Capinfo Company Limited

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

（於中華人民共和國註冊成立之股份有限公司）

（Stock Code 股份代號：1075）

砥礪奮進 再創輝煌

2018 中期報告 Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the Group integrated its own advantages, proactively contributed for the social economic development of the capital, accelerated business transformation and management innovation. We promoted the building of the new generation of smart infrastructure, constantly developed the five major business areas, including smart government affair service, smart city management, smart medical and health service, smart livelihood service and smart enterprise innovation. Each area has proved to have good progress and the influence of the industry increased constantly.

For the six months ended 30 June 2018, the main operating revenue of the Group amounted to RMB362.44 million; profit attributable to owners of the Company arrived at RMB25.08 million, representing an increase of 28.22% as compared with the same period of last year.

Smart Infrastructure Service

During the Reporting Period, smart infrastructure including the E-governance website, Internet of Things data website of government affairs of the Group ran stably. Key indicators such as the availability of backhaul, response rate and timeliness of services and satisfaction of services all remain at high level. The Group completed supporting tasks during National and Beijing "Two Sessions" and spring festival in 2018. The Group also completed the overall framework design of the construction of Tongzhou Sub-center administration office network and identified the realization of high quality and all-covered Internet and governance website. In March 2018, the Group have won the bid for the procurement project in relation to municipal-level government cloud and obtained the qualification of service provider of government cloud for 2018. To ensure the operational application for committees, offices and bureaus operates stably and reliably, we are expected to provide committees, offices and bureaus in Beijing with services such as cloud service management, basic facility resources, basic software support, operation assurance, line access and technical support. Currently, the Group is actively carrying forward the construction work of key nodal points of municipal-level government cloud.

MANAGEMENT DISCUSSION AND ANALYSIS

Smart Government Affair Service

The Group effectively promoted intensive building of e-government in Beijing and provided strong support for improving the standard of services provided by the government for the people. During the Reporting Period, new versions of websites of various units were launched and operated in a safe, stable and trouble-free manner and gained wide recognition. The Group provided protection for the national civil servant management system upgrade and technical support, actively promoted the same to ministries and other provinces and cities, and have deployed the online edition of civil servants management system of Shanxi Province and the Education Department.

Smart City Management

During the Reporting Period, the Group won the bid for projects including the protection of autumn-winter law enforcement on motor vehicles of municipal environmental protection bureau and civil defense information management platform of municipal bureau of civil defense. We have signed up contracts such as public safety video surveillance construction networking application project of Yanqing District and Miyun District checkpoint video surveillance construction project and continued to ensure the operation of construction waste vehicle transportation management system based on Beidou Satellite and monitoring system on environmental sanitation vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

Smart Medical and Health Service

The Group's operation and maintenance of the Medical Insurance Information System and the social security card system operated stably. The Group provided protection for the launch of online medical insurance business system for urban and rural residents as well as stable operation of direct settlement system for cross-provincial medical treatment, and developed medical insurance information value-added service system for various districts and counties. In January 2018, the Group funded the establishment of Capinfo Medical United Information Technology Company Limited, preserving the existing value-added service of medical insurance information and continuing to focus on expanding unified medical settlement services and medical information business, which established an unshakable foundation for the resources optimization of smart medical and health service and growth of operating results of the Group. During the Reporting Period, the Group has entered into cooperation contracts with 72 hospitals and 7 commercial insurance companies.

Smart Livelihood Service

During the Reporting Period, the Group provided protection for the successful launch of Beijing Housing Provident Fund Core System, Nanning Provident Fund System and Beijing Points System for Household Registration, and continued the development of Housing Provident Fund Systems for Shanghai, Guangzhou, Chongqing and other places. The Group maintained stable operation of the Beijing Talent Comprehensive Evaluation and Management System and the civil servant salary system and ensured tasks such as work residence permit, talent introduction and management of exchange students and salary payment for civil servants can be carried out smoothly.

MANAGEMENT DISCUSSION AND ANALYSIS

Smart Enterprise Innovation

During the Reporting Period, the Group further expanded its customer base of enterprise cloud platform and entered into contracts with six stated-owned enterprise customers including Beijing Real Estate Group, Beijing Foreign Economic & Trade Holding Group, One Light Group, International Cooperation Center, Jing Tou Group and Tong Ren Tang Group. The Group won the bid for the smart venue design of National Speed Skating Oval, and provided Internet cloud services for the National Speed Skating Oval. The Group actively provided services for the Municipal State-owned Assets Supervision and Administration Commission and completed the design work of the big data platform construction project of sponsor supervision, which obtained recognition from the Municipal State-owned Assets Supervision and Administration Commission.

In May 2018, the Group funded the establishment of Capinfo Cloud Technology Co., Ltd., which has undertaken the Group's existing cloud computing business and improved the Group's proactivity and flexibility in expansion of cloud computing market.

Product Research and Development

During the Reporting Period, the Group integrated resources from all parties and continued to promote the company level common software development platform (CAPINFO EA) and big data support system, development and application of products such as provident fund systems for small and medium-sized cities, effectively supported the software exploitation work for company level significant projects. The establishment of a company level software delivery center has improved the delivery capability of major engineering projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As of 30 June 2018, the Group had 1563 employees. During the Period, the expense of the employees was approximately RMB132.62 million. During the Reporting Period, the Group adjusted the organization institutes, established major systems for appraisal and incentives and project completion rewards, initiated core and backbone employee competency assessment and testing, completed compensation and assessment incentive plan, strengthened business aggregation and resource sharing, enhanced operation efficiency, and increased its core competitiveness.

Looking Forward

In the second half of the year, the Group is committed to pursue the mission of the leader of smart city service and will continue to ensure the stable operation of the major systems, promote the development of emerging businesses and the transformation of business mode. We will constantly promote the platform, products and technology innovation and proactively devote to significant events such as construction of Beijing Sub-center and Xiong'an New Area as well as organization of Beijing 2022 Olympic Winter Games. We will also accelerate the strategic layout in the field of medical health information, grasp the opportunity of reform and development of state-owned enterprises, expand the "Internet + government service" business, strengthen the operation of capital markets, integrate and utilize superior resources, promote the Group's sustained, rapid and healthy development, and create greater value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group recorded an operating revenue of RMB362.44 million, representing an increase of 9.44% as compared with the same period of last year; gross profit of RMB145.66 million, representing an increase of 28.11% as compared with the same period of last year; and profit attributable to owners of the Company of RMB25.08 million, representing an increase of 28.22% as compared with the same period of last year.

For the six months ended 30 June 2018, the core business of the Group accumulated an operating revenue of RMB128.27 million, representing an increase of 34.38% compared with the corresponding period of last year, accounting for 35.39% of the total operating revenue of the Group; cost of core business was RMB100.25 million, representing an increase of 33.40% as compared with the corresponding period of last year, accounting for 46.25% of the total cost of the Group. The core businesses of the Group mainly include government projects for smart infrastructure service businesses constructed on the basis of various government projects, the E-Governance network and the Internet of Things platform, the smart medical health businesses such as the Beijing Medical Insurance Information System and projects such as the Beijing Social Security Card System as well as the Beijing-China website clusters and community service information system. The increase in revenue from core businesses as compared with corresponding period of last year was mainly because the contractual amount recognized during the current period was higher than that of the corresponding period of last year. There are no significant changes on the overall size of the core project. In addition, an operating revenue derived from the core businesses for market expansion amounted to RMB219.25 million, representing an increase of 0.14% over the corresponding period of last year, accounting for 60.49% of the total operating revenue of the Group. As of 30 June 2018, revenue of other principal businesses of the Group amounted to RMB7.88 million, representing a decrease of 21.99% as compared with the corresponding period of last year, accounting for 2.17% of the total operating revenue of the Group; costs of other principal businesses was RMB8.88 million, representing an increase of 14.35% over the corresponding period of last year, accounting for 4.10% of the total costs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income of the Group amounted to RMB7.05 million, representing an increase of 5.41% over the corresponding period of last year, mainly attributable to the rental income of Digital Beijing Building, which accounted for 1.94% of the total operating revenue of the Group.

In respect of the Group's business model, the main businesses included operation and maintenance, system integration, software development, IT consultancy and sales of goods, of which revenue from operation and maintenance amounted to RMB292.76 million, representing an increase of 46.22% as compared with the corresponding period of last year and accounting for 80.77% of the total operating revenue of the Group; revenue from system integration amounted to RMB53.96 million, representing a decrease of 39.14% as compared with the corresponding period of last year and accounting for 14.89% of the total operating revenue of the Group; revenue from software development amounted to RMB8.18 million, representing a decrease of 76.11% as compared with the corresponding period of last year and accounting for 2.26% of the total operating revenue of the Group; revenue from IT consultancy and sales of goods totaled RMB0.5 million, representing a decrease of 63.52% as compared with the corresponding period of last year and accounting for 0.14% of the total operating revenue of the Group.

In addition, in respect of the classification of industries which the clients of the Company are engaged in, government clients of the Group accounted for the largest share, with 82.88% of clients being the government clients. In respect of regions of business distribution, the operating revenue of the Group was still derived mainly from the Beijing region currently, which accounted for 95.96% of the total operating revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 30 June 2018, the Group had total assets amounting to RMB2,155.14 million, representing an increase of 9.40% as compared with the corresponding period of last year. Equity attributable to owners of the Company amounted to RMB970.33 million, representing a decrease of 1.14% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.41, maintaining stable as compared with the corresponding period of last year; while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3%. For the six months ended 30 June 2018, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB396.68 million, representing a decrease of 41.36% as compared with the corresponding period of last year. During the current period, part of the funds were used for the purchase of guaranteed wealth management products. As of the end of the current period, the balance of guaranteed wealth management products amounted to RMB190 million.

Equity Investments

In the first half of 2018, the Group's share of results of associates was RMB6.34 million, representing a decrease of 26.61% as compared with the corresponding period of last year, which was mainly due to the contribution from BJCA.

Income Tax

In the first half of 2018, the Group's income tax expenses amounted to RMB2.02 million, representing an increase of RMB3.38 million compared to the corresponding period of last year, mainly attributable to the increase in the operating profit and over provision in the prior years as the Company accomplished the recordation of preferential Enterprise Income Tax policies applicable to key software enterprises in the national planning layout for the years 2015 and 2016 in June 2017 and retrospectively entitled to a preferential tax rate of 10% for years 2015 and 2016.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

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

During the reporting period, the Company has established a set of regulated and transparent management system and has been in strict compliance with the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE FRAMEWORK

In accordance with the relevant provisions of the laws and regulations including the Companies Law and the Listing Rules as well as relevant requirement of the Articles of Association, and with reference to the status quo of the Company, the Company constantly developed, improved and effectively implemented work systems and related work processes for the Board and its various specialized committees. The Company has established effective corporate governance system with general meeting as the organ of highest authority, the Board as the decision-making organ, the Board of Supervisors as the supervisory organ and the management as the implementation organ. During the reporting period, through the co-ordination and checks and balances among the general meeting, the Board and its specialized committees, the Board of Supervisors and the management led by the Chairman together with the effective operations of the internal control systems, the internal management operations of the Company have been further standardized and the level of its corporate governance has been continually enhanced.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

The Company's Board of Directors comprises twelve Directors, including three Executive Director (Ms. Lin Yankun (chairman), Mr. Yu Donghui and Mr. Zong Zhaoxing), five Non-executive Directors (Mr. Zhou Weihua, Mr. Shan Yuhu, Mr. Cao Huaizhi, Mr. Ma Linxiang and Mr. Feng Jianxun) and four Independent Non-executive Directors (Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Li He and Mr. Yang Xiaohui). The Company's Directors are professionals in finance, law, commerce and information services with extensive experience and expertise in various areas. In terms of the composition of the Board, the comprehensive professional backgrounds and the strong independent element of the Directors demonstrate significant importance in corporate governance. The Company has entered into service contracts with the Directors for a term expiring on 18 June 2021 and subject to re-election.

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

CORPORATE GOVERNANCE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors throughout the six months ended 30 June 2018. The senior managements and employees, who may have access to un-published inside information because of their duties, have been requested to comply with the required standard of dealings.

AUDIT COMMITTEE

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

During the reporting period, the audit committee held one on-the-spot meeting, and signed one meeting document in the form of circulation. The committee reviewed the Independent Auditor's Report for the year of 2017, the Financial and Operation Analysis Report of the Group for the first quarter of 2018, the overview report of the internal audit for the year of 2017, the internal audit plan for the year of 2018, two copies of Internal Audit Report, five copies of Internal Audit Follow-up Report, and the re-appointment of auditor.

As of the date of this report, the audit committee has reviewed the Review Report and the Interim Report of the Group for the interim period of 2018.

REMUNERATION AND APPRAISAL COMMITTEE

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

During the reporting period, the remuneration and appraisal committee signed meeting documents once in the form of circulation to recognize the Company's implementation of total remuneration in 2017, and review the bonus distribution plan of senior management of the Company for the year of 2017 and the basic annual salary plan of senior management for the year of 2018.

NOMINATION COMMITTEE

The nomination committee holds at least one meeting every year, and is responsible for nominating and recommending candidates to fill the vacancies of members of the Board. The Company established the nomination committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee in accordance with the requirements of Rule A.5.2 of Appendix 14 to the Listing Rules to specify its written terms of reference, so as to regulate the operation of the nomination committee. The nomination committee of the Company comprises three members, including Ms. Lin Yankun (chairman), Mr. Gong Zhiqiang and Mr. Cheung, Wai Hung Boswell.

During the reporting period, the nomination committee signed meeting documents once in the form of circulation to recommend candidates of the seventh Board of Directors.

STRATEGY COMMITTEE

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

BOARD OF SUPERVISORS

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

During the reporting period, the Board of Supervisors signed meeting documents three times in the form of circulation to review the Independent Auditor's Report for the year of 2017, the Continuing Connected Transactions Report, the Supervisors' Report for the year of 2017, recommend candidates of the seventh Board of Supervisors as well as electing Mr. Zhu Jie to take the position of the chairman of the seventh Board of Supervisors.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

CORPORATE GOVERNANCE

INTERNAL CONTROL ACTIVITIES

The Company established the audit department, which is under the guidance of the Audit Committee and assumes the important responsibilities of supervising the internal governance of the Company. The audit department is responsible for carrying out independent internal audit on operations, management and major economic events of the Company in accordance with the principle of independence, objectivity and authority of internal audit, and for giving advice and suggestions on operations and internal control and management so as to promote the development of the Company's business. The audit committee assessed the effectiveness of the internal control and risk management systems of the Company on behalf of the Board, covering the operating effectiveness and efficiency, the reliability of financial reporting and other matters. The audit committee is of the opinion that, as at 30 June 2018, adequate and effective internal control and risk management systems were maintained to safeguard the investments of the shareholders and the assets of the Company.

CONTINUOUS DISCLOSURE OBLIGATIONS REGARDING INSIDE INFORMATION

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

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2018, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Appendix 10 of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors, supervisors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2018:

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

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

For the six months ended 30 June 2018, the Group did not purchase, sell or redeem any of the Company's listed securities.

INFORMATION FOR INVESTORS

Financial Calendar

Announcement of interim results	24 August 2018
Dispatch of interim report to shareholders	28 September 2018

Interim Report

The Chinese and English versions of the interim report will be posted on the website of the Company (www.capinfo.com.cn) on 27 September 2018

SHARE REGISTRAR AND TRANSFER OFFICE

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Grant Thornton
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Zhi Tong Zhuan Zi (2018) No. 110ZA6132

All Shareholders of Capinfo Company Limited

We have reviewed the accompanied financial statements of Capinfo Company Limited ("Capinfo") which comprise the consolidated balance sheet as at 30 June 2018, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for January to June 2018, and notes to the financial statements. The management of the Capinfo is responsible for the preparation of these financial statements. Our responsibility is to issue our review conclusion on these financial statements based on our review.

We conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and performing analytical procedures on the data. A review provides less assurance than an audit. We have not performed an audit. Accordingly, we do not express an audit opinion.

Review Report

Based on our review, we did not notice any matter that causes us to believe that the interim financial information is not prepared in accordance with Accounting Standards for Business Enterprises, failure to fairly reflect the financial position as at 30 June 2018 and operating results and cash flow for January to June 2018 of the reviewed units in all material aspects.

We remind the users of the financial statements to pay attention. As mentioned in Note XII. Events After Balance Sheet Date and Note XIII. Other Significant Events to the Financial Statement, the Company suspected that the former shareholders of an acquired company had committed contract fraud. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. As of the date of the review report, it is in the stage of filing investigation, and the future impact of this case on the Company is uncertain. This paragraph shall not affect the published review conclusion.

Grant Thornton
(Special General Partnership)

Certified Public Accountant of China: Ren Yiyou

Certified Public Accountant of China: Liang Yinan

Beijing, China

24 August 2018

Consolidated Balance Sheet

30 June 2018

Prepared by: Capinfo Company Limited | Unit: RMB

Items	Note	30 June 2018	31 December 2017
Current assets:			
Monetary fund	VI.1	**396,679,025.96**	676,515,880.90
Tradable financial assets	VI.2	**190,000,000.00**	10,000,000.00
Notes receivables and accounts receivables	VI.3	**186,722,862.60**	203,884,708.09
Prepayments		**39,780,229.78**	37,548,374.84
Other receivables	VI.4	**89,826,543.92**	91,273,931.59
Inventories	VI.5	**489,052,084.10**	292,453,624.51
Contractual assets	VI.6	**179,376,997.78**	62,608,019.48
Non-current assets due within one year		**24,650,878.70**	26,237,343.74
Other current assets	VI.7	**7,881,368.46**	944,826.34
Total current assets		**1,603,969,991.30**	1,401,466,709.49
Non-current assets:			
Long-term receivables		**–**	3,947,515.56
Long-term equity investments	VI.8	**146,083,294.11**	146,041,160.68
Other equity instruments investment	VI.9	**971,326.53**	971,326.53
Investment properties	VI.10	**39,623,430.26**	41,510,260.28
Fixed assets	VI.11	**75,891,752.50**	90,603,551.49
Intangible assets	VI.12	**26,894,063.19**	33,768,634.98
Development expenditure		**11,352,572.70**	6,780,034.80
Goodwill		**177,975,650.76**	177,975,650.76
Long-term deferred expenses		**37,364,721.34**	42,749,741.57
Deferred income tax assets		**35,010,777.43**	24,116,604.34
Total non-current assets		**551,167,588.82**	568,464,480.99
Total assets		**2,155,137,580.12**	1,969,931,190.48

Consolidated Balance Sheet

30 June 2018

Items	Note	30 June 2018	31 December 2017
Current Liabilities:			
Notes payables and accounts payables	VI.13	**136,376,063.85**	154,040,442.83
Contractual liabilities	VI.14	**644,268,007.25**	468,985,671.80
Employee benefits payable		**34,592,430.71**	69,169,720.93
Taxes payable		**40,098,879.40**	48,507,732.42
Other payables	VI.15	**229,179,980.24**	151,088,777.63
Non-current liabilities due within one year		**45,997,051.31**	46,897,051.31
Total current liabilities		**1,130,512,412.76**	938,689,396.92
Non-current liabilities:			
Deferred income		**4,122,171.81**	4,122,171.81
Other non-current liabilities		**18,452,453.80**	15,512,453.80
Total non-current liabilities		**22,574,625.61**	19,634,625.61
Total liabilities		**1,153,087,038.37**	958,324,022.53
Owners' equity (or shareholders' equity):			
Paid-in capital (share capital)	VI.16	**289,808,609.10**	289,808,609.10
Capital reserves	VI.17	**291,670,666.40**	291,670,666.40
Surplus reserves		**78,314,265.13**	78,314,265.13
Unallocated profits	VI.18	**310,538,243.68**	321,687,155.51
Total equity attributable to owners of the parent		**970,331,784.31**	981,480,696.14
Minority interests		**31,718,757.44**	30,126,471.81
Total owners' equity (or shareholders' equity)		**1,002,050,541.75**	1,011,607,167.95
Total liabilities and owners' equity (or shareholders' equity)		**2,155,137,580.12**	1,969,931,190.48

Legal representative of the Company: Lin Yankun

Person in charge of accounting: Du Xiaoling

Person in charge of the accounting department of the Company: Lu Hehui

Consolidated Income Statement

January to June 2018

Prepared by: Capinfo Company Limited | Unit: RMB

Items	Note	January to June 2018	January to June 2017
I. Operating Income	VI.19	**362,438,937.80**	331,180,640.77
Less: Operating costs		**216,779,916.56**	217,485,659.07
Business tax and surcharges		**1,277,133.11**	956,114.68
Selling expenses		**44,759,773.85**	32,407,190.33
Administrative expenses		**27,793,997.27**	35,540,369.23
R&D fee		**23,269,715.57**	19,550,477.08
Financial expenses		**-2,289,713.44**	2,427,617.27
Incl: Interest expenses		**–**	2,864,995.92
Interest income		**-1,632,854.86**	-1,938,663.70
Impairment losses of assets		**31,949,495.68**	19,088,834.61
Add: Other income		**704,568.71**	9,530,111.09
Investment gain (loss is marked by "-")		**7,808,030.92**	8,637,376.89
Incl: Gain from investment in associates and joint ventures		**6,338,657.63**	8,637,376.89
Gain on changes in fair value (loss is marked by "-")		**–**	-3,413,645.88
Gain from disposal of assets (loss is marked by "-")		**69,777.65**	9,742.52
II. Operating profit (loss is marked by "-")		**27,480,996.48**	18,487,963.12
Add: Non-operating income		**1,268,537.06**	28,347.85
Less: Non-operating expenses		**55,846.73**	64,347.65
III. Profit (total loss is marked by "-")		**28,693,686.81**	18,451,963.32
Less: Income tax expenses	VI.20	**2,024,236.87**	-1,359,788.97

Consolidated Income Statement

January to June 2018

Items	Note	January to June 2018	January to June 2017
IV. Net profit (net loss is marked by "-")		**26,669,449.94**	19,811,752.29
(I) Items classified by continued operations:			
Including: Net profit from continued operations (net loss is marked by "-")		**26,669,449.94**	19,811,752.29
(II) Items classified by attribution of ownership:			
Including: Minority interests (net loss is marked by "-")		**1,592,285.63**	253,776.06
Net profit attributable to owners of the parent (net loss is marked by "-")		**25,077,164.31**	19,557,976.23
V. Total comprehensive income		**26,669,449.94**	19,811,752.29
Total comprehensive income attributable to the owners of parent		**25,077,164.31**	19,557,976.23
Total comprehensive income attributable to the minority shareholders		**1,592,285.63**	253,776.06
VI. Earnings per share			
(I) Basic earnings per share		**0.0087**	0.0067
(II) Diluted earnings per share		**0.0087**	0.0067

Legal representative of the Company: Lin Yankun

Person in charge of accounting: Du Xiaoling

Person in charge of the accounting department of the Company: Lu Hehui

Consolidated Cash Flow Statement

January to June 2018

Prepared by: Capinfo Company Limited | Unit: RMB

Items	Notes	January to June 2018	January to June 2017
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of labor services		**452,399,603.83**	345,149,054.88
Cash received relating to other operating activities		**1,973,105.77**	8,750,386.02
Sub-total of cash inflows from operating activities		**454,372,709.60**	353,899,440.90
Cash paid for purchase of goods and engagement of labor services		**337,174,708.89**	171,703,205.03
Cash paid to and on behalf of employees		**176,588,353.93**	146,983,699.64
Payments of all types of taxes		**32,118,232.12**	25,482,816.40
Cash paid relating to other operating activities		**25,728,253.24**	12,471,682.44
Sub-total of cash outflows from operating activities		**571,609,548.18**	356,641,403.51
Net cash flows from operating activities		**-117,236,838.58**	-2,741,962.61
II. Cash flows from investing activities:			
Cash received from return of investment		**340,000,000.00**	2,000,000.00
Cash received from investment gain		**14,062,421.69**	7,615,687.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**68,278.66**	10,307.69
Cash received relating to other investing activities		**–**	39,869,919.00
Sub-total of cash inflows from investing activities		**354,130,700.35**	49,495,914.39
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**14,497,078.79**	47,010,777.39

Consolidated Cash Flow Statement

January to June 2018

Items	Notes	January to June 2018	January to June 2017
Cash paid for investment		**520,000,000.00**	19,000,000.00
Cash paid relating to other investing activities		**–**	19,077,830.62
Sub-total of cash outflows from investing activities		**534,497,078.79**	85,088,608.01
Net cash flows from investing activities		**-180,366,378.44**	-35,592,693.62
III. Cash flows from financing activities:			
Cash received relating to other financing activities		**12,000,000.00**	–
Sub-total of cash inflows from financing activities		**12,000,000.00**	–
Cash paid for distribution of dividends, profits or payment of interests		**–**	8,110.77
Sub-total of cash outflows from financing activities		**–**	8,110.77
Net cash flows form financing activities		**12,000,000.00**	-8,110.77
IV. Effect of changes in exchange rate on cash and cash equivalents		**-706,704.44**	–
V. Net increase in cash and cash equivalents		**-286,309,921.46**	-38,342,767.00
Add: Cash and cash equivalents at beginning of period		**652,586,184.64**	510,063,270.24
VI. Cash and cash equivalents at end of period		**366,276,263.18**	471,720,503.24

Legal representative of the Company: Lin Yankun

Person in charge of accounting: Du Xiaoling

Person in charge of the accounting department of the Company: Lu Hehui

Consolidated Statement of Changes in Equity

January to June 2018

Prepared by: Capinfo Company Limited

Unit: RMB

	January to June 2018								
	Equity attributable to shareholders of the parent								
Items	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Unallocated profits	Minority interests	Total shareholders' equity (or owners' equity)
I. Closing balance of last year	289,808,609.10	291,670,666.40	–	–	–	81,662,603.60	363,118,724.87	35,623,005.89	1,061,883,609.86
Add: Increase/ decrease due to changes in accounting policies	–	–	–	–	–	-3,348,338.47	-41,431,569.36	-5,496,534.08	-50,276,441.91
II. Opening balance of current year	289,808,609.10	291,670,666.40	–	–	–	78,314,265.13	321,687,155.51	30,126,471.81	1,011,607,167.95
III. Increase/decrease for current year ("-" for decrease)	–	–	–	–	–	–	-11,148,911.83	1,592,285.63	-9,556,626.20
(I) Total comprehensive income	–	–	–	–	–	–	25,077,164.31	1,592,285.63	26,669,449.94
(II) Profits distribution	–	–	–	–	–	–	-36,226,076.14	–	-36,226,076.14
1. Distributions to shareholders (or owners)	–	–	–	–	–	–	-36,226,076.14	–	-36,226,076.14
IV. Closing balance of current year	289,808,609.10	291,670,666.40	–	–	–	78,314,265.13	310,538,243.68	31,718,757.44	1,002,050,541.75

Consolidated Statement of Changes in Equity

January to June 2018

Items	January to June 2017								
	Equity attributable to shareholders of the parent								
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Unallocated profits	Minority interests	Total owners' equity (or shareholders' equity)
I. Closing balance of last year	289,808,609.10	254,078,925.01	–	–	–	72,207,069.12	360,642,011.62	31,583,475.28	1,008,320,090.13
II. Opening balance of current year	289,808,609.10	254,078,925.01	–	–	–	72,207,069.12	360,642,011.62	31,583,475.28	1,008,320,090.13
III. Increase/decrease for current year ("-" for decrease)	–	–	–	–	–	–	-12,031,023.77	253,776.06	–11,777,247.71
(I) Total comprehensive income	–	–	–	–	–	–	19,557,976.23	253,776.06	19,811,752.29
(II) Profits distribution	–	–	–	–	–	–	-31,589,000.00	–	–31,589,000.00
1. Distributions to shareholders (or owners)	–	–	–	–	–	–	-31,589,000.00	–	–31,589,000.00
IV. Closing balance of current year	289,808,609.10	254,078,925.01	–	–	–	72,207,069.12	348,610,987.85	31,837,251.34	996,542,842.42

Legal representative of the Company: Lin Yankun

Person in charge of accounting: Du Xiaoling

Person in charge of the accounting department of the Company: Lu Hehui

I. COMPANY GENERAL INFORMATION

1. Company Profile

Capinfo Company Limited (hereinafter referred to as the "Company") is a joint stock limited company incorporated in Beijing, approved by the "Notice on Approval of Establishment of Capinfo Company Limited" of the Beijing Municipal People's Government (J.Z.H.Z. (2000) No.74) and approved to register with Beijing Administration for Industry and Commerce on 14 July 2000. The unified social credit code is 911100006336972074. All H shares issued by the Company have been listed for trading on Hong Kong Stock Exchange. The Company is headquartered at No. 11 Xi San Huan Zhong Road, Haidian District (The north gate of the central television tower), Beijing.

The Company's registered capital is RMB289,808,609.10 and the total share capital is 2,898,086,091.00 shares, of which, 2,123,588,091.00 are domestic shares and 774,498,000.00 are overseas listed foreign invested shares. The par value is RMB0.10 per share.

The Company and its subsidiaries (hereinafter referred to as the "Group") belong to software industry and are principally engaged in online application service and system integration.

The financial statements and the notes to the financial statements were approved on 24 August 2018.

I. COMPANY GENERAL INFORMATION (CONTINUED)

2. Scope of consolidation of the financial statements

During the period, there are aggregately eight accounting units consolidated into financial statements, including the Company, Capinfo (Hong Kong) Co., Ltd (hereinafter referred to as "Capinfo Hong Kong"), Capinfo Technology Development Co., Ltd (hereinafter referred to as "Capinfo Technology"), Beijing Parking Management Centre Co., Ltd (hereinafter referred to as "Parking Management"), Shanghai Hengyue Computer Technology Co., Ltd (hereinafter referred to as "Shanghai Hengyue"), Xiamen Rito Info Technology Co. Ltd (hereinafter referred to as "Rito Info"), Capinfo Medical United Information Technology Company Limited* (hereinafter referred to as "Capinfo Medical United") and Capinfo Cloud Technology Co., Ltd.* (hereinafter referred to as "Capinfo Cloud").

II. PREPARATION BASIS FOR FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises, application guidelines, interpretations and other relevant requirements (collectively, the "Accounting Standards for Business Enterprises" or "ASBE") issued by the Ministry of Finance of the PRC ("MOF").

Last year financial reports of the Group disclosed on the Main Board of The Stock Exchange of Hong Kong Limited were prepared in accordance with Hong Kong Financial Reporting Standards. According to the resolution approved by the Group's Board of Directors on 24 November 2017, the Group has implemented the ASBE since 1 January 2017.

The financial statements are presented on a going concern basis.

The Group's accounting is measured on an accrual accounting basis. Except for certain financial instruments, the financial statements are measured based on historical cost. In case of asset impairment, impairment provisions shall be made accordingly under relevant regulations.

New Hong Kong Companies Ordinance took effect in 2015. The financial statements have been adjusted according to the requirements of the Hong Kong Companies Ordinance.

III. MAJOR ACCOUNTING POLICIES

The consolidated financial statements for the period ended 30 June 2018 have been prepared by the Group in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 December 2017, except for those for financial instruments and revenue.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments

A financial instrument is the contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and Derecognisation of financial instruments

A financial asset or financial liability is recognized when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

① The right of the contract to receive the cash flows of financial assets terminates;

② The financial asset has been transferred and meet the following conditions for derecognisation.

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation shall be derecognized entirely or partially. Where the Group (debtor) signs an agreement with the creditor in which the existing financial liabilities are replaced by means of undertaking new financial liabilities and the contractual terms of the new financial liabilities and those for existing financial liabilities are inconsistent, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized.

If the financial assets are traded regularly, they are recognized and derecognized at the transaction date.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets

The Group's financial assets are, upon initial recognition, classified into the following three categories according to the business model for managing financial assets and the characteristics of contractual cash flow: financial assets measured at amortized cost, financial assets at fair value through other consolidated income and financial assets at fair value through profit or loss.

Only when the Group changes its business model of managing financial assets can all affected financial assets be reclassified on the first day of the first reporting period after such changes have been made, otherwise the financial assets may not be reclassified after initial recognition.

Financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss are classified as financial assets measured at amortised cost:

– The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows;

– The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets which satisfy the following conditions and are not designated to be measured at fair value through profit or loss are classified as financial assets measured at fair value through other comprehensive income:

– The financial assets are managed by the Group within a business model whose objective is to collect the contractual cash flows as well as to dispose of the financial assets;

– The contractual terms of the financial assets stipulate that the cash flow generated on a specific date shall only represent the payment of the principal and the interest based on the outstanding principal amount.

With respect to non-trading equity instrument investments, the Group may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition.

Except for the abovementioned financial assets measured at amortised costs and fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through profit or loss. At initial recognition, if accounting mismatch could be eliminated or minimized, financial assets originally measured at amortised costs or fair value through other comprehensive income can be irrevocably designated to be measured at fair value through profit or loss.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows or sale of financial assets, or both. The Group determines the business model for managing financial assets based on objective facts and based on specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. In particular, the principal represents the fair value of the financial assets at initial recognition while the interest includes the consideration of the time value of money, the credit risk associated with the outstanding principal amount for a specific period and other basic borrowing risks, costs and profits. In addition, the Group evaluates the contractual terms that may result in a change in the time distribution or amount of financial asset contractual cash flows to determine whether it meets the requirements of the above contractual cash flow characteristics.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Except for accounts receivables which do not have significant financing components, financial assets are measured at fair value at initial recognition. For financial assets measured at fair value through profit or loss, the relevant transaction costs are directly recognised in profit and loss of the current period. In respect of accounts receivable that do not have significant financing components, the Group performs initial measurement on the transaction price determined in accordance with the accounting policies in Note III.2.

Financial assets at fair value through profit or loss

After initial recognition, these financial assets are subsequently measured at fair value. Gains or losses resulted therefrom (including interests and dividend income) are included in the profit and loss of the current period, unless such financial assets are part of the hedging relationship.

Financial assets measured at amortized cost

After initial recognition, these financial assets are measured at amortised cost by using the effective interest method. Gains or losses resulted from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period when derecognised, amortised using the effective interest method or impairments are recognised.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Debt investments measured at fair value through other comprehensive income

After initial recognition, these financial assets are subsequently measured at fair value. Interests, impairment losses or gains and exchange gains and losses calculated using the effective interest method are included in current profit of loss, while other gains or losses are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to profit and loss of the current period.

Equity instrument investments measured at fair value through other comprehensive income

After initial recognition, these financial assets are subsequently measured at fair value. Dividend income is included in profit or loss while other gains or losses are included in other comprehensive income. On derecognition, accumulated gains or losses previously included in other comprehensive income are transferred to retained earnings.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Equity instrument investments

Equity instrument investments are measured at fair value through profit or loss, except for those that are irrevocably designated to be measured at fair value through other comprehensive income. After designation, fair value changes of the equity instrument investments are recognized in other comprehensive income and, on subsequent sale, shall not be reclassified to profit or loss. Impairment loss and reversal of which are included in changes in fair value instead of being presented as a separate item. Dividend income are included in profit and loss of the current period when the Company's right to receive payments is established.

(3) Classification and measurement of financial liabilities

The financial liabilities of the Group are classified as the following upon initial recognition: Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, and financial liabilities measured at amortized cost. For the financial liabilities not classified as the financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period, the relevant transaction expenses are charged to its initially recognized amount.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period

The financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period include trading financial liabilities and the financial liabilities designated to be measured at fair value and whose movements are included in the profit and loss of the current period upon initial recognition. Such financial liabilities are subsequently measured according to fair value, and the profit or loss from the change of fair value and the dividend or interest expenditure related to the financial liabilities are recorded into the profit and loss of the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured according to the amortized cost using effective interest method, and the profit or loss from its derecognition or amortization is recorded into the profit and loss for the current period.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

Difference between financial liabilities and equity instruments

Financial liabilities refer to the liabilities meeting one of the following criteria:

① The contractual obligation to pay cash or deliver other financial assets to other parties;

② The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;

③ The non-derivative instrument contract which must or may be settled through the enterprise's own equity instrument and based on which the enterprise will deliver a variable quantity of its own equity instruments;

④ The derivative instrument contract which must or may be settled through the enterprise's own equity instrument, except for the derivative instrument contract based on which the enterprise exchange fixed amount of its own equity instruments for fixed amount cash or other financial assets.

Equity instrument refers to the contract that proves the ownership of the remaining equity in an enterprise's assets after netting of all the liabilities.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

Difference between financial liabilities and equity instruments (Continued)

If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

If a financial instrument must or may be settled with the Group's own equity instrument, it shall be taken into account whether the Group's own equity instrument used for settling the instrument is the substitute of cash or other financial assets, or is used to entitle the instrument holder with the remaining equity in the assets of the issuer after netting of all the liabilities. In the former case, this instruments the financial liability of the Group, while in the latter case, it is the equity instrument of the Group.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(4) Derivative financial instruments and embedded derivatives

The derivative financial instruments include forward foreign exchange contract, currency swap contract, interest rate swap contract and foreign exchange option contract. It is initially measured at the fair value as at the signing date of the derivative transaction contract and subsequently measured according to its fair value. The derivative financial instrument with positive fair value is recognized as an asset, while the derivative financial instrument with negative fair value is recognized as a liability. The profit or loss from the change of fair value which does not comply with the hedging accounting rules is directly recorded into the profit and loss for the current period.

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial assets, and the hybrid instrument is not measured at fair value and its changes are included in the profit and loss for the current period for accounting purposes, there is no close relation between the embedded derivatives and the main contract in terms of economic features and risks, and the instrument that has the same condition with the embedded derivatives and exists independently meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as the financial assets or financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(5) Fair value of the financial instrument

Fair value is the price which the market participants can receive from sale of an asset or shall pay for the transfer a liability in an orderly transaction occurring on the measurement date.

The Group measures relevant assets or liabilities at fair value. It is presumed that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal market, or the most advantageous market, must be accessible by the Group at the measurement date. The Group uses the assumptions that market participants would use when pricing the asset or liability to act in their economic best interest.

The fair value of a financial asset or financial liability having an active market is determined on the basis of quoted prices in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participants' ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Group adopts the techniques that are applicable in the current situation and supported by enough available data and other information, and gives priority to use relevant observable inputs. Unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(5) Fair value of the financial instrument (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; level 2 is based on observable input, either directly or indirectly, of relevant assets or liabilities other than level 1 inputs; level 3 is based on unobservable input of relevant assets or liabilities.

At each balance sheet date, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing the assets and liabilities measured at fair value recognized in financial statements.

(6) Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

– Financial assets measured at amortized cost;

– Contractual assets;

– Debt investments that are measured at fair value through other comprehensive income;

– Lease receivables;

– Financial guarantee contracts that are not at fair value through profit and loss.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit loss (ECLs)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company are exposed to credit risk (including the option to renew).

Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument.

Future 12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months).

Loss allowances for accounts receivables, lease receivables and contractual assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit loss (ECLs) (Continued)

Except for accounts receivables, lease receivables and contractual assets, the loss allowances of financial assets under the following conditions are measured at an amount equal to future 12-month ECLs while loss allowances of other financial assets are measured at an amount equal to lifetime ECLs:

– the financial instrument has a low credit risk at the balance sheet date; or

– there has not been any significant increase in credit risk of the financial instrument since initial recognition.

Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the credit risk on a financial instrument is considered low.

In respect of receivables and contractual assets, after assessment, the Group is of the view that its business model and customer credit risk will not increase significantly in the foreseeable future, and therefore the Group manages its receivables and contractual assets by aging profile, and makes provision for bad debts with the historical loss rate as the expected loss rate.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Presentation of allowances for ECLs

In order to reflect changes in the financial instrument's credit risk since initial recognition, ECLs are remeasured at each balance sheet date. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortized cost, the loss allowances are offset against the carrying amount of the financial asset presented in the balance sheet. For debt investment measured at fair value through other comprehensive income, the loss allowances are recognised in other comprehensive income instead of offsetting the carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is directly written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Such write-off will give rise to the derecognition of relevant financial asset. This is generally the case when the Group determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, in accordance with the Group's procedures for recovery of amounts due, financial assets that are written off could still be subject to enforcement activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(7) Transfer of financial assets

Transfer of financial assets means to assign or deliver the financial assets to other party other than the financial assets issuer (the transferee).

If the Group has transferred substantially all the risks and returns of the financial asset ownership to the transferee, the financial asset will be derecognized; while if substantially all the risks and returns of the financial asset ownership are retained, the financial asset will not be derecognized.

If the Group neither transfers nor retains substantially all the risks and returns of the financial asset ownership, it shall be treated according to the following situations: if the Group gives up the control on the financial asset, the financial asset will be derecognized, and the resulting assets and liabilities will be recognized; if the Group does not give up the control on the financial asset, the relevant financial asset will be recognized according to its proportion of participation in the transferred financial asset, and the relevant liabilities will be recognized.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

1. Financial instruments (Continued)

(8) Set-off between financial assets and financial liabilities

If the Group has the legal right to set off the recognized financial assets and financial liabilities, and this legal right can be exercised currently, when the Group intends to settle in net amount or simultaneously realize the financial asset and settle financial liability, the financial asset and financial liability will be presented in the balance sheet in the amount after mutual set-off. Otherwise, the financial assets and financial liabilities will be presented separately in the balance sheet and will not be mutually set off.

Those measured at cost are recognized in their initial measurement amount; and those classified as equity instruments are charged to equity.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

2. Revenue

(1) General principle

Revenue is recognized when the customer obtains control of relevant good or service. The following situations are identified as performance obligations being satisfied in a certain period and otherwise are identified as performance obligations being satisfied at a single point in time:

① When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs.

② When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

③ When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

When there is no alternative use, it means the entity may not readily use the asset for other purposes due to contractual limitations or limitations on practicability.

The enforceable right to payment for performance completed to date refers to the entity's right to receive payment of compensation for costs incurred and reasonable profits if the contract is terminated due to reasons on the part of customers or other parties. Such right is legally binding.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

2. Revenue (Continued)

(1) General principle (Continued)

For performance obligations being satisfied at a point in time, when determining whether the customer has obtained control of the goods or services, the Group will consider the following indications:

① The entity has the current right to receive payment for the goods, i.e. the customer has the obligation to make current payment for the goods.

② The entity has transferred the legal title of goods to the customer, i.e. the customer has possessed the legal title of the goods.

③ The entity has transferred the physical possession of goods to the customer, i.e. the customer has the physical possession of the goods.

④ The entity has transferred substantially all of the risks and rewards of ownership of the goods to the customer, i.e. the customer has obtained ally all of the risks and rewards of ownership of the goods.

⑤ The customer has accepted the goods.

⑥ There are other indications that the customer has obtained the control of the goods.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

2. Revenue (Continued)

(1) General principle (Continued)

For performance obligations being satisfied in a certain period, the Group takes into account the nature of goods and determines the exact progress of performance using output method or input method. In output method, the progress of performance is determined based on the value of the goods that have been transferred to the customer. In input method, the progress of performance is determined based on the entity's commitment to fulfil the performance obligations.

Contractual assets and contractual liabilities

Accounts receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration, then the entitlement to consideration is classified as a contractual asset. Similarly, a contractual liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contractual assets and contractual liabilities of unrelated contracts are not presented on a net basis.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

2. Revenue (Continued)

(2) Specific methods

The methods of revenue recognition for the Group are listed as follows:

① Revenue from system integration and software development are recognized at the time when the control is transferred, i.e. one-off revenue recognition upon receipt of acceptance report from the customer according to the terms of acceptance agreed upon in the contract.

② Revenue from sales of goods are recognized at the time when the control of goods is transferred, i.e. one-off revenue recognition upon receipt of acceptance note from the customer according to the terms of acceptance agreed upon in the contract.

③ Revenue from operation and maintenance are recognized on the straight-line basis over the period of operation and maintenance according to agreement.

④ Revenue from consultation are recognized on the straight-line basis over the period of consultation according to agreement.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in Significant Accounting Policies

① Pursuant to the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15) promulgated by the MOF, the Group has made the following revision to the format of financial statements:

A. Balance sheet

"Bills receivables" and "Accounts receivables" are consolidated into "Notes and accounts receivables";

"Interest receivables" and "Dividend receivables" are included into "Other receivables";

"Disposal of fixed assets" is included into "Fixed assets";

"Construction materials" is included into "Construction in progress";

"Bills payables" and "Account payables" are consolidated into "Bills and account payables";

"Interest payables" and "Dividend payables" are included into "Other payables";

"Specific payables" is included into "Long-term payables".

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

① (Continued)

A. Balance sheet (Continued)

"Held-for-trading financial assets", "Contractual assets", "Debt investments", "Other debt investments", "Other equity instrument investments, "Other non-current financial assets" "Held-for-trading financial liabilities" and "Contractual liabilities" are added.

B. Income statement

"R&D expenses" is splitted from "Administrative expenses";

"Interest expenses" and "Interest income" are added as sub-items under "Financial expenses";

"Changes in net indebtedness or net assets after remeasurement of defined benefit plans" is changed to "Changes arising on remeasurement of defined benefit plans"; "Share in the other comprehensive income not to be reclassified into the profit or loss by the investee under the equity method" is changed to "Share of other comprehensive income of investees accounted for under the equity method (non-recycling)"; "Share in the other comprehensive income to be reclassified into the profit or loss by the investee under the equity method" is changed to "Share of other comprehensive income of investees accounted for under the equity method (recycling)";

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

① (Continued)

B. Income statement (Continued)

"Credit risk losses" and "Net gains on hedging exposure" are added.

"Fair value changes of other equity instrument investments", "Fair value changes of credit risks" of the enterprise, "Fair value changes of other debt investments", "Amount of financial assets reclassified into other comprehensive income", "Provision for the credit impairment of other debt investments" and "Effective portion of cash flow hedges" are added.

C. Statement of changes in shareholder's equity

Under "Internal transfer of shareholder's equities", "Carry-over of changes in net liabilities or net assets arising on remeasurement of defined benefit plans" is changed to "Changes in defined benefit plans transferred to retained earnings".

"Other comprehensive income transferred to retained earnings" is added.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

① (Continued)

C. Statement of changes in shareholders' equity (Continued)

Adjustments have been made to comparative figures for the comparable period in accordance with Cai Kuai [2018] No.15.

The revisions to the format of financial statements did not affect the Group's total assets, total liabilities, net profits, other comprehensive income etc.

② The MOF issued the Accounting Standards for Business Enterprises No.14 – Revenue (amended) in 2017. The Group adopted this standard from 1 January 2018 and has accordingly made some adjustments to its accounting policies.

The new revenue standard has replaced the Accounting Standards for Business Enterprises No. 14—Revenue and Accounting Standards for Business Enterprises No. 15—Construction Contracts issued by MOF in 2006 (collectively the "Original Revenue Standard").

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

② (Continued)

Under the Original Revenue Standard, the Group regards the risk-and-reward approach as the criteria for the time of revenue recognition. Revenue from sales of goods of the Group is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer, the amount of revenue and related costs can be measured reliably, related economic benefits are likely to flow into the Group and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and from construction contracts shall be recognised using percentage of completion method as at the balance sheet date.

Under the New Revenue Standard, the Group regards the transfer of control as the criteria for the time of revenue recognition.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

② (Continued)

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services. When certain conditions are met, the Group perform its performance obligations within a certain period of time, and otherwise, at a certain point in time. Where two or more performance obligations are included in a contract, at the commencement date of the contract, the Group will allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised, and measure revenue based on the transaction price being allocated to each performance obligation. Transaction price represents the amount of consideration that the Group is expected to receive for the transfer of goods or services to customers, and does not include payments received on behalf of third parties. The transaction price recognised by the Group shall not exceed the amounts that are most unlikely to have significant reversal for accumulated recognised income when the relevant uncertainties are eliminated. Where there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash, assuming that the customer is in control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest method during the contract period.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

② (Continued)

The Group has made adjustment to relevant accounting policies in accordance with the specific requirements of the New Revenue Standards on specific matters or transactions.

Under the New Revenue Standard, contract assets or contract liabilities are presented on the balance sheet based on the correlation between the performance of obligations and customer payments. New Revenue Standard has also provided for additional specific requirements for the disclosure of information relating to revenue, such as relevant accounting policies, significant judgements (measurement of variable consideration, the method for allocating transaction prices to individual obligations, assumptions adopted in the estimation of individual prices of individual obligations), information relating to customer contracts (recognition of current revenue, contract balance and performance obligations, etc), and asset information relating to contract costs.

Impacts of the adoption of Accounting Standards for Business Enterprises No.14 – Revenue (amended) on the important items of consolidated balance sheet as at 1 January 2018 are summarized as follows:

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

② (Continued)

	The Group			
	Carrying amount as at 1 January 2018 before adjustment	Reclassification	Remeasurement	Carrying amount as at 1 January 2018 after adjustment
Assets:				
Inventories	95,562,424.08	–	196,891,200.43	292,453,624.51
Bills receivable and accounts receivable	310,931,313.68	62,608,019.48	-44,438,586.11	203,884,708.09
Contractual assets	–	62,608,019.48	–	62,608,019.48
Liabilities:				
Advances received	266,544,654.84	-266,544,654.84	–	–
Contractual liabilities	–	266,544,654.84	202,441,016.96	468,985,671.80
Owners' equity (or shareholders' equity):				
Surplus reserves	81,662,603.60	–	-3,348,338.47	78,314,265.13
Unallocated profits	363,118,724.87	–	-41,431,569.36	321,687,155.51
Minority interests	35,623,005.89	–	-5,496,534.08	30,126,471.81

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

② (Continued)

The cumulative impact of the above accounting policies is as follows:

Affected items	Amount
Net assets at the beginning of period	-50,276,441.91
Incl: Retained earnings	-44,779,907.83
Net profit	-3,348,356.08
Capital reserve	–
Other comprehensive income	–
Specific reserve	–
Net assets at the end of period	**-53,624,797.99**
Incl: Retained earnings	**-48,128,263.91**

③ In 2017, the MOF issued the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (amended), the Accounting Standards for Business Enterprises No. 23 —Transfer of Financial Instruments (amended), the Accounting Standards for Business Enterprises No. 24 —Hedging accounting (amended) and the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (amended) (collectively the "New Financial Instruments Standards"). The Group adopted the new financial instruments standards from 1 January 2018 and has accordingly made some adjustments to its accounting policies.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

③ (Continued)

The New Financial Instruments Standards contain three measurement categories for financial assets: (1) amortised cost, (2) fair value through other comprehensive income (FVTOCI) and (3) fair value through profit or loss (FVTPL). Under the New Financial Instruments Standards, the classification for financial assets is determined based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the asset. The New Financial Instruments Standards have abrogated three classification categories stipulated in the Original Financial Instruments Standards: held-to-maturity investments, loans and receivables and available-for-sale financial assets. According to the New Financial Instruments Standards, embedded derivatives will no longer be separated from a host contract of financial assets. Instead, hybrid financial instruments as a whole will be subject to the relevant provisions on the classification of financial assets.

Except for financial guarantee contract liabilities, the adoption of the New Financial Instruments Standards has no material impact on the Group's accounting policy for financial liabilities.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit and loss as at 1 January 2018.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

③ (Continued)

The New Financial Instruments Standards have replaced the "incurred loss" impairment model under the Original Financial Instruments Standards with an "expected credit losses" model. "Expected credit loss" ("ECL") model requires continuous assessment of credit risk of financial assets. The New Financial Instruments Standards result in earlier recognition of credit losses as compared with the Original Financial Instruments Standards

"Expected credit loss" model is applied to the following items:

– Financial assets measured at amortised cost;

– Contractual assets;

– Debt investments measured at fair value through other comprehensive income;

– Lease receivables;

– Financial guarantee contracts not at fair value through profit and loss.

"Expected credit loss" model is not applied to equity securities.

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

③ (Continued)

Impacts of the adoption of the New Financial Instruments Standards on the important items of consolidated balance sheet as at 1 January 2018 are summarized as follows:

	The Group			
	Book value as at 1 January 2018 before adjustment	Reclassification	Remeasurement	Book value as at 1 January 2018 after adjustment
Assets:				
Held-for-trading financial assets	–	10,000,000.00	–	10,000,000.00
Other current assets	10,944,826.34	-10,000,000.00	–	944,826.34
Available-for-sale financial assets	971,326.53	-971,326.53	–	–
Other equity instruments investments	–	971,326.53	–	971,326.53

III. MAJOR ACCOUNTING POLICIES (CONTINUED)

3. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(1) Changes in Significant Accounting Policies (Continued)

③ (Continued)

The Group assessed the expected credit losses of accounts receivables and contractual assets as at 1 January 2018. There was no significant change in the loss allowance for these financial assets of the Group as at 1 January 2018.

(2) Changes in Accounting Estimates

Nil.

IV. SEGMENT REPORTING

The Group does not have a variety of operations that have a significant impact on its operating results. At the same time, as the Group only operates in one geographical area, its revenue mainly comes from China, and its major assets are also located within China. Therefore, it's not necessary for the Group to disclose the segment data.

V. TAX

1. Main taxes and tax rates

Taxes	Tax basis	Tax rate %
Value-added tax	Taxable income	6, 10, 11, 16, 17
Urban maintenance and construction tax	Commodity turnover tax payable	7
Corporate income tax	Taxable income	25

V. TAXS (CONTINUED)

2. Tax preference and approvals

(1) Value-added tax

In accordance with the requirements of the Notice of Valued-added Tax Policies for Software Products (Cai Shui [2011] No. 100) promulgated by the MOF and the State Administration of Taxation, Rito Info, a subsidiary of the Company, sells its own-developed and produced software. After levitation of value-added tax at a rate of 17%, the part over 3% will be refundable as soon as it is imposed.

According to the requirements of the Notice of Inclusion of Railway Transportation and Post Industry into the Pilot Proposals for the Change from Business Tax to Value-added Tax (Cai Shui [2015] No. 118) promulgated by the MOF and the State Administration of Taxation, Rito Info, a subsidiary of the Company, has obtained exemption from value-added tax for its contracts of provision of technological transfer, development and related technological consulting or technological services upon recognition by the Municipal Competent Department of Science & Technology and reported to the Competent State Administration of Taxation for file.

V. TAXS (CONTINUED)

2. Tax preference and approvals (Continued)

(2) Corporate income tax

According to the requirements of the Notice of Corporate Income Tax Policies for Further Encouraging Software Industry and Integrated Circuit Development (Cai shui [2012] No. 27), key software enterprises and integrated circuit design enterprises under the state planning are entitled to 10% discount of corporate income tax if they do not enjoy tax exemption in the current year.

Capinfo Hong Kong, a subsidiary of the Company, has no payable tax profit since its incorporation.

Capinfo Technology, a subsidiary of the Company, obtained its Certificate of Hi– tech Enterprise, No. GR201711003206 on 25 October 2017 and is entitled to the corporate income tax preference of 15% for a period of three years.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and deposits

	30 June 2018			31 December 2017		
Item	Amount in foreign currency	Discount rate	Amount in RMB	Amount in foreign currency	Discount rate	Amount in RMB
Cash on hand:	–	–	112,518.90	–	–	137,504.24
RMB	–	–	83,445.14	–	–	107,294.77
USD	4,372.58	6.6166	28,931.61	4,601.01	6.5342	30,063.92
EUR	10.28	7.6515	78.69	10.17	7.8023	79.35
HKD	75.27	0.8431	63.46	79.20	0.8359	66.20
Bank deposits:	–	–	359,867,220.08	–	–	652,448,680.40
RMB	–	–	300,123,156.74	–	–	593,426,877.37
USD	8,334,237.22	6.6166	55,144,313.98	8,332,163.78	6.5342	54,444,024.57
HKD	5,455,757.75	0.8431	4,599,749.36	5,476,401.12	0.8359	4,577,778.46
Other cash equivalents:	–	–	36,699,286.98	–	–	23,929,696.26
RMB	–	–	36,699,286.98	–	–	23,929,696.26
Total	–	–	396,679,025.96	–	–	676,515,880.90
Incl: total overseas deposits	–	–	59,391,570.69	–	–	58,666,014.47

Note: Other cash equivalents mainly represent bank deposits for the performance guarantees issued by the Company.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Held-for-trading financial assets

Item	**Fair value at 30 June 2018**	Fair value at 31 December 2017
Financial assets at fair value through profit or loss	**190,000,000.00**	-10,000,000.00
Incl: Equity instruments investment	**–**	–
Debt instruments investment	**190,000,000.00**	10,000,000.00
Total	**190,000,000.00**	-10,000,000.00

Note 1: Equity instruments investment

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

Pursuant to the merger agreement, Mozido has conditionally agreed to merge its First Subsidiary into PayEase and after the merger, Second Subsidiary became a wholly – owned subsidiary of Mozido. The aggregate consideration for the merger is US$750 million, which will be satisfied by (1) US$135 million in the form of cash, less third party expenses, PayEase Group's debt, amounts set aside for expenses to be incurred by the original shareholders of PayEase for the purposes of the merger agreement, and working capital deficit; (2) the issue of 8,977,361.00 shares of Series C-1 preferred stock of Mozido (hereinafter referred to as "C-1 Stock") at an issue price of US$12.81 (approximately RMB78.29) per Share; and (3) the issue of approximately 39,032,006.00 shares of Series C-2 preferred stock of Mozido (hereinafter referred to as "C-2 Stock") at an issue price of US$12.81 (approximately RMB78.29) per Share.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Held-for-trading financial assets (Continued)

Note 1: Equity instruments investment (Continued)

On 6 January 2015 (Hong Kong time), the Company received from PayEase supporting documents evidencing that the above transactions had been completed. As informed by PayEase, based on the Company's shareholding ratio in PayEase and subject to any escrow arrangements, the consideration received by the Company following the execution of certain documents was expected to be approximately US$14.8 million, 1,254,164 shares of C-1 Stock and 5,452,886.00 shares of C-2 Stock. The expected amount was subject to certain requirements.

In 2015, the Company received RMB51,441,000.00 and 2,771,484.00 shares of C-2 Stock. As the Company is not a party to the merger agreement, in the opinion of the Company, the trading price of C-2 Stock does not represent its fair value and the Company employed a valuer to revaluate 2,771,484.00 shares of C-2 Stock, and appraisal value was RMB5,421,000.00. The Company recognised the gain from disposal of PayEase of RMB56,862,000.00.

In 2017, the Company paid income tax of the disposal of PayEase amounting to RMB40,810,489.24 by reserved funds (the final tax payables were not determined). The Company recognised the investment income and income tax expenses accordingly.

As of 31 December 2017, DTZ Cushman & Wakefield Limited has issued Report No. F16-000363 and determined the fair value of C-2 Stock as nil using the market method and Black-Scholes Option Pricing Model.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Held-for-trading financial assets (Continued)

Note 2: Debt instruments investment

During current interim period, the Group (1) invested in the financial and investment products issued by PingAn Trust Co., Ltd. in the amount of RMB18,000,000.00, of which RMB5,000,000.00 were redeemed; (2) invested in the financial and investment products issued by Xiamen International Bank in the amount of RMB7,000,000.00, of which RMB3,000,00.000 were structural deposits and RMB4,000,000.00 were wealth management products; (3) invested in the financial and investment products-structural deposits issued by China Merchants Bank in the amount of RMB170,000,000.00. As at 30 June 2018, the investment cost of RMB190,000,000.00 is the best estimate of the fair value.

3. Bills receivable and accounts receivable

Item	**30 June 2018**	31 December 2017
Bills receivable	**–**	281,000.00
Accounts receivable	**186,722,862.60**	203,603,708.09
Total	**186,722,862.60**	203,884,708.09

(1) Bills receivable

Types	**30 June 2018**	31 December 2017
Bankers' acceptance notes	**–**	281,000.00

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable and accounts receivable (Continued)

(2) Accounts receivable

	30 June 2018	
Age	**Amount**	**Percentage (%)**
0-6 months	**27,904,728.55**	**9.83**
6 months-1 year	**132,415,973.99**	**46.66**
1-2 years	**65,278,467.26**	**23.00**
2-3 years	**24,875,039.25**	**8.76**
Over 3 years	**33,350,801.57**	**11.75**
Total original value	**283,825,010.62**	**100.00**
Less: bad debts provisions	**97,102,148.02**	
Total net value	**186,722,862.60**	

	31 December 2017	
Age	Amount	Percentage (%)
0-6 months	147,242,850.99	53.36
6 months-1 year	5,699,819.31	2.07
1-2 years	76,361,737.65	27.67
2-3 years	24,101,290.86	8.73
Over 3 years	22,549,009.89	8.17
Total original value	275,954,708.70	100.00
Less: bad debts provisions	72,351,000.61	
Total net value	203,603,708.09	

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables

Item	30 June 2018	31 December 2017
Dividend receivables	–	6,296,524.20
Other receivables analysed by aging	89,826,543.92	84,977,407.39
Total	89,826,543.92	91,273,931.59

(1) Dividend receivables

Item	30 June 2018	31 December 2017
Beijing Certificate Authority Co., Ltd.	–	6,296,524.20

(2) Other receivable

① Other receivables analysed by aging

	30 June 2018	
Age	Amount	Percentage (%)
Within 1 year	17,609,053.95	19.19
1-2 years	29,837,507.49	32.51
2-3 years	21,282,228.53	23.19
Over 3 years	23,043,195.66	25.11
Total original value	91,771,985.63	100.00
Less: bad debt provisions	1,945,441.71	
Total net value	89,826,543.92	

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (Continued)

(2) Other receivable (Continued)

① Other receivables analysed by aging (Continued)

	31 December 2017	
Age	Amount	Percentage (%)
Within 1 year	21,435,856.63	24.66
1-2 years	33,522,338.39	38.57
2-3 years	17,049,684.73	19.61
Over 3 years	14,914,969.35	17.16
Total original value	86,922,849.10	100.00
Less: bad debt provisions	1,945,441.71	
Total net value	84,977,407.39	

② Other receivables disclosed by nature of payment

Item	30 June 2018	31 December 2017
Margin	**69,969,957.00**	67,977,644.42
Contingency provision	**3,593,137.31**	2,778,407.22
Current accounts and others	**18,208,891.32**	16,166,797.46
Total	**91,771,985.63**	86,922,849.10

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Inventory

(1) Inventory category

	30 June 2018			31 December 2017		
Inventory type	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Cost of contract performance	479,061,899.63	–	479,061,899.63	282,102,524.42	–	282,102,524.42
Finished products	32,252,298.66	22,262,114.19	9,990,184.47	32,613,214.28	22,262,114.19	10,351,100.09
Total	511,314,198.29	22,262,114.19	489,052,084.10	314,715,738.70	22,262,114.19	292,453,624.51

(2) Provision for impairment of inventories

		Additions during the period		Reductions during the period		
Inventory type	2018.1.1	Provisions	Others	Recoveries or reversals	Others	30 June 2018
Finished goods	22,262,114.19	–	–	–	–	22,262,114.19

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Contractual assets

	30 June 2018	
Age	**Amount**	**Percentage (%)**
0-6 months	**152,756,522.10**	**79.19**
6 months – 1 year	**18,961,318.36**	**9.83**
1-2 years	**10,605,520.19**	**5.50**
2-3 years	**3,580,487.56**	**1.85**
Above 3 years	**6,994,439.77**	**3.63**
Total original value	**192,898,287.98**	**100.00**
Less: bad debts provisions	**13,521,290.20**	
Total net value	**179,376,997.78**	

	31 December 2017	
Age	Amount	Percentage (%)
0-6 months	45,434,983.74	64.01
6 months – 1 year	6,178,354.44	8.71
1-2 years	9,908,030.40	13.96
2-3 years	8,262,719.53	11.64
Above 3 years	1,188,935.07	1.68
Total original value	70,973,023.18	100.00
Less: bad debts provisions	8,365,003.70	
Total net value	62,608,019.48	

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other current assets

Item	30 June 2018	31 December 2017
Overpaid or prepaid value-added tax	–	433,391.80
Input value-added tax to be deducted	7,814,090.12	511,434.54
Prepaid income tax	67,278.34	–
Total	7,881,368.46	944,826.34

8. Long-term equity investments

		Increase/decrease during the period									
Investee	1 January 2018	Increase in investment	Decrease in investment	Investment gain or loss recognised under equity method	Adjustment to other comprehensive income	Change in other equity	Cash dividend or profit declared	Provision for impairment	Others	30 June 2018	Closing balance of impairment provisions
Associates											
Beijing Certificate Authority Co., Ltd	143,095,708.08	–	–	6,347,827.68	–	–	–	–	–	143,147,011.56	–
Beijing Culture and Sports Technology Co., Ltd. (北京文化體育科技有限公司)	2,945,452.60	–	–	-9,170.05	–	–	6,296,524.20	–	–	2,936,282.55	–
Chongqing Hongxin Haoyu Network Technology Co., Ltd. (重慶宏信瀚宇網絡技術有限公司)	3,862,753.24	–	–	–	–	–	–	–	–	3,862,753.24	3,862,753.24
Total	149,903,913.92	–	–	6,338,657.63	–	–	6,296,524.20	–	–	149,946,047.35	3,862,753.24

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other equity instrument investments

Item	**Fair value as at 30 June 2018**	Fair value at 31 December 2017
Financial assets designated to be measured at fair value through other comprehensive income	**971,326.53**	971,326.53

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Investment properties

Item	Buildings
I. Original book value	
1. Balance as at 1 January 2018	74,320,626.80
2. Increment for the period	–
(1) Purchase	–
(2) Transferred from fixed assets	–
(3) Increase from business combinations	–
3. Decrement for the Period	–
(1) Disposal	–
(2) Other transfer	–
4. Balance as at 30 June 2018	74,320,626.80
II. Accumulated depreciation and accumulated amortization	
1. Balance as at 1 January 2018	32,810,366.52
2. Increment for the period	1,886,830.02
(1) Provision or amortization	1,886,830.02
(2) Increase from business combinations	–
(3) Other increment	–
3. Decrement for the period	–
(1) Disposal	–
(2) Other transfer	–
4. Balance as at 30 June 2018	34,697,196.54
III. Provision for impairment	
1. Balance as at 1 January 2018	–
2. Increment for the period	–
(1) Provision	–
(2) Other increment	–
3. Decrement for the period	–
(1) Disposal	–
(2) Other transfer	–
4. Balance as at 30 June 2018	–
IV. Book value	
1. Book value as at 30 June 2018	39,623,430.26
2. Book value as at 1 January 2018	41,510,260.28

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Investment properties (Continued)

Note:

Details of certificate of title to be obtained

Item	Carrying amount	Reason for no certificate of title
Digital Beijing Building	39,623,430.26	Yet to be obtained

The above investment properties depreciation is calculated on the straight-line basis at an annual rate of 5%.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed assets

Item	Machinery & equipment	Transporting equipment	Others	Total
I. Original book value				
1. Balance as at 1 January 2018	522,424,700.66	510,085.57	3,548,630.25	526,483,416.48
2. Increment for the period	9,271,128.28	–	45,639.12	9,316,767.40
(1) Purchase	9,271,128.28	–	45,639.12	9,316,767.40
(2) Transferred from construction in progress	–	–	–	–
3. Decrement for the period	1,415,724.35	–	17,845.28	1,433,569.63
(1) Disposal or write-off	1,415,724.35	–	17,845.28	1,433,569.63
(2) Other decrement	–	–	–	–
4. Balance as at 30 June 2018	530,280,104.59	510,085.57	3,576,424.09	534,366,614.25
II. Accumulated depreciation	–			
1. Balance as at 1 January 2018	433,427,325.76	510,085.57	1,942,453.66	435,879,864.99
2. Increment for the period	23,631,146.42	–	395,920.98	24,027,067.40
(1) Provision	23,631,146.42	–	395,920.98	24,027,067.40
(2) Other increment	–	–	–	–
3. Decrement for the period	1,414,869.65	–	17,200.99	1,432,070.64
(1) Disposal or write-off	1,414,869.65	–	17,200.99	1,432,070.64
(2) Other decrement	–	–	–	–
4. Balance as at 30 June 2018	455,643,602.53	510,085.57	2,321,173.65	458,474,861.75
III. Provision for impairment				
1. Balance as at 1 January 2018	–	–	–	–
2. Increment for the period	–	–	–	–
(1) Provision	–	–	–	–
(2) Other increment	–	–	–	–
3. Decrement for the period	–	–	–	–
(1) Disposal or write-off	–	–	–	–
(2) Other decrement	–	–	–	–
4. Balance as at 30 June 2018	–	–	–	–
IV. Book value				
1. Book value as at 30 June 2018	74,636,502.06	–	1,255,250.44	75,891,752.50
2. Book value as at 1 January 2018	88,997,374.90	–	1,606,176.59	90,603,551.49

Note: The Group has no fixed assets which have been pledged or secured during the period.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Intangible assets

Items	Software	Customer relationship	Total
I. Original book value			
1. Balance as at 1 January 2018	156,947,861.83	2,328,003.18	159,275,865.01
2. Increment for the period	448,273.49	–	448,273.49
(1) Purchase	448,273.49	–	448,273.49
(2) Internal R & D	–	–	–
(3) Increase from business combination	–	–	–
(4) Transferred from construction in progress	–	–	–
3. Decrement for the period	–	–	–
(1) Disposal	–	–	–
(2) Other decrement	–	–	–
4. Balance as at 30 June 2018	157,396,135.32	2,328,003.18	159,724,138.50
II. Accumulated amortization			
1. Balance as at 1 January 2018	123,179,226.85	2,328,003.18	125,507,230.03
2. Increment for the period	7,322,845.28	–	7,322,845.28
(1) Provision	7,322,845.28	–	7,322,845.28
(2) Other increment	–	–	–
3. Decrement for the period	–	–	–
(1) Disposal	–	–	–
(2) Other decrement	–	–	–
4. Balance as at 30 June 2018	130,502,072.13	2,328,003.18	132,830,075.31
III. Provision for impairment	–		
1. Balance as at 1 January 2018	–	–	–
2. Increment for the period	–	–	–
(1) Provision	–	–	–
(2) Other increment	–	–	–
3. Decrement for the period	–	–	–
(1) Disposal	–	–	–
(2) Other decrement	–	–	–
4. Balance as at 30 June 2018	–	–	–
IV. Book value	–		
1. Book value as at 30 June 2018	26,894,063.19	–	26,894,063.19
2. Book value as at 1 January 2018	33,768,634.98	–	33,768,634.98

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Bills payable and Accounts Payables

Item	30 June 2018	31 December 2017
Accounts Payables	**136,376,063.85**	154,040,442.83

(1) Accounts Payables disclosed by category

Item	30 June 2018	31 December 2017
Payment for goods	**136,376,063.85**	154,040,442.83

(2) Accounts Payables disclosed by aging

Items	30 June 2018	31 December 2017
Within 1 year	**91,281,015.00**	114,733,159.15
1-2 years	**11,672,974.84**	9,145,007.85
2-3 years	**9,182,861.84**	7,695,794.82
Over 3 years	**24,239,212.17**	22,466,481.01
Total	**136,376,063.85**	154,040,442.83

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Contractual liabilities

Item	30 June 2018	31 December 2017
Payment for goods	**644,268,007.25**	468,985,671.80

15. Other payables

Items	30 June 2018	31 December 2017
Dividend payables	**36,226,076.14**	–
Other payables	**192,953,904.10**	151,088,777.63
Total	**229,179,980.24**	151,088,777.63

(1) Dividend payables

Items	30 June 2018	31 December 2017
Dividends for ordinary shares	**36,226,076.14**	–

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Other payables (Continued)

(2) Other payables

Items	30 June 2018	31 December 2017
Margin and deposits, quality guarantee deposit	**4,753,201.99**	7,429,415.89
Current account	**33,302,737.66**	22,372,591.30
Project bills payable	**154,357,485.12**	121,137,750.74
Other	**540,479.33**	149,019.70
Total	**192,953,904.10**	151,088,777.63

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Share capital (unit: ten thousand shares)

		Increment/Decrement (+, -)					
Item	1 January 2018	New shares issued	Stock dividend	Reserve to shares	Others	Sub total	30 June 2018
Total shares	289,808.61	–	–	–	–	–	289,808.61

17. Capital reserve

Items	1 January 2018	Increase for the period	Decrease for the Period	30 June 2018
Share capital premium	253,785,082.20	–	–	253,785,082.20
Other capital reserves	37,885,584.20	–	–	37,885,584.20
Total	291,670,666.40	–	–	291,670,666.40

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Undistributed profits

Items	January to June 2018	January to December 2017
Undistributed profits at end of last period before adjustment	**363,118,724.87**	360,642,012.74
Adjustment for undistributed profits at beginning of period ("+" for plus; "-"for less)	**-41,431,569.36**	-37,591,741.88
Undistributed profits at beginning of period after adjustment	**321,687,155.51**	323,050,270.86
Plus: Net profit attributable to shareholders during the period	**25,077,164.31**	81,130,475.64
Less: Withdrawal of statutory surplus reserves	**–**	9,455,534.48
Withdrawal of discretionary surplus reserve	**–**	–
Withdrawal of general risk reserves	**–**	–
Dividend payable on ordinary shares	**36,226,076.14**	31,606,487.15
Dividends payable to other equity holders	**–**	–
Ordinary shares dividends transferred to share capital	**–**	–
Undistributed profits at end of period	**310,538,243.68**	363,118,724.87

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Undistributed profits (Continued)

Notes:

The breakdown of adjustment for undistributed profits at the beginning of the period:

Due to the retrospective adjustment based on the "Accounting Standards for Business Enterprises" and its related new regulations, affected undistributed profit at the beginning of the period was RMB-41,431,569.36.

Please refer to Note III.3 for the impact of the above retrospective adjustment on the undistributed profit at the beginning of the period.

According to the requirements of the Company's Articles of Association, available-for-distribution profits for the Company's shareholders refer to amounts in the statements prepared in accordance with the Chinese Accounting Standards and Regulations.

19. Operating income

Items	January to June 2018	January to June 2017
Main businesses	**355,393,340.75**	324,496,541.85
Other businesses	**7,045,597.05**	6,684,098.92

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Operating income (Continued)

(1) Main businesses (sub-businesses)

Name of business	January to June 2018	January to June 2017
Software development and sales	**8,177,056.15**	34,235,056.72
Operation and maintenance service	**292,757,448.64**	200,221,257.37
System integration service	**53,956,752.94**	88,663,732.55
Consulting service	**502,083.02**	1,376,495.21
Total	**355,393,340.75**	324,496,541.85

(2) Other businesses (sub-businesses)

Name of business	January to June 2018	January to June 2017
Rental income from investment property	**7,045,597.05**	6,684,098.92

(3) Timing of revenue recognition

Revenue recognition method	January to June 2018
At a certain point of time	62,133,809.09
Over a period of time	300,305,128.71
Total	362,438,937.80

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Income tax expense

Items	January to June 2018	January to June 2017
The current income tax calculated in accordance with the tax law and relevant provisions	**12,918,409.96**	933,637.30
Deferred income tax expense	**-10,894,173.09**	-2,293,426.27
Total	**2,024,236.87**	-1,359,788.97

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

During the current period, two subsidiaries were newly established, namely Capinfo Medical United and Capinfo Cloud Technology.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT

The main financial instruments of the Group include monetary fund, held-for-trading financial assets, bills receivable and accounts receivable, other receivables, non-current assets due within one year, other equity instruments, bills payable and accounts payable, other payables, non-current liabilities due within one year. Details of each financial instrument have been disclosed in the relevant notes to the financial statements. The risks in connection with these financial instruments and the risk management policies adopted by the Group to mitigate such risks are described as follows. The management manages and monitors the risk exposure to ensure to control the above risks within limited extent.

1. Goal and policies of risk management

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular or ad hoc reviews of internal control system to check whether such system is compliant with the risk management policies.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

The Group has exposure to the following risks from its use of financial instruments, namely credit risk, liquidity risk and market risk (including interest rate risk and exchange risk).

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyse the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of credit risk, liquidity risk and market risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the risk management committee in accordance with the policies approved by the board. Risk management committee identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures, and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio, and develops risk management policies accordingly to mitigate the risk of over-concentration on any single industry, particular region or particular counterparties.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(1) Credit risk

Credit risk is the risk that one counterparty will cause a financial loss for the Group by failing to discharge an obligation.

The Group manages credit risk by collective classification. Credit risk is mainly attributable to cash at bank and receivables.

The bank deposit of the Group is mainly held with well-known financial institutions with high credit ratings. The counterparties of the Group's bank deposits are placed in the well-established banks with high credit ratings. The management does not foresee any significant credit risk from these deposits.

In respect of receivables, the Group has established a credit policy to control credit risk exposure. Based on the debtors' financial position, the external ratings of the customers, their possibility of acquiring guarantee from third parties, their credit record and other factors (e.g. existing market conditions), the Group assesses the credit quality of its debtors, and sets up the outstanding limits and credit terms accordingly. The Group has adopted policies to cooperate with the counterparties with good credit record, and obtain full collateral, if necessary, to relieve the risk of financial loss arising from default of these counterparties. The Group will monitor the credit record of its customers, and ensure the overall credit risk of the Group within controllable extent by issuing written collection notice, reducing credit terms or cancelling credit terms for the debtors with poor credit records.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(1) Credit risk (Continued)

The Group's accounts receivable debtors are the customers distributed in different industries and regions. The Group will continually conduct credit assessment on the financial position of the accounts receivable, and secure credit guarantee insurance as appropriate.

The maximum credit risk exposure to the Group is the carrying amount of each financial asset presented in the balance sheet. The Group does not provide any other guarantee that may enable the Group to assume credit risk. Among the accounts receivable of the Group, the accounts receivable attributable to the top five customers account for 36.77% of the Group's total accounts receivable. Other receivables attributable to the top five companies account for 37.78% of the Group's total other receivables.

(2) Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

In managing liquidity risk, the Group ensures to monitor the cash and cash equivalent the management considered as sufficient, in order to meet the Group's needs for operation, and lower the effects from fluctuation of cash flow. The management monitors the usage of bank borrowings, and ensures compliance with the borrowing agreements. At the same time, the Group secures adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(2) Liquidity risk (Continued)

The financial liabilities and off balance sheet guarantee held by the Group at end of period are analysed at terms of the remaining undiscounted contractual cash flows as follows (expressed in RMB10,000):

Item	Within 1 year	More than 1 year	Total undiscounted cash flows	Total
Financial liabilities:				
Accounts payable	10,842.72	2,794.89	13,637.61	13,637.61
Employee benefits payable	3,459.24	–	3,459.24	3,459.24
Other payables	14,496.64	4,798.75	19,295.39	19,295.39
Non-current liabilities due within one year	4,599.71	–	4,599.71	4,599.71
Total financial liabilities and contingent liabilities	24,721.09	16,270.85	40,991.94	40,991.94

(3) Market risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes interest rate risk, exchange risk and other price risk.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(3) Market risk (Continued)

Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of financial asset or future cash flow arising from changes in market interest rate. Interest rate may arise in the recognised interest-bearing financial instruments and unrecognised financial instruments (e.g. some loan commitments).

The Group's interest rate risk is mainly attributable to bank deposits. The Group closely monitors the interest rate risk due to the effect of changes in interest rate. At present, the Group does not adopt any interest rate hedging policies. However, the management is responsible for monitoring interest rate risk, and considers hedging significant interest rate risk as necessary. Since the term deposits are short-term deposits, so the interest rate risk for the fair value of these bank deposits is not significant.

As at 30 June 2018, it is estimated that a general increase or decrease of 10 basis points in interest rates, if floating, with all other variables held constant, would decrease or increase the Group's net profit and shareholders' equity by RMB1,600.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(3) Market risk (Continued)

Interest rate risk (Continued)

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in foreign currencies other than the functional currency.

The exchange rate risk is mainly the effect of the fluctuation of the foreign exchange rate on the Group's financial position and cash flow. Except that the subsidiaries established in Hong Kong hold monetary fund in Hong Kong dollars as the settlement currency, the proportion of assets and liabilities held by the Group in foreign currency to total assets and liabilities is not significant. Therefore, the Group believes that its exposure to exchange rate risks is not significant.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(3) Market risk (Continued)

Exchange rate risk (Continued)

The Group monitors closely the impact of changes in exchange rate on the exchange rate risks the Group is exposed to. The Group currently does not take any measure to avoid exchange rate risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

As at 30 June 2018, for the Group's monetary fund denominated in foreign currencies, assuming that the RMB appreciates or depreciates against foreign currencies (mainly for the US dollar, Hong Kong dollar) by 10%, while other factors remain unchanged, both shareholders' equity and net profit of the Group will increase or decrease by approximately RMB5,980,000.

Other Price Risks

Other price risks refer to the risks of fluctuations due to change of market prices other than the exchange rate risk and the interest rate risk, no matter whether the change is caused by the factors related to individual financial instruments or their issuers, or by the factors related to all similar financial instruments the transactions of which are carried out in the market. Other price risks may arise from changes in commodity prices or equity instruments prices.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

1. Goal and policies of risk management (Continued)

(3) Market risk (Continued)

Other Price Risks (Continued)

Investments held by the Group classified as other equity instruments and held-for-trading financial assets are measured at fair value at the balance sheet date. Therefore, the Group is exposed to risks of changes in the securities market.

The Group closely monitors the impact of price changes on price risk of the Group's equity securities investment. The Group has not taken any measures to avoid other price risks. However, the management is responsible for monitoring other price risks and will consider reducing the price risk of equity investment by adopting a combination of multiple equity securities when needed.

With all other variables held constant, the net impact of 1% change in the expected yield of bank wealth management and structural deposits in the Group's held-tor-trading assets on the current profit and loss of the Group was approximately ±RMB310,000.

2. Capital Management

The goal of the Group's capital management policy is to ensure that the Group has the ability to continue its operations so as to provide returns to shareholders and benefit other stakeholders while maintaining the optimal capital structure to reduce the cost of capital.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENT (CONTINUED)

2. Capital Management (Continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce debts.

The Group monitors the capital structure based on the gearing ratio (i.e. total liabilities divided by total assets). As at 30 June 2018, the Group's gearing ratio was 53.50%.

IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

IX. FAIR VALUE (CONTINUED)

(1) Items and amounts measured at fair value

As at 30 June 2018, assets and liabilities measured at fair value are listed as follows based on the three hierarchies set out above:

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuing fair value measurement				
(I) Financial assets designated to be measured at fair value through profit or loss				
(1) Debt instruments investment		190,000,000.00		190,000,000.00
(2) Equity instruments investment				
The fair value of the C-2 Stock received due to deemed disposal of the equity interest in PayEase			–	–
(II) Financial assets measured at fair value through other comprehensive income				
(1) Equity instruments investment				
Fair value of equity of Capinfo Soft Co., Ltd.			971,326.53	971,326.53
Total assets subject to continuing fair value measurement		190,000,000.00	971,326.53	190,971,326.53
Contingent consideration for merger and acquisition of Rito Info not under common control			45,446,788.72	45,446,788.72
Total liabilities subject to continuing fair value measurement			45,446,788.72	45,446,788.72

IX. FAIR VALUE (CONTINUED)

(2) Valuation method for fair value measurement of financial assets measured at fair value through profit or loss.

1 referring to the price quotation from a bank in the PRC, which is determined with reference to the prices quote of debentures, asset management plans and reverse purchases, and interest rates of interbank borrowing managed by the bank in the PRC.

2 referring to the price quotation from an independent fund company, which is determined with reference to the interest rates of bank deposits and fixed income products, and price quote of a private equity fund managed by the independent fund company.

IX. FAIR VALUE (CONTINUED)

(3) The quantitative information of important unobservable input used in the Level 3 fair value measurement

Items	Closing fair value	Valuation techniques	Unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
The fair value of the C-2 Stock received due to the deemed disposal of equity interest in PayEase	–	Market approach; Black-Scholes option pricing mode	Revenue multiplier of 8.40 times (2016: 7.12 times); Discount rate of 6.00% (2016: 25.00%) for lack of marketability; Volatility of 18.00% (2016: 24.89%); Risk free rate of 1.90% (2016: 1.45%)	The higher the multiplier, the higher the fair value, and vice versa; the higher the discount rate, the lower the fair value, and vice versa; the higher the volatility, the higher the fair value, and vice versa; the higher the risk free rate, the higher the fair value, and vice versa
Contingent consideration for merger and acquisition of Rito Info not under common control	45,446,788.72	Discounted cash flow approach	Projected profit after tax of Rito Info for the year ended 31 December 2016 of RMB31,317,000; Discount rate of 12.50%	The higher the projected profit after tax, the higher the fair value, and vice versa; the higher the discount rate, the lower the fair value, and vice versa
Fair value of equity of Capinfo Soft Co., Ltd.	971,326.53			

Note: For fair value of equity of Capinfo Soft Co., Ltd., as there is inadequate recent information to determine fair value, cost represents the best estimate of fair value.

IX. FAIR VALUE (CONTINUED)

(4) Table of reconciliation of fair value measurements categorized into level 3 of the fair value hierarchy

Amount for the current period	Opening balance	Transfer into level 3	Transfer out from level 3	Total profit or loss for the current period		Purchase, issuance, sale and settlement				Closing balances	Assets held at the end of the reporting period are included in profit or loss as changes in gain or loss that are not realized in the period
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
The fair value of the C-2 Stock received due to deemed disposal of the equity interest in PayEase	-	-	-	-	-	-	-	-	-	-	-
Fair value of equity of Capinfo Soft Co., Ltd	971,326.53	-	-	-	-	-	-	-	-	971,326.53	-
Contingent consideration for merger and acquisition of Rito Info not under common control	45,446,788.72	-	-	-	-	-	-	-	-	45,446,788.72	-

Notes: 1. The Group holds 2,771,484.00 C-2 shares in Mozido. DTZ issued a report No. F16-000363. The fair value of C-2 shares as of 31 December 2017 recognized based on Market Approach and Black-Scholes-Merton Option Pricing Model is RMB0.

2. As of 30 June 2018, due to the short interval from assessment and review time of the matter during the 2017 annual audit, and no significant change in major assumptions and estimates at the time of assessment, we believe that there was no significant change in the fair value of equity of Capinfo Soft Co., Ltd. compared with 31 December 2017.

3. Since the performance evaluation period of Rito Info was from 1 January 2014 to 31 December 2016, the contingent consideration for the merger and acquisition of Rito Info not under common control was determined in 2016. There is no change during the current period.

X. RELATED PARTIES AND CONNECTED TRANSACTIONS

1. Information on the parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Parent company's shareholding percentage to the Company %	Parent company's percentage of voting rights to the Company %
Beijing State-owned Assets Management Corporation Limited (hereinafter referred to as BSAM)	Beijing	Investment Management	1,000,000.00	63.31	63.31

The ultimate controlling party of the Company is: the People's Government of Beijing Municipality.

2. Information on the joint ventures and affiliates of the Group

Set out below are other joint ventures or affiliates which were involved in connected transactions with the Group during the period, or for which balances were formed due to their involvement in connected transactions with the Group during previous periods:

Name of joint ventures or affiliates	Relationship with the Group
Beijing Certificate Authority Co., Ltd. (hereinafter referred to as BJCA, BJCA and its subsidiaries)	affiliate
Beijing Culture & Sports Technology Co., Ltd. (hereinafter referred to as BST)	affiliate

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

3. Information on other related parties of the Group

Name of related parties	Relations with the Group
Beijing Aiyuhua Hospital for Children and Women Co., Ltd. (hereinafter referred to as Aiyuhua Company	The same ultimate controlling party
Beijing Anxintianxing Science Co., Ltd. (hereinafter referred to as Anxintianxing, BJCA and its subsidiaries)	A subsidiary of BJCA, which is an affiliate of the Company
China Beijing Equity Exchange Limited (hereinafter referred to as Beijing Equity Exchange)	The same ultimate controlling party
Beijing Chenghejing Investment Co., Ltd. (hereinafter referred to as Chenghejing Investment)	The same ultimate controlling party
Beijing Chenghejing Elderly Caring Service Co., Ltd. (hereinafter referred to as Chenghejing Elderly Caring)	The same ultimate controlling party
Beijing Industrial Development Investment Management Co., Ltd. (hereinafter referred to as Industrial Development)	The same ultimate controlling party
Beijing Huayu Energy Technology Holdings Co., Ltd. (hereinafter referred to as Beijing Huayu Energy Technology)	The same ultimate controlling party
Beijing Huimin Traditional Chinese Medicine Children's Hospital Co., Ltd. (hereinafter referred to as Huimin Chinese Medicine Children's Hospital)	The same ultimate controlling party
Beijing IC Design Park Co., Ltd. (hereinafter referred to as BIDP)	The same ultimate controlling party
Beijing QYT Pay Sci-tech Co., Ltd. (hereinafter referred to as QYT Pay)	The same ultimate controlling party

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

3. Information on other related parties of the Group (Continued)

Name of related parties	Relations with the Group
Beijing Petroleum Exchange (hereinafter referred to as Beijing Petroleum Exchange)	The same ultimate controlling party
Beijing Urban Drainage Monitoring Station Co., Ltd. (hereinafter referred to as Beijing Drainage Monitoring Station)	The same ultimate controlling party
Capnet Company Limited (hereinafter referred to as Capnet)	The same ultimate controlling party
Beijing Culture and Sports Technology Co., Ltd. (hereinafter referred to as Beijing Sports Technology)	The same ultimate controlling party
Beijing Xinlongfu Property Management Co., Ltd. (北京新隆福物業管理有限公司) (hereinafter referred to as Xinlongfu Property)	The same ultimate controlling party
Beijing SME Credit Re-guarantee Co., Ltd. (hereinafter referred to as Beijing SME Credit Re-guarantee)	The same ultimate controlling party
National Sport Stadium Co., Ltd. (hereinafter referred to as National Stadium)	The same ultimate controlling party
Capital Healthcare Industry Group Co., Ltd. (hereinafter referred to as Capital Medical Health Industry)	The same ultimate controlling party
Beijing Yingzhi Rehabilitation Hospital Co., Ltd. (hereinafter referred to as Yingzhi Rehabilitation Hospital)	The same ultimate controlling party

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

4. Information on connected transactions

(1) Connected purchases and sales

1 Purchase of goods and receipt of labor service

Related parties	Subjects of connected transactions	January to June 2018 (RMB ten thousand)	January to June 2017 (RMB ten thousand)
BJCA	Software development and provision of related technical services to the Company	–	46.50
Xinlongfu Property	Rent	14.52	–
Xinlongfu Property	Margin for renovation of Longfu Building	30.00	–
Xinlongfu Property	Fees for property management	119.04	–

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

4. Information on connected transactions (Continued)

(1) Connected purchases and sales (Continued)

2 Sale of goods and provision of labor service

Related parties	Subjects of connected transactions	**January to June 2018 (RMB10,000)**	January to June 2017 (RMB10,000)
Capnet	Purchase of network security system and service	–	533.00
BJCA	Sales of goods and provision of labour services	**147.96**	15.70
BSAM	Provision of information technology and operation and maintenance service	–	14.20
Aiyuhua Company	Provision of information technology and operation and maintenance service	**8.49**	

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

4. Information on connected transactions (Continued)

(2) Other connected transactions

A. Leasing

Lessor	Subjects of connected transactions	Method of pricing and procedure for decision making in respect of connected transactions	January to June 2018 (RMB10,000)	January to June 2017 (RMB10,000)
BIDP	Leasing of office	Based on prevailing market price	**581.48**	533.50

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

4. Information on connected transactions (Continued)

(2) Other connected transactions (Continued)

B. Joint research and development

On 28 July 2017, the Company entered into a project cooperation agreement with BJCA, Anxintianxing and six other independent third parties. The Company agreed that BJCA shall act as the leading party while the Company, Anxintianxing and other six independent third parties as the participants, to jointly cooperate on the project of "key technology for service certification and certification based on domestic cryptographic algorithms". The project will complete the research and development of five topics, among which the Company will participate in the research and development of three under the cooperation project. This project received a total of RMB21,860,000.00 from the central government budget, and the self-raised research funding of RMB10,000,000.00 from BJCA, RMB12,000,000 from the Company and RMB1,000,000.00 from one of the independent project participants and RMB2,000,000.00 from Anxintianxing. During the implementation of the project, all parties shall take timely measures of intellectual property protection in regard to scientific and technological achievements, and shall determine their ownership in accordance with the relevant provisions of the National Science and Technology Plan for Intellectual Property Management. Regardless of the exclusive or shared intellectual property rights, the parties to the project shall have priority in the assignment under the same conditions. In 2017, the Company actually received a grant of RMB1,389,700.00 from the central government budget. In the first half of 2018, a grant of RMB500,000.00 was received.

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

4. Information on connected transactions (Continued)

(3) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management personnel during the six months ended 30 June 2018 was approximately RMB1,688,740.08 (six months ended 30 June 2017: approximately RMB2,372,000).

The retirement benefits paid or payable by the Group to directors of the Company and other members of key management personnel during the six months ended 30 June 2018 was approximately RMB158,127.12 (six months ended 30 June 2017: approximately RMB285,000).

(4) Loans to directors, legal entities controlled by these directors or entities connected to these directors

As at 30 June 2018 and 2017, the Company did not provide loans to directors, legal entities controlled by these directors, or entities connected to such directors.

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

5. Amounts receivable from and payable to related parties

(1) Amounts receivable from related parties

		30 June 2018		31 December 2017	
Names of subjects	Related parties	Balance in the account	Provision for bad debts	Balance in the account	Provision for bad debts
Accounts receivable	Aiyuhua Company	8,893,389.16	6,156,473.75	8,893,389.16	1,841,128.21
Accounts receivable	Capnet	2,500,000.00	–	5,000,000.00	187,500.00
Accounts receivable	Industrial Development	–	–	12,843.60	12,843.60
Accounts receivable	BSAM	–	–	10,328.40	10,328.40
Accounts receivable	Beijing Petroleum Exchange	–	–	90,000.00	–
Accounts receivable	Beijing Equity Exchange	–	–	466,748.58	–
Accounts receivable	Anxintianxing	–	–	943,550.40	–
Accounts receivable	Chenghejing Investment	–	–	543,912.60	–
Accounts receivable	QYT Pay	–	–	113,850.00	–
Accounts receivable	National Sport Stadium	–	–	35,000.00	–
Accounts receivable	Yingzhi Recovery Hospital	46,500.00	11,625.00	46,500.00	–
Other receivables	Capnet	8,843,690.35	–	8,239,796.06	–
Other receivables	Culture and Sports	–	–	190,780.86	–
Other receivables	Beijing Sports Technology	–	–	500.93	–
Other receivables	BSAM	–	–	100,000.00	–
Other receivables	BIDP	2,853,972.00	–	2,853,972.00	–
Other receivables	Beijing Equity Exchange	–	–	5,798.13	–
Other receivables	Aiyuhua Company	1,689,338.92	–	1,689,338.92	–
Other receivables	Xinlongfu Property	300,000.00	–	–	–
Amount paid in advance	BJCA	346,250.00	–	322,800.00	–
Amount paid in advance	Anxintianxing	11,126,574.00	–	–	–
Amount paid in advance	Aiyuhua Company	609,601.12	–	609,601.12	–

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (CONTINUED)

5. Amounts receivable from and payable to related parties (Continued)

(2) Amounts payable to related parties

Names of Items	Related parties	30 June 2018	31 December 2017
Amount payables	BJCA	**790,510.00**	790,510.00
Amount payables	BIDP	–	695,865.55
Amount payables	Capnet	**129,600.00**	215,442.09
Amount payables	Anxintianxing	**1,401,390.00**	2,888,390.00
Other payables	Beijing Petroleum Exchange	–	9,341.51
Other payables	Culture and Sports	–	2,240.00
Other payables	Capnet	**2,408,144.43**	1,750,157.62
Other payables	BSAM	**12,000,000.00**	33,728.16
Amount collected in advance	Anxintianxing	–	103,512.40
Amount collected in advance	Huimin Traditional Chinese Medicine Children's Hospital	–	4,245.28
Amount collected in advance	Industrial Development	–	77,185.85
Amount collected in advance	Beijing SME Credit Re-guarantee	–	25,801.89
Amount collected in advance	Beijing Huayu Energy Technology	–	8,553.46
Amount collected in advance	Beijing Urban Drainage Monitoring	–	6,301.89
Amount collected in advance	National Sport Stadium	–	5,189.69
Amount collected in advance	Chenghejing Elderly Caring	–	17,075.47
Amount collected in advance	Capital Healthcare Industry	–	96,070.95
Amount collected in advance	Aiyuhua Company	**32,000.00**	86,792.45
Amount collected in advance	BIDP	–	18,762.26

XI. COMMITMENTS AND CONTINGENCIES

1. Principal commitments

(1) Capital commitments

Capital commitments contracted but not yet confirmed in the financial statements	30 June 2018	31 December 2017
Commitment to acquisition and construction of long-term assets		
– Contracted but not executed	**11,975,659.29**	9,320,318.82
– Authorized but not contracted	**71,349,164.50**	57,900,200.94
Total	**83,324,823.79**	67,220,519.76

(2) Operating lease commitments

As of the balance sheet date, the irrevocable operating lease contracts signed by the Company are summarized as follows:

Minimum lease payments under irrevocable operating leases	30 June 2018	31 December 2017
1 year after the balance sheet date	**31,172,989.04**	21,196,304.89
2-5 years after the balance sheet date	**28,752,497.28**	19,161,891.65
Total	**59,925,486.32**	40,358,196.54

XI. COMMITMENTS AND CONTINGENCIES

1. Principal commitments (Continued)

(3) Other commitments

As of 30 June 2018, the Group had no other discloseable commitments

2. Contingencies

As of 30 June 2018, the Group has no pending lawsuits, external guarantees and other contingencies that should be disclosed.

XII. EVENTS AFTER BALANCE SHEET DATE

The Company suspected that the former shareholders of an acquired company had committed contract fraud. In order to protect the interest of the Company's shareholders, the Company reported the case to the Haidian Branch of the Beijing Public Security Bureau on 5 June 2018. On 6 August 2018, the Company received the Case Filing Notice issued by the Haidian Branch of the Beijing Public Security Bureau. As of 24 August 2018, the case is in the stage of filing investigation.

As of 24 August 2018, the Group has no events after balance sheet date that should be disclosed.

XIII. OTHER SIGNIFICANT EVENTS

Save for events mentioned under Note XII. Events After Balance Sheet Date, the Group has no other significant events.

XIV. SUPPLEMENTARY INFORMATION

1. Earnings per share

(1) Basic earnings per share

Items	January to June 2018	January to June 2017
Consolidated net profit attributable to ordinary shareholders of the Company	**25,077,164.31**	19,557,976.23
Weighted average number of ordinary shares outstanding	**2,898,086,091**	2,898,086,091
Basic earnings per share	**0.0087**	0.0067
Incl: Basic earnings per share from continuing operations	**0.0087**	0.0067

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

XIV. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Earnings per share (Continued)

(2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive shares during the period.

Note: From 30 June 2018 to the date of approval of the financial report, there was no change in the number of ordinary shares outstanding of the Company.

2. Dividend

During current interim period, the Company approved a final dividend of RMB1.25 cents per share for the year ended 31 December 2017 (before tax) at the annual general meeting convened on 19 June 2018. Final dividends approved during the current interim period amounted to RMB36,226,076.14 (final dividend for 2016 approved during the six months ended 30 June 2017: RMB1.09 cents per share (before tax), totaling RMB31,589,000.00).

Capinfo Company Limited

24 August 2018

DEFINITION

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/the Company	Capinfo Company Limited
Capinfo Hong Kong	Capinfo (Hong Kong) Co., Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.
Rito Info	Rito Info Technology Co., Ltd.
BST	Beijing Culture & Sports Technology Co., Ltd.
BJCA	Beijing Certificate Authority Co., Ltd.
Beijing Anxintianxing	Beijing Anxintianxing Science. Co., Ltd.* (北京安信天行科技有限公司)
BSAM	Beijing State-owned Assets Management Co., Ltd.
Capnet	Capnet Company Limited
BIDP	Beijing IC Design Park Co., Ltd.
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Grant Thornton	Grant Thornton LLP (special general partnership)
Companies Law	the Companies Law of the People's Republic of China
Articles of Association	the Articles of Association of Capinfo Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Securities and Futures Ordinance	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Stock Exchange	the Stock Exchange of Hong Kong Limited
IND	the independent non-executive directors
Reporting Period	the period 1 January 2018 to 30 June 2018

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