

CAPINFO

首都信息發展股份有限公司

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

(於中華人民共和國註冊成立之股份有限公司)

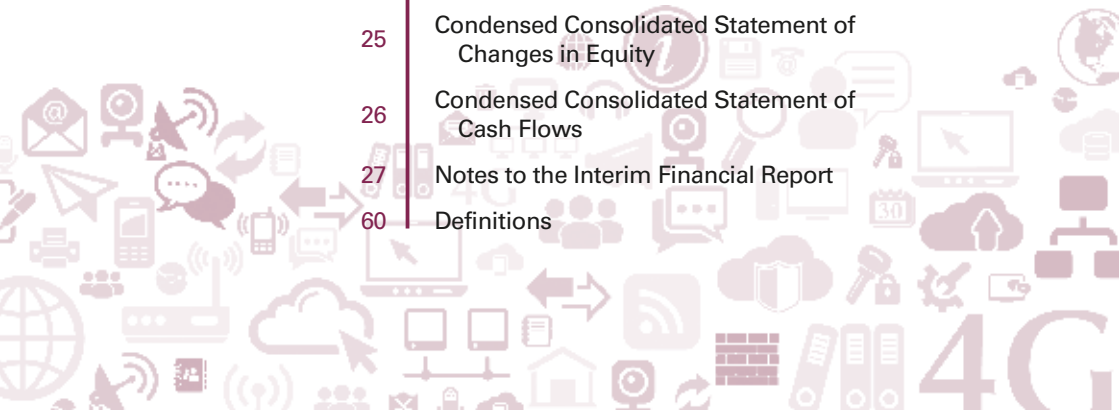
(Stock Code 股份代號：1075)



2016
中期報告
Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, China's macro economy was undergoing deep adjustment. With the constantly intensified competition in the IT industry, the business development of the Company suffered greater challenges. Faced with the austere external environment, the Company proactively adjusted its structure, promoted technological innovation, strengthened risk prevention and control, continued to expand the Internet of Things, medical health, cloud services, big data, etc., to lay a solid foundation for the "13th Five-Year" Plan Period.

For the six months ended 30 June 2016, the main operating revenue of the Group amounted to RMB334.6 million, representing a decrease of 1.83% as compared with the same period of last year; profit attributable to owners of the Company arrived at RMB24.9 million, representing a decrease of 57.39% as compared with the same period of last year. After deducting the non-recurring income of RMB45.4 million from the deemed disposal of equity interests in PayEase during the corresponding period of last year, profit attributable to owners of the Company increased 91.06% as compared with the same period of last year.

Smart City Service and Management

The Beijing wired electronic E-Governance service website, 4G wireless Internet of Things data website, and www.beijing.gov.cn built, operated and maintained by the Company were operating steadily. As of 30 June 2016, the number of application projects carried on the 4G wireless Internet of Things data website exceeded 50. In particular, the "Red Cross 999 Vehicle Monitoring System" built by the Company has been highly praised when Mr. Ban Ki-moon, the UN Secretary-General visited the Beijing Red Cross 999 Emergency Rescue Center by virtue of its superior performance. During the reporting period, the Company again won the bid for the "Atmospheric Environmental Quality Monitoring Network Upgrade Project of Beijing Environmental Protection Monitoring Center" to further consolidate the Company's position in the market of environmental protection.

MANAGEMENT DISCUSSION AND ANALYSIS



Based on the existing smart city network platform and customer resources, the Company further exploited the demand of customers and participated in the programs writing and top-level design of E-Governance service LAN for the municipality and 15 districts and counties of Beijing, which offered the Company dominance in the construction of information-based E-Governance service LAN. During the reporting period, the Company undertook the top-level design in smart city of Beijing and kept a close watch on the business opportunities arising from the information construction to make preparations for industrial layout ahead of schedule and bring new sources of growth to the Company.

While offering constant services for users of government at all levels in Beijing, the Company made efforts to expand its business scope to national ministries and commissions. During the reporting period, breakthrough has been made in key projects of national ministries and commissions and the Company successfully won the bid for the projects of the United Front Work Department of CPC Central Committee and the State Intellectual Property Office, laying a solid foundation for further expanding the Company's business to the national ministries and commissions.

Smart Livelihood

Comprehensive upgrading and reconstruction have been accomplished in the Beijing medical insurance information system and social security card application system and the performance of the systems has been improved gradually. As of 30 June 2016,



MANAGEMENT DISCUSSION AND ANALYSIS

17.6 million Beijing social security cards were issued with the scope of services covering the entire insured population of Beijing; 5.7 million “Beijing hospital medical cards” were issued by 29 pilot hospitals, which provided great convenience for patients who come to Beijing for visiting doctors. The number of pilot hospitals for issuing the “Beijing hospital medical cards” is expected to further expand in the future.

During the reporting period, the comprehensive information system for housing accumulation funds operated steadily. As commissioned by the Supervision Department of Housing Accumulation Funds, the Ministry of Housing and Urban-Rural Development of the PRC, the Company provided technical training for officials from the housing accumulation fund management centers in more than 20 provinces and cities, which helped the Company established a good corporate brand image and effectively strengthened the loyalty of customers. The Company continued to promote the informatization construction of smart communities, set up the “Beijing Engineering Laboratory for Internet Technologies of the Smart Health Pension Industry” to promote the application of big data and Internet of Things technology in the construction of smart pension. The laboratory was identified as the 2015 municipal engineering laboratory by the Beijing Municipal Development and Reform Commission.

Smart Medical Service

As the state attached greater importance to medical health informatization and the Company continued to accumulate experience in the medical service informatization industry, the Company gradually expanded its business to the field of medical service informatization. During the reporting period, the Company built the “Unified Financial Settlement Service Platform for Hospital Commercial Insurance” through cooperation with Chaoyang Hospital, and the project was successfully launched in Chaoyang Hospital for pilot. By optimizing the medical expenses settlement of the hospital, users can get better medical service and medical experience. The partnership is the second attempt following China-Japan Friendship Hospital for the Company to explore the construction of unified financial settlement platform for hospitals. As the Company continued to optimize the function of the platform, the application of the platform will be gradually expanded to provide more efficient and intelligent informationalized services for medical service organizations, insurance payers, and patients.

MANAGEMENT DISCUSSION AND ANALYSIS



Cloud Services and Enterprise Informatization

In recent years, cloud services market has continued to grow with constantly intensified competition in the market. Capinfo Cloud Platform won widespread recognition among customers due to its superior technical strength and reliable service quality and got a place in the competition accordingly. During the reporting period, the cloud platform of China Beijing Equity Exchange (hereinafter: Beijing Equity Exchange) planned and constructed by the Company was officially launched, which is the first private cloud platform invested by Beijing Equity Exchange for equity transactions and plays an exemplary role in cloud computing applications for national equity transactions. Meanwhile, as a cloud service provider for the Supreme People's Court, the Company successfully accomplished the cloud migration of all 14 internet sites and platforms of the Supreme People's Court to promote building of "Smart Court".

During the reporting period, the informatization service projects intended for business users advanced in an orderly manner and the financial supervision system for the tobacco industry was operating steadily. In respect of construction of enterprise fund management systems, the Company has successfully expanded five major clients including Qingdao Airport and Double Star Group. At the same time, the Company developed the "micro business alliance platform for operating tobacco one thousand meters away" (千米寻烟微商盟平台) for tobacco vendors and users, which has been successfully launched for pilot in Hengshui, Hebei and is expected to further promote to Guangzhou, Xiamen and other regions.

Product Research and Development

The Company has continued to increase investment in research and development to enhance the overall competitive strength. During the reporting period, the Company completed technical research and development in big data analysis and processing platform. A technology of "wireless communication gateway" independently developed by the Company was awarded patent licensing by the State Intellectual Property Office; the two system software products of "customized service center system V1.0" and "content management and publishing system V2.0" acquired the software product certificates; five system software products including the "operation, maintenance, monitoring and management system V1.0 of Capinfo Science and Technology" were awarded the computer software copyright registration certificate issued by the National Copyright Administration, which further consolidated the technological strength of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS



Human Resources

As of 30 June 2016, the Group had 1,488 employees and expense of employees was RMB98.7 million. During the reporting period, the Top-Level Planning for Human Resources was formulated according to the 13th Five-Year Strategic Plan. Centering on “meeting the demand for talent for strategic development and enhancing the quality of core human capital”, the Company improved the compensation and welfare system, enhanced employee satisfaction, and promoted the healthy development of the Company to achieve the “13th Five-Year” strategic objectives. During the reporting period, in order to enhance the overall quality of staff, train and reserve interdisciplinary talents, the Company continued to organize 39 management and technology professional training courses for employees, with nearly 740 trained personnel.

Prospect

With the accelerated process of industrialization in the PRC, IT industry application improved constantly and market competition intensified persistently. In the second half of 2016, the Company will continue to increase investment in research and development and promote technological innovation to enhance overall competitive advantages; it will deepen mechanism reform to explore business transformation and upgrading and efficiently utilize the capital market platform and resources to promote rapid and sustainable development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

In the first half of 2016, in the face of increasingly fierce industry competition, the Group integrated its superior resources to strengthen the market share of core business and actively expand the market-oriented business, leading to the evident results of early business layout. For the six months ended 30 June 2016, the Group recorded an unaudited revenue of RMB334.6 million, representing a decrease of 1.83% as compared with the same period of last year. The Group recorded a gross profit of RMB116.2 million, representing an increase of 4.21% over that of last year, and a gross profit margin of 34.72%, representing an increase of 2.01% as compared with the same period of last year.

For the six months ended 30 June 2016, the core business of the Group accumulated a revenue of RMB125.7 million, representing a decrease of 12.31% as compared with the corresponding period of last year, accounting for 37.58% of the total revenue of the Group; gross profit of core business was RMB39.3 million, representing a decrease of 9.09% as compared with the corresponding period of last year, accounting for 33.85% of the total gross profit of the Group. The core businesses of the Group mainly include the E-Governance network and the Internet of Things platform project developed and operated and maintained for the smart city businesses, 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. Decline in revenue of core business was mainly due to the delay in income recognition of some projects affected by the progress of works and the decrease in gross profit arising from the constantly rising procurement and outsourcing costs.

Furthermore, the businesses which were a derivative from the core businesses and made rapid progress in market expansion (collectively "new businesses") recorded a revenue of RMB192.4 million, representing an increase of 6.00% over the corresponding period of last year, accounting for 57.50% of the total revenue of the Group; gross profit of the new businesses was RMB67.1 million, representing an increase of 9.99% over the corresponding period of last year, accounting for 57.73% of the total gross profit of the Group. New businesses of the Group mainly include business from E-Governance internet, house information business, medical information business, Capinfo cloud platform, tobacco information business and enterprise informatization business.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to promote the competitiveness of the Group in construction and operation of smart cities, during the reporting period, the Company has transferred its 26% equity interests in Capinfo Technology Development Co., Ltd. (“Capinfo Technology”) to Capnet Company Limited (“Capnet”), so as to help Capinfo Technology to expand its E-Governance IT service market with the resources of Capnet. Following the completion of disposal of equity interests, the Company still has the control of Capinfo Technology. During the reporting period, increase in revenue from new businesses was mainly due to the contribution from E-Governance internet of Capinfo Technology and Capinfo cloud platform businesses.

Other income of the Group amounted to RMB13.4 million, representing an increase of 52.72% over the corresponding period of last year, mainly due to the substantial growth in the income from project research and development as compared with the corresponding period of last year. Other gains and losses of the Group amounted to RMB20.8 million, representing a decrease of gains by RMB51.5 million over the corresponding period of last year, mainly due to the deemed disposal of equity interests in PayEase for the consideration of RMB45.4 million. In the meanwhile, allowance for doubtful debts increased with the increasing receivables in the current period.

In respect to the Group’s business model, the main businesses were divided into operation and maintenance, system integration, software development, IT consultancy and sale of commodities. Of which, revenue from operation and maintenance amounted to RMB204.4 million, representing a decrease of 4.92% as compared with the corresponding period of last year and accounting for 61.10% of the total revenue of the Group; revenue from system integration amounted to RMB93.5 million, representing a decrease of 6.80% as compared with the corresponding period of last year and accounting for 27.93% of the total revenue of the Group; revenue from software development amounted to RMB35.1 million, representing an increase of 65.81% as compared with the corresponding period of last year and accounting for 10.50% of the total revenue of the Group; revenue from IT consultancy and sale of commodities totaled RMB1.6 million, representing a decrease of 64.14% as compared with the corresponding period of last year and accounting for 0.47% of the total revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS



In addition, in respect of industries which clients are engaged in, government clients of the Group accounted for the largest share, with 83.95% of revenue from the projects of the Group from government clients. In respect of regions of business expansion, our business coverage has expanded from Beijing to 31 cities across the country, such as Shanghai, Guangzhou, Xiamen etc. However, the revenue of the Group was still derived mainly from Beijing, which accounted for 94.02% of the total revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 30 June 2016, the Group had total assets of RMB1,737.0 million, representing an increase of 6.61% over the beginning of the year. Equity attributable to owners of the Company amounted to RMB894.8 million, representing a decrease of 2.41% over the beginning of the year, which was mainly due to the transfer of 26% equity interests of Capinfo Technology and distribution of dividend by the Company. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 1.4 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3.00%. Both ratios reflected the sufficiency in financial resources of the Group. For the six months ended 30 June 2016, the Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not affected by fluctuations in exchange rates or any related hedges.

The Group's unsecured loan from government of RMB1.8 million was applied for construction of E-commercial platform from Beijing Finance Bureau in 2002, bearing an average annualized interest rate of 3.35%. Bank balances and cash of the Group amounted to RMB479.0 million, representing a decrease of 3.93% over the beginning of the year.

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Equity Investments

In the first half of 2016, the Group's share of results of associates was RMB4.6 million (the corresponding period of 2015: RMB4.0 million), which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd. ("BJCA"). An application for initial public offering on the ChiNext of the Shenzhen Stock Exchange made by BJCA was approved by the Public Offering Review Committee of the Growth Enterprise Market of the China Securities Regulatory Commission on 1 July 2016.

Due to the change of accounting policy of BJCA for revenue recognition in 2015, the Group restated the 2015 interim financial information, in which the profit attributable to owners of the Company restated to RMB58.4 million from RMB58.5 million. The comparative data used in financial review represented the restated financial information.

Income Tax

In the first half of 2016, the income tax expense of the Group was RMB2.0 million, representing an increase of 51.89% as compared with the same period of last year, mainly due to the increase in operating profit and underprovision in prior period.



CORPORATE GOVERNANCE CODE

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

During the reporting period, the Company has established a set of regulated and transparent management system and has been in strict compliance with the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the corporate governance code. Currently, Mr. Xu Zhe is the Chairman of the Company. The daily operation of the Company is under the leadership of Mr. Xu and delegated to vice president of each business sector, through which shared a great extent of the responsibilities of the Chief Executive Officer, and ensured the effective operation and monitoring of the Company. Meanwhile, the Board will also identify appropriate candidate for the position of Chief Executive Officer as soon as possible.

CORPORATE GOVERNANCE FRAMEWORK

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

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

The Company's Board of Directors comprises eleven Directors, including one Executive Director (Mr. Lu Lei), six Non-executive Directors (Mr. Xu Zhe (chairman), Dr. Feng Hao Cheng, Mr. Cao Jun, Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili) and four Independent Non-executive Directors (Ms. Zhou Liye, Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell and Mr. Li He). The Company's Directors are professionals in finance, law, commerce and information services with extensive experience and expertise in various areas. In terms of the composition of the Board, the comprehensive professional backgrounds and the strong independent element of the Directors demonstrate significant importance in corporate governance. The Company has entered into service contracts with the Directors for a term expiring on 18 June 2018 and subject to re-election.

CORPORATE GOVERNANCE



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

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

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

CORPORATE GOVERNANCE

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors throughout the six months ended 30 June 2016. The senior managements and employees, who may have access to un-published inside information because of their duties, have been requested to comply with the requirements of the Model Code.

AUDIT COMMITTEE

The audit committee usually holds four meetings every year, and is responsible for monitoring the financial, accounting policies and practices of the Company and assessing the effectiveness of the internal control and risk management systems. The Company established the audit committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the operation of the audit committee. The audit committee of the Company comprises four members, including Ms. Zhou Liye (chairman), Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell and Mr. Li He.

During the reporting period, the audit committee held one on-the-spot meeting, and signed one meeting document in the form of circulation. The committee reviewed the Independent Auditor's Report for the year of 2015, the Financial and Operation Analysis Report of the Group for the first quarter of 2016, the overview report of the internal audit for the year of 2015, the internal audit plan for the year of 2016, three copies of Internal Audit Report, three copies of Internal Audit Follow-up Report, and the re-appointment of auditor.

As of the date of this report, the audit committee has reviewed the Independent Review Report and the Interim Report of the Group for the interim period of 2016.



REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee holds at least one meeting every year to review remuneration and other matters. The Company established the remuneration and appraisal committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of Remuneration and Appraisal Committee to specify its written terms of reference, so as to regulate the operation of the remuneration and appraisal committee. The remuneration and appraisal committee of the Company comprises three members, including Mr. Gong Zhiqiang (chairman), Dr. Feng Hao Cheng and Ms. Zhou Liye.

During the reporting period, the remuneration and appraisal committee signed meeting documents once in the form of circulation to recognise the Company's implementation of total remuneration in 2015, and review the bonus distribution plan of senior management of the Company for the year of 2015 and the basic annual salary plan of senior management for the year of 2016.

NOMINATION COMMITTEE

The nomination committee holds at least one meeting every year, and is responsible for nominating and recommending candidates to fill the vacancies of members of the Board. The Company established the nomination committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee in accordance with the requirements of Rule A.5.2 of Appendix 14 to the Listing Rules to specify its written terms of reference, so as to regulate the operation of the nomination committee. The nomination committee of the Company comprises three members, including Mr. Xu Zhe (chairman), Mr. Gong Zhiqiang and Mr. Cheung, Wai Hung Boswell. During the reporting period, the nomination committee signed meeting documents once in the form of circulation to recommend Mr. Li He as candidate of the Independent Non-executive Director.

CORPORATE GOVERNANCE

STRATEGY COMMITTEE

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

BOARD OF SUPERVISORS

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

During the reporting period, the Board of Supervisors signed meeting documents one time in the form of circulation to review the Independent Auditor's Report for the year of 2015, the Continuing Connected Transactions Report and the Supervisors' Report.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Board of the Company conducts review on the effectiveness of the internal control and risk management systems of the Company regularly to ensure the relevant systems are effectively and adequately followed. The internal control and risk management systems are risk control procedure provided by the Board, management and the persons concerned to enhance operating effectiveness and efficiency and the reliability of financial reporting, covering management on internal environment, risk assessment, control activities, information communication and supervision procedures, so as to identify and assess the risks to which the Company is exposed and allocate resources to control these risks based on their severity, with an aim to improve operating results.



INTERNAL CONTROL ACTIVITIES

The Company established the audit department, which is under the guidance of the Audit Committee and assumes the important responsibilities of supervising the internal governance of the Company. The audit department is responsible for carrying out independent internal audit on operations, management and major economic events of the Company in accordance with the principle of independence, objectivity and authority of internal audit, and for giving advice and suggestions on operations and internal control and management so as to promote the development of the Company's business. The audit committee assessed the effectiveness of the internal control and risk management systems of the Company on behalf of the Board, covering the operating effectiveness and efficiency, the reliability of financial reporting and other matters. The audit committee is of the opinion that, as at 30 June 2016, adequate and effective internal control and risk management systems were maintained to safeguard the investments of the shareholders and the assets of the Company.

CONTINUOUS DISCLOSURE OBLIGATIONS REGARDING INSIDE INFORMATION

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

CORPORATE GOVERNANCE

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2016, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Appendix 10 of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors, supervisors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2016:

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

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

For the six months ended 30 June 2016, the Group did not purchase, sell or redeem any of the Company's listed securities.

INFORMATION FOR INVESTORS



Financial Calendar

Announcement of interim results	26 August 2016
Dispatch of interim report to shareholders	7 September 2016

Interim Report

The Chinese and English versions of the interim report will be posted on the website of the Company (www.capinfo.com.cn) on 6 September 2016

SHARE REGISTRAR AND TRANSFER OFFICE

Domestic shares

China Securities Depository and Clearing Corporation Limited

Address: No. 17 Taipingqiao Street, Xicheng District, Beijing

Post Code: 100033

Tel.: (8610) 5937 8888

Fax: (8610) 5859 8977

H shares

Hong Kong Registrars Limited

Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel.: (852) 2862 8523

Fax: (852) 2865 0990

CONTACTS

Principal Place of Business in the PRC

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Address: Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

Tel.: (852) 2820 0700

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INDEPENDENT REVIEW REPORT



Grant Thornton
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**To the board of directors of Capinfo Company Limited
(established as a joint stock limited company in the People’s Republic of China)**

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 59 which comprises the condensed consolidated statement of financial position of Capinfo Company Limited (the “Company”) as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review, and to report our conclusion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT REVIEW REPORT



SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road, Wanchai

Hong Kong

26 August 2016

Shaw Chi Kit

Practising Certificate No.: P04834

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended	
		30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited) (Restated)
Revenue	6	334,589	340,827
Cost of sales		(218,424)	(229,354)
Gross profit		116,165	111,473
Other income	7	13,372	8,756
Other gains and losses	8	(20,838)	30,701
Research and development costs		(13,341)	(21,056)
Marketing and promotional expenses		(34,141)	(35,796)
Administrative expenses		(38,981)	(37,856)
Finance cost for loan wholly repayable within five years		(23)	(506)
Share of results of associates		4,557	3,960
Profit before tax		26,770	59,676
Income tax expense	9	(2,011)	(1,324)
Profit for the period	10	24,759	58,352
Profit and total comprehensive income for the period attributable to			
– Owners of the Company		24,895	58,432
– Non-controlling interests		(136)	(80)
		24,759	58,352
Earnings per share for profit attributable to the owners of the Company during the period	12		
– Basic		RMB0.86 cents	RMB2.02 cents
– Diluted		RMB0.86 cents	RMB2.02 cents

Details of dividends payables to equity shareholders of the Company are set out in note 11.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	139,819	152,147
Investment property	13	47,170	49,057
Goodwill		184,598	184,598
Intangible assets	14	27,226	32,568
Prepaid lease payments	15	25,313	32,578
Deposits paid on acquisition of property, plant and equipment		44,254	1,149
Interests in associates		76,124	75,974
Financial assets at fair value through profit or loss	16	9,106	6,659
Available-for-sale investments		971	971
Trade receivables	17	53,708	57,040
Deferred tax assets		20,638	18,046
		628,927	610,787
Current assets			
Inventories		23,690	17,461
Prepaid lease payments	15	15,813	8,548
Trade and other receivables	17	349,095	327,928
Income tax recoverable		–	1,098
Amounts due from customers for contract works		118,295	59,235
Amounts due from related parties	23(iii)	45,917	24,711
Bank deposits		76,250	80,910
Bank balances and cash		478,968	498,559
		1,108,028	1,018,450

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current liabilities			
Trade and other payables	18	277,888	335,042
Contingent consideration payable	19	96,698	82,255
Amounts due to related parties	23(iii)	32,937	4,463
Amounts due to customers for contract works		363,888	243,515
Loan from government	23(iv)	1,810	1,810
Income tax payable		7,697	7,125
		780,918	674,210
Net current assets			
		327,110	344,240
Total assets less current liabilities			
		956,037	955,027
Non-current liabilities			
Contingent consideration payable	19	30,341	37,438
Deferred tax liabilities		119	547
		30,460	37,985
Net assets			
		925,577	917,042
Capital and reserves			
Share capital	20	289,809	289,809
Share premium and reserves		605,031	627,094
Equity attributable to owners of the Company			
		894,840	916,903
Non-controlling interests		30,737	139
Total equity			
		925,577	917,042

The interim financial report on pages 22 to 59 was approved by the board of directors on 26 August 2016 and are signed on its behalf by:

Mr. Xu Zhe
Chairman

Mr. Lu Lei
Executive Director, Vice President and
Secretary of the Board

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016



	Attributable to owners of the Company						
	Share capital	Share premium	Statutory		Total	Non-controlling interests	Total
			surplus reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015, as previously reported (Audited)	289,809	254,079	58,663	261,916	864,467	137	864,604
Restatements due to change in accounting policy by the Company's associate (note 4)	-	-	-	(18,386)	(18,386)	-	(18,386)
At 1 January 2015 (Restated)	289,809	254,079	58,663	243,530	846,081	137	846,218
Profit and total comprehensive income for the period (Restated)	-	-	-	58,432	58,432	(80)	58,352
Dividend recognised as distribution (note 11)	-	-	-	(30,720)	(30,720)	-	(30,720)
At 30 June 2015 (Unaudited) (Restated)	289,809	254,079	58,663	271,242	873,793	57	873,850
At 1 January 2016 (Audited)	289,809	254,079	64,243	308,772	916,903	139	917,042
Profit and total comprehensive income for the period	-	-	-	24,895	24,895	(136)	24,759
Disposal of partial interests in a subsidiary (note 22)	-	-	-	(1,458)	(1,458)	30,734	29,276
Dividend recognised as distribution (note 11)	-	-	-	(45,500)	(45,500)	-	(45,500)
At 30 June 2016 (Unaudited)	289,809	254,079	64,243	286,709	894,840	30,737	925,577

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Net cash generated from operating activities	19,507	885
Investing activities		
Interest received	1,766	881
Cash paid for acquisition of financial assets at fair value through profit or loss	–	(193,000)
Cash received from redemption of financial assets at fair value through profit or loss	–	93,000
Dividend received from an associate	4,407	4,826
Proceeds from disposal of property, plant and equipment	99	195
Cash paid for acquisition of property, plant and equipment	(15,407)	(11,112)
Cash paid for acquisition of intangible assets	(3,573)	(6,056)
Deposits paid for acquisition of property, plant and equipment	(43,658)	(378)
Proceeds from disposal of available-for-sale investments	–	39,981
Repayment from related parties	1,682	2
Cash advanced to related parties	(761)	(5,790)
Withdrawal from bank deposits	23,653	4,499
Placement of bank deposits	(18,993)	(20,000)
Net cash used in investing activities	(50,785)	(92,952)
Financing activities		
Interest paid	(23)	(506)
Repayment of short term bank loan	–	(10,000)
Proceeds from disposal of partial interests in a subsidiary	11,710	–
Net cash generated from/(used in) financing activities	11,687	(10,506)
Net decrease in cash and cash equivalents	(19,591)	(102,573)
Cash and cash equivalents at beginning of the period	498,559	468,071
Cash and cash equivalents at end of the period, represented by bank balances and cash	478,968	365,498

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

1. GENERAL

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

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes and are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The interim financial report has 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, including in compliance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report is unaudited, but has been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has 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 interim financial report for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in this interim financial report and/or disclosures set out in this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

4. RESTATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY BY THE COMPANY'S ASSOCIATE

In preparing the Group's consolidated financial statements for the year ended 31 December 2015, the Group has identified certain restatements required in the comparative financial information presented arising from share of results in Beijing Certificate Authority Co., Ltd. ("BJCA") 北京數字認證股份有限公司, an associate of the Group principally engaged in the provision of services related to digital certificates.

In the prior periods, revenue of BJCA arising from the provision of services related to digital certificates was recognised immediately upon relevant digital certificate has been installed and the security keys have been delivered and accepted by customers or upon relevant services contract being renewed.

During the year ended 31 December 2015, the management of BJCA conducted an evaluation of the above basis of revenue recognition and determined that after installation of digital certificate together with the delivery of security keys to customers, BJCA also serves as services provider to the individualised security keys, such that the users are then able to access to the security system. BJCA has to provide services to its customers such as unlock, deactivate and certificate search when individual customers login to security system during the life of the digital certificate, therefore the management of BJCA concluded that proper treatment is to recognise the revenue received over the life of digital certificate and hence the management of BJCA decided to proceed with the restatements.

As a result of change in BJCA's revenue recognition policy, the condensed consolidated financial statements for the six months ended 30 June 2015 have also been restated.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

4. RESTATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY BY THE COMPANY'S ASSOCIATE (CONTINUED)

The impact of the restatements in the condensed consolidated financial statements in respect of the change in revenue recognition policy recognised by BJCA on the Group is as follows:

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

	As previously reported RMB'000 (Unaudited)	Decrease RMB'000	Restated RMB'000 (Unaudited)
Share of results of associates	4,017	(57)	3,960
Profit before tax	59,733	(57)	59,676
Profit and total comprehensive income for the period	58,409	(57)	58,352
Profit and total comprehensive income for the period attributable to owners of the Company	58,489	(57)	58,432
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	RMB2.02 cents	–	RMB2.02 cents
– Diluted	RMB2.02 cents	–	RMB2.02 cents

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

4. RESTATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY BY THE COMPANY'S ASSOCIATE (CONTINUED)

Consolidated statement of financial position as at 1 January 2015

	As previously reported RMB'000 (Audited)	Decrease RMB'000	Restated RMB'000 (Audited)
As at 1 January 2015			
Interests in associates	82,915	(18,386)	64,529
Total non-current assets	663,117	(18,386)	644,731
Total assets less current liabilities	978,759	(18,386)	960,373
Net assets	864,604	(18,386)	846,218
Share premium and reserves	574,658	(18,386)	556,272
Total equity	864,604	(18,386)	846,218

Condensed consolidated statement of financial position as at 30 June 2015

	As previously reported RMB'000 (Unaudited)	Decrease RMB'000	Restated RMB'000 (Unaudited)
As at 30 June 2015			
Interests in associates	82,106	(18,443)	63,663
Total non-current assets	610,829	(18,443)	592,386
Total assets less current liabilities	972,740	(18,443)	954,297
Net assets	892,293	(18,443)	873,850
Share premium and reserves	602,427	(18,443)	583,984
Total equity	892,293	(18,443)	873,850

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

5. SEGMENT INFORMATION

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

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

The Group’s operations are located in the PRC and all the revenue of the Group comes from the PRC customers. The Group’s non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government for the six months ended 30 June 2016 are approximately RMB280,869,000 (six months ended 30 June 2015: RMB205,345,000) (note 23(iv)). Other than this, the Group has no customer which contributes more than 10% of the Group’s consolidated revenue for both periods.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

6. REVENUE

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

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
<i>Income from technology service contracts</i>		
Operation and maintenance service	204,447	215,024
System integration service	93,466	100,287
Software development service	35,122	21,182
Consulting service	1,526	680
	334,561	337,173
<i>Sales of goods</i>	28	3,654
	334,589	340,827

7. OTHER INCOME

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

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Gross rental income from investment property	6,881	5,800
Interest income from bank deposits	1,766	881
Imputed interest income from Build-and-Transfer ("BT") projects	1,248	1,342
Government grants (note 18)	3,298	732
Others	179	1
	13,372	8,756

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

8. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Allowance for doubtful debts	(14,679)	(10,135)
Fair value gain on financial assets at fair value through profit or loss	2,447	2,739
Gain on disposal of available-for-sale investments (note)	–	45,402
Fair value changes of contingent consideration payable (note 19)	(7,346)	(7,092)
(Loss)/Gain on disposal of property, plant and equipment	(2,501)	11
Others	1,241	(224)
	(20,838)	30,701

Note:

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

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

8. OTHER GAINS AND LOSSES (CONTINUED)

Note: (Continued)

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

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

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

During the six months ended 30 June 2015, the Group recognised gain on the deemed disposal of PayEase amounting to RMB45,402,000, the gain comprised of cash received of RMB39,981,000 and 2,771,484 shares of C-2 Stock valued at RMB5,421,000.

As the Group is not a party to the merger agreement, in the opinion of the management, the stock price of US\$12.81 (approximately RMB78.29) per share does not represent the fair value of the C-1 Stock and C-2 Stock (which are of different terms) and therefore the fair value of C-2 Stock has been determined by reference to the valuation of professional valuer on a combination of market approach and Black-Scholes option pricing model, details of which are set out in note 24.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

8. OTHER GAINS AND LOSSES (CONTINUED)

Note: (Continued)

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

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

9. INCOME TAX EXPENSE

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
– Current period	4,032	4,012
– Under/(Over) provision	999	(525)
Deferred tax credit		
– Current period	(2,692)	(2,163)
– Effect of change in tax rate	(328)	–
	2,011	1,324

The Company was recognised as a High Technology Enterprise (“HTE”) in 2011, further accredited as HTE in 2014 and subject to the PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on Enterprise Income Tax (“EIT”).

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

9. INCOME TAX EXPENSE (CONTINUED)

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

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

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

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

At the end of the reporting period, certain subsidiaries had unused tax losses of approximately RMB17,506,000 (31 December 2015: RMB15,868,000) 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 2021.

The deferred tax credit in the current period is mainly due to the increase of deferred tax assets in respect of deductible temporary difference of allowance for doubtful debts in respect of trade and other receivables of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

10. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited) (Restated)
Profit for the period has been arrived at after charging the following items:		
Directors', chief executive's and supervisors' remuneration	470	863
Other staff costs	87,575	88,083
Other staff's retirement benefit scheme contributions	10,686	11,137
	98,731	100,083
Less: Staff costs included in		
– research and development costs	(9,478)	(13,849)
– cost of sales	(44,566)	(42,592)
	44,687	43,642
Depreciation of property, plant and equipment	25,688	33,582
Depreciation of investment property	1,887	1,887
Total depreciation	27,575	35,469
Less: Depreciation included in		
– research and development costs	(916)	(1,743)
– cost of sales	(19,464)	(20,391)
	7,195	13,335
Amortisation of intangible assets	8,915	6,814
Operating lease rentals in respect of		
– cable network and office premises	22,928	39,385
Less: Operating lease rentals included in		
– research and development costs	(1,067)	(1,304)
– cost of sales	(14,583)	(26,815)
	7,278	11,266
Cost of inventories recognised as expenses	44,432	78,831
Share of tax of associates (included in share of results of associates)	1,407	998

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

11. DIVIDENDS

During the current interim period, a final dividend of RMB1.57 cents (pre-tax) per share in respect of the year ended 31 December 2015 was approved at annual general meeting on 27 May 2016. The aggregate amount of the final dividend approved in the current interim period amounted to RMB45,500,000 (2014 final dividend approved during the six months ended 30 June 2015: RMB1.06 cents (pre-tax) per share and amounted to RMB30,720,000).

The directors of the Company do not recommend the payment of any interim dividend for the current interim period (six months ended 30 June 2015: nil).

12. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited) (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	24,895	58,432

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

12. EARNINGS PER SHARE (CONTINUED)

	Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share	2,898,086,091	2,898,086,091

Diluted earnings per share for the current interim period is the same as the basic earnings per share as there is no potential ordinary share outstanding during the current interim period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group incurred approximately RMB15,960,000 (six months ended 30 June 2015: RMB11,780,000) on the acquisition of property, plant and equipment.

As at 30 June 2016, the ownership title certificate of the Group's investment property with the carrying amount of RMB47,170,000 (31 December 2015: RMB49,057,000) had not been issued. In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use the above-mentioned properties without incurring significant additional cost in obtaining the title certificate.

14. INTANGIBLE ASSETS

During the current interim period, the Group incurred approximately RMB3,573,000 (six months ended 30 June 2015: RMB6,056,000) on the addition of intangible assets.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current portion	15,813	8,548
Non-current portion	25,313	32,578
	41,126	41,126

Prepaid lease payments represent prepayments made by the Group for the rental of premises for a period from 1 to 7 years (31 December 2015: 1 to 8 years) for installation of wireless equipment for the government network projects.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Unlisted investment:		
<i>Non-current</i>		
Designated as at fair value through profit or loss – Equity securities	9,106	6,659

The above unlisted investment represents C-2 Stock held by the Group. The fair value measurements information of the above unlisted investment is set out in note 24.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

17. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total trade receivables	377,009	329,483
Less: Allowance for doubtful debts	(44,085)	(29,406)
	332,924	300,077
Less: Non-current portion which is shown in non-current assets	(53,708)	(57,040)
	279,216	243,037
Other receivables and prepayments	21,142	19,977
Deposits for technology service contracts	49,490	65,667
Less: Allowance for doubtful debts	(753)	(753)
	69,879	84,891
Trade and other receivables shown in current assets	349,095	327,928

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

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



17. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aging analysis of trade receivables at 30 June 2016 and 31 December 2015, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Age		
0 to 6 months	148,839	175,058
7 to 12 months	81,403	26,245
Over 1 year	102,682	98,774
	332,924	300,077
Less: Non-current portion	(53,708)	(57,040)
	279,216	243,037

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

18. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	76,828	128,278
Bills payable	–	1,164
Deferred income arising from government grants (note)	30,020	25,069
Other payables	53,566	46,630
Accrued expenses	69,359	76,638
Payroll and welfare payables	27,764	52,720
Dividend payables to shareholders other than holding company	16,694	–
Advance from customers	3,657	4,543
	277,888	335,042

Note:

The balance arises as a result of the benefit received from the government. The Group received government grants of RMB8,249,000 (six months ended 30 June 2015: RMB18,194,000) during the current interim period for certain technology research activities and recognised RMB3,298,000 (six months ended 30 June 2015: RMB732,000) (note 7) in other income in the current interim period.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



18. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aging analysis of trade payables at 30 June 2016 and 31 December 2015, which is presented based on the date of material or service received or the billing date of contract works:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Age		
1 year	50,419	75,420
1 to 2 years	5,642	14,949
2 to 3 years	12,836	24,456
Over 3 years	7,931	13,453
	76,828	128,278

Included in trade payables are retention payables of RMB3,356,000 (31 December 2015: RMB3,356,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

19. CONTINGENT CONSIDERATION PAYABLE

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At beginning of the period/year	119,693	113,161
Fair value changes of contingent consideration payable (note 8)	7,346	6,532
At end of the period/year	127,039	119,693
Amount due within one year included under current liabilities	(96,698)	(82,255)
Amount due after one year included under non-current liabilities	30,341	37,438

On 12 November 2014, the Group acquired 100% issued capital of Rito Info, depending on the upcoming financial performance of Rito Info, the cash consideration for this acquisition will be RMB305,000,000 (subject to adjustments).

As of 30 June 2016, based on the estimated profit of Rito Info for the three years ending 31 December 2016 amounting to RMB84,854,000 (31 December 2015: RMB84,763,000), the adjusted consideration is RMB291,494,000 (31 December 2015: RMB291,327,000) and the potential balance payable of undiscounted amount of all future payments that the Group could be required to pay under this arrangement is RMB135,944,000 (31 December 2015: RMB135,777,000). The fair value of the amount payable was recognised as contingent consideration payable and measured at fair value as at the reporting date.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



20. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each per share at 1 January 2015, 31 December 2015 and 30 June 2016	2,123,588,091	774,498,000	289,809

21. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment		
Contracted but not provided for	8,675	679
Authorised but not contracted for	41,217	5,799
	49,892	6,478

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

22. DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

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

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

The difference of RMB1,458,000 between the consideration of RMB29,276,000 and the carrying amount of non-controlling interests of RMB30,734,000 was recorded in retained profits during the current interim period.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES

In addition to those disclosed in Note 22 to the condensed consolidated financial statements, the Group had the following transactions with related parties:

(i) Transactions with fellow subsidiaries

Related party	Nature of transactions	Notes	Six months ended	
			30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Fellow subsidiaries				
Capnet	Income earned by the Group for providing the network system and related maintenance services	(a)	5,222	2,972
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises	(b)	5,748	5,349
Beijing Petroleum Exchange Co., Ltd. ("Beijing Petroleum Exchange")	Income earned by the Group for providing hardware, software and related equipment management service	(c)	66	66
Beijing Guotong Xintai Investment Management Company Limited ("Guotong Xintai")	Income from system integration service, for construction of necessary technology infrastructure and application system of a hospital	(d)	1,095	3,124

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (Continued)

Notes:

(a) On 18 January 2013, Capinfo Technology and Capnet entered into a comprehensive services agreement under which Capinfo Technology is to provide the network system and the related maintenance service to Capnet for a term of 3 years since 1 January 2013. On 15 October 2014, the Company and Capnet entered into a network service agreement for the provision of network equipment lease and services to Capnet for a year term from 15 October 2014. On 31 December 2015, the Company and Capnet and Capinfo Technology and Capnet renewed a comprehensive services agreement and a network service agreement respectively for a term of three years from 1 January 2016. The service income of RMB5,222,000 (six months ended 30 June 2015: RMB2,972,000) was recognised during the current interim period.

(b) On 31 March 2009, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP's certain office premises at a monthly rent of approximately RMB331,000 for the period from 1 April 2009 to 31 March 2012, and then renewed the agreement at a monthly rent of approximately RMB402,000 for the period from 1 April 2012 to 31 March 2015.

On 8 May 2012, the Company entered into a lease agreement with BIDP to lease from BIDP's certain office premises at a monthly rent of approximately RMB216,000 for the period from 8 May 2012 to 31 March 2015.

On 1 August 2013, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB177,000 for the period from 1 August 2013 to 31 March 2015.

On 22 April 2015, the Company entered into lease agreements with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB179,000 and RMB772,000 for the period from 1 April 2015 to 31 March 2016 and from 1 April 2015 to 31 March 2018 respectively.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



23. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (Continued)

Notes: (Continued)

(b) (Continued)

On 31 March 2016, the Company entered into lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB179,000 for the period from 1 April 2016 to 31 March 2018.

The rental expenses of RMB5,748,000 (six months ended 30 June 2015: RMB5,349,000) has been recognised during the current interim period.

(c) On 23 December 2013, the Company and Beijing Petroleum Exchange entered into contract under which the Company will provide hardware, software and related equipment management service to Beijing Petroleum Exchange. The service income of RMB66,000 (six months ended 30 June 2015: RMB66,000) was recognised during the current interim period.

(d) On 23 May 2013, the Company and Guotong Xintai entered into an agreement that the Company will provide services related to the construction project of Beijing Aiyuhua Hospital for Children and Women ("Aiyuhua Hospital"), including the construction of the necessary information technology infrastructure and application system before the commencement of the trial operation of Aiyuhua Hospital. The contract amount was RMB33,787,000, and the income of RMB1,095,000 (six months ended 30 June 2015: RMB3,124,000) was recognised during the current interim period.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Transactions with an associate

An associate	Nature of transactions	Six months ended	
		30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
BJCA	Software development and providing related technical services to the Group	573	-

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amounts due from related parties:		
Trading in nature:		
Fellow subsidiaries	18,538	14,107
Associates	53	53
	18,591	14,160
Non-trading in nature:		
Fellow subsidiaries	27,135	8,808
Associates	191	1,743
	27,326	10,551
	45,917	24,711

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016



23. RELATED PARTY DISCLOSURES (CONTINUED)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amounts due to related parties:		
Trading in nature:		
Fellow subsidiaries	1,221	1,221
Associates	595	1,057
	1,816	2,278
Non-trading in nature:		
Holding company	28,806	–
Fellow subsidiaries	143	13
Associates	2,172	2,172
	31,121	2,185
	32,937	4,463

The amounts are unsecured, non-interest bearing and repayable within one year.

The Group allows the same credit period to related parties as other trade customers. As of 30 June 2016, the amounts due from related parties of RMB1,441,000 aged over 180 days but within one year (31 December 2015: RMB4,678,000). Other amounts due from related parties are repayable on demand.

As of 30 June 2016, the amounts due to related parties aged within 90 days were nil (31 December 2015: RMB869,000). Other amounts due to related parties are repayable on demand.

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (CONTINUED)

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly-controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provided E-Government technology services of approximately RMB280,869,000 (six months ended 30 June 2015: RMB205,345,000) (note 5) to other government-related entities and the PRC government for the current interim period. The directors of the Company consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 30 June 2016, loan from government of RMB1,810,000 (31 December 2015: RMB1,810,000) was borrowed from the Financial Bureau of Beijing which is unsecured, repayable on demand and bears interest at annual interest rate of 3.35% (31 December 2015: 3.35%), and the Group has incurred interest expenses of approximately RMB23,000 (six months ended 30 June 2015: RMB42,000) in the current interim period.

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

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (CONTINUED)

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

Except for trade and other receivables of approximately RMB274,028,000 (31 December 2015: RMB135,728,000), amounts due from customers for contract works of approximately RMB109,632,000 (31 December 2015: RMB28,725,000), amounts due to customers for contract works of approximately RMB361,803,000 (31 December 2015: RMB200,725,000) as at 30 June 2016, those transactions as disclosed above, and certain balances disclosed in respective notes to the interim financial report, the directors of the Company are of the opinion that transactions and balances with these government-related entities are not significant to the Group's operations.

(v) Compensation of key management personnel

The short-term benefits paid or payable by the Group to directors of the Company and other members of key management during the six months ended 30 June 2016 are approximately RMB2,127,000 (six months ended 30 June 2015: RMB3,577,000).

The post-employment benefits paid or payable by the Group to directors of the Company and other members of key management during the six months ended 30 June 2016 are approximately RMB230,000 (six months ended 30 June 2015: RMB385,000).

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: Fair value measured only using level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement dates.
- Level 2: Fair value measured using level 2 inputs, i.e. observable inputs which fail to meet with Level 1, and not using unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: Fair value measured using significant unobservable inputs.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2016				
Recurring fair value measurement				
Financial asset				
Financial assets at fair value through profit or loss (note 16)	-	-	9,106	9,106
Financial liability				
Contingent consideration payable (note 19)	-	-	127,039	127,039

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2015				
Recurring fair value measurement				
Financial asset				
Financial assets at fair value through profit or loss (note 16)	–	–	6,659	6,659
Financial liability				
Contingent consideration payable (note 19)	–	–	119,693	119,693

During the six months ended 30 June 2016 and year ended 31 December 2015, there were no transfers between Level 1, 2 and 3.

Information about Level 3 financial asset's fair value measurements

The reconciliation of the carrying amount of the Group's financial assets at fair value through profit or loss classified within Level 3 of the fair value hierarchy is as follows:

	Financial assets at fair value through profit or loss RMB'000
Fair value at 1 January 2015	–
C-2 Stock received from deemed disposal of equity interests in PayEase	5,421
Changes in fair value	1,238
Fair value at 31 December 2015 and 1 January 2016	6,659
Changes in fair value (note 8)	2,447
Fair value at 30 June 2016	9,106

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 financial asset's fair value measurements (Continued)

The fair value of unlisted financial assets at fair value through profit or loss is determined by using the combination of market approach and the Black-Scholes option pricing model. The valuation techniques and significant unobservable inputs of the unlisted financial assets at fair value through profit or loss are as follows:

Valuation techniques	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Market approach	Revenue multiplier of 4.05 times (31 December 2015: 3.98 times)	The higher of the multiplier, the higher of the fair value, and vice versa
	Discount for 25% for lack of marketability (31 December 2015: 25%)	The higher of the discount rate, the lower of the fair value, and vice versa
Black-Scholes option pricing model	Volatility of 28.49% to 32.86% (31 December 2015: 24.74% to 27.83%)	The higher of the volatility, the higher of the fair value, and vice versa
	Risk free rates of 0.42% to 0.69% (31 December 2015: 0.57% to 1.40%)	The higher of the risk free rate, the higher of the fair value, and vice versa

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 financial liability's fair value measurements

The reconciliation of the carrying amount of the Group's contingent consideration payable classified within Level 3 of the fair value hierarchy is as follows:

	Contingent consideration payable RMB'000
Fair value at 1 January 2015	113,161
Fair value loss recognised in profit or loss	6,532
Fair value at 31 December 2015 and 1 January 2016	119,693
Fair value loss recognised in profit or loss (note 8)	7,346
Fair value at 30 June 2016	127,039

The fair value of contingent consideration payable is determined by using the discounted cash flow. The valuation technique and significant unobservable inputs of the fair value of contingent consideration payable are as follows:

Valuation technique	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Discounted cash flow	Projected profit after tax of Rito Info for the year ending 31 December 2016 of RMB31,317,000 (31 December 2015: year ending 31 December 2016 of RMB31,317,000)	The higher of the projected profit after tax, the higher of the fair value, and vice versa
	Discount rate of 12.50% (31 December 2015: 12.50%)	The higher of the discount rate, the lower of the fair value, and vice versa

The directors consider that the fair value of other financial assets and financial liabilities in the interim financial report is approximately equal to the carrying amount.

DEFINITIONS

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/the Company	Capinfo Company Limited
Capinfo Hong Kong	Capinfo (Hong Kong) Co., Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.
Rito Info	Rito Info Technology Co., Ltd.
BJCA	Beijing Certificate Authority Co., Ltd.
BSAM	Beijing State-owned Assets Management Co., Ltd.
Capnet	Capnet Company Limited
BIDP	Beijing IC Design Park Co., Ltd.
Beijing Oil Exchange	Beijing Oil Stock Exchange Limited (北京石油交易所股份有限公司)
Guotong Xintai	Beijing Guotong Xintai Investment Management Company Limited
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Grant Thornton	Grant Thornton Hong Kong Limited
Companies Law	the Companies Law of the People's Republic of China
Articles of Association	the Articles of Association of Capinfo Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Stock Exchange	the Stock Exchange of Hong Kong Limited
IND	the Independent Non-executive Directors
Reporting Period	the period from 1 January 2016 to 30 June 2016



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