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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 2012

FINANCIAL SUMMARY OF THE GROUP

- Turnover increased by approximately 3.28% to approximately RMB162.7 million
- Profit attributable to shareholders increased by approximately 23.12% to approximately RMB34.5 million
- Basic earnings per share (from continuing and discontinued operations) was RMB1.19 cents
- The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (same period of 2011: 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 2012.

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended	
		30.6.2012	30.6.2011
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited/ Restated)
Continuing Operations			
Revenue	4	162,660	157,488
Cost of sales		<u>(87,925)</u>	<u>(93,156)</u>
Gross profit		74,735	64,332
Other income		11,543	14,063
Research and development costs		(7,458)	(8,445)
Marketing and promotional expenses		(18,607)	(15,152)
Administrative expenses		(19,649)	(17,517)
Finance cost		(98)	(161)
Share of results of associates		<u>(484)</u>	<u>(2,283)</u>
Profit before taxation	5	39,982	34,837
Income tax expense	6	<u>(4,151)</u>	<u>(4,866)</u>
Profit for the period from continuing operations		<u>35,831</u>	<u>29,971</u>
Discontinued Operations			
Loss for the period from discontinued operations		<u>(2,741)</u>	<u>(6,315)</u>
Profit and total comprehensive income for the period		<u>33,090</u>	<u>23,656</u>
Profit (loss) and total comprehensive income (loss) for the period attributable to owners of the Company			
– from continuing operations		35,680	30,820
– from discontinued operations		<u>(1,234)</u>	<u>(2,843)</u>
		<u>34,446</u>	<u>27,977</u>

		Six months ended	
		30.6.2012	30.6.2011
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited/ Restated)
Profit (loss) and total comprehensive income (loss)			
for the period attributable to non-controlling interests			
– from continuing operations		151	(849)
– from discontinued operations		<u>(1,507)</u>	<u>(3,472)</u>
		<u>(1,356)</u>	<u>(4,321)</u>
Profit (loss) and total comprehensive income (loss)			
attributable to:			
Owners of the Company		34,446	27,977
Non-controlling interests		<u>(1,356)</u>	<u>(4,321)</u>
		<u>33,090</u>	<u>23,656</u>
		<i>RMB cents</i>	<i>RMB cents</i>
EARNINGS (LOSSES) PER SHARE			
	8		
From continuing and discontinued operations			
– Basic		<u>1.19</u>	<u>0.97</u>
– Diluted		<u>1.19</u>	<u>0.96</u>
From continuing operations			
– Basic		<u>1.23</u>	<u>1.07</u>
– Diluted		<u>1.23</u>	<u>1.06</u>
From discontinued operations			
– Basic		<u>(0.04)</u>	<u>(0.10)</u>
– Diluted		<u>(0.04)</u>	<u>(0.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	30.6.2012 RMB'000 (Unaudited)	31.12.2011 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	77,083	62,719
Investment property		61,814	63,706
Deposits paid on acquisition of property, plant and equipment		15,703	557
Interests in associates		38,825	39,309
Available-for-sale investments		1,971	1,971
Trade receivables – non-current	10	2,072	1,700
Deferred tax assets		6,444	4,671
		<u>203,912</u>	<u>174,633</u>
Current assets			
Inventories		1,641	296
Trade and other receivables	10	161,043	93,289
Amounts due from customers for contract works		62,266	41,939
Amounts due from related parties		8,279	2,929
Financial assets at fair value through profit or loss	11	177,285	–
Bank deposits		183,320	181,267
Bank balances and cash		161,731	438,563
		<u>755,565</u>	<u>758,283</u>
Assets classified as held for sale		41,249	42,107
		<u>796,814</u>	<u>800,390</u>
Current liabilities			
Trade and other payables	12	91,077	105,442
Amounts due to related parties		113	779
Customer deposits for contract works		111,489	103,813
Income tax payable		1,582	3,498
Dividend payable		34,792	–
Other loan		5,450	5,450
		<u>244,503</u>	<u>218,982</u>
Liabilities associated with assets classified as held for sale		7,268	5,384
		<u>251,771</u>	<u>224,366</u>
Net current assets		<u>545,043</u>	<u>576,024</u>
Total assets less current liabilities		<u><u>748,955</u></u>	<u><u>750,657</u></u>
Capital and reserves			
Share capital	13	289,809	289,809
Share premium and reserves		440,394	440,740
Equity attributable to owners of the Company		730,203	730,549
Non-controlling interests		18,752	20,108
Total equity		<u><u>748,955</u></u>	<u><u>750,657</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL

The Company is a limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong limited (the "Stock Exchange"). Its ultimate holding company is Beijing State-owned Assets Management Co., Ltd. ("BSAM"), a state-owned enterprise which was 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. The Group has discontinued the provision of ticket agency service and sports related information system and information exchange platform services during the year ended 31 December 2011. Accordingly, the comparative condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 has been restated.

The Company transferred its listing from the Growth Enterprise Market to the Main Board of the Stock Exchange effectively on 21 January 2011.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have 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 and with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2011.

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

- amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and
- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets.

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

4. SEGMENTS INFORMATION

The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker. The 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 difference 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.

In addition, all the Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers, and all of the assets of the Group are located in the PRC.

5. PROFIT BEFORE TAXATION

Continuing Operations

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited/ Restated)
Profit before taxation has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment and investment property	15,959	27,449
Less: Depreciation included in		
– research and development costs	(93)	(62)
– contract work	(8,846)	(22,571)
	7,020	4,816
Allowance for doubtful debts	1,220	1,163
Reversal of allowance for inventories	–	(304)
(Gain) loss on disposal of property, plant and equipment	(2)	9
Government grants	(285)	(387)
Interest income from bank deposits	(4,073)	(3,475)
Gain on change in fair value of financial assets at fair value through profit or loss	(4,006)	(5,952)
Dividend income from an available-for-sale investment	–	(216)
Rental income from investment property		
– gross rental	(4,796)	(4,796)
– direct operating expenses (including depreciation of investment property)	2,923	2,177
– net rental	(1,873)	(2,619)

6. INCOME TAX EXPENSE

Six months ended	
30.6.2012	30.6.2011
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited/ Restated)

The charge from continuing operations comprises:

PRC Enterprise Income Tax		
– Current period	5,924	4,184
Deferred tax (credit)/charge	(1,773)	682
	<u>4,151</u>	<u>4,866</u>

At the end of the reporting period, certain subsidiaries had unused tax losses of approximately RMB148,000 (31 December 2011: RMB694,000) 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 2017. The deferred tax credit in current period is mainly due to the deductible temporary difference of certain accrued expenses of the Group.

7. DIVIDENDS

During the current interim period, a final dividend of RMB1.20 cents (pre-tax) per share in respect of the year ended 31 December 2011 was approved in annual general meeting on 19 June 2012. The aggregate amount of the final dividend declared in the current interim period amounted to RMB34,792,000 (2010 final dividend declared in previous interim period: RMB33,297,000).

The directors of the Company do not recommend the payment of any interim dividend for current interim period (six months ended 30 June 2011: 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:

From continuing and discontinued operations

Six months ended	
30.6.2012	30.6.2011
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited/ Restated)

Earnings

Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>34,446</u>	<u>27,977</u>
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Number of shares

	Six months ended	
	30.6.2012 (Unaudited)	30.6.2011 (Unaudited)
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 issuable under the Company's share option scheme	—	1,909,904
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,898,086,091</u>	<u>2,899,995,995</u>

The calculation of diluted earnings per share did not take into account the outstanding share options of the Company for the six months ended 30 June 2012 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for that period.

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:

	Six months ended	
	30.6.2012 RMB'000 (Unaudited)	30.6.2011 RMB'000 (Unaudited/ Restated)
Earning figures are calculated as follows:		
Profit for the period attributable to the owners of Company	34,446	27,977
Less: loss for the period from discontinued operations	<u>1,234</u>	<u>2,843</u>
Earnings for the purpose of calculating basic earnings per share from continuing operations:	<u>35,680</u>	<u>30,820</u>

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

Basic loss per share from discontinued operations is RMB0.04 cent per share (six months ended 30 June 2011: RMB0.10 cent per share) and diluted loss per share from the discontinued operations is RMB0.04 cent per share (six months ended 30 June 2011: RMB0.10 cent per share), based on the loss for the period from discontinued operations of RMB1,234,000 (six months ended 30 June 2011: loss for RMB2,843,000) and the denominators detailed above for basic earnings per share. For the purpose of diluted loss per share from discontinued operations, the effect of outstanding share options of the Company is not considered because the effect is anti-dilutive.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB33,331,000 and RMB8,395,000 (six months ended 30 June 2011: RMB6,447,000 and RMB10,321,000) for the costs on acquisition and disposal of property, plant and equipment, respectively.

10. TRADE AND OTHER RECEIVABLES

	30.6.2012 <i>RMB'000</i> (Unaudited)	31.12.2011 <i>RMB'000</i> (Audited)
Trade receivables-current portion	95,361	60,398
Other receivables and prepayments	48,119	13,065
Deposits for technical projects	17,563	19,826
	<u>161,043</u>	<u>93,289</u>

The Group allows an average credit period of 180 days to its trade customers.

The following is an analysis of trade receivables by age at 30 June 2012 and 31 December 2011, which is presented based on the date on which revenue is recognised and net of allowance for doubtful debts:

	30.6.2012 <i>RMB'000</i> (Unaudited)	31.12.2011 <i>RMB'000</i> (Audited)
Age		
0 to 60 days	83,481	51,696
61 to 90 days	574	-
91 to 180 days	1,485	3,464
over 180 days	11,893	6,938
	97,433	62,098
Less: Non-current portion classified as non-current assets (<i>note</i>)	(2,072)	(1,700)
	<u>95,361</u>	<u>60,398</u>

Note: Included in the balance of trade receivables at 30 June 2012 was a trade receivable of approximately RMB10,879,000 (31 December 2011: RMB10,879,000) which will be settled by five equal annual instalments from 1 July 2009 to 1 July 2013 in accordance with the terms of payment of the contract with a customer. At 30 June 2012, the remaining balance of this trade receivable is approximately RMB4,247,000 (31 December 2011: RMB4,118,000) with the non-current portion of RMB2,072,000 (31 December 2011: RMB1,700,000). The portion that will be settled after one year is classified as non-current assets at 30 June 2012 and 31 December 2011. The effective interest rate applied on this receivable is 5.00% per annum.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Designated as at fair value through profit or loss		
– Trust investment (<i>note</i>)	175,535	–
Held-for-trading		
– Guarantee contract	1,750	–
	<u>177,285</u>	<u>–</u>

Note: In March 2012, the Group 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 RMB175 million in the trust investment managed by Huaneng Trustee Limited (the “Trust Investment”) for the period up to 27 December 2012. The Trust Investment will wholly invest in fixed income financial instruments. The return of the Trust Investment is expected to be 11% per annum at a maximum. As at 30 June 2012, the Trust investment has invested in fixed income financial instruments.

In respect of the Trust Investment, the Group 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 agreed to guarantee 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 RMB1,750,000 as a derivative with gain or loss of changes in fair value recognised through profit or loss.

12. TRADE AND OTHER PAYABLES

	30.6.2012	31.12.2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	30,377	19,394
Deferred government grants	4,167	4,002
Other payables	13,172	34,230
Accrued expenses	36,895	33,144
Payroll and welfare payable	5,114	13,855
Advance from customers	1,352	817
	<u>91,077</u>	<u>105,442</u>

The following is an analysis of trade payables by age at 30 June 2012 and 31 December 2011, which is presented based on material or service receiving date:

	30.6.2012 RMB'000 (Unaudited)	31.12.2011 RMB'000 (Audited)
Age		
0 to 60 days	16,262	6,045
61 to 90 days	62	305
91 to 180 days	847	1,090
Over 180 days	<u>13,206</u>	<u>11,954</u>
	<u>30,377</u>	<u>19,394</u>

13. SHARE CAPITAL

	<u>Number of shares</u>		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each Issued and fully paid at 1 January 2011 and 30 June 2011, 1 January 2012 and 30 June 2012	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

14. SHARE OPTIONS

The detailed information of share options adopted by the Group was the same as those disclosed in the Group's financial statements for the year ended 31 December 2011.

During the current interim period, there is no exercise of existing outstanding share options and no new share options are granted by the Group. The number of share options lapsed during the six months ended 30 June 2012 is 145,000 (six months ended 30 June 2011: 145,000). As at 30 June 2012, the outstanding number of share options is 45,052,000 (31 December 2011: 45,197,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2012, the Group recorded an unaudited turnover of approximately RMB162.7 million, representing an increase of approximately 3.28% as compared with RMB157.5 million for the same period of last year. The Group reached a gross profit of approximately RMB74.7 million, representing an increase of approximately 16.17% as compared with RMB64.3 million for the same period of last year, and a gross profit margin of 45.95%, representing an increase by 5.1 percentage points as compared with 40.85% for the same period of last year. Such significant increase in turnover was mainly attributable to business expansion and revenue generated from certain major uncompleted projects brought forward from 2011.

Business Revenue

During the period under review, net revenue from foundation businesses amounted to approximately RMB119.8 million and accounted for 73.65% of revenue from principal business. Such net revenue was mainly contributed by projects including the Medical Insurance Project, the Social Security Card Project, the e-Government Network Project, the Community Service Information Project and the Beijing-China Project. Net revenue from other businesses amounted to approximately RMB42.9 million and accounted for 26.35% of revenue from principal business. Such net revenue mainly derived from businesses including Housing Fund businesses, out-sourcing businesses from call centre and operation and maintenance businesses of other e-government systems as well as contributions from subsidiaries.

Other Income

Net revenue of other businesses of the Group accumulated to approximately RMB11.5 million, representing a decrease of approximately 17.92% as compared to RMB14.1 million for the same period of last year. Such net revenue mainly derived from income from interest, topic research and development, entrusted investment and property rental.

Earnings of Shareholders

The Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB34.5 million, representing an increase of approximately 23.12% as compared to RMB28.0 million for the same period of last year.

Current Ratio and Gearing Ratio

The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 3 times while the gearing ratio, defined as total liabilities over total assets, stayed at a relatively low level of 25.16%. Both ratios reflected the sufficiency in financial resources of the Group.

Loan and Cash and Bank Deposits

During the period under review, the Group had unsecured loan of approximately RMB5.5 million, remained the same when compared with RMB5.5 million at the beginning of the year. Bank balance and bank deposits was in an aggregate amount of approximately RMB345.1 million, representing a decrease of approximately 44.33% as compared to RMB619.8 million at the beginning of the year. Such decrease was mainly attributable to application for purchase of entrusted products and the huge amount of early-stage investments for the Internet of Things.

Capital Commitment and Pledge of Assets

The Group had capital commitment of approximately RMB40.4 million, representing an increase of approximately 72.08% as compared to RMB23.5 million at the beginning of the year. Such increase was mainly due to higher contract value for purchase of equipments. 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.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (same period of 2011: Nil).

Business Review

During the period under review, through further promoting the development direction and strategic objective of “high-end IT services, service-oriented software products, value-added project operations, professional industry expansion, and standardized mergers and acquisitions”, the Group achieved steady growth in its core businesses and rapid development in its seed businesses and business prospects by closely monitoring customer needs, deepening service contents and innovating service model.

Core Businesses

During the period under review, the overall sign-ups for the Group's core businesses were satisfactory, achieving steady growth in revenue and further enhancing its market share and competitive edge. While maintaining stable development in its core businesses, the Group continued to tap into market demand to seek for new growth point for our businesses.

The Medical Insurance Information System (“Medical Insurance System”) and Social Security Card System (“Social Security Card System”) achieved steady operations and maintained growth in terms of revenue. As at 30 June 2012, the total card issuance of Social Security Card amounted to 11.2 million (corresponding period of 2011: 9.0 million). During the period under review, the Medical Insurance System software, which was developed by the Group, was successfully upgraded and gained recognition from our customers.

The Group introduced “Beijing hospital medical cards” after forging a cooperation relationship with Bank of Beijing, so as to satisfy the system needs by the uninsured to make payment and settlement when seeking medical attention in Beijing. Such cards provide integrated information services including financial payment, electronic medical record, intercity settlement and other services, enabling the patients to seek inter-hospital medical treatment and settlement with the information regarding medical treatment and expenses stored in the cards. In April 2012, the first batch of Beijing hospital medical cards was put into use in Beijing Friendship Hospital. According to the system construction plan, this service will be promoted to cover 22 municipal hospitals and other medical organisations in Beijing. Through the social security cards and Beijing hospital medical cards, the Group further expanded its service scope from the insured patients in Beijing to cover all the patients in Beijing, to benefit the whole community with quick and convenient smart medical services.

The E-Government Network achieved stable operations. During the period under review, the Group initiated the upgrading and expansion of IDC room, so as to improve the service capability of the Company’s information infrastructure and to accommodate demand for real-time data collection, storage and processing arising from the Big Data business of the Smart Beijing Project.

The construction of Beijing Wireless Government Internet of Things Project was under smooth progress. As at the end of June 2012, the Group has invested and established 59 base stations, preliminarily achieving full coverage of four districts in Beijing, and supported the operation of elevator monitoring system in Dongcheng District, roadside parking management system in Chaoyang District and other such application projects in Beijing. Leveraging on the Internet of Things, the Group also actively explored more areas to apply such network. The electronic fee collection system for parking on roadsides in Beijing which was invested and established by the Group was put into trial operation in Chaoyang District of Beijing in May 2012. During the period under review, the Group also obtained the business opportunities to carry out real-time monitoring over the operation management platform of smart city project, urban systems for water supply, sewerage as well as electricity, gas and heating power supply, and other relevant infrastructure, marking a good start for the Company’s smart city operation service.

Seed Businesses

During the period under review, the Group maintained growth momentum in all of its seed businesses with expanding customer base and deepening IT service contents.

During the reporting period, the Group continued to strengthen expansion in the IT value-added services for hospitals, and facilitated research and development of software for HIS upgrading, community medical and health care, inter-hospital information exchange platform and other medical and health care subsegments. The Group established “Medical and Health Care Information Engineering Center” and participated in developing industry standards such as the design of electronic medical record-keeping systems by leveraging on the advantageous technology and resources platform of Capinfo Institute, so as to lay a solid foundation for the deployment and implementation of the medical and health care information market strategy.

The Housing Fund business maintained its growth momentum. While consolidating our status as the main contractor of operation and maintenance services for the Housing Fund Management System in Beijing and Guangzhou, the Group took advantage of the project of the Ministry of Housing and Urban-Rural Development of the PRC (“MHURD”) to supervise the national provident fund industry to gradually expand its business network across the whole country, and had successfully obtained a number of new projects in Guangdong, Guangxi and other provinces.

By seizing the opportunities to participate in the top-design of Smart Beijing, the Group strived to consolidate its existing business strength in IT consultancy and planning and product R&D, developing a competitive edge in the planning and consultancy services in respect of internet public services, housing fund, community information system, state-owned assets supervision, smart city design and other areas. During the period under review, the Group focused on the top-design of internal information systems for the Economic and Informatization Commission of Beijing, Health Bureau of Beijing and other municipal departments, to develop department and industry specific plans for projects such as information infrastructure, public service platform, theme database, key applications and public service systems. Meanwhile, the Group also actively participated in the planning and consultation of the smart city development in Fujian, Jiangsu, Henan and other provinces.

The Group’s exploration in the cloud computing business model achieved remarkable results, leading to improvement of the traditional businesses. During the period under review, the Group actively participated in developing industry standards for cloud computing and completed the construction of CAPINFO internet cloud platform. Based on this platform, the Group has developed application projects such as agricultural products sourcing management, state-owned assets supervision and administration and Beijing municipal government affairs cloud call center, enhancing the overall capability of the Group as the smart city service provider and bringing in a new spotlight for our future business growth.

Business Prospects

During the period under review, fully leveraging on our advantages on resources and customers of the “Beijing-China” website (www.beijing.gov.cn) and our multi-lingual service team, the Group obtained the opportunities to provide internet public services for websites such as Beijing website (www.beijing.cn), the English version of the “Beijing-China” website (www.ebeijing.gov.cn) and Beijing Small and Medium Enterprises website (www.bjsme.gov.cn), achieving breakthroughs in the development of the business prospects.

Human Resources

As of 30 June 2012, the Group had a total of 931 employees (same period of 2011: 855) (from continuing operations). Remuneration of employees is based on the prevailing government policies with reference to market condition and individual performance, qualification and experience. The Company grants discretionary bonus to employees based on individual performance as a reward for their contribution. Other benefits include retirement benefits and share options.

During the reporting period, the Group made innovation to its remuneration management and performance assessment system. The Group introduced various incentive mechanisms, putting more emphasis on the performance assessment and incentive award of its market-oriented businesses such as the seed businesses and business prospects. Furthermore, the Group held large scale campus recruitment at 20 renowned higher education institutions and universities in Beijing and Guangdong Province, which is helpful to recruit high-caliber professional personnel and technological talents as well as to promote its brand recognition.

Capinfo Institute, which was established in 2011, set a series of comprehensive training programme according to market needs for talents at all levels, including fresh graduates induction training programme, corporate management training, professional skills training and professional ethics training. As of 30 June 2012, it organised 62 professional training programmes with various focuses and 2 technology exchange workshops, attracting a total of 2,066 participants.

Brand Building

The Group made great efforts to promote its brand image of “Smart City Service Provider”. During the period under review, through various market activities such as participation in the 15th High-tech Expo and the 9th Sino-American Technology and Engineering Conference (SATEC) Green City Forum, the launching ceremony of Beijing hospital medical cards service projects and title sponsorship for “2012 Snooker China Open”, the Group strengthened its brand image as a smart city service provider.

Future Aspect

Year 2012 is the second year of the “Twelfth Five-year Plan” and will be a year to witness remarkable progress in the smart city development. The Group will continue to seize the opportunities to participate in the smart city development and closely monitor market demands and customer needs, so as to expand its market share and enhance competitive edge, with an aim to accomplish its business target for the year and bring more value to the shareholders.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its code of conduct of Company for Directors’ securities transactions. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2012.

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 2012 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 (Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (newly effective from 1 April 2012)), as contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2012, except the following:

Due to other business engagements, independent non-executive directors Mr. Chen Jing and Dr. Wang Huacheng and non-executive directors Ms. Li Zhi and Dr. Qi Qigong were unable to attend the Company's annual general meeting held on 19 June 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Beijing, the People's Republic of China
22 August 2012

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

This announcement is published on the website of the Company (www.capinfo.com.cn) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).