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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1075)*

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL SUMMARY OF THE GROUP

- Revenue of RMB323.5 million was recognized during the current interim period.
- Profit attributable to owners of the Company was RMB19.6 million, which decreased by RMB5.3 million as compared with the corresponding period of last year. The decrease of profit was mainly due to fair value loss of series C-2 preferred stock of Mozido Inc. held by the Group.
- Basic earnings per share was RMB0.67 cents.
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (same period of 2016: Nil).

The board of directors (the “Board”) of Capinfo Company Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017.

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended	
		30 June 2017	30 June 2016
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue		323,540	334,589
Cost of sales		(217,486)	(218,424)
		106,054	116,165
Gross profit			
Other income		18,181	13,372
Other gains and losses		(23,994)	(20,838)
Research and development costs		(19,550)	(13,341)
Marketing and promotional expenses		(32,407)	(34,141)
Administrative expenses		(35,605)	(38,981)
Finance costs		(2,865)	(23)
Share of results of associates		8,637	4,557
		18,451	26,770
Profit before income tax			
Income tax credit/(expense)	5	1,360	(2,011)
		19,811	24,759
Profit for the period	6		
 Profit and total comprehensive income			
for the period attributable to			
– Owners of the Company		19,557	24,895
– Non-controlling interests		254	(136)
		19,811	24,759
 Earnings per share for profit			
attributable to the owners of			
the Company during the period			
– Basic	8	RMB0.67 cents	RMB0.86 cents
– Diluted		RMB0.67 cents	RMB0.86 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017	31 December 2016
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	177,518	167,645
Investment property	9	43,397	45,283
Goodwill		184,598	184,598
Intangible assets		18,442	21,695
Prepaid lease payments		18,182	25,322
Deposits paid on acquisition of property, plant and equipment		9,056	1,730
Interests in associates		132,474	130,134
Financial assets at fair value through profit or loss		151	3,565
Available-for-sale investments		971	971
Trade receivables	10	5,763	25,123
Deferred tax assets		31,030	28,737
		621,582	634,803
Current assets			
Inventories		29,965	23,116
Prepaid lease payments		10,256	7,373
Trade and other receivables	10	431,697	374,790
Amounts due from customers for contract works		95,633	96,661
Amounts due from related parties		26,069	37,150
Financial assets at fair value through profit or loss		17,000	–
Bank deposits		33,848	61,135
Bank balances and cash		471,721	510,063
		1,116,189	1,110,288

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

		30 June 2017	31 December 2016
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Current liabilities			
Trade and other payables	11	308,192	359,363
Other financial liabilities		32,491	30,336
Amounts due to related parties		36,780	20,942
Amounts due to customers for contract works		338,969	291,362
Loan from government		900	900
Income tax payable		13,301	23,974
		730,633	726,877
Net current assets		385,556	383,411
Total assets less current liabilities		1,007,138	1,018,214
Non-current liability			
Other financial liabilities		10,596	9,894
Net assets		996,542	1,008,320
Capital and reserves			
Share capital	12	289,809	289,809
Share premium and reserves		674,896	686,928
Equity attributable to owners of the Company		964,705	976,737
Non-controlling interests		31,837	31,583
Total equity		996,542	1,008,320

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2017

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 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.

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.

The interim financial report for the six months ended 30 June 2017 has been prepared in accordance with the same accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2017. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's interim financial report and amounts reported for the current interim period and prior years.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the interim financial report.

4. 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 2017 are approximately RMB301,141,000 (six months ended 30 June 2016: RMB280,869,000). Other than this, the Group has no customer which contributes more than 10% of the Group’s consolidated revenue for both periods.

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Current period	6,480	4,032
– (Over)/Under provision in prior periods, net	(5,547)	999
Deferred tax credit		
– Current period	(2,293)	(2,692)
– Effect of change in tax rate	–	(328)
	<u> </u>	<u> </u>
Income tax (credit)/expense	<u>(1,360)</u>	<u>2,011</u>

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

The Company accomplished the recordation of preferential EIT policies applicable to key software enterprises in the national planning layout for the years 2015 and 2016 in June 2017. According to the provision under the Notice on Enterprise Income Tax Policy to Further Encourage the Development of the Software and Integrated Circuit Industries (Caishui [2012] No. 27) that “key software enterprises in the national planning layout that have not enjoyed tax-free concessions in the year will be levied EIT at a reduced tax rate of 10%”, the Company was therefore retrospectively entitled to a preferential tax rate of 10% for years 2015 and 2016. Accordingly, overprovision of EIT amounting to RMB6,183,000 (based on a previously 15% preferential rate) has been reversed in the current interim period.

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.

Rito Info Technology Co., Ltd. (“Rito Info”) 廈門融通信息技術有限責任公司 was accredited as a HTE in 2015, in accordance with the Law of the PRC on EIT, which was accredited to the PRC income tax at 15% for three years from 2016 to 2018.

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 RMB18,385,000 (31 December 2016: RMB16,723,000) 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 2022.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2017	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors', chief executive's and supervisors' remuneration	821	470
Other staff costs	79,832	87,575
Other staff's retirement benefit scheme contributions	10,360	10,686
	91,013	98,731
Less: Staff costs included in		
– research and development costs	(9,624)	(9,478)
– cost of sales	(39,039)	(44,566)
	42,350	44,687
Depreciation of property, plant and equipment	25,255	25,688
Depreciation of investment property	1,886	1,887
Total depreciation	27,141	27,575
Less: Depreciation included in		
– research and development costs	(2,641)	(916)
– cost of sales	(17,790)	(19,464)
	6,710	7,195
Amortisation of intangible assets	7,809	8,915
Operating lease rentals in respect of		
– cable network and office premises	27,002	22,928
Less: Operating lease rentals included in		
– research and development costs	(941)	(1,067)
– cost of sales	(20,614)	(14,583)
	5,447	7,278
Cost of inventories recognised as expenses	48,421	44,432
Share of tax of associates (included in share of results of associates)	959	1,407

10. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Total trade receivables	434,132	375,423
Less: Impairment losses	<u>(77,532)</u>	<u>(58,433)</u>
	356,600	316,990
Less: Non-current portion which is shown in non-current assets	<u>(5,763)</u>	<u>(25,123)</u>
	350,837	291,867
Other receivables and prepayments	26,974	28,898
Deposits for technology service contracts	54,698	54,847
Less: Impairment losses	<u>(812)</u>	<u>(822)</u>
	80,860	82,923
Trade and other receivables shown in current assets	<u>431,697</u>	<u>374,790</u>

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

The following is an aging analysis of trade receivables at 30 June 2017 and 31 December 2016, presented based on the date of delivery of goods or the billing date of contract works and net of impairment losses:

	30 June 2017	31 December 2016
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Age		
0 to 6 months	131,513	184,821
7 to 12 months	161,850	54,439
Over 1 year	<u>63,237</u>	<u>77,730</u>
	356,600	316,990
Less: Non-current portion	<u>(5,763)</u>	<u>(25,123)</u>
	350,837	291,867

11. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	80,107	106,569
Deferred income arising from government grants (<i>note</i>)	20,831	28,250
Other payables	55,834	51,147
Accrued expenses	89,682	96,750
Payroll and welfare payables	38,813	66,227
Dividends payable to shareholders other than ultimate holding company	11,590	–
Advance from customers	11,335	10,420
	308,192	359,363

Note:

The balance represents the balance of government grants received. The Group received government grants of RMB2,111,000 (six months ended 30 June 2016: RMB8,249,000) during the current interim period for certain technology research activities and recognised RMB9,530,000 (six months ended 30 June 2016: RMB3,298,000) in other income in the current interim period.

The following is an aging analysis of trade payables at 30 June 2017 and 31 December 2016, which is presented based on the date of material or service received or the billing date of contract works:

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Age		
1 year	42,520	63,953
1 to 2 years	11,839	16,846
2 to 3 years	4,010	4,050
Over 3 years	21,738	21,720
	80,107	106,569

Included in trade payables are retention payables of RMB791,000 (31 December 2016: 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.

12. SHARE CAPITAL

	Number of shares		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 2016, 31 December 2016 and 30 June 2017	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

13. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

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

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

The difference between the consideration of approximately RMB29,276,000 and the carrying amount of non-controlling interests of RMB30,734,000 was recorded in retained profits.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, the national economy presented an obvious trend of improvement amidst stabilisation and the IT industry saw a sound growth. In the new development stage, the Group concentrated its efforts on innovation in terms of management and business and sped up transformation and upgrade. While continuously consolidating the smart infrastructure service, the Group further promoted the development in the fields of internet + government affair service, smart medical and health service and enterprise smart innovation, laying a solid foundation for the “Thirteenth Five-Year” period.

For the six months ended 30 June 2017, the main operating revenue of the Group amounted to RMB323.5 million, representing a decrease of 3.30% as compared with the same period of last year; profit attributable to owners of the Company arrived at RMB19.6 million, representing a decrease of RMB5.3 million as compared with the same period of last year. The significant decrease of profit compared with the corresponding period of last year was mainly due to fair value loss of series C-2 preferred stock of Mozido Inc. held by the Group.

Smart Infrastructure Service

During the reporting period, the E-governance website, Internet of Things data website and other important systems of the Group ran well. The Group accomplished the guarantee tasks in provision of information technology guarantee for Yanqi Lake International Conference Centre at which the “One Belt, One Road” International Cooperation Summit Forum was held, Huairou District Committee Conference Centre, etc. and successful treatment of the “Ransomware” which outbreaked in a large area in the world. The Group endeavoured to get the opportunities for Beijing Sub-centre and Beijing-Tianjin-Hebei Integration Project to seize a commanding height in the field of information technology construction for smart city.

Capinfo EA V1.0, the unified technical structure of the Group, has been put into preliminary application and combined with a number of projects in several segments including healthcare security and social security, software and cloud computing, which has generated outstanding preliminary results. Subsequently, Capinfo EA V2.0 will be improved and launched to achieve comprehensive application and practice throughout the Group to reduce technological development and operation costs and enhance core technological competitiveness and projects’ profitability.

“Internet + Government Affair” Service

“Beijing-China Website Clusters” (www.beijing.gov.cn) ran stably. Riding on years of experience in government information construction and operation, the Group won the title of “2017 China Top 100 Internet Enterprises” jointly issued by Internet Society of China and the Ministry of Industry and Information Technology and was recognised by the industry and the State. In the first half of the year, the Group won the bid for a number of projects including the construction project of Beijing Points System for Household Registration, the website cluster construction projects of the Agency for International Economic Cooperation of the Ministry of Commerce, further consolidating and expanding the user base.

In the housing construction field, the Group intensively tapped the field of housing provident fund in Beijing, Shanghai, Guangzhou, Chongqing and Nanning and won a number of upgrade and transformation projects. While accumulating project experience, the Group implemented the nationwide development strategy to seek for the effective way for duplication of the successful model in other cities.

Smart Medical and Health Service

During the reporting period, the Group proactively cooperated with the implementation of comprehensive reform of separation of clinic from pharmacy and the trans-provincial and long-distance medical settlement policy to ensure equal policy treatment for 18.95 million social security card holders. “Beijing hospital medical card” business was advanced in an orderly way and over 10 million cards have been accumulatively issued, to provide convenient real-time medical settlement service for card holders.

Progress has been made in respect of “hospital financial settlement platform” which is independently developed by the Group. The Group has entered into cooperation agreements with scores of hospitals and put the platform into operation in a number of hospitals. To promote commercialisation of the platform, the Group has entered into agreements on settlement of commercial insurances with multiple commercial insurance companies. A new business model has gradually taken shape.

Enterprise Smart Innovation

During the reporting period, with enterprises cloud service as the pilot, the Group explored the corporate services models of IaaS, PaaS and SaaS to support enterprises’ application of cloud platform in a more convenient, faster and safer manner. The Group completed application for the cloud project for state-owned enterprises, and took the opportunity of construction of a new cloud platform for vigorous development cloud application products and development of cloud ecosystem to form a cloud computing industrial chain with the operational platform with Capinfo business cloud as the core and technological innovation resources of Beijing-Tianjin-Hebei as the ecology to promote the nationwide development of cloud computing business.

Human Resources

As of 30 June 2017, the Group had 1,500 employees and expense of employees during the reporting period was RMB95.1 million. During the reporting period, the Group continuously studied and optimised the organisational structure and gathered corporate resources to form joint force for development. The Group improved and promoted the remuneration assessment system and followed the principles of investment and output, all staff share, linking with all staff and incremental incentive. Different index systems, assessment methods and incentive methods were adopted in combination with the establishment of a talent appraisal and employment qualification system to deeply implement the all staff employment system.

Prospect

In the second half of the year, the Group will give play to the leading role of smart city service provider in the Capital and fully participate in the collaborative construction of Beijing Sub-center and Beijing-Tianjin-Hebei to enhance the position in the industry and fulfill the Company's mission. Further efforts will be exerted to develop innovative businesses in the field of smart health care field and improve the new business model for cooperation and achieving a win-win situation with hospitals and commercial insurance companies; the Group will improve the company level business platform Capinfo EA to carry out technical research and application of big data to enhance the Company's overall technical capacity; moreover, the Group will strengthen capital market operation and integrate and utilise advantageous resources to promote the sustained, rapid and healthy development of the Company.

FINANCIAL REVIEW

During the reporting period, amongst the enhanced industry debate, our Group actively strive for core business market share, and move fast to drive the innovation business. Our Group is in the deep reform and transformation. For the six months ended 30 June 2017, the Group recorded an unaudited revenue of RMB323.5 million, representing a decrease of 3.30% as compared with the same period of last year. The Group recorded a gross profit of RMB106.1 million, representing a decrease of 8.70% over that of the same period of last year, and a gross profit margin of 32.78%, representing a decrease of 1.94 percentage point as compared with the same period of last year.

For the six months ended 30 June 2017, the core business of the Group accumulated a revenue of RMB95.5 million, representing a decrease of 24.09% compared with the corresponding period of last year, accounting for 29.50% of the total revenue of the Group; gross profit of core business was RMB20.3 million, representing a decrease of 48.37% as compared with the corresponding period of last year, accounting for 19.14% 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. The revenue of core business was decreased as compared with corresponding period of last year, which was mainly because the revenue of core business recognised in the same period of last year included those projects which had started in prior years but recognised revenue in the first half of 2016. There are no significant changes on the overall size of the core project.

During the reporting period, the businesses which made rapid progress in market expansion (collectively "market businesses") recorded a revenue of RMB218.0 million, representing an increase of 13.31% over the corresponding period of last year, accounting for 67.38% of the total revenue of the Group; gross profit of the market businesses was RMB83.4 million, representing an increase of 24.39% over the corresponding period of last year, accounting for 78.66% of the total gross profit of the Group. Market 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 informatisation business. The growth of market business income mainly came from the contribution of e-government network business. During the reporting period, the Group's other main business income was RMB10.0 million, representing a decrease of 5.31% as compared to the same period of last year, accounting for 3.12% of the Group's total operating income, mainly from the contribution of Rito Info Technology Co., Ltd..

Other income of the Group amounted to RMB18.2 million, representing an increase of 35.96% over the corresponding period of last year, mainly due to the substantial increase in the income from government subsidies in respect of project research and development compared with the same period of last year. With regard to other gains and losses, the losses of the Group amounted to RMB24.0 million, representing an increase of losses by RMB3.2 million as compared with the same period of last year, mainly due to fair value loss of series C-2 preferred stock of Mozido Inc. held by the Group and the increase in provision for bad debts according to the increase in accounts receivable.

The Group's 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 RMB199.2 million, representing a decrease of 2.53% as compared with the corresponding period of last year and accounting for 61.59% of the total revenue of the Group; revenue from system integration amounted to RMB88.7 million, representing a decrease of 5.14% as compared with the corresponding period of last year and accounting for 27.40% of the total revenue of the Group; revenue from software development amounted to RMB27.2 million, representing a decrease of 22.47% as compared with the corresponding period of last year and accounting for 8.42% of the total revenue of the Group; revenue from IT consultancy and sale of commodities totaled RMB8.4 million, representing an increase of 439.38% as compared with the corresponding period of last year and accounting for 2.59% of the total revenue of the Group.

Capital Expenditure, Liquidity and Financial Resources

As of 30 June 2017, the Group had total assets of RMB1,737.8 million, representing a decrease of 0.42% over the beginning of the year. Equity attributable to owners of the Company amounted to RMB964.7 million, representing a decrease of 1.23% over the beginning of the year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.53 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 2017, the Group had no assets pledged and had no significant contingent liabilities.

The Group's unsecured loan from government of RMB0.9 million was applied for construction of E-commercial platform from Beijing Finance Bureau in 2002, bearing an average annualised interest rate of 1.80%. Bank balances and cash of the Group amounted to RMB505.6 million, representing a decrease of 11.49% over the beginning of the year.

Equity Investments

In the first half of 2017, the Group's share of results of associates was RMB8.6 million (the corresponding period of 2016: RMB4.6 million), which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd. ("BJCA").

Income Tax

In the first half of 2017, the income tax credit of the Group was RMB1.4 million, due to over provision in the prior years as the Company accomplished the recordation of preferential Enterprise Income Tax policies applicable to key software enterprises in the national planning layout for the years 2015 and 2016 in June 2017 and retrospectively entitled to a preferential tax rate of 10% for years 2015 and 2016.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard as set out in the Company's Code of Securities Transactions and the Model Code of the Stock Exchange throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee has discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 with the senior management of the Company. The committee is of the view that the financial statements were prepared in accordance with applicable accounting policies, the Listing Rules and other applicable legal requirements.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Beijing, the People's Republic of China
30 August 2017

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