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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1075)

**CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

- Turnover increased by 0.26% to RMB756.8 million.
- Profit attributable to owners of the Company decreased by 15.08% to RMB70.4 million.
- Basic earnings per share decreased by 15.03% to RMB2.43 cents per share.
- The board of directors has recommended the payment of a final dividend of RMB1.06 cents per share (2013: RMB1.30 cents per share) totalling approximately RMB30.7 million for the year ended 31 December 2014, subject to approval by shareholders at the forthcoming annual general meeting.

The board of directors (the “Board”) of Capinfo Company Limited (the “Company”) is pleased to announce the consolidated financial results and financial position of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014 together with the comparative figures for the corresponding period of 2013. These financial results and financial position have been audited by Grant Thornton Hong Kong Limited, Certified Public Accountants and reviewed by the Board and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 RMB'000	2013 RMB'000
Revenue	4	756,810	754,830
Cost of sales		<u>(521,745)</u>	<u>(546,495)</u>
Gross profit		235,065	208,335
Other income		30,431	28,397
Other gains and losses	5	1,109	12,079
Research and development costs		(41,697)	(32,943)
Marketing and promotional expenses		(82,846)	(69,093)
Administrative expenses		(75,650)	(68,662)
Finance cost for loan wholly repayable within 5 years		(227)	(152)
Share of results of associates		<u>17,995</u>	<u>14,759</u>
Profit before tax		84,180	92,720
Income tax expense	6	<u>(13,792)</u>	<u>(9,804)</u>
Profit for the year	7	<u>70,388</u>	<u>82,916</u>
Profit and total comprehensive income for the year attributable to			
– Owners of the Company		70,383	82,884
– Non-controlling interests		<u>5</u>	<u>32</u>
		<u>70,388</u>	<u>82,916</u>
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic	9	<u>RMB2.43 cents</u>	<u>RMB2.86 cents</u>
– Diluted		<u>RMB2.42 cents</u>	<u>RMB2.85 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		187,747	165,451
Investment property		52,831	56,605
Goodwill		184,598	–
Intangible assets		42,792	14,537
Prepaid lease payments		40,217	39,707
Deposits paid on acquisition of property, plant and equipment		2,121	2,505
Interests in associates		82,915	69,538
Available-for-sale investments		971	1,971
Trade receivables	11	58,467	89,533
Deferred tax assets		10,458	6,014
		663,117	445,861
Current assets			
Inventories	10	28,108	5,342
Prepaid lease payments		7,781	7,051
Trade and other receivables	11	267,922	197,434
Amounts due from customers for contract works	12	76,159	68,125
Amounts due from related parties		13,011	10,021
Bank deposits		4,593	72,767
Bank balances and cash		468,071	365,372
		865,645	726,112
Current liabilities			
Trade and other payables	13	265,500	227,724
Amounts due to related parties		2,382	1,004
Amount due to customers for contract works	12	246,584	107,591
Loan from government	14	2,720	3,630
Short term bank loan		20,000	–
Income tax payable		12,817	133
		550,003	340,082
Net current assets		315,642	386,030
Total assets less current liabilities		978,759	831,891
Non-current liabilities			
Contingent consideration payable		113,161	–
Deferred tax liabilities		994	–
		114,155	–
Net assets		864,604	831,891
Capital and reserves			
Share capital	15	289,809	289,809
Share premium and reserves		574,658	541,950
Equity attributable to owners of the Company		864,467	831,759
Non-controlling interests		137	132
Total equity		864,604	831,891

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000			
At 1 January 2013	289,809	254,079	40,309	202,363	786,560	100	786,660
Profit and total comprehensive income for the year	–	–	–	82,884	82,884	32	82,916
Dividend recognised as distribution (note 8)	–	–	–	(37,685)	(37,685)	–	(37,685)
Profit appropriations	–	–	9,593	(9,593)	–	–	–
	289,809	254,079	49,902	237,969	831,759	132	831,891
At 31 December 2013 and 1 January 2014							
Profit and total comprehensive income for the year	–	–	–	70,383	70,383	5	70,388
Dividend recognised as distribution (note 8)	–	–	–	(37,675)	(37,675)	–	(37,675)
Profit appropriations	–	–	8,761	(8,761)	–	–	–
	–	–	8,761	(8,761)	–	–	–
At 31 December 2014	289,809	254,079	58,663	261,916	864,467	137	864,604

1. GENERAL

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

The Group are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment and self-developed computer software.

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

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The adoption of these new and revised HKFRSs do not have any material impact on the consolidated financial statements of the Company.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations (new and revised HKFRSs) and HKAS that have been issued but are not yet effective:

Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments Entities: Applying the Consolidation Exceptions ²
HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. HKFRS 15 is effective for annual periods beginning on or after 1 January 2017. The directors are currently assessing the possible impact of HKFRS 15 on the Group's results and financial position in the first year of application.

3. SEGMENT INFORMATION

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

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

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government are approximately RMB685,915,000 (2013: RMB741,831,000). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

4. REVENUE

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue		
Income from technology service contracts		
Operation and maintenance service	418,508	409,353
System integration service	151,960	303,946
Software development service	179,967	25,576
Technology service	–	11,180
Consulting service	1,917	4,452
Sales of goods	4,458	323
	<u>756,810</u>	<u>754,830</u>

5. OTHER GAINS AND LOSSES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Gain on financial asset at FVTPL (<i>note</i>)	758	14,166
Gain on disposal of available-for-sale investments	3,108	–
Fair value changes of contingent consideration payable	(2,274)	–
Loss on disposal of the investment in an associate	–	(85)
Gain on disposal of property, plant and equipment	39	29
Allowance for doubtful debts (<i>note 11</i>)	(4,606)	(2,031)
Written-off of long outstanding payables	4,084	–
	<u>1,109</u>	<u>12,079</u>

Note: In January 2013, the Company 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 was wholly invested in debts related fixed income financial instruments. The return of the Trust Investment is expected to be 10% per annum at a maximum. As at 27 December 2013, the principal of the Trust Investment has been settled together with investment income of approximately RMB14,166,000.

In respect of the Trust Investment, the Company 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 guaranteed 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 an expense in profit or loss during the year ended 31 December 2013. As at 27 December 2013, the guarantee has been released.

6. INCOME TAX EXPENSE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PRC Enterprise Income Tax		
– Current year	12,346	10,288
– Under/(Over)provision	5,730	(4,148)
– Deferred tax (credit)/charge	(4,284)	3,664
	<u>13,792</u>	<u>9,804</u>

7. PROFIT FOR THE YEAR

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit for the year has been arrived at after charging the following items:		
Staff costs and contribution to retirement benefit scheme (including directors', chief executive's and supervisors' remuneration)	180,008	171,880
Less: Staff costs included in		
– research and development costs	(31,475)	(24,192)
– cost of sales	(63,865)	(69,352)
	<u>84,668</u>	<u>78,336</u>
Depreciation of property, plant and equipment	44,381	46,067
Depreciation of investment property	3,774	3,849
	<u>48,155</u>	<u>49,916</u>
Total depreciation	48,155	49,916
Less: Depreciation included in		
– research and development costs	(1,755)	(1,455)
– cost of sales	(32,242)	(40,163)
	<u>14,158</u>	<u>8,298</u>
Amortisation of intangible assets	4,048	509
Operating lease rentals in respect of		
– cable network	45,587	41,201
– office premises	33,286	30,312
	<u>78,873</u>	<u>71,513</u>
Less: Operating lease rentals included in		
– research and development costs	(2,133)	(2,140)
– cost of sales	(52,549)	(56,312)
	<u>24,191</u>	<u>13,061</u>
Auditors' remuneration	1,383	1,981
Direct operating expenses arising from investment property that generated rental income	2,311	2,789
Cost of inventories recognised as expenses	162,870	126,047
Share of tax of associates (included in share of results of associates)	2,987	3,663

8. DIVIDENDS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2012 Final – RMB1.30 cents per share	–	37,685
2013 Final – RMB1.30 cents per share	<u>37,675</u>	<u>–</u>
	<u><u>37,675</u></u>	<u><u>37,685</u></u>

Subsequent to the end of the reporting period, a final dividend of RMB1.06 cents pre-tax per share in respect of the year ended 31 December 2014 (2013: final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2013) in total of approximately RMB30,720,000 (2013: RMB37,675,000) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. EARNINGS PER SHARE

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>70,383</u>	<u>82,884</u>
Number of shares	2014	2013
Number of ordinary shares for the purpose of basic earnings per share	2,898,086,091	2,898,086,091
Effect of dilutive potential ordinary shares options	<u>8,963,158</u>	<u>6,000,643</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,907,049,249</u></u>	<u><u>2,904,086,734</u></u>

10. INVENTORIES

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

11. TRADE AND OTHER RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Total trade receivables	271,845	243,205
Less: Allowance for doubtful debts	<u>(22,090)</u>	<u>(14,974)</u>
	249,755	228,231
Less: Non-current portion which is shown in non-current assets	<u>(58,467)</u>	<u>(89,533)</u>
	191,288	138,698
Other receivables and prepayments	22,594	35,087
Deposits for technology service contracts	54,732	26,578
Less: Allowance for doubtful debts	<u>(692)</u>	<u>(2,929)</u>
	<u>76,634</u>	<u>58,736</u>
Trade and other receivables shown in current assets	<u><u>267,922</u></u>	<u><u>197,434</u></u>

The Group allows an average credit period of 180 days to its trade customers except for certain Build-and-Transfer (“BT”) project. 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 aging analysis of trade receivables at the end of the year, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
0 to 6 months	127,088	183,629
7 to 12 months	95,898	41,958
Over 1 year	<u>26,769</u>	<u>2,644</u>
	249,755	228,231
Less: Non-current portion	<u>(58,467)</u>	<u>(89,533)</u>
	<u><u>191,288</u></u>	<u><u>138,698</u></u>

Movements in the allowance for the doubtful debts on trade and other receivables:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Balance at beginning of the year	17,903	15,872
Acquired on acquisition of a subsidiary	553	–
Impairment losses recognised during the year (<i>note 5</i>)	4,606	2,031
Written-off as uncollectible	(280)	–
	<u>22,782</u>	<u>17,903</u>

12. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	330,158	275,388
Recognised profits less recognised losses	82,541	77,690
	<u>412,699</u>	<u>353,078</u>
Less: Progress billings	(583,124)	(392,544)
	<u>(170,425)</u>	<u>(39,466)</u>
Recognised and included in the consolidated financial statements as:		
Amounts due from customers for contract works	76,159	68,125
Amounts due to customers for contract works	(246,584)	(107,591)
	<u>(170,425)</u>	<u>(39,466)</u>

13. TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	123,237	108,615
Deferred income arising from government grants (<i>note</i>)	9,320	7,709
Other payables	94,642	49,461
Accrued expenses	12,445	30,570
Payroll and welfare payables	25,508	30,762
Advance from customers	348	607
	<u>265,500</u>	<u>227,724</u>

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB12,673,000 (2013: RMB10,207,000) during the current year for certain technology research activities and released RMB11,062,000 (2013: RMB9,977,000) in other income in the current year.

The following is an aged analysis of trade payables at the end of the reporting period, which presented based on the date of material or service received on the billing date of contract work:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
1 year	53,663	87,691
1 to 2 years	42,918	4,616
2 to 3 years	17,299	3,874
Over 3 years	9,357	12,434
	<u>123,237</u>	<u>108,615</u>

The average credit period on purchase of goods is 15 days (2013: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in trade payables are retention payables of RMB3,774,000 (2013: RMB3,317,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

14. LOAN FROM GOVERNMENT

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Carrying amount repayable on demand and shown under current liabilities	<u>2,720</u>	<u>3,630</u>

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.35% (2013: 3.72%) per annum and repayable on demand.

15. SHARE CAPITAL

	<u>Number of shares</u>		Registered, issued and fully paid <i>RMB'000</i>
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each per share at 1 January 2013, 31 December 2013 and 31 December 2014	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

BUSINESS REVIEW

The year of 2014 is the fourth year of the Company's "twelfth five-year" Plan, and also a year of exploring business transformation and mechanism reform for the Company. Facing to the depressed economic situation home and abroad and the fierce industrial competition, and under the leadership of the Board, the operation management intensified the resource integration, and entered into emerging markets through investment, merger and acquisitions, and fostered the integrated innovation capability, and made efforts to move forward to the high-end of industrial chain. Due to the enhanced market expanding, increased research and development investment, the Company generated reduced profits in 2014 as compared to the same period of the previous year.

Capinfo-Smart City

During the Reporting Period, the Company progressively carried out the construction of e-government for the Capinfo-Smart City. The E-Government network platform and the 4G wireless government internet of things project (the "Internet of Things"), the Beijing informatization infrastructure built and maintained by the Company has been safely and stably put into use. After continuous upgrading by the Company, the stability of the system has been improved, and this promoted the sharing and utilization of the city information resources. As of 31 December 2014, a total of more than eight thousand users have accessed to the E-Government network platform, including the Beijing Municipal Government and each bureaus, with the total cable length of more than two thousand kilometers. Internet of Things has built more than 300 stations, and the signal covers Beijing urban and suburb areas with coverage rate of 90%. Relying on the Internet of Things platform, the Company has successfully undertook nearly 30 city security surveillance projects related to the urban safety, among which the "gas monitoring system" and "big data analysis support system based on log" awarded the national patent. During the Reporting Period, the Company focuses on the Internet of Things, occupies the technology commanding height of Internet of Things middleware, the whole network controllable 4G communications equipment, seizes the project and product opportunities of gas monitoring, slag car management, vehicle-mounted DVR, individual 4G communications equipment and so on, making the breakthrough in the field of urban management and major activity security.

In 2014, the Company was responsible for the operation and maintenance of the Beijing Municipal Government portal website – Beijing-China Website Clusters (www.beijing.gov.cn), Capital's city information service website (www.beijing.cn) and eBeijing website (www.ebeijing.gov.cn), smoothly, and the websites realized the overall cloud migration, becoming the model demonstration of the Beijing Municipal Government cloud applications. At the same time, the Company was also responsible for the construction and operation of the WeChat public number of Beijing service mobile APP, the online business hall and the Beijing-China Website Clusters, further broadening the service channels and customer service scale. Leveraging on the safe, efficient and stable service, the Beijing-China Website Clusters has won the first prize of national government portal website evaluation for eight consecutive years.

Smart Livelihood

Facilitating the pace of livelihood informatization, realizing the in-depth integration of informatization and livelihood application are one of the important instructions of the “Notice on Facilitating the Construction of Information Livelihood Project”, and also an important strategic development direction of the Company. During the Reporting Period, the Beijing Medical Insurance Information System and the Beijing Social Security Card System established, operated and maintained by the Company went out smoothly. In order to improve the system performance, the Company updated and changed the hosting of the medical insurance system, and at the same time continued to update and rebuilt more than 10 sub-systems and scripts, including collection and payment subsystem, financial sub-system, which constantly improved the function of the system. As of 31 December 2014, the Company has issued more than 16 million social security cards and served more than 14 million medical insurance users. During the Reporting Period, the Company successfully obtained the personal accounts close project of Beijing Medical Insurance Information System, which further expanded the Group’s service scope in the area of livelihood.

In order to speed up the expanding pace of housing information business across the country, the Company sets up the market expanding arrangement with the headquarter in Beijing supported by Guangzhou Branch, Chongqing Branch, Nanning Office and Shanghai Hengyue Computer Technology Co., Ltd. (上海橫越計算機科技有限公司), expanding the market share from point to the whole area. In order to improve the market competitiveness of housing information product, the Company continuously strengthens its technical strength, and develops a series of new public service products independently, among which the “CAPINFO Mobile Application System for Housing Provident Fund Public Services V1.0” was granted the software copyrights registration certificate issued by National Copyright Administration. Four software products including the “CAPINFO Housing Provident Fund Collection Manager V1.0” obtained the software product registration certificates. In addition, the “CAPINFO Housing Provident Fund Integrated Business Management System”, which developed by the Company was awarded the “Best Solutions for Smart City” and the third prize in Beijing Science And Technology Award, and was recognized by the National Ministry of Housing and Urban-Rural Development as the “Excellent Software for Urban-Rural Construction”, which greatly improved the competitiveness of the housing information products of the Company.

The E-community business is one of the traditional core businesses of the Company. Currently, the electronic community service platform (www.96156.gov.cn) constructed, operated and maintained by the Company serves community management institutions at all levels in Beijing, providing to more than 13 million residents with over 200 items of convenience-featured community services such as home-care for the aged, marriage registration, household service, funeral and interment service etc.. In 2014, the Company successfully seized the opportunity that the pension (helping the disabled) ticket in Beijing transformed to card, making the E-community business further extend to the smart endowment service. During the Reporting Period, the “5A5S Tuanjiehu Smart Community Project” developed by the Company was awarded the “2014 China Top Ten Smart City Solutions” and the “Tuanjiehu Smart Community Project” was awarded the “Top Ten China Social Management Innovation in 2014” in the “9th China Overall Well-off Forum in 2014”.

Smart Medical Service

In 2014, with the advancement of medical reform policy, the smart medical was resurgent. The market of the industry is full of opportunities and challenges, the Company actively seeks business opportunities, and explores new profit growth points. During the Reporting Period, the Company progressively carried out the smart medical programs, and the “Medical HCRM System V1.0” system software independently developed by the Company obtained the computer software copyright registration certificate. Beijing hospital medical card project is successfully implemented in 26 Beijing hospitals with total issued cards of more than 2.54 million, providing great convenience for the non-insured patients in Beijing and non-local patients. The Company, based on the health care system, provides value-added services, including IT consulting and planning, technical training for medical institutions in Beijing, and the customers have been expanded to 50; at the same time the Company also provides HIS system construction and upgrade and other value-added services for hospitals.

During the Reporting Period, the informationization project of Beijing Aiyuhua Hospital for Children and Women (“Aiyuhua Hospital”) whom the Company provided overall integration services was successfully completed, and the hospital formally started the operation at the end of 2014, and the system runs in a steady way. Based on the construction experience of Aiyuhua Hospital, the Company successfully won the bid for the informatization project of Beijing Yingzhi Rehabilitation Hospital, laying a good foundation for the future long-term development of the Company in the field of smart medical.

Cloud Services and Product Research and Development

In recent years, the cloud computing has become rapidly popular, and the counterparts started the cloud deployment one after another, so the cloud computing market competition became more and more fierce. As early as 2012, the Company started the construction of the Beijing E-Government Internet Cloud Platform (CAPINFO Cloud Platform), and became the first Electronic Public Service platform demonstration project of the MIIT and Beijing. In 2014, CAPINFO Cloud Platform focused on the government departments at all levels, at the same time it provided Application Service Cloud for enterprises (SAAS) and provided Virtual Private Cloud (VPC) for large groups and institutions, and put CAPINFO Cloud Platform as the pilot in the course of reform of the Company. As of 31 December 2014, CAPINFO Cloud Platform infrastructure and cloud management platform passed the three-level evaluation of information system security protection level of the Ministry of Public Security, and the host of CAPINFO Cloud Platform also passed the certification of the MIIT. By leverage of the safe, stable, flexible and efficient cloud service capacity, the CAPINFO Cloud Platform has carried out more than 100 sets of public application services of the government and enterprises, providing high quality and reliable cloud computing service for the main government departments in Beijing and nearly 10 enterprises and institutions.

As the national key software enterprise and high-tech enterprise, the Company knows very well that possessing the competitive independent intellectual property products and implementing the continuous technological innovation are both the important foundations for improving the Company's core competitiveness and the power of the Company's sustainable development. In 2014, the Company continued to increase the investment in technology innovation and research, further strengthening the development and product exploration capabilities, combined with the market and customer needs, constantly enriched and improved the Company's product line. As of 31 December 2014, the Company obtained 117 software copyrights, 30 software products, 3 patents and 1 invention, laying a solid foundation for the Company's future development.

Investments, Mergers and Acquisitions

In recent years, with the further development of information technology and the increasing integration of information technology service, the market has transformed from the single enterprise competition to the whole industry chain competition with synergistic effect from integrated ecosystem. In 2014, the Company further speeded up the pace of investment, merger and acquisition, and acquired the share of Rito Info Technology Co., Ltd. ("Rito Info"). Rito Info is a leading enterprise in the field of tobacco informatization, therefore the acquisition will not only enrich the Company's business type, expand its market share, improve the performance, but also decentralise the operational risk, enhance market competitiveness, and promote the realization of the Company's overall strategy.

Prospect

With the increasing and intensified competition in information technology service industry, the development of new types of business causes potentially huge impact to the enterprises in the industry. During the Reporting Period, the Company speeded up the transformation pace to achieve scope development in the completion. As the information industry becomes the core of national strategy, many sectors appeared rare political development opportunities, and the industrial development comes into a new round of fast stage. In 2015, the Company's overall business development will also meet new opportunities.

In the new year, the Company will insist on the "collectivize" development strategy internally and externally, which further integrated the Company's management advantages in the field of IT service, strengthen the core business ability construction of cloud computing, big data, mobile internet and smart city, promoted the organizational marketing development ability, strengthen the marketing organizing arrangement, accelerated the market expansion and customer coverage, quickly and effectively expanded the scope of services and value contribution. At the same time, the Company will actively explore the reform direction of state-owned enterprises, and promote the reform implementation; enhanced the budget management and control of the project, optimized personnel structure, reduced the cost and increased the efficiency, enhancing the overall efficiency of the Company.

Human Resources

Human resources is the source of enterprise development, and the fundamental guarantee for the sustainable development of the Company. As an information technology enterprise, the Company has always adhered to the concept of “people-oriented” human resources management, attached great importance to the talent cultivation, created a better development space and promotion platform for employees.

As of 31 December 2014, the Group had a total of 1,588 employees (2013: 1,430), of whom 950 were technicians and product developers (2013: 889), 358 were administrators of each department (2013: 326), 194 were customer service staffs (2013: 141) and 86 were salesmen (2013: 74). The employee expenses of the Group was approximately RMB180.0 million (2013: RMB171.9 million). The growth in staff costs was lower than the growth of the number of staffs, mainly due to the facilities information of the acquisition and merger of the Company as of 31 December 2014 only included the staff expenses of two months.

The Company always focuses on the talent training, and providing all kinds of professional skills and business management trainings for employees based on the Capinfo Institute. As of 31 December 2014, the Company has held the technical exchange trainings to America twice and 117 internal trainings with more than two thousand trainees, comprehensively improved the staffs’ vocational skills and professional level. In 2015, in addition to enhancing the staff training, the Company will further improve construction of the compensation system, incentive and restraint mechanism and promotion channels, in order to encourage the enthusiasm and initiative of staffs, thus to comprehensively promote the work performance, and give full play to the maximum efficiency of human resources in the Company development.

FINANCIAL REVIEW

In 2014, facing to the complicated and changeable economic situation and the fierce market competition, the Company keeps paying efforts in renovation and reform, strengthening the construction of core business and organization system which supported the business scale development, speeding up the pace of investment, acquisition and merger, driving the transformation of business model. However, affected by factors such as the reducing of financial expense from government clients and the limited business, as well as the increased cost contribution on the R&D and marketing to make sure the sustainable development for business of the Company during the transitional period recorded a decrease. The Group achieved a turnover of RMB756.8 million for the year ended 31 December 2014, increased by 0.26% as compared with the corresponding period of last year; gross profit was RMB235.1 million, increased by 12.83% as compared with the corresponding period of last year; profit attributable to shareholders was RMB70.4 million, decreased by 15.08% as compared with the corresponding period of last year.

As of 31 December 2014, the core business of the Group accumulated a turnover of RMB337.1 million, representing an increase of 12.69% as compared with the corresponding period of last year, accounting for 44.54% (2013: 39.63%) of the total turnover of the Group; costs of core business was RMB240.7 million, representing an increase of 7.11% as compared with the corresponding period of last year, accounting for 46.13% (2013: 41.12%) of the total costs of the Group. The core businesses of the Group mainly include the smart city businesses such as the government projects that leveraged on the E-Governance network and the Internet of Things platform, the smart livelihood businesses such as the Beijing Medical Insurance Information System and the Beijing Social Security Card System as well as the Beijing-China website clusters and community service information system. The new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of RMB370.2 million, representing a decrease of 18.33% over the corresponding period of last year and accounting for 48.92% of the total revenue of the Group (2013: 60.06%); costs incurred by the new business was RMB256.3 million, representing a decrease of 17.88% over the corresponding period of last year and accounting for 49.12% (2013: 57.11%) of the total costs of the Group. New businesses of the Group mainly include housing information business, medical information business and E-Governance internet cloud platform. As of 31 December 2014, revenue from other main businesses of the Group was RMB49.5 million, representing an increase of 185.15% as compared to the same period of last year, accounting for 6.54% of the total revenue of the Group; costs from other main businesses was RMB24.8 million, representing an increase of 154.94% as compared to the same period of last year, accounting for 4.75% of the total costs of the Group (2013: 1.77%), which was mainly derived from the contribution of Rito Info and Beijing Capinfo Hangyuan Technology Co., Ltd..

Other income of the Company amounted to RMB30.4 million, representing an increase of 7.16% over the corresponding period of last year, mainly represented the income from project research and development and property rental. Of which, income from project research and development amounted to RMB11.1 million, representing an increase of 10.88% over the corresponding period of last year. Rental income from 數字北京大廈 amounted to RMB12.0 million, representing an increase of 24.98% over the corresponding period of last year.

Other gains and losses of the Company amounted to RMB1.1 million, representing a decrease of 90.82% over the corresponding period of last year, mainly due to the impairment loss on assets of Capinfo Technology Development Co., Ltd. and the increase of changes in fair value of contingent consideration payable for the acquisition of Rito Info. Meanwhile, with a view to safeguard the smooth implementation of investment, acquisition and merger programme, the Company did not conduct any entrusted investment. During the Reporting Period, revenue from wealth management amounted to RMB0.8 million, representing a decrease of 94.65% over the corresponding period of last year; impairment loss on assets amounted to RMB4.6 million, representing an increase of RMB2.6 million over the corresponding period of last year; the changes in fair value of contingent consideration payable amounted to RMB2.3 million, while the corresponding period of last year was nil.

In respect to the Group's business model, the main businesses were divided into operation and maintenance, system integration, software development, IT consultancy and sales of commodities. Of which, revenue from operation and maintenance amounted to RMB418.5 million, representing an increase of 2.24% as compared with the corresponding period of last year and accounting for 55.30% of the total turnover of the Group (2013: 54.23%); revenue from system integration amounted to RMB152.0 million, representing a decrease of 50.00% as compared with the corresponding period of last year and accounting for 20.08% (2013: 40.26%) of the total turnover of the Group; revenue from software development amounted to RMB180.0 million, representing an increase of 603.66% as compared with the corresponding period of last year and accounting for 23.78% (2013: 3.39%) of the total turnover of the Group; revenue from IT consultancy and sales of commodities totaled RMB6.4 million, representing an increase of 33.51% as compared with the corresponding period of last year and accounting for 0.84% (2013: 0.64%) of the total turnover of the Group. In respect of industries which clients engaged in, government clients of the Group accounted for the largest share, with about 90.63% (2013: 98.28%) of the service and operation projects of the Group from government clients. In respect of regions of business expansion, our business coverage has extended from Beijing to 24 cities across the country, such as Shanghai, Guangzhou. However, the revenue of the Group was still derived mainly from Beijing, which accounted for 85.48% (2013: 98.62%) of the total revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2014, the Group had total assets of RMB1,528.8 million, representing an increase of 30.44% over the corresponding period of last year. Equity attributable to shareholders of the parent company amounted to RMB864.5 million, representing an increase of 3.93% over the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 1.5 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3%. Both ratios reflected the sufficiency in financial resources of the Group. For the year ended 31 December 2014, 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.

The Group's unsecured loan from government of RMB2.72 million, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bore interests at an average annualized interest rate of 3.35%. The short-term borrowings applies from China Merchants Bank was RMB20.0 million, bearing interests at an average annualized interest rate of 5.60%. Bank deposits, bank balance and cash of the Group amounted to RMB472.7 million, representing an increase of 7.88% over the corresponding period of last year. The fund was mainly used for the acquisition of Rito Info and construction injection for large projects.

Equity Investments

In 2014, the Group's share of results of associates was approximately RMB18.0 million, representing an increase of 21.93% over the corresponding period of last year, which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd. ("BJCA"). Currently, the listing procedures of BJCA progressed smoothly. During the Reporting Period, the Group has completed the acquisition of entire equity interest in Rito Info, which has been included in the consolidation scope of the Company as at 12 November 2014. During the Reporting Period, Rito Info contributed RMB18.6 million to the consolidated net profit.

Income Tax

Given that the Company was jointly accredited as a key software enterprise in the national planning layout for the year 2013-2014 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, and was entitled to a reduced tax rate of 10% for enterprise income tax. In 2014, the income tax expense of the Group was RMB13.8 million, representing an increase of 40.68% over the corresponding period of last year, of which, the effect of under-provision in previous years for the current income tax was RMB5.7 million.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Room, 15th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC on Friday, 19 June 2015 at 10:00 a.m. ("AGM"). The notice of AGM will be published and despatched to shareholders of the Company in due course pursuant to the requirements of the Listing Rules.

DIVIDEND

Owing to a stable result, sufficient cash flow of business including recurrent business, the Board has recommended the payment of a final cash dividend of RMB1.06 cents per share totaling approximately RMB30.7 million for the year ended 31 December 2014 (2013: RMB1.30 cents per share) to the shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Friday, 3 July 2015. Payment of dividends is subject to the approval by the shareholders at the AGM. Payment of dividends will be made on or before Wednesday, 30 September 2015.

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

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

CLOSURE OF REGISTER OF MEMBERS

(a) Eligibility to attend and vote at the AGM

The register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 19 June 2015 (both days inclusive), during which no transfer of shares will be effected for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Tuesday, 19 May 2015.

(b) Qualification for the proposed final dividend

Subject to the approval of the shareholders at the AGM for the resolution regarding the proposed payment of final dividend, the register of members of the Company will be closed from Thursday, 25 June 2015 to Friday, 3 July 2015 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Wednesday, 24 June 2015.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining statutory and regulatory standards and adherence to the principles of corporate governance. The Company has complied with all code provisions set out in the CG Code for the year ended 31 December 2014, save for the deviation from the code provision A.2.1 as described below:

According to the code provision A.2.1 under the CG Code, the roles of Chairman and Chief Executive shall be separate and should not be performed by the same person. Since the Chairman Dr. Wang Xu holds the position of Chief Executive at the same time, the Company deviated from that provision. In the opinion of the Board, Dr. Wang has deep understanding and knowledge of the business operation of the Company, he can make appropriate decisions timely and efficiently in the benefit of shareholders as a whole. Meanwhile, the daily administration of the Company is delegated to each vice president who is responsible for respective business sector, which shares the responsibilities of the Chief Executive to a great extent. The Board believes that the current arrangement could ensure the effective operation and monitoring. Besides, the Board shall review the effectiveness of the corporate governance structure of the Company from time to time and assess whether it is necessary to make any adjustment, including the appointment of Chief Executive, so as to meet the goal of business development of the Company.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has formulated the “Code for securities transactions” regarding Directors’ and supervisors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard of dealings and the Group’s code for securities transactions regarding Directors’ and supervisors’ securities transactions throughout the year ended 31 December 2014.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY’S SHARES

During the year ended 31 December 2014, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four members, namely Ms. Zhou Liye, Mr. Chen Jing, Mr. Zeng Xianggao and Mr. Gong Zhiqiang. All of them are independent non-executive directors. The chairman of the audit committee is Ms. Zhou Liye.

The audit committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group and the identification and appointment of external auditors.

INTERNAL CONTROL

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

PUBLISHING ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Group's annual report for the year 2014 will be despatched to the Company's shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.capinfo.com.cn) in due course for inspection by shareholders and investors.

By Order of the Board
CAPINFO COMPANY LIMITED*
Dr. Wang Xu
Chairman

Beijing, the People's Republic of China, 27th March, 2015

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

* *For identification purpose only*