CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

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

(Stock Code: 1075)

CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

- Turnover increased by approximately 43.47% to approximately RMB754.8 million.
- Profit attributable to owners of the Company decreased by approximately 3.15% to approximately RMB82.9 million.
- Basic earnings per share decreased by approximately 3.05% to RMB2.86 cents per share.
- The board of directors has recommended the payment of a final dividend of RMB1.30 cents per share (2012: RMB1.30 cents per share) totalling approximately RMB37.7 million for the year ended 31 December 2013, subject to approval by shareholders at the forthcoming annual general meeting.

The board of directors (the "Board") of Capinfo Company Limited (the "Company") is pleased to announce the consolidated financial results and financial position of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding period of 2012. These financial results and financial position have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the Board and the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
Continuing Operations			
Revenue		**754,830**	526,097
Cost of sales		**(546,495)**	(335,095)
Gross profit		**208,335**	191,002
Other income		**28,397**	23,446
Other gains and losses	5	**12,079**	8,775
Research and development costs		**(32,943)**	(27,568)
Marketing and promotional expenses		**(69,093)**	(46,682)
Administrative expenses		**(68,662)**	(61,077)
Finance cost for loan from government, wholly repayable within 5 years		**(152)**	(196)
Share of results of associates		**14,759**	9,747
Profit before tax		**92,720**	97,447
Income tax expense	6	**(9,804)**	(11,416)
Profit for the year from continuing operations	7	**82,916**	86,031
Discontinued Operations			
Loss for the year from discontinued operations	8	**–**	(3,251)
Profit and total comprehensive income for the year		**82,916**	82,780
Profit and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**82,884**	85,973
– from discontinued operations		**–**	(386)
		82,884	85,587

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
Profit and total comprehensive income (expense) for the year attributable to non-controlling interests			
– from continuing operations		**32**	58
– from discontinued operations		**–**	(2,865)
		32	(2,807)
Profit and total comprehensive income (expense) attributable to:			
Owners of the Company		**82,884**	85,587
Non-controlling interests		**32**	(2,807)
		82,916	82,780
EARNINGS (LOSSES) PER SHARE			
From continuing and discontinued operations	*10*		
– Basic		**RMB2.86 cents**	RMB2.95 cents
– Diluted		**RMB2.85 cents**	RMB2.95 cents
From continuing operations	*10*		
– Basic		**RMB2.86 cents**	RMB2.97 cents
– Diluted		**RMB2.85 cents**	RMB2.97 cents
From discontinued operations	*10*		
– Basic		**–**	RMB(0.01) cent
– Diluted		**–**	RMB(0.01) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment		**165,451**	139,045
Investment property		**56,605**	59,922
Intangible assets		**14,537**	–
Prepaid lease payments		**39,707**	30,016
Deposits paid on acquisition of property, plant and equipment		**2,505**	726
Interests in associates		**69,538**	60,528
Available-for-sale investments		**1,971**	1,971
Trade receivables		**89,533**	–
Deferred tax assets		**6,014**	9,678
		445,861	301,886
Current assets			
Inventories	*11*	**5,342**	759
Prepaid lease payments		**7,051**	4,687
Trade and other receivables	*12*	**197,434**	112,022
Amounts due from customers for contract works	*13*	**68,125**	81,496
Amounts due from related parties		**10,021**	6,890
Bank deposits		**72,767**	154,776
Bank balances and cash		**365,372**	453,764
		726,112	814,394
Current liabilities			
Trade and other payables	*14*	**227,724**	175,058
Amounts due to related parties		**1,004**	1,416
Amount due to customers for contract works	*13*	**107,591**	143,426
Income tax payable		**133**	5,180
Loan from government	*15*	**3,630**	4,540
		340,082	329,620
Net current assets		**386,030**	484,774
Total assets less current liabilities		**831,891**	786,660
Capital and reserves			
Share capital	*16*	**289,809**	289,809
Share premium and reserves		**541,950**	496,751
Equity attributable to owners of the Company		**831,759**	786,560
Non-controlling interests		**132**	100
Total equity		**831,891**	786,660

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	289,809	254,079	1,745	34,456	150,460	730,549	20,108	750,657
Profit and total comprehensive income for the year	–	–	–	–	85,587	85,587	(2,807)	82,780
Dividend recognised as distribution *(note 9)*	–	–	–	–	(34,792)	(34,792)	–	(34,792)
Profit appropriations	–	–	–	6,743	(6,743)	–	–	–
Disposal of subsidiaries *(note 4)*	–	–	(1,745)	(890)	2,635	–	(17,201)	(17,201)
Others	–	–	–	–	5,216	5,216	–	5,216
At 31 December 2012	289,809	254,079	–	40,309	202,363	786,560	100	786,660
Profit and total comprehensive income for the year	–	–	–	–	82,884	82,884	32	82,916
Dividend recognised as distribution *(note 9)*	–	–	–	–	(37,685)	(37,685)	–	(37,685)
Profit appropriations	–	–	–	9,593	(9,593)	–	–	–
At 31 December 2013	289,809	254,079	–	49,902	237,969	831,759	132	831,891

1. GENERAL

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

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

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (As revised in 2011)	Employee Benefits
HKAS 27 (As revised in 2011)	Separate Financial Statements
HKAS 28 (As revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

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

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

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

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value(e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
HK (IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 "Financial Instruments"

HKFRS 9, issued in 2009, introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted. The directors of the Company do not expect HKFRS 9 will have any material impact on the results and financial position of the Group based on an analysis of the Group's investments as at 31 December 2013.

Except for the disclosure requirements under HKFRS 9 as described above, the directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

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

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government are approximately RMB741,831,000 (2012: RMB511,668,000). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

4. DISPOSAL OF SUBSIDIARIES

As referred to note 8, on 15 August 2012, the Group disposed of its subsidiaries, Beijing Culture & Sports Technology Co., Ltd. ("北京文化體育科技有限公司") ("BST") and Beijing Shui Niao Ticket Services Co., Ltd. ("北京水鳥票務有限公司" or "水鳥票務") ("SN Tickets"), to a fellow subsidiary, Beijing BeiAo Group Co., Ltd., ("北京北奧集團有限責任公司") ("BeiAo Group") which had been classified as the disposal group under HKFRS 5 as at 31 December 2011.

The disposal of BST completed on 15 August 2012, on which date the Company's equity interest in BST decreased from 45% to 20% and control over which was lost, for a cash consideration of RMB9,562,000.

The disposal for SN Tickets also completed on 15 August 2012, for a cash consideration of RMB238,000.

Analysis of net assets of the subsidiaries at the respective date of disposal was as follows:

2012

	BST	**SN Tickets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	5,134	–	5,134
Intangible assets	8,617	–	8,617
Amounts due from customers for contract works	777	–	777
Inventories	549	–	549
Trade and other receivables	8,860	–	8,860
Amounts due from fellow subsidiaries	118	–	118
Amounts due from non-controlling shareholders	3,421	–	3,421
Bank balances and cash	15,031	237	15,268
Trade and other payables	(5,821)	–	(5,821)
Amounts due to non-controlling shareholders	(5,587)	–	(5,587)
Amount due to customers for contract works	(313)	–	(313)
Net assets disposed of	30,786	237	31,023
Cash consideration	9,562	238	9,800
Non-controlling interests	17,201	–	17,201
Fair value of residual interest as an associate	6,256	–	6,256
Gain on disposal *(note 8)*	2,233	1	2,234
Net cash outflow arising on disposal:			
Cash consideration received	9,562	238	9,800
Cash outflow arising on disposal	(15,031)	(237)	(15,268)
	(5,469)	1	(5,468)

The impact of BST and SN Tickets on the Group's results and cash flows in the current and prior years is disclosed in note 8.

The loss on disposal was included in the loss for the prior year from discontinued operations in the consolidated statement of profit and loss and other comprehensive income.

5. OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Continuing Operations:		
Gain on change in fair value of a financial asset at FVTPL *(note)*	**14,166**	13,023
Loss on disposal of the investment in an associate	**(85)**	–
Gain on disposal of property, plant and equipment	**29**	35
Allowance for doubtful debts	**(2,031)**	(4,283)
	12,079	8,775

Note: In January 2013, the Company entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Group invested RMB150 million in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27 December 2013. The Trust Investment was wholly invested in fixed income financial instruments. The return of the Trust Investment is expected to be 10% per annum at a maximum. As at 27 December 2013, the principal of the Trust Investment has been settled together with investment income of approximately RMB14,166,000 (2012: RMB13,023,000).

In respect of the Trust Investment, the Company entered into a guarantee agreement with ShenZhen Golden Regal Guarantee Co., Ltd. ("深圳市金瑞格融資擔保有限公司" or "Golden Regal") which Golden Regal guaranteed the principal amount and the return of the Trust Investment to be not less than the prevailing time deposit interest rate in the PRC banks. The Group recognised the guarantee fee of RMB1,500,000 as an expense in profit or loss. As at 27 December 2013, the guarantee has been released.

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
The charge from continuing operations comprises:		
PRC Enterprise Income Tax		
– Current year	**10,288**	16,423
– Overprovision	**(4,148)**	–
– Deferred tax charge (credit)	**3,664**	(5,007)
	9,804	11,416

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

The Company was accredited as a key software enterprise in the national planning layout for the year 2011-2012 in the first half year of 2013 and layout for the year 2013-2014 in December 2013 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation. According to the provision under the Notice on Enterprise Income Tax Policy to Further Encourage the Development of the Software and Integrated Circuit Industries (Cai Shui [2012] No. 27) that "key software enterprises in the national planning layout that have not enjoyed tax-free concessions in the year will be levied enterprise income tax at a reduced tax rate of 10%", the Company was therefore retrospectively entitled to a preferential tax rate of 10% for 2011 and 2012, and the same preferential 10% tax rate for year 2013. Accordingly, overprovision of PRC Enterprise Income Tax amounting to RMB4,148,000 (based on a previously 15% preferential rate) has been reversed in the current year.

The Company's subsidiary, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") was recognised as HTE and approved by The Committee of Beijing Science and Technology. Pursuant to the relevant laws and regulations in the PRC, it is entitled to exemption from income tax for three years, from 2007 to 2009, commencing from the year of operation, and entitled to a 50% relief from income tax for three years, from 2010 to 2012, depending on if the entity could be continued to be entitled as HTE every three years. Capinfo Technology had successfully obtained the title of HTE in 2011, and therefore, it is entitled to a concession tax rate of 7.5% from 2011 to 2012. Capinfo Technology subjects to PRC income tax at 15% for year 2013.

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

The charge for the year can be reconciled to the profit from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax from continuing operations	**92,720**	97,447
Tax at non-incentive income tax rate of 25% (2012: 25%)	**23,180**	24,362
Tax effect of the various low tax rate incentives	**(14,338)**	(7,773)
Tax effect of share of result of associates	**(3,690)**	(2,437)
Tax effect of expenses that are not deductible for tax purpose	**3,448**	468
Utilisation of temporary differences previously not recognised	**(463)**	–
Tax effect of deductible temporary differences not recognised	**508**	473
Utilisation of tax losses previously not recognised	**(74)**	(68)
Tax effect of tax losses not recognised	**2,261**	283
Tax effect of changes in tax rate of deferred tax assets recognised	**3,120**	(3,892)
Reversal of overprovision	**(4,148)**	–
Tax expense for the year	**9,804**	11,416

7. PROFIT FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
CONTINUING OPERATIONS		
Profit for the year has been arrived at after charging the following items:		
Directors' and supervisors' remuneration	**1,596**	1,433
Other staff costs	**153,245**	130,986
Other staff's retirement benefit scheme contributions	**17,039**	19,569
	171,880	151,988
Less: Staff costs included in		
– research and development costs	**(24,192)**	(21,468)
– cost of sales	**(69,352)**	(65,508)
	78,336	65,012
Depreciation of property, plant and equipment	**46,067**	34,005
Depreciation of investment property	**3,849**	3,784
Total depreciation	**49,916**	37,789
Less: Depreciation included in		
– research and development costs	**(1,455)**	(1,473)
– cost of sales	**(40,163)**	(25,508)
	8,298	10,808
Amortisation of intangible assets	**509**	–
Operating lease rentals in respect of		
– cable network	**41,201**	45,511
– office premises	**30,312**	22,525
	71,513	68,036
Less: Operating lease rentals included in		
– research and development costs	**(2,140)**	(486)
– cost of sales	**(56,312)**	(49,167)
	13,061	18,383
Auditors' remuneration	**1,981**	2,044
Direct Operating expense arising from investment property that generated rental income	**2,789**	2,043
Cost of inventories recognised as expenses	**126,047**	75,647
Share of tax of associates (included in share of results of associates)	**3,663**	2,414

8. DISCONTINUED OPERATIONS

On 19 December 2011, the Company entered into a share transfer agreement with a fellow subsidiary, BeiAo Group, to dispose of two subsidiaries, BST and SN Tickets, which carried out operations of all ticket agency service and parts of the Group's technology service of network systems. The disposal was consistent with the Group's long-term policy to focus its activities on the technology service market.

The disposal was completed on 15 August 2012, on which date control of the two subsidiaries was passed to the acquirer.

The profit/loss for the year from discontinued operations is analysed as follows:

	2013	2012
	RMB'000	*RMB'000*
Loss of BST for the year	–	(5,483)
Loss of SN Tickets for the year	–	(2)
	–	(5,485)
Gain on disposal of BST *(note 4)*	–	2,233
Gain on disposal of SN Tickets *(note 4)*	–	1
	–	2,234
Total loss for the year from discontinued operations	–	(3,251)

The combined results of discontinued operations for 2013 and during the period from 1 January 2012 up to 15 August 2012, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit for the year from discontinued operations		
Revenue	–	11,965
Cost of sales	–	(7,501)
Gross profit	–	4,464
Other income	–	962
Research and development costs	–	(950)
Marketing and promotional expenses	–	(5,574)
Administrative expenses	–	(4,387)
Loss before tax	–	(5,485)
Income tax expense	–	–
Loss and total comprehensive expense for the year from discontinued operations	–	(5,485)
Loss and total comprehensive expense for the year attributable to:		
Owners of the Company	–	(2,468)
Non-controlling interests	–	(3,017)
	–	(5,485)
Gain on disposal of discontinued operations *(note 4)*	–	2,234
Total loss for the year from discontinued operations	–	(3,251)

Profit for the year from discontinued operations includes the following:

	2013	2012
	RMB'000	*RMB'000*
Interest income	–	(43)
Government grants	–	(961)
Operating lease rentals in respect of		
– cable network	–	87
– office premises	–	929
	–	1,016
Staff costs	–	5,479
Staff's retirement benefit scheme contributions	–	500
	–	5,979
Less: Staff costs included in research and development costs	–	(328)
Staff costs included in cost of sales	–	(1,098)
	–	4,553

The disposal of the discontinued operations was completed on 15 August 2012 and hence, there was cash flow arising from the discontinued operations for the current year. During the year of 2012, discontinued operations had cash outflows of RMB2,827,000, RMB47,000 and RMB Nil in respect of their operating activities, investing activities and financing activities.

The carrying amounts of the assets and liabilities of discontinued operations at the date of disposal are disclosed in note 4.

9. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2011 Final – RMB1.20 cents per share	–	34,792
2012 Final – RMB1.30 cents per share	**37,685**	–
	37,685	34,792

Subsequent to the end of the reporting period, a final dividend of RMB1.30 cents pre-tax per share in respect of the year ended 31 December 2013 (2012: final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2012) in total of approximately RMB37,675,000 (2012: RMB37,675,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

10. EARNINGS (LOSSES) PER SHARE

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

For continuing and discontinued operations

	2013 *RMB'000*	2012 *RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**82,884**	85,587

Number of shares	**2013**	2012
Number of ordinary shares for the purpose of basic earnings per share	**2,898,086,091**	2,898,086,091
Effect of dilutive potential ordinary shares		
Options	**6,000,643**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,904,086,734**	2,898,086,091

The calculation of diluted earnings per share for the year ended 31 December 2012 did not take into account the exercise of the share options of the Company because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the year of 2012.

From continuing operations

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

	2013 *RMB'000*	2012 *RMB'000*
Profit for the year attributable to owners of the Company	**82,884**	85,587
Add: loss from discontinued operations	**–**	386
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**82,884**	85,973

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

From discontinued operations

The disposal of the discontinued operations was completed on 15 August 2012 and hence, there was no earning or loss arising from the discontinued operations for the current year. Basic and diluted loss per share for discontinued operations for the year 2012 was RMB0.01 cent per share, based on the loss for the year from discontinued operations of RMB386,000 attributable to the owners of the Company, and the denominators detailed above for both basic and diluted earnings per share.

11. INVENTORIES

The inventories comprise of consumables and spare parts at the end of the year.

12. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Total trade receivables	**243,205**	45,277
Less: Allowance for doubtful debts	**(14,974)**	(14,049)
	228,231	31,228
Less: Non-current portion which is shown in non-current assets	**(89,533)**	–
	138,698	31,228
Other receivables and prepayments	**35,087**	42,719
Deposits for technology service projects	**26,578**	39,898
Less: Allowance for doubtful debts	**(2,929)**	(1,823)
	58,736	80,794
Trade and other receivables shown in current assets	**197,434**	112,022

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

The following is an aging analysis of trade receivables at the end of the year, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	2013	2012
	RMB'000	*RMB'000*
0 to 6 months	**183,629**	27,009
7 to 12 months	**41,958**	1,446
1 to 2 years	**742**	1,674
2 to 3 years	**971**	1,099
Over 3 years	**931**	–
	228,231	31,228
Less: Non-current portion	**(89,533)**	–
	138,698	31,228

Movements in the allowance for the doubtful debts:

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the year	**15,872**	11,589
Impairment losses recognised during the year *(note 5)*	**2,031**	4,283
Balance at end of the year	**17,903**	15,872

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The credit quality of the trade receivables that is neither past due nor impaired is good.

Included in the allowance for doubtful debts are individually impaired trade receivables which aged over one year with an aggregate balance of RMB13,569,000 (2012:RMB13,464,000).

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2013	2012
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**275,388**	195,312
Recognised profits less recognised losses	**77,690**	38,335
	353,078	233,647
Less: Progress billings	**(392,544)**	(295,577)
	(39,466)	(61,930)
Recognised and included in the consolidated financial statements as:		
Amounts due from customers for contract works	**68,125**	81,496
Amounts due to customers for contract works	**(107,591)**	(143,426)
	(39,466)	(61,930)

As 31 December 2013, retentions held by customers for contract works amounted RMB26,578,000 (31 December 2012: RMB39,898,000).

14. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**108,615**	56,218
Deferred income arising from government grants *(note)*	**7,709**	7,939
Other payables	**49,461**	46,866
Accrued expenses	**30,570**	38,022
Payroll and welfare payables	**30,762**	25,033
Advance from customers	**607**	980
	227,724	175,058

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB10,207,000 (2012: RMB11,082,000) during current year for certain technology research activities and released RMB9,977,000 (2012: RMB7,145,000)in other income in the current year.

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

Age	**2013**	2012
	RMB'000	*RMB'000*
0 to 6 months	**31,949**	1,760
7 to 12 months	**55,742**	27,276
1 to 2 years	**4,616**	8,551
2 to 3 years	**3,874**	4,556
Over 3 years	**12,434**	14,075
	108,615	56,218

The average credit period on purchase of goods is 15 days (2012: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in trade payables are retention payables of RMB3,317,000 (31 December 2012: RMB3,417,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

15. LOAN FROM GOVERNMENT

	2013	2012
	RMB'000	*RMB'000*
Carrying amount repayable on demand and shown under current liabilities	**3,630**	4,540

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.72% (2012: 3.59%) per annum and repayable on demand.

16. SHARE CAPITAL

	Number of shares		**Registered, issued and fully paid**
	Domestic shares	**H shares**	*RMB'000*
Balance of share capital of RMB0.10 each per share at 1 January 2012, 31 December 2012 and 31 December 2013	2,123,588,091	774,498,000	289,809

BUSINESS REVIEW

In 2013, facing the complex international economic environment, the PRC economy showed a stable and positive trend. As the central government launched a series of measures to promote consumer spending on information technology to expand domestic demand, the Company proactively adjusted industrial layout, increased investments in technology innovation and research and development, and accelerated its pace in investments, acquisitions and mergers, so as to fulfill the operating targets set by the Board and achieve healthy and rapid development.

Information-based infrastructures accelerated the construction of smart city

With the deepening of construction of smart city, more and more cities participated in the demonstrative construction of smart city by promoting construction of e-government, enhancing the intelligent technology upgrading of public facilities and improving public services, providing new business opportunity for smart city construction. In 2013, the Company continued to enhance construction of urban information-based infrastructures, and proactively promoted information technology application in government and intelligent technology upgrading, achieving remarkable results. Currently, the business of the Company covered many fields, including public security, medical and health care, transportation and finance. As at 31 December 2013, total revenue of all smart city businesses amounted to approximately RMB501.0 million (2012: RMB292.8 million), accounting for approximately 66.37% of the total revenue of the Company.

The E-Government network platform which was constructed, operated and maintained by the Company constituted the major information-based infrastructures of Beijing City, playing an outstanding role in the information technology application in the government. As a technology operation service provider, the Company leveraged on this platform to provide one-stop IT services to its clients covering from system design, planning, website construction, software development, security operation and maintenance to technology upgrading. As at 31 December 2013, the E-Government network platform received nearly 8 thousand users including the Beijing municipal government, committees, offices and bureaus of the state authorities at all levels and governments at district and town level, enabling the clients to communicate and share information with each other which effectively improved the public services provided by the local governments. Leveraging on this platform, the "Beijing-China" website clusters (www.beijing.gov.cn), the non-profit website-Beijing website (www.beijing.cn) and the eBeijing website (www.ebeijing.gov.cn), all operated and maintained by the Company, run safely and smoothly. Among which, "Beijing-China" website clusters with its safe and effective technology, operation and maintenance services was ranked No.1 among the national government websites for the consecutive seventh year.

In order to further improve the security operation and emergency response management of the cities, the Company, leveraging on the E-Government network platform, employed the new generation of mobile telecommunication technology TD-LTE to primarily establish the 4G wireless government internet of things project (the "Internet of Things"), which currently covers the major urban areas and some suburban districts and counties in Beijing. As the Internet of Things became more mature, its integration with the E-Government network will improve the e-government information system management and public services provided by the Beijing government, and also provide a solid technology platform for the promotion of the major demonstrative application projects of the Internet of Things. Capitalizing on the Internet of Things, the Company succeeded in the demonstrative application of over ten monitoring project, including projects regarding city management such as the municipal administration visual monitoring system, the visual monitoring system for the police station, firework monitoring system, lift operation security monitoring system and monitoring system on LPG users, as well as projects regarding transportation such as the monitoring system on public transportation lane, monitoring system on environmental sanitation vehicles and roadside parking monitoring system.

Among the smart city projects that were constructed, operated and maintained by the Company, the Company attached high importance to the "operation and maintenance project for Beijing Parking Management Centre" as it was the major project implemented by Beijing municipal government to improve roadside parking management and services. Beijing Parking Management Centre Co., Ltd., a wholly-owned subsidiary of the Company, was responsible for the construction, operation and maintenance of the electronic fee collection and clearing settlement platform for parking on roadsides, providing collection of information on roadside parking and monitoring services as well as electronic fee collection and clearing settlement service for parking on roadsides and occupying the road to the government and enterprises, and also assisting the administration authorities in managing parking on roadside. As at 31 December 2013, trial operation of the electronic fee collection system for parking on roadsides successfully rolled out in three districts (i.e. Chaoyang District, Dongcheng District and Xicheng District) of Beijing City which is expected to be extended to all the six districts of Beijing City in the several years ahead.

From point to area implementation promoted market exploitation of smart livelihood projects

"To improve information-based service in people's livelihood and accelerate the construction of social security public service system" was the measures proposed by the central government to promote customer spending on information technology, and was also one of the key targets for our strategic development. During the reporting period, the Company continued to implement intelligent technology upgrading on all the information-based businesses in the livelihood field and stepped up efforts in market exploitation, so as to increase its market shares, explore new business opportunities and achieve sustainable development. As at 31 December 2013, total revenue of all smart livelihood businesses amounted to approximately RMB237.9 million (2012: RMB219.7 million), accounting for approximately 31.52% of the total revenue of the Company.

The Company has been committed to providing convenient information technology services and achieved many remarkable accomplishments. The Beijing Medical Insurance Information System and the Beijing Social Security Card System established, operated and maintained by the Company provided real-time payment settlement for over 14 million social security card holders. Due to its powerful capability in disaster recovery and convenient and reliable information technology service, the Beijing Social Security Card System was honored 2013 Gold Ant Award – The Best Application Achievement of the Golden Card Project. In order to improve the functions of these systems, the Company implemented technology upgrading on the relevant sub-systems of the medical insurance information system and social security card system such as 4G link optimization, and achieved full integration with the Internet of Things, further improving the safety and stability of the systems.

While making efforts to consolidate and develop our core businesses, the Company also proactively explored the market to reinforce its leading position in the industry and increase the market share of housing information service business, so as to improve its overall competitive strength. As the pioneer in implementing our strategy of "industrializing to expand throughout China（行業化走全國）", the housing information service business achieved remarkable results in market expansion. As at 31 December 2013, the housing information business covered 16 cities including Beijing, Shanghai and Guangzhou, and the service model had gradually transit from basic services such as simple collection, withdrawal and loans to provision of smart application service. Currently, the number of employees who participated in the housing fund program with our housing information system accounted for 14.21% of the national market, the total amount of funds managed and collected under the system accounted for 24.60% of the national amount, and the loans managed under the system amounted for 25.00% of the national amount, preliminarily establishing the brand image of Capinfo-Smart City Service Provider in the domestic housing information service industry.

To accelerate the expansion of housing information service business, the Company successfully acquired Shanghai Hengyue Computer Technology Co., Ltd. which engaged in housing information business in Shanghai for years, facilitating the rapid expansion of housing information business in the markets of Shanghai and its surrounding cities. At present, the housing information business has preliminarily formed a business development network with Beijing, Shanghai and Guangzhou at the core and covering the surrounding cities at fast pace, accumulating precious experience for the successful expansion of other businesses to other cities. During the reporting period, the Housing Fund Integrated Business Management System constructed by the Company was honored the Best Solutions for Smart City.

In order to fully implement the Implementation Opinions on Promoting the Construction of Smart Community in Beijing and build a new form of community, the Company kept tapping new opportunities for smart community while reinforcing and developing its existing community business. Currently, the electronic community service platform (www.96156.gov.cn) constructed, operated and maintained by the Company serves community management institutions at all levels in Beijing, providing to more than 13 million residents over 200 items of convenience-featured community services such as home-care for the aged, marriage registration, household service, funeral and interment service etc. Leveraging on the successful experience in smart city construction and its information infrastructure resources such as the Internet of Things and CAPINFO Internet cloud platform, the Company was better positioned in smart community construction over its peers. During the reporting period, the "5A5S Tuanjiehu Smart Community Project" constructed by the Company was awarded Excellent Demonstration and Application Award in the second "China Mobile Cup" Smart Beijing Competition at the "Smart Beijing and Public Welfare" Summit Forum. With the deepening of smart community construction in Beijing, the Company will have more development opportunities.

Challenges and business opportunities coexist in smart medical services with boundless opportunities

With the improvement of living standards of the community, to promote medical information level has become international development trends, which have great application and market potentials. As one of its business focus, the Company invested lots of resources to seize the medical information service market. The Company has entered into service agreements with 46 hospitals on the provision of IT value-added service through its persistent efforts for years. The successful implementation of Beijing hospital medical cards and medical unity project also laid a solid foundation for our future development of medical information value-added service.

Securing leading position in medical information market and developing related information service business is one of the strategic priorities in the Twelfth Five-year Strategic Planning of the Company. During the reporting period, the Company successfully won the bid for information system project of Beijing Aiyuhua Hospital for Children and Women (hereinafter referred to as "Aiyuhua Hospital") at the contract price of approximately RMB33.8 million, marking the Company's full entry into medical information business. Aiyuhua Hospital is a profit-making medical institution built under international management and operation model, providing high quality medical and healthcare services to puerperae and children. As the master integration service provider for the hospital's information system construction project, the Company attached high importance to this project which was also the first large-scale hospital information system project constructed by the Company. In face of challenges, the Company set up a project team led by technical experts to learn from the United States the advanced international medical information technology and management experiences as well as the medical service model. Led by the technical experts, the project was implemented smoothly according to schedule. The information system is expected to put into operation in June 2014. The experience gained from the construction of this project will pave the way for the Company's further expansion of its hospital information system market in the future.

In order to expand its medical information service business, the Company continued to explore new users and new service models. During the reporting period, the Company further expanded its "Beijing hospital medical card" user base from the insured local patients in Beijing to non-insured local patients in Beijing and the patients who come to Beijing temporarily for treatment. This card could benefit people with convenient services such as inter-hospital settlement, electronic wallet, loss reporting and canceling loss reporting, and could also be widely accepted by any hospitals which had implemented "Beijing hospital medical card" project. The card users would be offered quick and convenient diagnosis and treatment services based on the business process of hospitals, such as making appointments with doctors, payment and printing examination report. As at 31 December 2013, Beijing hospital medical card system had been put into operation in 16 departments and wards of 14 hospitals in Beijing, achieving inter-hospital application and non-cash settlement with unified functions and unified services so as to efficiently reduce the inconvenience of repeated card applications by the patients. Looking ahead, with full coverage of medical insurance service to all patients in Beijing, the service functions of the medical insurance and Beijing hospital medical card businesses of the Company will be further enhanced, enabling the Company to further expand its business in the future.

Building the Company into a cloud service provider with cloud computing technology and cloud platform resources

The robust market demand arising from the emergence of cloud computing technology drove a rapid development of the industry. During the reporting period, the Company, as a smart city service provider, proactively promoted innovations in cloud computing technology services and its business model as well as innovations in service and software products, increased investments in technology R&D, further integrated horizontal technology supporting team and facilitated provision of cloud service through vertical business segments, so as to further build the Company's new image of cloud service provider.

With Internet of the Things and cloud computing technology, the Company built CAPINFO Internet Cloud Platform (hereinafter referred to as the "Cloud Platform"), which has successfully hosted 63 projects for 18 customers, achieving unified and safe management through providing cloud computing solutions to the customers. At present, the projects hosted by the Platform mainly involve in public security, finance, agriculture and enterprise information technology. With cutting-edge technology, the Platform was awarded Excellent Demonstration and Application Award in the first "China Mobile Cup" Smart Beijing Competition, which fully reflects and recognizes the excellent demonstrative application of this Platform in the industry.

With our successful experience in building the Cloud Platform, our technological strength was well recognized by the government authorities. Recommended by Beijing Municipal Commission of Economy and Information Technology, the Company was invited to compile the "Service Quality Evaluation Criteria for Cloud Computing-based E-Government Public Platform" and the "Guide on Measurement of Cloud Computing-based E-Government Public Platform". The compiling of these documents not only enabled the Company to conduct systematic study on present situation and development trends of technology, market, service and security of cloud computing at home and abroad, but also laid a solid foundation for the Company to dominate in the E-Government cloud computing business and become the leading enterprise in the field of cloud computing technology.

To ensure the high availability of the Cloud Platform, the Company continued to strengthen its cloud computing infrastructure layout. During the reporting period, the Company expanded the capacity of Internet Data Center (IDC) by adding a floor space of more than 800 square meters to the IDC. The expanded IDC effectively enhanced the supporting capacity and reliability of the Cloud Platform. Meanwhile, the Company kept exploring the industrial opportunity for a new generation of IDC.

Securing industry leading position with technology innovations

Technology innovation is the essence for the survival and development of an enterprise. As a high-tech IT enterprise, the Company adhered to technology innovations by establishing R&D centre with all its team members being technical elites in the industry. These elites have proprietary technology with independent intellectual property rights and have made remarkable contributions to the Company in accelerating technology innovations. As at 31 December 2013, the Company invested approximately RMB32.9 million (2012: RMB27.6 million) in technology R&D.

As we encouraged company-wide technology innovations, all business centres of the Company responded actively by promoting the healthy development of the Company with their technology achievements. During the reporting period, the Company was named the "Outstanding Innovative Enterprise in 2013" in the electronic information industry of China in 2013, and participated in a number of top-level information designs and industry standard development. A total of six software products of the Company have obtained the Computer Software Copyright Registration Certificate. Our 12 software products have obtained the Software Product Registration Certificate. The Company also received the certificate of compliance of IT services, operation and maintenance standards (ITSS). The Company was named the key software enterprise for 2013-2014 and enjoyed preferential tax treatment. The above-mentioned technology achievements were made with the great support from the Company for technology innovations. Those achievements also encourage the fellow researchers to vigorously explore and strive for the enhancement of the Company's overall scientific research level and technological strength.

Making further progress in the future

Year 2013 marked the 15th anniversary of the founding of Capinfo. Growing from a digital city operator to a smart city service provider, and from a high-tech enterprise based in Beijing to a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Capinfo develops with the great efforts and sacrifices made by the first generation of Capinfo staff. Looking ahead, while steadily promoting its businesses, the Company will grasp the development opportunities in boom of technology such as internet, mobile application and Big Data, etc to make a better future.

In 2014, the Company will maintain a steady progress in its core business and accelerate the establishment of channel for industrializing to expand throughout China so as to gradually transform form a localized IT service enterprise to a high-end IT service enterprise with platform operation strength, prominent industrial features and nationwide market. The Company will grasp opportunities in emerging markets to promote technology innovations, and enhance its corporate governance by further strengthening quality control, budget management and human resources management. On the principle of maximizing long-term interests, the Company will expand into new industry and new fields through investments and acquisitions so as to achieve healthy and fast development of the Group.

Human resources

The Company insisted on implementing "talents thriving enterprise" strategy. In line with the Twelfth Five-year Strategic Planning of the Company, human resources department kept innovating working philosophy and improving working mechanism, and implemented training programme for talents at various levels so as to provide sufficient human resources for the business development of the Company. As at 31 December 2013, the Group had a total of 1,408 employees (2012: 1,136 employees), of whom 872 were technical and R&D personnel, 315 were management personnel at various levels, 141 were call center personnel and 80 were sales representatives. In 2013, the Company recruited 400 new employees mainly for the purpose of satisfying the expansion needs in key businesses such as medical information and housing information services.

Personnel recruitment ensured to meet business needs

The steady growth in the performance of the Company was mainly attributable to the concerted great support from a highly efficient and stable staff team. In order to meet the human resource needs of the Company, the Company recruited employees in advance while deploying human resources proactively so as to attract talented fresh graduates to join the Company through campus recruitment held by working with various professional institutions. During the reporting period, the Company held 10 campus recruitment activities, recruiting 65 talented fresh graduates. Meanwhile, the Company actively participated in various industry recruitments and published recruitment information at well-known recruitment websites to attract job seekers and provide employment opportunities for talents. In response to the government's call to ease the pressure on employment of college graduates, the Company also took the initiative to provide internship opportunities for college graduates. As at 31 December 2013, the Company had 15 interns.

Professional training improved staff competence

The Company aimed to develop into a learning and innovative organisation. To meet the business development needs of talents, the Company continued to strengthen its personnel development channel of "business, technology and management" so as to ensure there are promotion opportunities in every stage of career development. The Company provided the employees with systematic training programmes and various learning opportunities to enhance the overall quality of staff and encourage the comprehensive development of talents. During the reporting period, the Company tailored 145 on-site trainings for a total of 3,679 participants at multiple levels, including 14 orientation and professional ethics enhancement trainings, 16 business management trainings, 78 professional skills trainings, 14 operation and maintenance management trainings, 16 knowledge transfer trainings, and 7 special trainings in "Young Member Training Camp" for management candidates. We identified potential talents for promotion among participants of Young Member Training Camp. At present, 42 members among a total of 104 participants of two sessions of trainings in Young Member Training Camp respectively held in 2011 and 2012 were promoted to junior and middle-level management positions. Meanwhile, the Company offered international exchange and learning opportunities for its core technical personnel of middle level. During the reporting period, a total of 31 participants in 5 batches attended special trainings abroad.

Incentives promoted enterprise development

The Company defined career development path for and opened promotion opportunities to the Company's employees. The Company rewarded employees for their contributions through various schemes of incentives, such as year-end performance related incentives and outstanding project management awards. In order to encourage middle-level cadres to create greater value with their own strengths, the Company conducted job rotations for some middle-level cadres during the reporting period to enable competent middle-level cadres to make progress in different positions and lead employees to achieve challenging working target.

FINANCIAL REVIEW

In 2013, the PRC economy showed overall stability, making progress with positive outlook while maintaining stability. Under such macro environment, all the businesses of the Group achieved positive growth while maintaining stable development. During the reporting period, the overall business of the Group run well, mainly reflected by a stable talent team and smooth operation of key projects; and the significant increase in revenue fully represented the remarkable results in business expansion. The overall development prospect for the Group was bright, and the expansion of business scale, diversification of our services and promotion of technology innovation will lay a solid foundation for the future market expansion of the Group.

In 2013, the Group diligently implemented and pushed forward the strategic targets of the "Twelfth Five-year" plan, achieving healthy development of our businesses. As at 31 December 2013, the Group recorded a turnover of RMB754.8 million, representing an increase of approximately 43.47% over last year. Of which, about 2/3 of the turnover was derived from the new order intakes. The Group recorded a gross profit of approximately RMB208.3 million, representing an increase of approximately 9.06% over that of last year, and profit attributable to shareholders of approximately RMB82.9 million, representing a decrease of approximately 3.15% as compared with last year. The increase in gross profit was lower than that of the turnover, mainly due to the significant increase in all costs associated with the increase in revenue as a result of acceleration in business expansion. Of which, labor costs amounted to approximately RMB69.4 million in the costs of sales, representing a year-on-year increase of approximately 5.95%; and costs such as property rentals were approximately RMB56.3 million, representing a year-on-year increase of approximately 14.43%. Meanwhile, the lower gross profit margin of the visual information management and electronic monitoring projects in the new field weighed down the overall gross profit margin of the Company. As the aforesaid two projects have been basically completed in 2013, there was no great volatility in the gross profit of other items as compared with the historical level of the corresponding period.

In respect of the Group's business model, the main businesses of the Company were divided into system operation and maintenance, system integration, software development, technology services, IT consultancy and sales of commodities. The turnover of each segment during the reporting period amounted to RMB409.3 million, RMB303.9 million, RMB25.6 million, RMB11.2 million, RMB4.5 million and RMB0.3 million respectively, accounting for approximately 54.23% (2012: 70.37%), 40.26% (2012: 19.27%), 3.39% (2012: 9.31%), 1.48% (2012: 0.51%), 0.60% (2012: 0.29%) and 0.04% (2012: 0.25%) of the total revenue of the Company. In respect of industries, government clients accounted for the largest share with about 98.28% (2012: 97.26%) of the service and operation projects of the Company from government clients. In respect of regions of business expansion, our business coverage has extended from Beijing to 25 cities across the Country. However, the revenue of the Group was still derived from Beijing, which accounted for approximately 98.62% (2012: 99.98%) of the total revenue.

During the reporting period, the core businesses of the Company made steady progress while the new businesses expanded rapidly. As at 31 December 2013, the core businesses realized a revenue of approximately RMB299.1 million, basically the same with that of last year, which accounted for 39.63% of the revenue contributed by the main businesses. The costs incurred by the core businesses amounted to RMB224.7 million, accounting for 41.12% of the total costs of the Company. The core businesses of the Company mainly included the smart city businesses such as the government projects and the "Beijing-China" website clusters that leveraged on the E-Governance network and the Internet of Things platform as well as the smart livelihood businesses such as the Beijing Medical Insurance Information System, the Beijing Social Security Card System and community service information system. The new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of approximately RMB453.3 million in 2013, representing an increase of approximately 105.95% over last year and accounting for 60.06% of the revenue contributed by the main businesses. The costs incurred by the new business was RMB312.1 million, accounting for 57.11% of the total costs of the Company. In 2013, revenue contributed by the new business exceeded that from the core businesses, fulfilling for the first time the strategic development target of the Company and reflecting the remarkable results achieved in expansion of the new business.

Other income amounted to approximately RMB28.4 million, representing an increase of approximately 21.37% over last year, mainly represented the income from project research and development, property rental and interest income. Of which, the Company received support and subsidies from the government for its participation in development of high-end industry standard and project research and development, which was the main contributor to the increase in other income. Other gains and losses amounted to approximately RMB12.1 million, representing an increase of approximately 37.50% over last year, mainly represented the gains arising from entrust investments and impairment loss on assets. Of which, gains arising from entrusted investments amounted to RMB14.2 million, representing an increase of approximately 9.23% over last year, mainly due to the extension of trust period for 82 days as compared with last year. Huaneng Trust was engaged as the trustee of these entrusted investments to manage the amount of RMB150.0 million for the period from 21 January 2013 to 27 December 2013, which shall be invested in fixed income debt products issued by major state-owned enterprises with good credit-worthiness. In order to mitigate risks of entrust investments, the Company also engaged Shenzhen Golden-Regal Guarantee Co., Ltd., an independent third party, to provide guarantee for the entrusted investment at a consideration of RMB1.5 million. Entrusted investment aimed to make good use of the idle funds, so as to improve the utilization of funds. These funds will be used to finance business development whenever it is required for business expansion, investment, acquisition or mergers.

Capital expenditure, liquidity and financial resources

As at 31 December 2013, the Group had total assets of RMB1,172.0 million, and equity attributable to shareholders of the parent company amounted to RMB831.8 million. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 2 times while the net gearing ratio, defined as total borrowing over net assets, stayed at a relatively low level of less than 1%. Both ratios reflected the sufficiency in financial resources of the Group.

For the year ended 31 December 2013, the Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not exposed to fluctuations in exchange rates or any related hedges. The Group had unsecured loan borrowing of approximately RMB3.6 million, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bearing interests at an average annualized interest rate of approximately 3.72%. Bank deposits, bank balance and cash of the Group amounted to approximately RMB438.1 million, representing a decrease of about 28.00% over that of last year. The fund was mainly used for project construction.

Equity investments

In 2013, the Company's income from equity investments in associates was approximately RMB14.8 million, representing an increase of approximately 52.58% over that of last year, which was mainly due to the contribution from BJCA (an associate of the Company). BJCA achieved excellent overall results in 2013, with its profit increasing by approximately RMB15.5 million over the corresponding period of last year. Currently, the listing procedures of BJCA progressed smoothly, and the supplementary materials has been again submitted to the CSRC for approval.

Income tax

As at the date of this report, the Company was jointly accredited as a key software enterprise in the national planning layout for the year 2013-2014 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation, and was entitled to a reduced tax rate of 10% for enterprise income tax. In 2013, the income tax expense of the Group was approximately RMB9.8 million, representing a decrease of approximately 14.04% over last year. The decrease was mainly because the above-mentioned key software enterprise under the national plan entitled the Company a retroactive tax benefit for the years 2011 and 2012 at a preferential tax rate of 10%, resulting in the reduction of RMB4.1 million to the income tax expense of 2012 which was recorded as a tax credit in the current year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Room, 15th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC on Friday, 20 June 2014 at 10:00 a.m. ("AGM"). The notice of AGM will be published and despatched to shareholders of the Company in due course pursuant to the requirements of the Listing Rules.

DIVIDEND

Owing to a fair result, strong cash flow of business including recurrent business, the Board has recommended the payment of a final cash dividend of RMB1.30 cents per share totaling approximately RMB37.7 million for the year ended 31 December 2013 (2012: RMB1.30 cents per share) to the shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Wednesday, 2 July 2014. Payment of dividends is subject to the approval by the shareholders at the AGM. Payment of dividends will be made on or before Tuesday, 30 September 2014.

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

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

CLOSURE OF REGISTER OF MEMBERS

(a) Eligibility to attend and vote at the AGM

The register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 20 June 2014 (both days inclusive), during which no transfer of shares will be effected for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Tuesday, 20 May 2014.

(b) Qualification for the proposed final dividend

Subject to the approval of the shareholders at the AGM for the resolution regarding the proposed payment of final dividend, the register of members of the Company will be closed from Thursday, 26 June 2014 to Wednesday, 2 July 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Wednesday, 25 June 2014.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining statutory and regulatory standards and adherence to the principles of corporate governance. The Group has strictly complied with all the code provisions on Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard of dealings and the Group's code of conduct regarding Directors' and supervisors' securities transactions throughout the year ended 31 December 2013.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S SHARES

During the year ended 31 December 2013, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013, including the accounting principles and practices adopted by the Group and the identification and appointment of external auditors.

INTERNAL CONTROL

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

PUBLISHING ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Group's annual report for the year 2013 will be despatched to the Company's shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.capinfo.com.cn) in due course for inspection by shareholders and investors.

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

Beijing, the People's Republic of China, 21 March 2014

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

* *For identification purpose only*