CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

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

(Stock Code: 1075)

ANNUAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Profit attributable to owners of the Company was RMB62.17 million, representing a decrease of 23.37% as compared with the same period of last year. Excluding the effect of goodwill impairment, net profit attributable to the owners of the Company was RMB104.88 million, representing an increase of 29.28% as compared with the same period of last year.
- Operating revenue increased by 12.22% to RMB1,131.51 million.
- Basic earnings per share decreased by 25% to RMB2.10 cents per share.
- The board of directors has recommended the payment of a final dividend of RMB0.97 cent per share (2017: RMB1.25 cents per share) totalling approximately RMB28.11 million for the year ended 31 December 2018, subject to approval by shareholders at the forthcoming annual general meeting.

The board of directors (the "**Board**") of Capinfo Company Limited (the "**Company**") is pleased to announce the consolidated financial results and financial position of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding period of 2017. These financial results and financial position have been audited by Grant Thornton (Special General Partnership), Certified Public Accountants, and reviewed by the Board and the audit committee of the Company.

CONSOLIDATED BALANCE SHEET

31 December 2018

Prepared by: Capinfo Company Limited *Unit: RMB*

Items	*Note*	**31 December 2018**	1 January 2018	31 December 2017
Current assets:				
Monetary fund		**652,513,182.08**	676,515,880.90	676,515,880.90
Held-for-trading financial assets		**–**	10,000,000.00	
Financial assets at fair value through profit or loss				–
Notes receivables and Trade receivables	*6*	**316,363,026.66**	223,685,172.12	310,931,313.68
Including: Notes receivables		**124,900.00**	281,000.00	281,000.00
Trade receivables		**316,238,126.66**	223,404,172.12	310,650,313.68
Prepayments		**65,450,220.03**	37,548,374.84	37,548,374.84
Other receivables		**93,208,484.60**	91,273,931.59	91,273,931.59
Including: Notes receivables		**–**	–	–
Dividend receivables		**–**	6,296,524.20	6,296,524.20
Inventories		**329,200,608.95**	277,785,092.98	95,562,424.08
Contractual assets	*7*	**43,290,594.31**	55,400,571.28	
Assets held for sales		**–**	–	–
Non-current assets due within one year		**2,010,148.40**	26,237,343.74	26,237,343.74
Other current assets		**202,917,235.27**	944,826.34	10,944,826.34
Total current assets		**1,704,953,500.30**	1,399,391,193.79	1,249,014,095.17

Items	*Note*	**31 December 2018**	1 January 2018	31 December 2017
Non-current assets:				
Debt investments		**–**	–	
Available-for-sale financial assets				971,326.53
Other debt investments		**–**	–	
Held-to-maturity investments				–
Long-term receivables		**–**	3,947,515.56	3,947,515.56
Long-term equity investments		**163,611,601.30**	146,041,160.68	146,041,160.68
Other equity instrument investments		**971,326.53**	971,326.53	
Other non-current financial assets		**–**	–	
Investment properties		**37,736,600.24**	41,510,260.28	41,510,260.28
Fixed assets		**69,183,061.72**	90,603,551.49	90,603,551.49
Construction in progress		**–**	–	–
Productive biological assets		**–**	–	–
Oil and gas assets		**–**	–	–
Intangible assets		**18,279,758.21**	33,768,634.98	33,768,634.98
Development expenditures		**12,572,850.26**	6,780,034.80	6,780,034.80
Goodwill	*8*	**135,260,623.29**	177,975,650.76	177,975,650.76
Long-term deferred expenses		**32,153,316.76**	42,749,741.57	42,749,741.57
Deferred income tax assets		**35,624,903.77**	24,011,655.72	24,421,326.12
Other non-current assets		**–**	–	–
Total non-current assets		**505,394,042.08**	568,359,532.37	568,769,202.77
Total assets		**2,210,347,542.38**	1,967,750,726.16	1,817,783,297.94
Current Liabilities:				
Short-term borrowings		**–**	–	–
Held-for-trading financial liabilities		**–**	–	–
Financial liabilities at fair value through profit or loss				–
Notes receivables and Trade receivables	*9*	**172,067,991.29**	154,040,442.83	154,040,442.83
Advances received		**–**	–	266,544,654.84
Contractual liabilities	*10*	**618,798,167.14**	469,365,377.45	
Payroll payables		**79,780,912.13**	69,169,720.93	69,169,720.93
Tax payables		**50,906,186.82**	48,507,732.42	48,507,732.42
Other payables		**192,267,065.79**	151,088,777.63	151,105,460.14
Incl: Interest payables		**–**	–	–
Dividend payables		**–**	–	–
Liabilities held for sale		**–**	–	–
Non-current liabilities due within one year		**48,155,773.77**	46,897,051.31	46,897,051.31
Other current liabilities		**–**	–	–
Total current liabilities		**1,161,976,096.94**	939,069,102.57	736,265,062.47

Items	Note	31 December 2018	1 January 2018	31 December 2017
Non-Current Liabilities:				
Long-term borrowings		**–**	–	–
Bonds payables		**–**	–	–
Long-term payables		**–**	–	–
Long-term payroll payables		**–**	–	–
Accrued liabilities		**–**	–	–
Deferred income		**7,235,650.32**	4,122,171.81	4,122,171.81
Deferred income tax liabilities		**–**	–	–
Other non-current liabilities		**–**	15,512,453.80	15,512,453.80
Total non-current liabilities		**7,235,650.32**	19,634,625.61	19,634,625.61
Total liabilities		**1,169,211,747.26**	958,703,728.18	755,899,688.08
Share capital		**289,808,609.10**	289,808,609.10	289,808,609.10
Other equity instruments		**–**	–	–
Including: Preferred shares		**–**	–	–
Perpetual debts		**–**	–	–
Capital reserves		**292,833,401.46**	291,670,666.40	291,670,666.40
Less: Treasury stock		**–**	–	–
Other comprehensive income		**-7,471,840.33**	-7,471,840.33	–
Special reserves		**–**	–	–
Surplus reserves		**90,317,493.60**	79,464,045.12	81,662,603.60
Unallocated profits	*11*	**341,047,586.92**	325,940,357.21	363,118,724.87
Total equity attributable to owners of the parent		**1,006,535,250.75**	979,411,837.50	1,026,260,603.97
Minority interests		**34,600,544.37**	29,635,160.48	35,623,005.89
Total shareholders' equity (or owners' equity)		**1,041,135,795.12**	1,009,046,997.98	1,061,883,609.86
Total liabilities and shareholders' equity (or owners' equity)		**2,210,347,542.38**	1,967,750,726.16	1,817,783,297.94

CONSOLIDATED INCOME STATEMENT

Year 2018

Prepared by: Capinfo Company Limited *Unit: RMB*

Items	*Notes*	**Amount for current period**	Amount for last period
I. Total operating income	*12*	**1,131,506,696.46**	1,008,306,555.42
Less: Operating costs	*12*	**743,277,531.58**	656,774,995.41
Business tax and surcharges		**7,022,105.56**	5,851,997.21
Selling expenses		**111,001,587.77**	95,144,287.24
Administrative expenses		**84,799,138.63**	67,908,711.22
R&D expenses		**67,005,350.77**	70,426,685.02
Financial expenses		**-4,908,714.13**	5,039,245.34
Incl: Interest expenses		**–**	5,233,377.44
Interest income		**1,314,784.99**	3,633,731.36
Impairment losses of assets		**42,715,027.47**	33,730,416.06
Impairment losses of credit		**32,775,663.61**	
Add: Other income		**3,299,986.15**	7,468,583.83
Investment gain (loss is marked by "-")		**29,326,370.66**	63,178,239.10
Incl: Gain from investment in associates and joint ventures		**22,704,229.76**	22,203,681.39
Net gains on hedging exposure (loss is marked by "-")		**–**	
Gain on changes in fair value (loss is marked by "-")		**–**	-3,564,709.74
Income from disposal of assets (loss is marked by "-")		**15,136.78**	29,236.21
II. Operating profit (loss is marked by "-")		**80,460,498.79**	140,541,567.32
Add: Non-operating income		**25,000.15**	8,312.65
Less: Non-operating expenses		**2,159,061.66**	563,052.17
III. Total profit (total loss is marked by "-")		**78,326,437.28**	139,986,827.80
Less: Income tax expenses	*13*	**11,191,725.26**	55,108,021.83
IV. Net profit (net loss is marked by "-")		**67,134,712.02**	84,878,805.97
(I) Items classified by continued operations			
Including: Net profit from continued operations (net loss is marked by "-")		**67,134,712.02**	84,878,805.97
Net profit from discontinued operation (net loss is marked by "-")			
(II) Items classified by attribution of ownership			
Including: Net profit attributable to owners of the parent (net loss is marked by "-")		**62,169,328.13**	81,130,475.64
Minority interests (net loss is marked by "-")		**4,965,383.89**	3,748,330.33

Items	*Notes*	**Amount for current period**	Amount for last period
V. Other comprehensive income after taxation		**–**	–
Other comprehensive income after taxation attributable to the owners of parent			
(I) Other comprehensive income not subject to reclassification to profit or loss		**–**	–
1. Changes in net indebtedness or net assets after remeasurement of defined benefit plans"			
2. Share in the other comprehensive income not to be reclassified into the profit or loss under the equity method			
3. Fair value changes of other equity instrument investments			
4. Fair value changes of credit risks			
5. Other			
(II) Other comprehensive income to be reclassified to profits and loss		**–**	–
1. Share in the other comprehensive income to be reclassified into the profit or loss under the equity method			
2. Fair value changes of other debt investments			
3. Profits or losses from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified into other comprehensive income			
5. Profits or losses from held-to-maturity investment reclassified as available-for-sale financial assets			
6. Provision for the credit impairment of other debt investments			
7. Effective portion of cash flow hedges(Effective part of profits or losses on cash flow hedge)			
8. Conversion difference of foreign currency statement			
9. The self-use real estate or the real estate that is in stock is converted into the investment real estate measured at fair value in which the portion of the fair value is greater than the book value on the conversion date			
10. If multiple transactions are used to process the shareholding of the subsidiaries into a basket of transaction, the difference between the transaction price of each transaction and the book value of the corresponding net assets before the loss of control			
11. Other			

Items	*Notes*	**Amount for current period**	Amount for last period
VI. Total comprehensive income		**67,134,712.02**	84,878,805.97
Total comprehensive income attributable to the owners of parent		**62,169,328.13**	81,130,475.64
Total comprehensive income attributable to the minority shareholders		**4,965,383.89**	3,748,330.33
VII. Earnings per share			
(I) Basic earnings per share	*14*	**0.021**	0.028
(II) Diluted earnings per share	*14*	**0.021**	0.028

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 uniform 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 2,898,086,100 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 has established the corporate governance structure consisting of General Meeting, Board of Directors and Supervisory Committee. Currently, we have business platforms including Social Security Segment, Private Network Segment, Housing Provident Fund Segment, and Governance Information Segment; management platforms including Comprehensive Management Department, Financial Management Department, Planning Management Department, Quality Management Department and Human Resources Department; technology platform, which is Capinfo Research Institute; and investment platform, which is Investment Department. We have five branches of which Guangzhou Branch and Chongqing Branch are affiliated to Housing Provident Fund and Call Centre Segment, Yanqing Branch and Xiongan Branch are affiliated to Capinfo Technology Segment and Shunyi Branch is newly established in the current period, respectively.

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 business scope includes the provision of information source service, e-commerce service, technical development, technical consulting, technical service and technical training of inter-networking, computer equipment and hardware and software, communication hardware and software products, integration and agency of information and network system, sales of computer peripheral equipment, proprietary and agency of all kinds of goods and technologies import and export business (excluding those restricted or prohibited by the state from import and export) and professional contracting. (Enterprises can independently choose their own business projects and carry out business activities under the laws; for the above items subject to the administrative approval, relevant approval must be obtained prior to operation; enterprises shall not carry out business activities prohibited and restricted by the city's industrial policy.)

During the period, there are aggregately 8 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 Technology").

During the current period, Capinfo Medical United and Capinfo Cloud Technology were new accounting units consolidated into financial statements.

2. PREPARATION BASIS FOR FINANCIAL STATEMENTS

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

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.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in Significant Accounting Policies

① *New revenue standard*

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

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.

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.

The Group's right to consideration in exchange for goods that it has transferred to a customer that is conditional on factors other than passage of time is recognised as contractual assets. The Group's obligation to transfer goods to a customer for which the consideration is received or receivable is recognised as contractual liabilities.

The Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements at the beginning of 2018, and comparative information has not been restated. The Group only adjusted the retained earnings of the Group at the beginning of 2018 and other related items in the financial statements for the cumulative impact of contracts that have not been completed on 1 January 2018.

Contents of accounting policy and causes	Affected names on the statement	Affected amounts (1 January 2018)
Due to the application of the New Revenue Standard, the Group recognised the rights to consideration relating to sales of goods and rendering of services, which do not meet the unconditional collection right, in contractual assets; recognised completed but unsettled long-term receivables relating to infrastructure construction, partial manufacturing and installation and rendering of services, which do not meet the unconditional collection right, in contractual assets and other non-current assets; reclassified settled but incomplete advances relating to infrastructure construction, partial manufacturing and installation and advances relating to sales of goods and rendering of services to contractual liabilities.	Contractual assets – original value	64,219,924.81
	Other non-current assets	
	Long-term receivables	182,222,668.90
	Inventories	
	Contractual liabilities	469,365,377.45
	Advances	-266,544,654.84
	Accrued liabilities	

Compared with the Original Revenue Standard, the impact of the application of the New Revenue Standard on the related items of the financial statements as at 31 December 2018 is as follows:

Affected names on the statement	Affected amounts
Contractual assets – original value	-40,271,850.88
Inventories	195,289,847.29
Other non-current assets	
Long-term receivables	
Contractual liabilities	229,296,395.22
Advances	

② ***New Financial Instruments Standards***

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.

The New Financial Instruments Standards require financial assets to be classified, based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, into three categories: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss. Where the main contract contained in the hybrid contract is a financial asset, it shall not be separated from the hybrid contract and treated as an embedded derivative; instead, the hybrid contract shall be treated as a whole in accordance with relevant requirements of classification of financial assets.

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.

The New Financial Instruments Standards have replaced the requirement of recognition of impairment provisions based on incurred loss under the Original Financial Instruments Standards with an “expected credit losses” model. “Expected credit loss” 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.

Based on the ECLs, the Group took impairment accounting treatment on and recognised provisions for losses for the following items:

- Financial assets measured at amortised cost;

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

- Contractual assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;

- Lease receivables;

- Financial guarantee contracts, except for those carried at fair value through profit or loss, those which the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

According to the New Financial Instruments Standards, except some particular circumstances, the Group made retrospectively adjustment for the classification and measurement of financial instruments (including impairment), the differences between the original carrying value of the financial instruments and the new carrying value of the financial instruments at the date of implementation of the New Financial Instruments Standards (i.e. 1 January 2018) was included in the retained earnings or other comprehensive income as at the beginning of 2018. Meanwhile, no adjustment was made by the Group on figures of the comparative financial statements.

As at 1 January 2018, the results of classification and measurement of financial assets according to the Original Financial Instruments Standards and the New Financial Instruments Standards are compared as follows:

	Original Financial Instruments Standards			New Financial Instruments Standards	
Items	**Type**	**Carrying amount**	**Items**	**Type**	**Carrying amount**
Available-for-sale financial assets	Measured at cost (equity instrument)	971,326.53	Other non-current financial assets	FVTPL	
			Other equity instrument investment	FVTOCI	971,326.53
Notes receivables and accounts receivables	Amortised cost	225,326,915.78	Notes receivables and accounts receivables	Amortised cost	223,685,172.12
			Held-for-trading financial assets	FVTPL	
Other receivables	Amortised cost	91,273,931.59	Other current assets	Amortised cost	
			Other receivables	Amortised cost	91,273,931.59
Long-term receivables	Amortised cost	3,947,515.56	Long-term receivables	Amortised cost	3,947,515.56
			Other non-current financial assets	FVTPL	
			Debt investments	Amortised cost	

As at 1 January 2018, the reconciliation of the classification and carrying amount of financial instruments under the New Financial Instruments Standards are as follows:

Items	Carrying amount before adjustment (31 December 2017)	Reclassification	Remeasurement	Carrying amount after adjustment (1 January 2018)
Assets:				
Financial assets at Financial assets at fair value through profit or loss			–	–
Held-for-trading financial assets	–	10,000,000.00		10,000,000.00
Notes receivables and accounts receivables	225,326,915.78		-1,641,743.66	223,685,172.12
Other receivables	84,977,407.39			84,977,407.39
Non-current assets due within one year	26,237,343.74			26,237,343.74
– Measured at amortised cost	26,237,343.74			26,237,343.74
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	–	–
Long-term receivables	3,947,515.56			3,947,515.56
Other equity instrument investment	–	971,326.53		971,326.53

The following table reconciles the closing loss allowance determined in accordance with the Original Financial Instruments Standards as at the end of 2017 with the opening loss allowance as at the beginning of 2018 determined in accordance with the new financial instruments standards:

Measurement categories	Carrying amount before adjustment (31 December 2017)	Reclassification	Remeasurement	Carrying amount after adjustment (1 January 2018)
Impairment provisions on notes receivables				
Impairment provisions on accounts receivables	81,072,575.78	-8,365,003.69	1,641,743.66	74,349,315.75
Impairment provisions on contractual assets		8,365,003.69	454,349.84	8,819,353.53
Impairment provisions on other receivables	1,945,441.71			1,945,441.71

③ ***Format of Financial Statements***

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".

B. Income statement

"R&D expenses" is split 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)";

C. Statement of changes in shareholder's equity

Under "Internal transfer of shareholder's equities", "Carryover 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".

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.

④ Pursuant to the Interpretation of Issues Relating to the Form of the Financial Statements of General Enterprises for 2018 published by the MOF, the Group, acting as a withholding agent for individual income tax, recognised the tax withholding commission charges received in accordance with the Individual Income Tax Law of the People's Republic of China under "other income", and adjusted the comparative data for the comparable period. The comparative data of the Group for the comparable period would not be affected by such change.

Actual government subsidies received by the Group, whether related to assets or related to income, are presented as cash flows from operating activities when preparing the cash flow statement, and the comparative data of comparable periods are adjusted. This change does not affect Comparison data of the Group's comparable period. The comparative data of the Group for the comparable period would not be affected by such change.

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

Affected items	**Current period**	**Last period**
Net assets at the beginning of period	–	-52,836,611.88
Incl: Retained earnings	–	-39,376,926.14
Net profit	-18,527,068.45	
Capital reserve		
Other comprehensive income	-7,471,840.33	-7,471,840.33
Specific reserve		
Net assets at the end of period	-71,363,680.33	–
Incl: Retained earnings	-52,416,316.60	–

(2) Adjustments made to relevant items in the financial statements at the beginning of the year of initial application resulting from the initial application of the New Financial Instruments Standards or New Revenue Standards

Consolidated balance sheet

Items	31 December 2017	1 January 2018	Amount of adjustment
Current assets:			
Monetary fund	676,515,880.90	676,515,880.90	–
Held-for-trading financial assets		10,000,000.00	10,000,000.00
Financial assets at fair value through profit or loss			–
Derivative financial assets			–
Notes and accounts receivables	310,931,313.68	223,685,172.12	-87,246,141.56
Incl: Notes receivables	281,000.00	281,000.00	–
accounts receivables	310,650,313.68	223,404,172.12	-87,246,141.56
Prepayments	37,548,374.84	37,548,374.84	–
Other receivables	91,273,931.59	91,273,931.59	–
Incl: Interest receivables	–	–	–
Dividend receivables	6,296,524.20	6,296,524.20	–
Inventories	95,562,424.08	277,785,092.98	182,222,668.90
Contractual assets	–	55,400,571.28	55,400,571.28
Held-for-sale assets			–
Non-current assets due within one year	26,237,343.74	26,237,343.74	–
Other current assets	10,944,826.34	944,826.34	-10,000,000.00
Total current assets	1,249,014,095.17	1,399,391,193.79	150,377,098.62

Items	31 December 2017	1 January 2018	Amount of adjustment
Non-current assets:			–
Debt investments			–
Available-for-sale financial assets	971,326.53		-971,326.53
Other debt investments			–
Held-to-maturity investments			–
Long-term receivables	3,947,515.56	3,947,515.56	–
Net assets of defined benefit plans			–
Long-term equity investments	146,041,160.68	146,041,160.68	–
Other equity instrument investments		971,326.53	971,326.53
Other non-current financial assets			–
Investment properties	41,510,260.28	41,510,260.28	–
Fixed assets	90,603,551.49	90,603,551.49	–
Construction in progress			–
Productive biological assets			–
Oil and gas assets			–
Intangible assets	33,768,634.98	33,768,634.98	–
Development expenditures	6,780,034.80	6,780,034.80	–
Goodwill	177,975,650.76	177,975,650.76	–
Long-term deferred expenses	42,749,741.57	42,749,741.57	–
Deferred income tax assets	24,421,326.12	24,011,655.72	-409,670.40
Other non-current assets			–
Total non-current assets	568,769,202.77	568,359,532.37	-409,670.40
Total assets	**1,817,783,297.94**	**1,967,750,726.16**	**149,967,428.22**

Items	31 December 2017	1 January 2018	Amount of adjustment
Current Liabilities:			–
Short-term borrowings			–
Held-for-trading financial liabilities			–
Financial liabilities at fair value through profit or loss			–
Derivative financial liabilities			–
Notes and accounts receivables	154,040,442.83	154,040,442.83	–
Advances	266,544,654.84		-266,544,654.84
Contractual liabilities		469,365,377.45	469,365,377.45
Payroll payables	69,169,720.93	69,169,720.93	–
Tax payables	48,507,732.42	48,507,732.42	–
Other payables	151,105,460.14	151,088,777.63	-16,682.51
Incl: Interest payables			–
Dividend payables			–
Held-for-sale liabilities			–
Non-current liabilities due within one year	46,897,051.31	46,897,051.31	–
Other current liabilities			–
Total current liabilities	736,265,062.47	939,069,102.57	202,804,040.10
Non-current liabilities:			–
Long-term borrowings			–
Bonds payables			–
Incl: Preferred shares			–
Perpetual debts			–
Long-term payables			–
Long-term payroll payables			–
Accrued liabilities			–
Deferred income	4,122,171.81	4,122,171.81	–
Deferred income tax liabilities			–
Other non-current liabilities	15,512,453.80	15,512,453.80	–
Total non-current liabilities	19,634,625.61	19,634,625.61	–
Total liabilities	**755,899,688.08**	**958,703,728.18**	**202,804,040.10**

Items	31 December 2017	1 January 2018	Amount of adjustment
Owners' equity (or shareholders' equity):			–
Paid-in capital (share capital)	289,808,609.10	289,808,609.10	
Other equity instruments			–
Including: Preferred shares			–
Perpetual debts			–
Capital reserves	291,670,666.40	291,670,666.40	–
Less: Treasury stock			–
Other comprehensive income	–	-7,471,840.33	-7,471,840.33
Special reserves			–
Surplus reserves	81,662,603.60	79,464,045.12	-2,198,558.48
Unallocated profits	363,118,724.87	325,940,357.21	-37,178,367.66
Total equity attributable to owners of the parent	1,026,260,603.97	979,411,837.50	-46,848,766.47
Minority interests	35,623,005.89	29,635,160.48	-5,987,845.41
Total owners' equity (or shareholders' equity)	1,061,883,609.86	1,009,046,997.98	-52,836,611.88
Total liabilities and owners' equity (or shareholders' equity)	**1,817,783,297.94**	**1,967,750,726.16**	**149,967,428.22**

(3) Changes in Accounting Estimates

Nil.

4. 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.

5. TAX

(1) Main taxes and tax rates

Taxes	Tax basis	Statutory 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

Name of Taxpayer	Income Tax Rate %
The Company	10
Capinfo Hong Kong	–
Capinfo Technology	15
Parking Management	25
Shanghai Hengyue	10
Rito Info	15
Capinfo Medical United	25
Capinfo Cloud Technology	25

(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 Ministry of Finance 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 16%, 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 Ministry of Finance and the State Administration of Taxation, contracts of provision of technological transfer, development and related technological consulting or technological services are exempt from value-added tax upon recognition by the Municipal Competent Department of Science & Technology and reported to the Competent State Administration of Taxation for file.

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 3 years.

According to the requirements of Notice of Expansion of Scope of Corporate Income Tax Preference Policies for Small Low-Profit Enterprises (Cai Shui [2018] No. 77), since 1 January 2018 to 31 December 2020, for small low-profit enterprises with annual payable tax less than and including RMB1,000,000, their income deduction is included in payable tax amount at a discount of 50% and the corporate income tax shall be levied at a tax rate of 20%. Shanghai Hengyue, a subsidiary of the Company, meets those conditions to enjoy this tax preference.

Rito Info, a subsidiary of the Company, obtained its Certificate of Hi-tech Technological Enterprise, No. GR201835100234 on 12 October 2018 and is entitled to 15% discount of corporate income tax for a period of three years.

6. NOTES RECEIVABLES AND ACCOUNTS RECEIVABLES

Items	**End of the period**	**Beginning of the period**
Notes receivables	124,900.00	281,000.00
Accounts receivables	316,238,126.66	223,404,172.12
Total	**316,363,026.66**	**223,685,172.12**

(1) Notes receivables

Types	**End of the period**	**Beginning of the period**
Bankers' acceptance notes	124,900.00	281,000.00

(2) Accounts receivables

1) Accounts receivable analysed by aging

Age	End of the period Amount	Percentage %
0 – 6 months	223,347,400.68	52.27
6 months – 1 year	54,057,248.15	12.65
1 – 2 years	61,655,803.65	14.43
2 – 3 years	44,786,752.90	10.48
Over 3 years	43,476,055.48	10.17
Total original value	**427,323,260.86**	**100.00**
Less: bad debts provisions	**111,085,134.20**	
Total net value	**316,238,126.66**	

2) Accounts receivable disclosed by categories

			End of the period		
Types	Amount	Percentage %	Bad debts provisions	ECL rate (%)	Net value
Accounts receivable with separate provisions for bad debt	2,292,585.78	0.54	2,292,585.78	100.00	–
Accounts receivable with separate provisions for bad debts by aging	425,030,675.08	99.46	108,792,548.42	25.60	316,238,126.66
Total	**427,323,260.86**	**100.00**	**111,085,134.20**	**26.00**	**316,238,126.66**

			Beginning of the period		
Types	Amount	Percentage %	Bad debts provisions	ECL rate (%)	Net value
Separate provisions for bad debts	4,334,647.55	1.46	4,334,647.55	100.00	–
Accounts receivable with separate provisions for bad debts by aging	293,418,840.32	98.54	70,014,668.20	23.86	223,404,172.12
Total	**297,753,487.87**	**100.00**	**74,349,315.75**	**24.97**	**223,404,172.12**

7. CONTRACTUAL ASSETS

Items	End of the period	Beginning of the period
Contractual assets	46,107,731.23	64,219,924.81
Less: Provisions for the impairment of contractual assets	2,817,136.92	8,819,353.53
Subtotal	**43,290,594.31**	**55,400,571.28**
Less: Contractual assets presented under other non-current assets	–	–
Total	**43,290,594.31**	**55,400,571.28**

8. GOODWILL

(1) Original carrying amount of goodwill

		Increase for the period		Decrease for the period		
Investee or items resulted in Goodwill	Opening balance	Business combination and formation	Others	Disposal	Others	Closing balance
Rito Info	184,597,722.06	–	–	–	–	184,597,722.06

(2) Investee or items resulted in Goodwill

		Increase for the period		Decrease for the period		
Investee or items resulted in Goodwill	Opening balance	Provision	Others	Disposal	Others	Closing balance
Rito Info	6,622,071.30	42,715,027.47	–	–	–	49,337,098.77

Note:

The Group calculated the receivable amount of the asset group by estimating the present value of future cash flow. The Group estimated cash flow in the following 5 years based on financial budget approved by the management and the growth rate of cash flow adopted in the subsequent years is estimated to be 0 (last period: 5.76%), which will not exceed the long-term average growth rate of operations of asset group. The management made the aforementioned financial budget based on the historical performance and its expectation on market development. The discount rate adopted in the process of calculating future cash inflow is 14.80% (last period: 14.49%). According to the results of the impairment test, goodwill impairment at end of the current period is RMB42,715,027.47 (end of last period: RMB6,622,071.30).

9. NOTE PAYABLES AND ACCOUNTS PAYABLES

Items	End of the period	Beginning of the period
Accounts payables	172,067,991.29	154,040,442.83

(1) Accounts payables disclosed by categories

Items	End of the period	Beginning of the period
Loans	172,067,991.29	154,040,442.83

(2) Accounts payables disclosed by aging

Items	End of the period	Beginning of the period
Within 1 year	115,462,745.49	114,733,159.15
1 – 2 years	38,409,045.73	9,145,007.85
2 – 3 years	5,136,045.07	7,695,794.82
Over 3 years	13,060,155.00	22,466,481.01
Total	**172,067,991.29**	**154,040,442.83**

Note: Ageing of accounts payable is presented according to the date of receipt of goods and acceptance of labour.

10. CONTRACTUAL LIABILITIES

Items	End of the period	Beginning of the period
Project receipt	618,798,167.14	469,365,377.45

11. UNDISTRIBUTED PROFITS

Items	Amount for current period	Amount for last period
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)	-37,178,367.66	-37,591,741.88
Undistributed profits at beginning of period after adjustment	325,940,357.21	323,050,270.86
Plus: net profit attributable to shareholders during the period	62,169,328.13	81,130,475.64
Less: withdrawal of statutory surplus reserves	10,853,448.48	9,455,534.48
Withdrawal of discretionary surplus reserve	–	–
Withdrawal of general risk reserves	–	–
Dividend payable on ordinary shares	36,208,649.94	31,606,487.15
Dividends payable to other equity holders	–	–
Ordinary shares dividends transferred to share capital	–	–
Undistributed profits at end of period	341,047,586.92	363,118,724.87

Notes:

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

① 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 -RMB37,178,367.66.

② Please refer to Note 3. Changes in Significant Accounting Policies and Accounting Estimates for the impact of the retrospective adjustment on the undistributed profit at the beginning of the period based on the "Accounting Standards for Business Enterprises" and its related new regulations.

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.

12. OPERATING INCOME AND OPERATING COST

Items	Amount for current period Income	Cost	Amount for last period Income	Cost
Main businesses	**1,116,695,673.57**	**742,265,594.26**	990,183,462.93	655,963,676.72
Other businesses	**14,811,022.89**	**1,011,937.32**	18,123,092.49	811,318.69

(1) Main businesses (sub-businesses)

Name of business	Amount for current period Operating income	Operating cost	Amount for last period Operating income	Operating cost
Software development and sales	**97,098,939.17**	**66,649,435.25**	121,883,711.21	61,988,842.04
Operation and maintenance service	**635,539,263.47**	**380,137,225.09**	550,481,463.58	352,896,851.55
System integration service	**375,047,148.51**	**294,559,092.56**	310,060,655.75	240,159,700.09
Consulting service	**9,010,322.42**	**919,841.36**	7,757,632.39	918,283.04
Total	**1,116,695,673.57**	**742,265,594.26**	990,183,462.93	655,963,676.72

(2) Other businesses (sub-businesses)

Name of business	Amount for current period Operating income	Operating cost	Amount for last period Operating income	Operating cost
Rental income from investment property	**14,441,211.57**	**1,011,937.32**	13,564,867.64	811,318.69
Income from subject fund project	**369,811.32**	**–**	4,434,952.78	–
Other	**–**	**–**	123,272.07	–
Total	**14,811,022.89**	**1,011,937.32**	18,123,092.49	811,318.69

(3) Timing of revenue recognition

Revenue recognition method	**2018**
At a certain point of time	472,146,087.68
Over a period of time	644,549,585.89
Total	**1,116,695,673.57**

13. INCOME TAX EXPENSE

Items	**Amount for current period**	Amount for last period
The current income tax calculated in accordance with the tax law and relevant provisions	**22,804,973.31**	50,792,324.46
Deferred income tax expense	**-11,613,248.05**	4,315,697.37
Total	**11,191,725.26**	55,108,021.83

14. EARNINGS PER SHARE

Items	**Amount for current period**	Amount for last period
Consolidated net profit attributable to ordinary shareholders of the Company	**62,169,328.13**	81,130,475.64
Weighted average number of ordinary shares outstanding	**2,898,086,091**	2,898,086,091
Basic earnings per share	**0.021**	0.028
Diluted earnings per share	**0.021**	0.028

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.

15. DIVIDEND

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 dividend for 2017 approved during 2018 amounted to RMB36,226,076.14 (final dividend for 2016 approved during 2017: RMB1.09 cents per share (before tax), totaling RMB31,589,000.00).

According to the Board's resolution as at 25 March 2019, the Board of directors has recommended the payment of cash dividend of RMB0.97 cent per share, calculating based on 2,898,086,091.00 issued shares, the total cash dividend is RMB28,111,435.08 (of which, 774,498,000.00 shares are foreign listed H shares, total cash dividend is RMB7,512,630.60). The above proposal is subject to approval in the General Meeting of Shareholders.

16. OTHER IMPORTANT MATTERS

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 the date of approval of the report, the case was still under investigation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2018, China's economy experienced changes amid stable operation and concerns have been raised amid such changes. In a complicated and challenging external environment, the economy is facing downward pressure. However, in the long run, China's development is still in the period of important strategic opportunities, and the economy is shifting from a rapid growth stage to a high-quality development stage. With new technologies such as cloud computing, big data, artificial intelligence, and blockchain profoundly changing people's production and lifestyle, the Central Party Committee and the State Council have attached great importance to the new generation of information technology industry. Cyberpower, digital China, and smart society were mentioned in the report of the 19th National Congress of the Communist Party and are now part of the national strategies. Under such background, a series of national industrial policies such as the Notice on the Three-Year Action Plan of Expanding and Upgrading of Information Consumption, the Guidelines for Encouraging Enterprise Cloud Migration and the Three-Year Action Plan of to Expedite the Development of a Next Generation Artificial Intelligence Industry for 2018 to 2020 have been carried forward and fully implemented. Facing both challenges and opportunities, the Company adhered to the principle of seeking progress while maintaining stability and moving on as one to take the bull by the horns, constantly optimized and upgraded the three basic platforms, strengthened the fundamental driving force of its development, expedited the integration and application of technological innovation in five fields into the real economy, and fostered the new momentum of its development. During the Reporting Period, the Group recorded an operating revenue of RMB1,131.51 million, representing an increase of 12.22% as compared with the same period of last year; net profit attributable to the owners of the Company of RMB62.17 million, representing a decrease of 23.37% as compared with the same period of last year. Excluding the effect of goodwill impairment, net profit attributable to the owners of the Company was RMB104.88 million, representing an increase of 29.28% as compared with the same period of last year. The Group maintained steady growth in its performance.

Smart Infrastructure Service

During the Reporting Period, the "Three Platforms" played a fundamental role. The integrated network platform of government affairs ran smoothly. The availability of backhaul reached 100% and the response rate and timeliness of services and satisfaction of services all remained at a historical high level, successfully accomplishing supporting tasks of important activities during the year. Internet of Things data website of government affairs were further developed and brought into play the role of broadband cluster command and dispatch during Beijing Summit of the Forum on China-Africa Cooperation and medical rescue in Beijing Marathon. Cloud platform business was actively carried forward. Capinfo Cloud obtained the qualification of IDC and ISP licenses. The Group won the bid for Beijing municipal-level government cloud and completed the construction and maintenance work of Liu Li Qiao nodal point of the government cloud, and encouraged cloud migration of committees, offices and bureaus in Beijing. Currently, there have been dozens of government units running their business system on Capinfo government cloud platform. Big data platform was taking shape. A big data team was established and the technical ability of the team was constantly improved. The construction of the platform of the medical insurance big data system and the migration of database of medical insurance business were both completed. The real-time payment business monitoring system, the multi-dimensional analysis system of medical insurance and the simulation system of medical insurance policy were also established.

Smart Government Affair Service

Our brand strength of intelligent government affair service has been more prominent. New websites of various units including Beijing Municipal Support and Cooperation Office, Industrial and Commercial Bureau and Public Security Bureau were launched and operated in a stable manner. The website of Ministry of Veterans Affairs was built in a speedy manner and highly recognized by the customer. Beijing-China Website (首都之窗) operated and maintained by us had won the first prize of the China's Government Website Performance Assessment for 2018. The website, http://www.bj148.org/(首都政法綜治網), operated and maintained by us was ranked as the Most Influential "Internet + Government and Legal Services" Platform in China 2017 (2017年度中國最具影響力「互聯網+政法服務」平台). The third revised edition of Beijing government affair service website was launched, over-fulfilling the goal of "90%" online availability rate of government services at both municipal and rural levels, and highly praised by the customer. The Group won the bid for informatization construction project of Shunyi District Government Service Hall, and secured the informatization monitoring Project of Haidian District in relation to the provision of informatization infrastructure and office automation Service for Commission for Discipline Inspection and the Supervision Commission of Haidian District. In terms of the national civil servant information management system, training and technical support services were provided to 20 ministries and 5 provincial organizational departments.

Smart City Management

The competitiveness of our smart city management business has been further enhanced. The "Sharp Eyes Project" of Dongcheng District was checked and accepted. We started the "Sharp Eyes Project" of Changping District and Yanqing District, and ensured the operation of construction waste vehicle transportation management system based on Beidou Satellite and monitoring system on environmental sanitation vehicles. The construction project of law enforcement for motor vehicles in autumn and winter was completed. Through building an APP for law enforcement and inspection of motor vehicles, more than 700 law enforcement officers of environmental protection departments at municipal and rural levels in Beijing were served to carry out law enforcement and inspection of motor vehicles, and the number of recorded motor vehicle law enforcement inspections totaled more than 1.4 million, which improved the inspection efficiency of law enforcement officers. We secured the eco-environment business supervision platform server project of Tianjin. The construction of QR code system of public service facilities in 11 districts of Beijing was completed. We entered into agreements in relation to 6 smart city top-level design projects in Lanzhou, Luquan, Anyang, Fengdu in Chongqing, Kaizhou in Chongqing and Liuzhou, which laid foundation for our smart city business to reach out Beijing.

Smart Medical and Health Service

The chain of smart medical and health business has been more perfect. The Medical Insurance Information System and the social security card system operated stably, carrying nearly 23 million insured persons, with annual settlement amount reaching RMB100 billion. The medical insurance business system of urban and rural residents has been stable since it was launched at the beginning of the year. The doctor's advice information sharing system was extended to more than 2,500 pilot designated medical institutions. The direct settlement system for cross-provincial medical treatment played a role of benefiting the people, with annual settlement amount reaching RMB13.2 billion for the whole year, providing convenient and real-time settlement services for 420,000 people from other provinces seeking medical service in Beijing and more than 10,000 people seeking medical service outside the city. In accordance with the requirement that social security premiums should be levied by taxation, we made efforts to promote system reform and data docking. We provided 7 x 24 hours of operation and maintenance support for the related hospitals of Beijing hospital medical card, developed and deployed the backup system of Beijing hospital medical card, re-opened the two-way communication channel with the hospital HIS, and realized full coverage of online and offline, hospital and personal medical services. We continued to make every effort to carry forward the construction of commercial insurance settlement platform. In 2018, we entered into agreements with hundreds of hospitals and more than ten commercial insurance companies. We constructed a district-level settlement platform in Changping District, covering about 200 health service centers, providing a new medical treatment model for medical staff. Based on the actual needs of Chaoyang Hospital, we continued to develop and improve the hospital information management system of independent intellectual property rights, CapHIS.

Smart Livelihood Service

The influence of our smart livelihood service continued to enhance. Key projects of the Provident Fund have been progressing smoothly. After development and testing, the core system of Beijing Housing Provident Fund was officially launched, and passed the "double implementation standard" acceptance by the Ministry of Housing and Urban-Rural Development with the highest score. The core system of Shanghai Provident Fund is undergoing user testing. Most of the launching work of Chongqing Provident Fund System have been completed. Nanning Provident Fund System and Guangzhou Provident Fund System were both launched. Nanning, Baise and Chongzuo Provident Fund Systems passed the "double implementation standard " acceptance by the Ministry of Housing and Urban-Rural Development with excellent results. In terms of human resources business, Beijing Points System for Household Registration was officially launched, with nearly 60,000 registered units and more than 300,000 visitors. We successfully undertook the whole process of the first points-based household registration. More than 6,000 people who were qualified under Beijing's points-based household registration policy in 2018 began the registration formalities. The examination system operated in a stable manner, providing systematic support for more than 400,000 people in their qualification examinations, vocational skills appraisal and title appraisal etc. The talent management system provided protection in terms of their work and residence permits, introduction of talents and management of overseas students. We completed the protection work of 12345 hotline on which online citizens' appeals were reporting directly, achieving the requirement that "the citizens' appeals, being the whistle, should be sent directly to the streets and villages". In coordination with municipal non-emergency help center, we completed the upgrading and transformation plan of 12345 hotline information system. The public credit information service platform of Beijing collected 350 million credit records nationwide, and won the first prize of national credit innovation application in the evaluation conducted by the National Information Center and the National Public Credit Information Center. In terms of community service, we continued to provide services to various customers such as the Social Work Committee of the Beijing Municipal Committee, Mentougou Community Service Center and Chaoyang Community Service Center.

Smart Enterprise Innovation

The smart enterprise information business broke new ground. Taking the construction of the National Speed Skating Hall as an opportunity, the Company started the construction project of the smart skating hall. In cooperation with National Speed Skating Hall, Beijing UN-construction and Beijing Institute of Architectural Design, we successfully applied for the project of "Key Technologies and Integrated Application Research of Smart Stadium of National Speed Skating Hall " of Beijing Municipal Commission of Science and Technology. The Group further expanded its customer base of enterprise cloud platform and entered into contracts with more than ten group-sized customers. We actively served the Beijing SASAC and completed the project design of the big data platform for investor supervision, and initially built the index system for investor supervision. We steadily promoted information services in the tobacco industry, and entered into contracts in relation to tobacco industry capital supervision system with dozens of tobacco provincial industrial and commercial enterprises. We actively carried out research and development and promotion of integrated innovative business such as tax and profit tracking and prediction, third-party payment, enterprise invoice center, etc. In terms of enterprise capital management, we completed Haier financial development and operation and maintenance projects for three consecutive years. We entered into contract in relation to fund management project of Qingdao Kingking Group. We won the bid for the personnel outsourcing service project of FAW Financial. We continued to expand our scope of project participation, and developed more in-depth cooperation with New Hope Finance Co., Ltd. more deeply and successfully implemented buyer credit project.

During the Reporting Period, the Group initiated 2 patent applications which were accepted by the State Intellectual Property Office. As of 31 December 2018, the Group was authorized 6 patents as accumulated. During the Reporting Period, the Group registered 313 software copyright items in total as accumulated.

The Group Management and Control

During the Reporting Period, with a focus on the strategic objectives of the 13th Five-Year Plan, the Group made in-depth adjustment in its organizational structure, established business departments (subsidiaries) and research institutes, enhanced its adaptability to the market and strengthened its core competitiveness. Risk control system was intensified and internal control was improved. The internal control system achieved full coverage. Through internal control auditing and management auditing, problems existing in the Group management and control in the aspects of planning, procurement, quality, finance, law and auditing were identified and rectified. The articles of association and the "Three Importances and One Large" decision-making system were revised and improved. Systems of the Company were systemized and perfected. Centralized procurement system and outsourcing audit system were also established. Legal risk prevention and control were institutionalized.

Looking Forward

Facing the future, the management will give full play to the entrepreneurial spirit of overall planning and pioneering, based on the strategic positioning of the capital city, focus on the coordinated development of Beijing, Tianjin and Hebei, grasp important historical opportunities such as the construction of Beijing Sub-center and Xiong'an New Area as well as organization of Olympic Winter Games. We will intensify the reform of technology innovation, product innovation and management innovation, with the core business as the foundation, take "cloud computing" and "big data" as the breakthrough point to integrate with the real economy and expand to all industries related to smart city. We will also actively explore new business, new fields and new markets, and gather all the wisdom and strength and strive tirelessly to become a leading smart city service operator.

Human Resources

As of 31 December 2018, the Group had 1,658 employees (2017: 1,537 employees), including 1,268 technology and research and development employees (2017: 1,067 employees), 251 function management personnel at all levels (2017: 305 employees), 85 call center representatives (2017: 98 employees), and 54 sales staff (2017: 67 employees). Expense of the Group's employees was approximately RMB326.46 million (2017: RMB309.66 million).

The Company takes performance and growth as its orientation and takes reference to industry standards for out-performing enterprises to reform project and business incentive system. Remuneration management system and performance appraisal system were established according to the principle of "fair system of reward and punishment". Different remuneration systems were distinguished for different roles in sales, technology and management. Individual appraisal system based on market performance was also established to provide platform for fair competition in terms of talent development. The Company conducted competency assessment and testing of its technical staff as well as technical competencies examination for its technicians and carried out comprehensive evaluation and comprehensive evaluation based on the results and work performance, which laid the foundation for the next steps, including talent selection, promotion and market-oriented salary benchmarking.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded an operating revenue of RMB1,131.51 million, representing an increase of 12.22% as compared with the same period of last year. The Group recorded a gross profit of RMB388.23 million, representing an increase of 10.44% as compared with the same period of last year, and profit attributable to the shareholders of RMB62.17 million, representing a decrease of 23.37% as compared with the same period of last year.

Other income of the Group amounted to RMB14.81 million, representing a decrease of 18.28% over the corresponding period of last year, mainly due to the income from project research and development and property rent, where income from project research and development was RMB0.37 million, representing a decrease of 91.66% over the corresponding period of last year. Digital Beijing Building's rental income was RMB14.44 million, representing an increase of 6.46% over the corresponding period of last year.

In the current year, the profit or loss from fair-value changes of the Group amounted to nil. The fair value of C-2 shares as of 31 December 2018 recognized based on Market Approach and Black-Scholes-Merton Option Pricing Model is RMB0. The profit or losses from fair-value changes during the corresponding period of last year were a loss of RMB3.56 million, mainly due to changes in the fair value of the C-2 series shares held. During the current year, the investment revenue amounted to RMB29.33 million, representing a decrease of RMB33.85 million. Investment revenue included the investment revenue of RMB22.70 million from Beijing Certificate Authority Co., Ltd. and Beijing Culture & Sports Technology Co., Ltd. during the year as well as revenue of RMB6.62 million recognized from purchase of structural bank deposits during the year. The decrease was larger than that of last year mainly due to the investment revenue of RMB40.81 million generated from the transfer of equity interests of Payease in 2017. In the current year, the impairment loss of assets amounted to RMB42.72 million, due to the impairment loss of goodwill of Xiamen Rito, which increased by RMB36.09 million as compared with the impairment of goodwill last year. Compared to RMB27.11 million last year, bad debts and impairment losses amounted to RMB32.78 million in the current year and were presented in the "credit impairment losses" in the statement.

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 RMB635.54 million, representing an increase of 15.45% as compared with the corresponding period of last year and accounting for 56.17% (2017: 54.59%) of the total operating revenue of the Group; revenue from system integration amounted to RMB370.05 million, representing an increase of 20.96% as compared with the corresponding period of last year and accounting for 33.15% (2017: 30.75%) of the total operating revenue of the Group; revenue from software development amounted to RMB97.10 million, representing a decrease of 20.33% as compared with the corresponding period of last year and accounting for 8.58% (2017: 12.09%) of the total operating revenue of the Group; revenue from IT consultancy and sales of goods totaled RMB9.01 million, and accounting for 0.80% (2017: 0.77%) 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 89.38% (2017: 80.34%) 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 94.78% (2017: 90.95%) of the total operating revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2018, the Group had total assets amounting to RMB2,210.35 million, representing an increase of 12.33% as compared with the corresponding period of last year. Equity attributable to shareholders of the parent company amounted to RMB1,006.54 million, representing an increase of 2.77% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, was 1.47, representing a decrease of 0.23 as compared with the corresponding period of last year. For the year ended 31 December 2018, the Group had no pledged assets.

Bank deposits, bank balance and cash of the Group amounted to RMB652.51 million, which was basically the same as that of last year. Additional purchase of bank structural deposits of RMB200 million carried interest at fixed rate was reflected in "other current assets" in the statement.

Equity Investments

In 2018, the Group's share of results of associates was RMB22.70 million, representing an increase of 2.25% over the corresponding period of last year, which was mainly due to the contribution from BJCA.

Income Tax

In 2018, the Company has been recognized as a key software enterprise in the national planning layout to enjoy a tax preference. The Enterprise income tax of the Company was imposed at a reduced rate of 10%. In the current year, the payable income tax expenses amounted to RMB11.19 million and, excluding the income tax expenses of RMB40.81 million recognized by Capinfo Hong Kong for equity transfer in 2017, the actual income tax expenses arising from operation decreased by RMB3.11 million as compared with the corresponding period of last year.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Conference Room, 5th Floor, Longfu Mansion, No. 95 Longfusi Road, Dongcheng District, Beijing, the PRC on Friday, 21 June 2019 at 10:00 a.m.. The notice of convening the AGM will be published and despatched to shareholders of the Company in due course pursuant to the requirements of the Listing Rules.

DIVIDEND

Owing to a stable result of the Group, sufficient cash flow of business including recurrent business, the Board has recommended the payment of a final cash dividend of RMB0.97 cent per share totaling approximately RMB28.11 million for the year ended 31 December 2018 (2017: RMB1.25 cents per share) to the shareholders whose names appear on the register of members of the Company at 4:30 p.m. as of Friday, 5 July 2019. Payment of dividend is subject to the approval by the shareholders at the AGM. Payment of dividend will be made on Friday, 27 September 2019.

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

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

CLOSURE OF REGISTER OF MEMBERS

(a) Eligibility to attend and vote at the AGM

The register of members of the Company will be closed from Wednesday, 22 May 2019 to Friday, 21 June 2019 (both days inclusive), during which no transfer of shares will be effected for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 5th Floor, Longfu Mansion, No. 95 Longfusi Road, Dongcheng District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Tuesday, 21 May 2019.

(b) Qualification for the proposed final dividend

Subject to the approval of the shareholders at the AGM for the resolution regarding the proposed payment of final dividend, the register of members of the Company will be closed from Thursday, 27 June 2019 to Friday, 5 July 2019 (both days inclusive), during which no transfer of shares will be affected. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 5th Floor, Longfu Mansion, No. 95 Longfusi Road, Dongcheng District, Beijing, The People's Republic of China (applicable to domestic shares) on or before 4:30 p.m. on Wednesday, 26 June 2019.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining statutory and regulatory standards and adherence to the principles of corporate governance. During the year and thereafter, the Company has complied with all code provisions set out in the CG Code.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has formulated the "Code for securities transactions" regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the "Listing Rules". Having made specific enquiry with the Directors and supervisors, all the Directors and supervisors confirmed that they have complied with the required standard of dealings and the Group's "Code for Securities Transactions" regarding Directors' and supervisors' securities transactions throughout the year ended 31 December 2018.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S SHARES

During the year ended 31 December 2018, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Group has established an audit committee and formulated the "Rules and Procedures of Audit Committee" with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control system of the Group. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group and the identification and appointment of external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

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

PUBLISHING ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Group's annual report for the year 2018 will be despatched to the Company's shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.capinfo.com.cn) in due course for inspection by shareholders and investors.

By Order of the Board of
CAPINFO COMPANY LIMITED
LIN Yankun
Chairman

Beijing, the People's Republic of China, 25 March 2019

As of the date of this announcement, the executive directors of the Company are Ms. Lin Yankun, Mr. Yu Donghui and Mr. Zong Zhaoxing; the non-executive directors of the Company are Mr. Zhou Weihua, Mr. Shan Yuhu, Mr. Cao Huaizhi, Mr. Ma Linxiang and Mr. Feng Jianxun; and the independent non-executive directors of the Company are Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Li He and Mr. Yang Xiaohui.