approved the provision for impairment of assets.

Opinion of the Board of Supervisors

The provision for impairment of assets complies with the relevant requirements of the Accounting Standards for Business Enterprises and relevant accounting policies of the Company and is in line with the actual situation of the Company. It will reflect the Company's asset position in a more fair and objective manner. Therefore, the provision for impairment of assets was approved.

Performance of Rito Info

During the reporting period, Rito Info incurred a loss from operations of RMB55.52 million. This was mainly due to the fact that the operating results of Rito Info fell below expectation and a provision of RMB16.40 million was made for economic compensation due to labor disputes with former employees. Also, the company was negotiating with its customers for the release and termination of service agreements. The accounts receivable from individual customers are expected to be irrecoverable, and a provision for bad debts of RMB3.45 million was made on an individual basis for the current period. Furthermore, taking into consideration of the future operating conditions of the Company, a provision for impairment was made for intangible assets and development expenditures in the amount of RMB12.46 million.

EQUITY INVESTMENTS

In 2023, the Group's share of results of associates was RMB-12.38 million, representing a significant decrease as compared with the corresponding period of last year, mainly due to the decline in operating results of BJCA.

INCOME TAX

In 2023, the Company was recognized as a high-tech enterprise in the national planning and layout and entitled to the preferential tax treatment. The enterprise income tax of the Company was imposed at a reduced rate of 15%. During the year, the income tax expenses amounted to RMB-28.14 million.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 18 June 2024 at 10:00 a.m. at the conference room, 5th Floor, Longfu Building, 95 Longfusi Street, Dongcheng District, Beijing, China (the "AGM"). A notice of the convening of the AGM will be published and sent to the shareholders of the Company in due course in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIVIDENDS

In view of the fact that the Group did not achieve the expected growth in its operating results and the retained earnings are used to cope with the risks of rising labor costs and increasing contract fulfillment costs in business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: RMB1.75 cents per share), subject to shareholders' approval at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024, both dates inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. To be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates shall be lodged to the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shares), or the Company's registered office, at 5/F, Longfu Building, 95 Longfusi Street, Dongcheng District, Beijing, PRC (for domestic Shares) no later than 4:30 p.m. on Wednesday, 12 June 2024.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining statutory and regulatory standards and complying with the principles of corporate governance. During the year and thereafter, the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix C1 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has adopted a Code of Securities Transactions regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix C3 of the Listing Rules. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirm that they have complied with the required standard of dealings and the Group's Code of Securities Transactions regarding securities transactions by the Directors and Supervisors for the year ended 31 December 2023.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed shares during the year ended 31 December 2023.

AUDIT COMMITTEE

The Group has set up an Audit Committee and has formulated the Rules and Procedures for the Audit Committee with written terms of reference. The primary duties of the Audit Committee include the review and supervision of the Group's financial reporting procedures and risk management and internal control systems. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, as well as the selection and appointment of external auditors.

EVENTS AFTER THE REPORTING PERIOD

There are no material events after 31 December 2023 that have materially affected the operating and financial performance of the Group as at the date of the announcement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted regular reviews of the Group's risk management and internal control system to ensure that they are effective and appropriate. The Board has held regular meetings to conduct discussion on control of the financial, operational and risk management.

DETAILS OF PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Group's 2023 Annual Report will be sent to the shareholders of the Company in due course and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.capinfo.com.cn) for the information of shareholders and investors.

By order of the Board
CAPINFO COMPANY LIMITED*
Chairman
Yu Donghui

Beijing, the People's Republic of China, 28 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Yu Donghui and Mr. Zhang Yiqian; the non-executive directors of the Company are Ms. Yan Yi, Mr. Zhou Weihua, Ms. Zhao Shujie, Mr. Xin Shuangbai and Mr. Feng Jianxun; and the independent non-executive directors of the Company are Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Yang Xiaohui, Mr. Dong Jin and Mr. Su Zhongxing.

* *For identification purpose only*