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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 2015**

FINANCIAL SUMMARY OF THE GROUP

- Revenue increased by 18.10% to RMB340.8 million.
- Profit attributable to the owners of the Company increased by 355.45% to RMB58.5 million.
- Basic earnings per share was RMB2.02 cents.
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (same period of 2014: 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 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended	
		30 June 2015	30 June 2014
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue		340,827	288,593
Cost of sales		(229,354)	(196,816)
Gross profit		111,473	91,777
Other income		8,756	19,304
Other gains and losses		30,701	2,840
Research and development costs		(21,056)	(20,030)
Marketing and promotional expenses		(35,796)	(44,734)
Administrative expenses		(37,856)	(35,539)
Finance cost for loan wholly repayable within 5 years		(506)	(61)
Share of results of associates		4,017	2,272
Profit before tax		59,733	15,829
Income tax expense	5	(1,324)	(3,049)
Profit for the period	6	58,409	12,780
Profit and total comprehensive income for the period attributable to			
– Owners of the Company		58,489	12,842
– Non-controlling interests		(80)	(62)
		58,409	12,780
Earnings per share for profit attributable to the owners of the Company during the period	8		
– Basic		RMB2.02 cents	RMB0.44 cents
– Diluted		RMB2.02 cents	RMB0.44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	165,761	187,747
Investment property	9	50,944	52,831
Goodwill		184,598	184,598
Intangible assets		42,034	42,792
Prepaid lease payments		32,631	40,217
Deposits paid on acquisition of property, plant and equipment		1,830	2,121
Interests in associates		82,106	82,915
Financial assets at fair value through profit or loss		5,421	–
Available-for-sale investments		971	971
Trade receivables	10	31,437	58,467
Deferred tax assets		13,096	10,458
		610,829	663,117
Current assets			
Inventories		20,476	28,108
Prepaid lease payments		7,586	7,781
Trade and other receivables	10	314,807	267,922
Amounts due from customers for contract works		102,423	76,159
Amounts due from related parties		25,606	13,011
Financial assets at fair value through profit or loss		102,739	–
Bank deposits		20,094	4,593
Bank balances and cash		365,498	468,071
		959,229	865,645

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Current liabilities			
Trade and other payables	<i>11</i>	217,312	265,500
Contingent consideration payable		41,275	–
Amounts due to related parties		26,603	2,382
Amounts due to customers for contract works		294,706	246,584
Loan from government		2,720	2,720
Short term bank loan		10,000	20,000
Income tax payable		4,702	12,817
		597,318	550,003
Net current assets		361,911	315,642
Total assets less current liabilities		972,740	978,759
Non-current liabilities			
Contingent consideration payable		78,978	113,161
Deferred tax liabilities		1,469	994
		80,447	114,155
Net assets		892,293	864,604
Capital and reserves			
Share capital	<i>12</i>	289,809	289,809
Share premium and reserves		602,427	574,658
		892,236	864,467
Equity attributable to owners of the Company		892,236	864,467
Non-controlling interests		57	137
		892,293	864,604
Total equity		892,293	864,604

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30 June 2015

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 Corporation Limited, or "BSAM"), a state-owned enterprise, also established in the PRC.

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

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

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including in compliance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the interim financial report for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

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

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") is identified as the chief operating decision maker.

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

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government for the six months ended 30 June 2015 are approximately RMB205,345,000 (six months ended 30 June 2014: RMB250,542,000). 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 EXPENSE

	Six months ended	
	30 June 2015	30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Current period	4,012	2,358
– Overprovision	(525)	(142)
Deferred tax (credit)/charge	(2,163)	833
	<u>1,324</u>	<u>3,049</u>

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

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.

In 2014, the Company was further 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 People's Republic of China on EIT.

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 years 2013 and 2014.

In 2014, Capinfo Technology was further accredited as HTE and subject to PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on EIT.

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

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

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

At the end of the reporting period, certain subsidiaries had unused tax losses of approximately RMB16,474,000 (31 December 2014: RMB16,450,000) 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 2020.

The deferred tax credit in the current period is mainly due to the increase of deferred tax assets in respect of deductible temporary difference of certain accrued expenses and payroll payables of the Group.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30 June 2015	30 June 2014
	<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	863	552
Other staff costs	88,083	92,409
Other staff's retirement benefit scheme contributions	11,137	9,951
	<u>100,083</u>	<u>102,912</u>
Less: Staff costs included in		
– research and development costs	(13,849)	(15,773)
– cost of sales	(42,592)	(36,530)
	<u>43,642</u>	<u>50,609</u>
Depreciation of property, plant and equipment	33,582	26,637
Depreciation of investment property	1,887	1,962
	<u>35,469</u>	<u>28,599</u>
Total depreciation	35,469	28,599
Less: Depreciation included in		
– research and development costs	(1,743)	(1,181)
– cost of sales	(20,391)	(18,319)
	<u>13,335</u>	<u>9,099</u>
Amortisation of intangible assets	6,814	437
Operating lease rentals in respect of		
– cable network and office premises	39,385	34,014
Less: Operating lease rentals included in		
– research and development costs	(1,304)	(1,176)
– cost of sales	(26,815)	(22,704)
	<u>11,266</u>	<u>10,134</u>
Cost of inventories recognised as expenses	78,831	71,401
Impairment loss of amounts due from customers for contract works (included in cost of sales)	–	4,726
Share of tax of associates (included in share of results of associates)	212	142
	<u>212</u>	<u>142</u>

7. DIVIDENDS

During the current interim period, a final dividend of RMB1.06 cents (pre-tax) per share in respect of the year ended 31 December 2014 was approved at the annual general meeting on 19 June 2015. The aggregate amount of the final dividend approved in the current interim period amounted to RMB30,720,000 (2013 final dividend approved during the six months ended 30 June 2014: RMB1.30 cents (pre-tax) per share and amounted to RMB37,675,000).

The directors of the Company do not recommend the payment of any interim dividend for the current interim period (six months ended 30 June 2014: nil).

8. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2015	30 June 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	58,489	12,842
	2,898,086,091	2,898,086,091
	–	15,254,143
	2,898,086,091	2,913,340,234

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

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

During the current interim period, the Group incurred approximately RMB11,780,000 (six months ended 30 June 2014: RMB11,783,000) on the acquisition of property, plant and equipment.

As at 30 June 2015, the Group is in the process of obtaining the ownership title certificate of the Group's investment property with the carrying amount of RMB50,944,000 (31 December 2014: RMB52,831,000). In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use the above-mentioned properties without incurring significant additional cost in obtaining the title certificate.

10. TRADE AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Total trade receivables	251,596	271,845
Less: Allowance for doubtful debts	(32,225)	(22,090)
	219,371	249,755
Less: Non-current portion which is shown in non-current assets	(31,437)	(58,467)
	187,934	191,288
Other receivables and prepayments	64,759	22,594
Deposits for technology service contracts	62,806	54,732
Less: Allowance for doubtful debts	(692)	(692)
	126,873	76,634
Trade and other receivables shown in current assets	314,807	267,922

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 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 30 June 2015 and 31 December 2014, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Age		
0 to 6 months	102,214	127,088
7 to 12 months	59,314	95,898
Over 1 year	57,843	26,769
	219,371	249,755
Less: Non-current portion	(31,437)	(58,467)
	187,934	191,288

11. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	82,850	123,237
Deferred income arising from government grants (<i>note</i>)	26,782	9,320
Other payables	63,458	94,642
Accrued expenses	18,897	12,445
Payroll and welfare payables	12,727	25,508
Dividend payable to shareholders other than holding company	8,210	–
Advance from customers	4,388	348
	217,312	265,500

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB18,194,000 (six months ended 30 June 2014: RMB12,266,000) during the current interim period for certain technology research activities and recognised RMB732,000 (six months ended 30 June 2014: RMB9,930,000) in other income in the current interim period.

The following is an aging analysis of trade payables at 30 June 2015 and 31 December 2014, which is presented based on the date of material or service received or the billing date of contract works:

	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Age		
1 year	33,407	53,663
1 to 2 years	27,691	42,918
2 to 3 years	12,882	17,299
Over 3 years	8,870	9,357
	82,850	123,237

Included in trade payables are retention payables of RMB3,795,000 (31 December 2014: RMB3,774,000) 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
	Domestic shares	H shares	
			<i>RMB'000</i>
Balance of share capital of RMB0.10 each per share at 1 January 2014, 31 December 2014 and 30 June 2015	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

13. SHARE OPTIONS

The detailed information of share options scheme adopted by the Group is the same as those disclosed in the Group's consolidated financial statements for the year ended 31 December 2014.

During the current interim period, there were no outstanding share options and no new share options were granted by the Group (six months ended 30 June 2014: 918,000 share options were lapsed, no exercise of existing outstanding share options and no new share options were granted).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, China's economy was undergoing the key stage of "structural adjustment and change in mode of development" with greater downward pressure on the economy, while the IT market saw sluggish growth in demands. Facing to challenges from the macro economy and rapid changes in industry structure, the Company achieved steady development of the main businesses through various measures, including pushing forward structural adjustments proactively, implementing business transformation and upgrade as well as innovation in business model. During the reporting period, the Group achieved a revenue of RMB340.8 million, representing an increase of 18.10% as compared with the corresponding period of last year; and net profit of RMB58.4 million, representing an increase of 357.05% as compared with the corresponding period of last year, of which RMB45.4 million was generated from the disposal of the equity interest in PayEase.

Smart City Service and Management

During the reporting period, various traditional core businesses orienting to the government informatization delivered steady performance. The Company took an aggressive approach to the strategic deployment to seek business opportunities arising from the integration of Beijing, Tianjin and Hebei, with a view to further increasing our market share within the realm of smart city.

As of 30 June 2015, the Company has completed the upgrade and improvement of the E-Governance network, Internet of Things project ("Internet of Things") and Beijing-China Website Clusters, which saw continued enhancement in the functions of the system. In order to strengthen the competitive strength in the area of smart city construction and operation and to facilitate expansion of business, the Company has integrated the Internet of Things, E-Governance IT service, security protection and video monitoring and other businesses and its team into a wholly-owned subsidiary of the Company – Capinfo Technology Development Co., Ltd. ("Capinfo Technology") and established a competitive remuneration incentive mechanism. By this way, the Company aims to improve the Group's service ability in the area of smart internet platform and realize the strategic goal of integration development.

While consolidating and developing our traditional core businesses, the Company also made unremitting efforts to seek business opportunities arising from the development of integration of Beijing, Tianjin and Hebei. We successively established successful cooperation with Nanhe County, Neiqiu County and Xingtai County, Hebei Province in constructing the video monitoring security project "Interconnected Villages"(村村通). We also worked with Tianjin Municipal Public Security Bureau in the software development project of the public security services platform for Commanding Department of the Bureau. Meanwhile, the Company won the bid of the top-level design project of Smart Baotou initiated by Baotou Municipal Commission of Economy and Information Technology by leveraging on our accomplishments and experience in planning and constructing "Smart Beijing" over the years.

Smart Livelihood

In respect of Social Security Information Service, the Company has further reinforced its leadership in the market through continuous efforts to improve the service functions of Beijing Medical Insurance Information System and the Beijing Social Security Card System. As of 30 June 2015, the total card issuance of social security cards in Beijing reached 16.20 million. At the same time, the Company forged ahead with upgrading and marketing of the agency servers for hospitals, and entered into several purchase agreements with more than 1,600 designated medical institutions successfully.

As to the application of informatization service in the housing area, the Company has continued to reinforce its leading position. We successively won the bid for the upgrading project of the comprehensive information system – development project of the comprehensive business sub-system of Beijing Housing Fund Management Centre, as well as the operation and maintenance project of the hotline system of Changzhi Housing Fund Management Centre. Meanwhile, the first online self-serving borrowing system in China established by the Company was launched in Yichang Housing Fund Management Centre successfully, further enhancing our position in the housing fund management market in China.

In respect of E-community service, the Company did its utmost to expand its business by adopting the “elite salesperson” (精英銷售) model. Following the successful launch of Tuanjieshu “Internet Plus” Experience Centre designed to help the elderly and the handicapped, the Company also became the supplier for the project of the community service management platform in Chaoyang District, laying the foundation for solutions of smart community series in Beijing or even across the country. During the reporting period, the Company also participated in the Hebei summit meeting of 2015 Chinese Internet Plus Innovation Conference with a view to promote the products and services of smart community, home-based elderly care and public sentiment monitoring, and seeking business opportunities from the “Action Plan for Thousands of Internet-connected Towns” (千家互聯網小鎮行動計劃).

Smart Medical Service

In respect of hospital informatization, the Company has delivered satisfactory result in market expansion through its active development of strategic partnership. During the reporting period, the Company entered into a strategic cooperation framework agreement with the China-Japan Friendship Hospital, according to which, the Company is responsible for the hospital’s development and operation of the financial settlement platform of commercial insurance. The Company will also introduce a pioneering project for the business interconnection and system connection between the commercial insurance system and the hospital information system. In the long run, automation and real-time processing in respect of the settlement of the commercial medical insurance will be achieved, which will provide a reliable technical platform for the development of the commercial medical insurance business.

As of 30 June 2015, the Company completed the bundling of the social security card and the WeChat payment function for the “Beijing hospital medical card” system, and successfully introduced the pilot programme at Millennium Monument Hospital in Beijing, which is expected to be introduced to all municipal hospitals across the Beijing city in the future. Since the launch of the “Beijing hospital medical card” project in April 2012, nearly 30 departments in 23 third-level grade-A hospitals have been covered with 3.2 million cards issued.

Cloud Service and Enterprise Informatization

In terms of our cloud computing business, the Company has been making great efforts in promoting its directly trading platform, while taking an active approach to explore innovation in its business model. During the reporting period, the Company has obtained the reliable cloud service certification. Meanwhile, building on the existing advantage of informatization business in terms of market and resources, the Company also dedicated to enhance its R&D efforts in respect of big data, public sentiment analysis and cloud computing, with a view to increasing its market share in the cloud computing industry. During the reporting period, The Company won the bid for the virtual platform project of the China National Tobacco Corporation Fujian branch, thus became the first private cloud service provider in the tobacco industry. This event also marked the successful extension of the Company’s business from government cloud services to commercial private cloud services.

In respect of corporate information service, the Company has achieved great progress in market expansion. During the reporting period, the Company was admitted as a service provider of the public service platform designed for small and medium enterprises in Beijing, enabling it to provide the small and medium enterprises in Beijing with comprehensive services in the aspects of information, start-up business, training, management consultancy and technological innovation. Meanwhile, the Company also took part in the first session of “Start-up Businesses Fair” (創業廟會) in Beijing, having the opportunity to communicate with nearly 500 small and medium enterprises face to face so as to promote the Company’s informatization products comprehensively.

Human Resources

As of 30 June 2015, the Group had a total of 1,524 employees. The staff cost was RMB100.1 million. During the reporting period, the Company further optimized its organizational structure. Business of the Group was divided into eight segments. Seven young cadres at supervisor level were promoted, which injected fresh blood into the operation management team and boosted the business transformation and innovation of the Company. Meanwhile, the Company continued to focus on talents development. To this end, a total of 46 sessions of tailor-made trainings were held through the Capinfo Institute, which covered a wide range of topics, including professional skills, corporate management, and development of young cadres, induction training and health education, and the participants reached 1,104.

Prospect

Traditional core businesses of the Company are facing increasing pressure of transformation against the backdrop of deepening technological innovation following the adjustment of the national policy. To address these challenges, management of the Company will endeavour to perform their duties under the Strategic Planning for 13th Five Years and promote the transformation of our traditional businesses, while continue to optimize the business structure of the Company and take an active approach to fostering innovative businesses, with a view to establishing a more effective incentive system and facilitating the growth and development of the Group.

FINANCIAL REVIEW

In 2015, China's economy showed signs of stabilization amid moderating growth. Market sentiment also improved as the economy continued to recover. Business of the Company continued to move forward on a steady pace. For the six months ended 30 June 2015, the Group recorded an unaudited revenue of RMB340.8 million, representing an increase of 18.10% as compared with the same period of last year. The Group recorded a gross profit of RMB111.5 million, representing an increase of 21.46% over that of last year, and a gross profit margin of 32.71%, representing an increase of 0.91% as compared with the same period of last year.

As of 30 June 2015, the core business of the Group accumulated a revenue of RMB143.4 million, representing a decrease of 12.64% as compared with the corresponding period of last year, accounting for 42.07% of the total revenue of the Group; costs of core business was RMB100.1 million, representing a decrease of 9.91% as compared with the corresponding period of last year, accounting for 43.66% of the total costs 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.

Furthermore, the new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of RMB181.5 million, representing an increase of 49.33% over the corresponding period of last year, accounting for 53.25% of the total revenue of the Group; costs incurred by the new business was RMB120.5 million, representing an increase of 56.67% over the corresponding period of last year, accounting for 52.55% of the total costs of the Group. New businesses of the Group mainly include business from Capinfo Technology, house information business, medical information business, E-Governance internet cloud platform and enterprise informatization business.

Other income of the Company amounted to RMB8.8 million, representing a decrease of 54.64% over the corresponding period of last year, mainly due to the utilization of cash and cash equivalents to purchase financial products during the period and decrease of interest income as compared with the corresponding period of last year caused by the decrease of time deposits; it was also due to the fact that the new government project has not concluded, leading to the decrease from subsidies of government as compared with the corresponding period of last year.

Other gains and losses of the Company amounted to RMB30.7 million, representing an increase of 981.02% over the corresponding period of last year, mainly due to the disposal of equity interest in PayEase by Capinfo (Hong Kong) Company Limited and the Company's gain on investment in trust financial products, of which proceeds from the disposal of the equity interest in PayEase was RMB45.4 million and the gain on change in fair value of financial assets at FVTPL was RMB2.7 million. Allowance for doubtful debts amounted to RMB10.1 million, representing an increase of RMB9.1 million over the corresponding period of last year; changes in fair value of contingent consideration payable for the acquisition of Rito Info Technology Co., Ltd. (廈門融通信息技術有限責任公司) ("Rito Info") was recognised to be RMB7.1 million.

In respect to the Group's business model, the main businesses were divided into operation and maintenance, system integration, software development, IT consultancy and sale of commodities. Of which, revenue from operation and maintenance amounted to RMB215.0 million, representing an increase of 10.28% as compared with the corresponding period of last year and accounting for 63.09% of the total revenue of the Group; revenue from system integration amounted to RMB100.3 million, representing an increase of 39.14% as compared with the corresponding period of last year and accounting for 29.42% of the total revenue of the Group; revenue from software development amounted to RMB21.2 million, representing an increase of 103.34% as compared with the corresponding period of last year and accounting for 6.22% of the total revenue of the Group; revenue from IT consultancy and sale of commodities totaled RMB4.3 million, representing a decrease of 40.02% as compared with the corresponding period of last year and accounting for 1.27% of the total revenue of the Group.

In addition, in respect of industries which clients are engaged in, government clients of the Group accounted for the largest share, with about 60.25% of revenue from the service and operation projects of the Group from government clients. In respect of regions of business expansion, our business coverage has expanded from Beijing to 31 cities across the country, such as Shanghai, Guangzhou. However, the revenue of the Group was still derived mainly from Beijing, which accounted for 81.69% of the total revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 30 June 2015, the Group had total assets of RMB1,570.1 million, representing an increase of 2.70% over the beginning of the year. Equity attributable to shareholders of the parent company amounted to RMB892.2 million, representing an increase of 3.21% over the beginning of the year. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 1.5 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3.00%. Both ratios reflected the sufficiency in financial resources of the Group. For the six months ended 30 June 2015, the Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not affected by fluctuations in exchange rates or any related hedges.

The Group's unsecured loan from government of RMB2.7 million was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002, bearing an average annualized interest rate of 3.35%. The short-term borrowings applies from China Merchants Bank was RMB10.0 million, bearing an average annualized interest rate of 5.60%. Bank deposits, bank balance and cash of the Group amounted to RMB385.6 million, representing a decrease of 6.72% over the corresponding period of last year. The fund was mainly used for the acquisition of financial products of Huaxia Fund and investment in large projects of the Company.

Equity Investments

In the first half of 2015, the Group's share of results of associates was RMB4.0 million (the corresponding period of 2014: RMB2.3 million), which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd..

Income Tax

In the first half of 2015, the income tax expense of the Group was RMB1.3 million, representing a decrease of 56.58% as compared with the same period of last year, mainly due to the overprovision of income tax expense of Rito Info in previous years.

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 2015.

AUDIT COMMITTEE

The audit committee has discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 with the senior management of the Company. The committee is of the view that the financial statements were prepared in accordance with applicable accounting policies, the Listing Rules and other applicable legal requirements.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2015, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 of the corporate governance code. Currently, Dr. Wang Xu is both the Chairman and Chief Executive Officer of the Company. The Board believes that it is in the best interest of the Group to have Dr. Wang Xu taking up both roles for continuous effective management of the Board.

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

During the six months ended 30 June 2015, 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*
Dr. Wang Xu
Chairman and CEO

Beijing, the People's Republic of China
28 August 2015

As of the date hereof, the executive directors of the Company are Dr. Wang Xu and Mr. Lu Lei; the non-executive directors of the Company are Mr. Wu Shengjiao, Mr. Shi Hongyin, Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili, and the independent non-executive directors of the Company are Ms. Zhou Liye, Mr. Gong Zhiqiang, Dr. Jiao Jie and Mr. Cheung, Wai Hung Boswell.

* *For identification purpose only*