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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

FINANCIAL SUMMARY OF THE GROUP

- Turnover increased by approximately 145.25% to approximately RMB398.9 million.
- Profit attributable to the owners of the Company increased by approximately 19.33% to approximately RMB41.1 million.
- Basic earnings per share (from continuing and discontinued operations) was RMB1.42 cents.
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (same period of 2012: Nil).

The board of directors (the “Board”) of Capinfo Company Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended	
		30.6.2013 RMB'000 (Unaudited)	30.6.2012 RMB'000 (Unaudited/ Restated)
Continuing Operations			
Revenue		398,930	162,660
Cost of sales		<u>(297,789)</u>	<u>(87,925)</u>
Gross profit		101,141	74,735
Other income		9,833	9,695
Other gains and losses		5,327	2,779
Research and development costs		(14,242)	(7,458)
Marketing and promotional expenses		(28,779)	(18,607)
Administrative expenses		(28,518)	(20,580)
Finance cost for loan from government, wholly repayable within 5 years		(76)	(98)
Share of results of associates		<u>417</u>	<u>(484)</u>
Profit before tax		45,103	39,982
Income tax expense	5	<u>(3,947)</u>	<u>(4,151)</u>
Profit for the period from continuing operations	6	<u>41,156</u>	<u>35,831</u>
Discontinued Operations			
Loss for the period from discontinued operations		<u>-</u>	<u>(2,741)</u>
Profit and total comprehensive income for the period		<u>41,156</u>	<u>33,090</u>
Profit and total comprehensive income (expense) for the period attributable to owners of the Company			
– from continuing operations		41,105	35,680
– from discontinued operations		<u>-</u>	<u>(1,234)</u>
		<u>41,105</u>	<u>34,446</u>

		Six months ended	
	<i>Notes</i>	30.6.2013	30.6.2012
		RMB'000	RMB'000
		(Unaudited)	(Unaudited/ Restated)
Profit and total comprehensive income (expense)			
for the period attributable to non-controlling interests			
– from continuing operations		51	151
– from discontinued operations		<u>–</u>	<u>(1,507)</u>
		<u>51</u>	<u>(1,356)</u>
Profit and total comprehensive income (expense)			
attributable to:			
Owners of the Company		41,105	34,446
Non-controlling interests		<u>51</u>	<u>(1,356)</u>
		<u>41,156</u>	<u>33,090</u>
		<i>RMB cents</i>	<i>RMB cents</i>
EARNINGS (LOSSES) PER SHARE	8		
From continuing and discontinued operations			
– Basic		<u>1.42</u>	<u>1.19</u>
– Diluted		<u>1.42</u>	<u>1.19</u>
From continuing operations			
– Basic		<u>1.42</u>	<u>1.23</u>
– Diluted		<u>1.42</u>	<u>1.23</u>
From discontinued operations			
– Basic		<u>–</u>	<u>(0.04)</u>
– Diluted		<u>–</u>	<u>(0.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	30.6.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	137,062	139,045
Investment property		59,286	59,922
Intangible asset		2,328	–
Prepaid lease payments		31,224	30,016
Deposits paid on acquisition of property, plant and equipment		2,019	726
Interests in associates		57,376	60,528
Available-for-sale investments		1,971	1,971
Trade receivables	10	70,290	–
Deferred tax assets		8,250	9,678
		<u>369,806</u>	<u>301,886</u>
Current assets			
Inventories		245	759
Prepaid lease payments		4,898	4,687
Trade and other receivables	10	257,772	112,022
Amounts due from customers for contract works		55,347	81,496
Amounts due from related parties		14,440	6,890
Financial assets at fair value through profit or loss (“FVTPL”)	11	151,958	–
Bank deposits		21,538	154,776
Bank balances and cash		307,825	453,764
		<u>814,023</u>	<u>814,394</u>
Current liabilities			
Trade and other payables	12	194,296	175,058
Amounts due to related parties		1,534	1,416
Amounts due to customers for contract works		153,659	143,426
Income tax payable		1,984	5,180
Dividend payable		37,685	–
Loan from government		4,540	4,540
		<u>393,698</u>	<u>329,620</u>
Net current assets		<u>420,325</u>	<u>484,774</u>
Total assets less current liabilities		<u><u>790,131</u></u>	<u><u>786,660</u></u>
Capital and reserves			
Share capital	13	289,809	289,809
Share premium and reserves		500,171	496,751
Equity attributable to owners of the Company		<u>789,980</u>	<u>786,560</u>
Non-controlling interests		151	100
Total equity		<u><u>790,131</u></u>	<u><u>786,660</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to the Group:

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 27 (as revised in 2011)	Separate Financial Statements;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income; and
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current interim period. The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the title of “condensed consolidated statement of comprehensive income” is changed to “condensed consolidated statement of profit and loss and other comprehensive income”. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance.

The impact of the application of these standards that is relevant to the Group is set out below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)Int-12 Consolidation – Special Purpose Entities. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over the investee, (b) exposed, or rights, to variable returns from its involvement with the investee and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive.

In June 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

The directors of the Company assessed the Group’s involvement in its investees and concluded that the application of these new and revised standards has had no material impact on the Group’s profit or loss and financial position in the current and prior periods. However, the directors of the Company consider that the application of HKFRS 12 will affect the Group’s disclosures in the consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

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

4. SEGMENTS INFORMATION

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

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

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge from continuing operations comprises:		
PRC Enterprise Income Tax		
– Current period	6,667	5,924
– Overprovision	(4,148)	–
Deferred tax charge/(credit)	1,428	(1,773)
	<u>3,947</u>	<u>4,151</u>

The Company was recognised as a High Technology Enterprise (“HTE”) in 2011 and subject to PRC income tax at 15% for three years from 2011 to 2013 in accordance with the Law of the People’s Republic of China on Enterprise Income Tax.

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

At the end of the reporting period, certain subsidiaries had unused tax losses of approximately RMB1,120,000 (31 December 2012: RMB1,558,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire before 2018.

The deferred tax charge in current period is mainly due to the deductible temporary difference of certain accrued expenses of the Group.

6. PROFIT FOR THE PERIOD

Continuing Operations

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	24,566	14,067
Depreciation of investment property	<u>1,924</u>	<u>1,892</u>
Total depreciation	26,490	15,959
Less: Depreciation included in		
– research and development costs	(911)	(93)
– cost of sales	<u>(16,368)</u>	<u>(8,846)</u>
	<u>9,211</u>	<u>7,020</u>
Directors' and supervisors' remuneration	521	503
Other staff costs	72,099	46,230
Other staff's retirement benefit scheme contributions	<u>7,202</u>	<u>4,375</u>
	79,822	51,108
Less: Staff costs included in		
– research and development costs	(11,924)	(6,375)
– cost of sales	<u>(34,432)</u>	<u>(22,416)</u>
	<u>33,466</u>	<u>22,317</u>

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating lease rentals in respect of		
– cable network	7,513	7,653
– office premises	<u>15,921</u>	<u>8,718</u>
	23,434	16,371
Less: Operating lease rentals included in		
– research and development costs	(492)	(172)
– cost of sales	<u>(14,860)</u>	<u>(12,982)</u>
	<u>8,082</u>	<u>3,217</u>
Cost of inventories recognised as expenses	71,153	10,301
Share of tax of associates (included in share of results of associates)	<u>297</u>	<u>206</u>

7. DIVIDENDS

During the current interim period, a final dividend of RMB1.30 cents (pre-tax) per share in respect of the year ended 31 December 2012 was approved in annual general meeting on 19 June 2013. The aggregate amount of the final dividend approved in the current interim period amounted to RMB37,685,000 (2011 final dividend approved during the six months ended 30 June 2012: RMB34,792,000).

The directors of the Company do not recommend the payment of any interim dividend for the current interim period (six months ended 30 June 2012: nil).

8. EARNINGS PER SHARE

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

From continuing and discontinued operations

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>41,105</u>	<u>34,446</u>

Six months ended	
30.6.2013	30.6.2012
(Unaudited)	(Unaudited)

Number of shares

Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,898,086,091</u>	<u>2,898,086,091</u>
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The calculation of diluted earnings per share did not take into account the exercise of the share options of the Company because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the six months ended 30 June 2013 and 2012.

From continuing operations

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

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of Company	41,105	34,446
Add: loss for the period from discontinued operations	<u> -</u>	<u> 1,234</u>
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	<u>41,105</u>	<u>35,680</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

The disposal of the discontinued operations was completed on 15 August 2012 and hence, there was no earning or loss arising from the discontinued operations for the current interim period. Basic and diluted loss per share for discontinued operations for the six months ended 30 June 2012 was RMB0.04 cent per share, based on the loss for the period from discontinued operations of RMB1,234,000 attributable to the owners of the Company, and the denominators detailed above for both basic and diluted earnings per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB22,619,000 (six months ended 30 June 2012: RMB33,331,000) on the acquisition of property, plant and equipment including those acquired through acquisition of a subsidiary.

10. TRADE AND OTHER RECEIVABLES

	30.6.2013 <i>RMB'000</i> (Unaudited)	31.12.2012 <i>RMB'000</i> (Audited)
Total trade receivables	251,311	45,277
Less: Allowance for doubtful debts	(15,404)	(14,049)
	235,907	31,228
Less: Non-current portion which is shown in non-current assets	(70,290)	–
	165,617	31,228
Other receivables and prepayments	52,090	42,719
Deposits for technology service projects	41,888	39,898
Less: Allowance for doubtful debts	(1,823)	(1,823)
	92,155	80,794
Trade and other receivables shown in current assets	<u>257,772</u>	<u>112,022</u>

The Group allows an average credit period of 180 days to its trade customers except certain Build-and-Transfer (“BT”) projects. The trade receivables from the BT projects are unsecured, which are repayable by installments over a five year period after the completion date of the construction of the underlying projects. 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 analysis of trade receivables by age at 30 June 2013 and 31 December 2012, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	30.6.2013 <i>RMB'000</i> (Unaudited)	31.12.2012 <i>RMB'000</i> (Audited)
Age		
0 to 60 days	104,214	25,035
61 to 90 days	63,830	37
91 to 180 days	58,687	1,937
Over 180 days	9,176	4,219
	235,907	31,228
Less: Non-current portion	(70,290)	–
	<u>165,617</u>	<u>31,228</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Designated as at fair value through profit or loss		
– Trust investment (<i>note</i>)	150,458	–
Held-for-trading		
– Guarantee contract	1,500	–
	151,958	–

Note: In January 2013, the Group entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Group invested RMB150 million in the trust investment managed by Huaneng Trustee Limited (the “Trust Investment”) for the period up to 27 December 2013. The Trust Investment will wholly invest in fixed income financial instruments. The return of the Trust Investment is expected to be 10% per annum at a maximum. As at 30 June 2013, the Trust investment has invested in fixed income financial instruments.

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

12. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	82,593	56,218
Deferred income arising from government grants (<i>note</i>)	13,699	7,939
Other payables	41,017	46,866
Accrued expenses	45,252	38,022
Payroll and welfare payable	10,808	25,033
Advance from customers	927	980
	194,296	175,058

Note: The balance arose as a result of the benefit received from the government. The Group received government grants of RMB6,358,000 during the current interim period and for certain technology research activities and released RMB598,000 in other income in the current interim period.

The following is an aging analysis of trade payables at 30 June 2013 and 31 December 2012, which is presented based on the date of material or service received or the billing date of contract work:

	30.6.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Age		
0 to 60 days	50,713	33,470
61 to 90 days	692	471
91 to 180 days	1,646	2,397
Over 180 days	29,542	19,880
	<u>82,593</u>	<u>56,218</u>

Included in trade payables are retention payables of RMB4,127,000 (31 December 2012: RMB3,417,000) 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.

13. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each			
Issued and fully paid at 1 January 2012 and 30 June 2012, 31 December 2012 and 30 June 2013	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

14. SHARE OPTIONS

The detailed information of share options scheme adopted by the Group is the same as those disclosed in the Group's consolidated financial statements for the year ended 31 December 2012.

During the current interim period, there was no exercise of existing outstanding share options and no new share options were granted by the Group. The number of share options lapsed during the six months ended 30 June 2013 was 1,466,000 (six months ended 30 June 2012: 145,000). As at 30 June 2013, the outstanding number of share options is 39,188,000 (31 December 2012: 40,654,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2013, the Group recorded an unaudited turnover of approximately RMB398.9 million, representing an increase of approximately 145.25% as compared with the same period of last year. The Group reached a gross profit of approximately RMB101.1 million, representing an increase of approximately 35.33% as compared with the same period of last year, and a gross profit margin of 25.35%, representing a decrease of approximately 20.60 percentage points as compared with the same period of last year. Such significant increase in turnover and decrease in gross profit margin were mainly due to the high revenue but low gross profit margin nature of the projects of large-scale image information management and electronic monitoring systems undertaken by the Company.

In accordance with the industry characteristics, revenue was recognized using the percentage of completion method. During the period under review, accumulated net revenue from traditional core businesses including the Medical Insurance Information System Project, the Social Security Card System Project, the E-Government Network Project, the Government Internet of Things Project, the Community Service Information Network System Project and the Beijing-China Website Clusters Project was approximately RMB174.9 million, representing an increase of approximately 46.46% as compared with the same period of last year and accounted for approximately 43.83% of revenue from principal businesses.

Net revenue from smart city related business (other than core businesses) was approximately RMB224.1 million, representing an increase of approximately 417.71% as compared with the same period of last year and accounted for approximately 56.17% of revenue from principal businesses. Revenue was mainly derived from the operation and maintenance of large-scale graphic information management system, electronic monitoring system, the state-owned enterprises supervision information system and other smart city service and management systems. The rapid growth in these businesses was the major contributing factor to the improvement of the overall performance.

Other income was approximately RMB9.8 million, representing an increase of approximately 1.42% as compared with the same period of last year, which was mainly derived from government grants for research projects, property rental and interest income. The increase was mainly attributable to the increase in the income from government grants for research projects.

Other gains or losses was approximately RMB5.3 million, representing an increase of approximately 91.69% as compared with the same period of last year, mainly derived from net effect of gain from entrusted investment, impairment loss on assets and net loss on disposal of fixed assets. The increase was mainly due to the increase in gain from entrusted investment.

Earnings of Shareholders

The profit attributable to owners of the Company for the period under review was approximately RMB41.1 million, representing an increase of approximately 19.33% as compared with the same period of last year.

Current Ratio and Net Gearing Ratio

The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 2 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of approximately 1.00%. Both ratios reflected the sufficiency in financial resources of the Group.

Loan Borrowing and Cash and Bank Deposits

The Group had unsecured loan borrowing of approximately RMB4.5 million as at 30 June 2013, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bearing interests at an average annualized interest rate of approximately 3.59%. Bank deposits, bank balance and cash of the Group were approximately RMB329.4 million, representing a decrease of approximately 45.88% as compared with that of the beginning of the year. Such decrease was mainly attributable to application for purchase of entrusted products and investments in new projects.

Capital Commitment and Pledge of Assets

The Group had capital commitment of approximately RMB112.1 million, representing a decrease of approximately 4.00% as compared with that of the beginning of the year, which was attributable to the large purchase of hardware equipments for the E-Government Internet Cloud Platform which was invested and constructed by the Company. The Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not exposed to fluctuations in exchange rates or any related hedges.

Equity Investments

As of 30 June 2013, the Company's income from equity investments in associates was approximately RMB0.4 million, representing an increase of approximately 186.16% as compared with the same period of last year. Such significant increase was mainly due to the contribution from Beijing Certificate Authority Co., Ltd..

Income Tax

During the period under review, the income tax expense of the Group was approximately RMB3.9 million, representing a decrease of approximately 4.91% as compared with the same period of last year. The decrease was mainly because that the Company was accredited as the key software enterprise

in the national planning layout for the year 2011-2012 in 2013. According to the relevant provisions, the Company was entitled to a retroactive tax benefit for the years 2011 and 2012 at a preferential tax rate of 10%, resulting in the reduction of RMB4.1 million to the income tax expense of 2012 which was recorded as a tax credit in the current period.

Business Review

The year of 2013 is a critical year for the implementation of the “Twelfth Five-year Strategic Planning” of the Company. To ensure accomplishment of the overall strategic objectives, the Company spared no efforts in implementing its well-defined strategies, and strived to facilitate rapid and sustainable development of the Company by implementing several management measures such as optimization of business structure and integration of resources. During the reporting period, the Company underwent structural adjustment to enhance the support capacity of its businesses. Meanwhile, the Company consolidated and enhanced development of its core businesses to strengthen market competitiveness, while increasing investments in the seed businesses to accelerate the pace of industrialization, so as to facilitate healthy development of the Company.

Smart City Service and Management

The Company continued to construct the smart city service platform to facilitate development of smart city. With years of efforts, the information technology services of smart city provided by the Company covered many areas, such as non-emergency aid services, contingency control, social order control, crime investigation by public security, city administration and environment management, traffic management as well as resources and ecological environment control, reflecting further improvement in the Company’s ability to provide integrated technology solutions of smart city. During the reporting period, as a well-known domestic smart city service provider, the Company was invited to attend the 2013 China Smart City Conference held at Longmen Luoyang City, at which dozens of experts, scholars and entrepreneurs were present to share their research results and experiences on smart city and provide suggestions and advice for the construction of “Smart Luoyang”.

During the reporting period, the Company pushed forward the orderly development of the traditional core businesses, with the E-Government Network and “Beijing-China” website clusters running stably. As the important information infrastructure of smart city, the Government Internet of Things Project (“Internet of Things”) played an important role in promoting development of information technology and the industry and improvement of smart city management. In order to enhance the Company’s overall competitiveness, the Company expedited the construction of the Internet of Things. As of 30 June 2013, 222 base stations have been established, with 85% coverage of the districts encompassed by the Fifth Ring Road and some suburban districts and counties in Beijing, basically achieving wireless connectivity between government networks and the Government Internet of Things Project, enabling it to accommodate the application of large-scale Internet of Things in Beijing. Currently, this network platform has successfully accommodated eleven projects, such as the fireworks project of Beijing Administration on Work Safety and the mobile video monitoring systems of Public Transportation Security Department.

The management system for parking on roadsides, one of the important application projects established by the Company based on the Internet of Things, was established, operated and maintained by Beijing Parking Management Centre Co., Ltd., a wholly-owned subsidiary of the Company. As of 30 June 2013, the roadside parking management project has completed the trial operation of electronic fee collection for the parking spaces at Dongcheng District, Xicheng District and Chaoyang District in Beijing, which planned to expand coverage to the entire city by the end of the year, achieving information management of the roadside parking lots in Beijing. As the latest technology achievements in the construction of Smart Beijing, this project and the LPG Users Monitoring Project were presented at the 16th Beijing International Technology Industry Exhibition, gaining wide recognition and attention.

Smart People's Livelihood

As two important components to the information construction of the social security system of Beijing, the medical insurance information system (“Medical Insurance System”) and social security card system (“Social Security Card System”) are critical to people’s livelihood. Being the contractor and operator of the project, it’s the Company’s responsibility and mission to guarantee safe and smooth operation of these systems. After development for over a decade, the Medical Insurance System has covered all the insured persons in Beijing. Meanwhile, continuous efforts were made to upgrade and reform the system with optimized performance, so as to ensure high operability of the network platform. As of 30 June 2013, the total card issuance of social security card reached over 13 million, achieving real-time payment settlement for social security card holders. The Medical Insurance System and Social Security Card System platform benefited the citizens in Beijing with quick and convenient medical services. Due to the high standard of operation and maintenance and the excellent application results, the social security card project was honored 2013 Golden Ant Award – The Best Application Achievement of the Golden Card Project.

As a successful example of our efforts in implementing the industry-specific development strategy, the housing information business provided extensive experiences for our strategic transformation. Currently, the housing information business has extended its reach from Beijing and Guangzhou to Yunfu, Qingyuan, Shaoguan and Dongguan, Guangdong Province as well as Wuzhou and Quzhi, Guangxi Zhuang Autonomous Region. With the acquisition of Shanghai Hengyue Computer Technology Co., Ltd., the housing information business made its official entry into the Shanghai market, preliminarily forming a business network with Beijing, Shanghai and Guangzhou at the core and covering the surrounding cities. In addition, the market share of the Company increased rapidly, laying a solid foundation for the establishment of a nation-wide service network. During the reporting period, the Housing Fund Integrated Business Management System in Beijing which was constructed by the Company ran smoothly and was honored the 2013 Best Solutions for Smart City. To promote and advertize the housing information service brand in a more effective way, the Company has registered a Wechat official account for the housing information business.

Smart Medical Service

With accelerated construction of smart city, the hospitals’ demand for information system is increasing. Leveraging on the advantage of the medical insurance information service platform, the

Company continued to explore and develop value-added services for hospitals, and had entered into cooperation agreements with 45 hospitals through its persistent efforts. In order to further expand our business coverage, the Company proactively promoted provision of the “Beijing hospital medical cards” (「京醫通」) service to non-insured patients in Beijing. Currently, the Company has achieved payment settlement with medical cards in Capital Institute of Pediatrics, Beijing Tongren Hospital and Beijing Friendship Hospital.

As to additional exploration in the medical information business, the Company achieved remarkable results, winning the bid of Beijing Aiyuhua Hospital for Children and Women to become the master integration service provider for its information system construction project, where the Company was responsible for the construction of the whole information service system of the project. The smooth implementation of the project will further consolidate the Company’s capability in construction, operation and maintenance of information systems for hospitals, laying a solid foundation for our expansion into the high-end sector of hospital information construction. In the future, the Company will proactively participate in the construction of new digitalized hospitals, striving to foster our competitive strength and regional service capability in construction of information systems for newly-built hospitals, traditional hospital improvement, community old-age medical care, regional medical care and government public health service.

Given that the imbalance in demand and supply of the medical service market would remain in the short term, the government of Beijing Municipal introduced the Public Hospital Reform Pilot Scheme, in an attempt to provide fixed-point diagnosis and treatment services by establishing regional medical unity (“Medical Unity”) to improve provision of medical services. The medical unity model received recognition from hospitals, medical insurance companies and scholars, providing opportunities for the Company to expand its medical information business. Currently, Phase II of the Millennium Monument Hospital Medical Unity Project, to which the Company provided technology support, was successfully put into operation with provision of all the pre-designed functions, widely well-received by the patients and receiving attention from the media. This project provided great support to the new regional medical management model of Beijing, paving the way for the Company’s entry into the information technology service sector of large-scale medical unities.

Cloud Service

Due to the constant development of the cloud computing technology and increasing market demand, the Company accelerated the layout of cloud computing, independently constructing the E-Government Internet Cloud Platform namely “Cloud Platform” (「雲平台」). With a capacity to accommodate 800 virtual machines, the Cloud Platform provides sufficient operation resources to satisfy the requirements of the application systems, achieving flexible computing with safe and uniformed management. Currently, the Cloud Platform has accommodated nearly 50 projects implemented by 11 customers including Beijing Finance Bureau, Family Planning Commission and Organization Department of the Beijing Municipal Committee. Due to its state-of-art technology, the Cloud Platform won the “Outstanding Application Award” in the first competition of Intelligent Beijing hosted by China Mobile.

During the reporting period, the construction of the state-owned enterprises supervision information system of the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing based on the Cloud Platform was under smooth progress. Leveraging on the successful experiences of this project, the Company won several information system construction projects from a number of large state-owned enterprises such as Beijing Real Estate Group Co., Ltd. and Beijing Petroleum Exchange, further strengthening our market competitiveness.

Consultancy, Planning and Product R&D

During the reporting period, the Company underwent structural adjustment and increased investments in strategic research and development with a focus on advanced technologies of the industry such as cloud computing, Internet of Things and Big Data, achieving remarkable results. Currently, the Company has completed the research and development on products such as government microblogging management system and corruption risk prevention and control system, and started to explore the market for E-Government vertical business. In the coming future, the Company will further promote the application of information technology in social and economic development and people's livelihood. Through exploring the market and tapping into user demand, the Company will launch applications with sustainable development, so as to facilitate the overall development of the Company.

Human Resources

As at 30 June 2013, the Group had a total of 1,345 employees (2012: 931 employees). The staff cost was approximately RMB79.8 million (2012: RMB51.1 million) in the continuing operations.

In order to facilitate fulfillment of the development objectives of the "Twelfth Five-year Plan", the Company further enhanced planning on human resources and deepened the talent pool to meet the requirement for talents due to business development. Meanwhile, through Capinfo Institute, the Company provided multi-channel training programme and established an effective system for developing talents, so as to implement our human resources development strategy on professional and management talents.

Prospect

The acceleration in the integrated development of urbanization, industrialization and informatization of the PRC will offer more business opportunities for the smart city businesses, such as smart transportation, city service and management, city security and medical and health care information system. In the second half of the Twelfth Five-year Plan period, the Company will step up efforts to promote the application of information technology, further enhancing the intelligence level of the urban construction management projects and the informatization level of the social and public utility projects and improving the convenience level of the government projects. The Company will greatly enhance its capability of independent innovation and services, speed up investments, mergers and acquisitions and expedite the development of new generation of information technology, so as to ensure accomplishment of the indicators and tasks of the Twelfth Five-year Strategic Planning, with an aim to become a leader and pioneer in provision of smart city services.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Company's Code of Securities Transactions and the Model Code of the Stock Exchange throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The audit committee has discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 with the senior management of the Company. The committee is of the view that the financial statements were prepared in accordance with applicable accounting policies, the Listing Rules and other applicable legal requirements.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Beijing, the People's Republic of China

23 August 2013

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

This announcement is published on the website of the Company (www.capinfo.com.cn) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

* For identification purpose only