

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 8157)*

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers.

Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the “Directors”) of Capinfo Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group achieved a turnover of approximately RMB288.3 million for the year ended 31st December, 2007;
- The Group attained an audited profit attributable to the equity holders of the Company of approximately RMB47.1 million for the year ended 31st December, 2007, representing an increase of 307%;
- The Board does recommend the payment of a final dividend for the year ended 31st December, 2007.

CHAIRMAN'S STATEMENT

The Group has realized remarkable development in all respects in 2007. The Group's foundation business progressed steadily as a whole and significant breakthroughs were made in the Olympic Games projects. Operational management is aggressive in pursuing better results and integrating the resources with a view to exploring the path for the development of marketization.

During this year, all of our foundation business has become more established and innovative. Almost 9.6 million insured benefited from the stable operation of the Beijing Medical Insurance Information System. Beijing private network of e-Government has actively enhanced its network configuration and provided more innovative services, which have increased the Group's market competitiveness in IT services business. With public service platforms such as the community service hotline and the community services portal website, Beijing Community Service Information System has become a link between the Government, community and the public in respect of information technology. Beijing Hotline and the outsourcing of e-government affairs call services has become an indispensable tool for the Group in facing the community and providing public services. The Group has formally become the outsourcing service provider for the portal website of the Beijing Municipal Government, "Beijing-China", which demonstrates the Group's excellent development in areas of value-added and high-end IT services.

The Group has been receiving good news from the Olympic Games projects. During the year, the Group has formally become the multi-language service provider of the 2008 Beijing Olympic Games and has won the tenders for a number of projects consecutively.

Technology services and management of the informatization application projects have reached an international standard. Beijing Medical Insurance Information System received "Information Beijing Top 10 Application Results Award" and "Excellence Award in International Project Management 2007". The Group also awarded a CMMI3 (Capability Maturity Model Integration for Software) assessment certificate.

2008 is a year for the Olympic Games as well as an important year for the Group's informatization construction to face and serve the Olympics. The Group has set out some major objectives for its future development, which include, completing all the technology protection work properly during the Olympic Games period, establishing an outstanding international profile, developing innovative products and exploring new streams for profit growth.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the shareholders of Capinfo Company Limited and other people for their full care and support during the year and to all the dedicated frontline staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the "Board") of the Company announces that, for the year ended 31 December 2007, the Company and its subsidiaries (collectively the "Group") recorded an audited turnover of approximately RMB288.3 million, representing an increase of approximately 29% over that of last year, and a gross profit margin of 32%, as compared with 25% for last year. The Group has attained an audited profit attributable to equity holders of the parent of approximately RMB47.1 million for the year under review, representing an increase of approximately 307% over that of last year.

Other income includes government subsidies, interests and investment income recorded during the period under review.

The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively high level of over 3.0 while the gearing ratio, defined as total borrowing over net assets, stayed at a relatively low level of less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 31 December 2007, the Group had unsecured borrowings of RMB9.09 million, bearing interests at an average interest rate of 2.55%, which will be repaid within 11 years commencing from this year. Cash and bank deposits of the Group as at 31 December 2007 were mainly derived from shareholders' contribution and working capital generated from operations.

As at 31 December 2007, the Group had no assets pledged and had no significant contingent liabilities.

As at 31 December 2007, the Group had capital commitment of approximately RMB2.9 million.

During the year under review, the Group's financial position was not exposed to significant fluctuations in exchange rates and any related hedges.

BUSINESS REVIEW

Foundation Businesses

- *The Medical Insurance System*

During the year, the Medical Insurance System continued to optimize its function and enhance the services capacity. It successfully completed three core projects of “One Elderly & One Kid”, “Control of Clinical Charges” and “Uniform of Services Platform Construction”, provided services to nearly 9,600,000 policyholders, and laid a solid foundation of the stable operation of IT services, which targeted at the medical and hygiene industry, for the future systems.

During the year, The Beijing Municipal Medical Insurance Information System was awarded the “2006 Top 10 Best for Information Application in Beijing” (2006 信息北京十大應用成果獎) by the Beijing Municipal Information Office and the Propaganda Division of the Beijing Municipal Committee, and was granted the “2007 Outstanding Award of International Project Management” (2007 年國際項目管理大獎卓越獎) by the International Project Management Award Committee in Poland, which clear show that the Group’s capacity of implementing safeguard and services has attained the international advance level.

- *The e-Government Network*

During the year, the e-Government Cable Network was contracted 71 networks of various government departments, total number of units accessed amounted to 3,700, and the system operated stably in general. The Group made efforts in enhancing the network management, customer satisfaction, operation quality and standardizing services grading management. It proactively carried out services innovation and market exploration, and the results were satisfactory, which helped to strengthen the market competitiveness of the IT services business of the Group.

During the year, the e-Government network completed the network provision and maintenance services of the contracted projects, and successfully provided important network security services for the “Good Luck Beijing Test Competition”, “The 17th National Congress of the Communist Party of China”, and events for “2007 Spring Festival”, “May 1st Holiday” and “October 1st Holiday”.

- *The Community Service Information System*

During the year, the Community Service Information System progressed steadily, of which the “Government Community Data Service” project altogether finished 8,200,000 sharing work of community basic data. The “Government Community Services” project provided 540,000 services, a 25% increase over the corresponding period of the previous year.

During the year, the Community Service Information System successfully completed the convenience works, such as the election of “Magic Community” for the municipal, “Care for Parents”, “Harmonious Community” and “1000 Pharmacies”, through various community services platform like community services hotlines and community services portal website.

- *Business Development*

During 2007, the Group not only strengthened and developed its foundation businesses, it also consolidated resources and attempted to explore new business, so as to pave the way for the development of the Group and lay a solid foundation for the future development of the Company in all aspects.

- The Olympics Projects

After making efforts in the past years, the Group became a multilingual services supplier for 2008 Beijing Olympics. It fully engaged in the operation and construction of “Olympics Multilingual Integrated Information Services Platform”, which provided a favorable condition for the Company to gain access to the “sports competitions IT services fields”.

During the year, the Group continued to win the tender for tender for the e-mail safety ancillary equipments for Beijing Olympic Organizing Committee, the anti-virus software project for the Beijing Olympic Organizing Committee and the Operation and Response Technology Security System MOC Project for Beijing Olympic Organizing Committee. In the meantime, the Group also obtained the Olympic projects for the PRC’s Ministry of Science and Technology – the Research Subject of Information System Critical Technologies for the Paralympic Games.

- Beijing-China

“Beijing-China” is a portal website for the Beijing Municipal. During the year, the Group and the Beijing Municipal Government entered into an agreement, whereby the Group duly became the outsourcing supplier of the “Beijing-China”. The “Beijing-China Operation Services Center” established by the Group fully embodied the main philosophies of developing the professional and industry of IT services, which symbolized the Group’s revolutionary breakthrough in the fields of information value-added services and high-end IT services.

- Development in Other Regional Markets

During the year, the Group consolidated internal resources, forcefully explored the business in the market of northeastern region, and established a subsidiary in Shenyang City of Liaoning Province, Liao Ning Province Capinfo Soft Co., Ltd (遼寧眾信同行軟件開發有限公司). The Group intended to explore the business in the market of northeastern region, by leveraging the excellent application software products and IT outsourcing services capacity of the subsidiary.

➤ IT Services Business

During the year, the IT services business made great strides as compared to the previous year. Its business volume increased 50% over the corresponding period of last year, and the direct customers achieved a six fold increase over last year. In addition to government convenience services and outsourcing services businesses including the “Beijing Municipal City Management Hotlines”, “Juvenile Interest Hotline”, “Services Hotline for Beijing District Heating Group (熱力集團)” and “Services Hotline for Beijing Municipal Housing Loans and Guarantees Center”, the Group recorded steady growth in the outsourcing business of e-government affair call services. The great strides in IT services business provided the Group a strong support of overall stable development.

• *Investments*

In August 2007, the Group’s subsidiary, Liao Ning Province Capinfo Soft Co., Ltd (遼寧眾信同行軟件開發有限公司), was established with a registered capital of RMB5.00 million, which was mainly responsible for explored the IT market business in the northeastern region.

In November 2007, the Group’s subsidiary, Beijing Capinfo Hangyuan Science & Technology (北京首信航源科技有限公司), was established with a registered capital of RMB1.00 million, which was mainly responsible for the development of a new generation marine GPS ancillary operation and monitoring system, and the development and sales business of products, such as various models of ship mobile terminals.

• *Future Prospects*

Under the premise of successfully securing of Olympics projects, the Group will constantly innovate the foundation businesses, steadily enhance earning pattern and operation mechanism, strengthen the effort in optimizing the associates, consolidate management, as well as, enhance the general management standard of the Group in 2008.

• *Employees*

As at the end of 2007, the Group had 837 employees (2006: 702). The payable staff cost was approximately RMB63.97 million (2006: RMB58.70 million).

ANNUAL RESULTS

The Board of Directors (the “Board”) of the Company are pleased to announce that the audited consolidated results of the Group for the year ended 31st December 2007, together with the comparative figures for the corresponding period of 2006, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<i>NOTES</i>	2007 RMB'000	2006 <i>RMB'000</i>
Turnover	3	288,254	223,171
Cost of sales		(195,439)	(168,207)
Gross profit		92,815	54,964
Gain on disposal of a business	4	–	18,278
Gain on disposal of a jointly controlled entity		–	1,849
Other income		18,331	14,613
Fair value gain on investments held for trading		31,094	5,353
Research and development costs		(22,004)	(26,590)
Marketing and promotional expenses		(8,657)	(8,815)
Administrative expenses		(57,336)	(40,074)
Interest on other loan wholly repayable within five years		(213)	(251)
Share of losses of associates		(3,200)	(7,810)
Profit before tax	5	50,830	11,517
Income tax expense	6	(5,496)	(2,017)
Profit for the year		45,334	9,500
Attributable to:			
Equity holders of the Company		47,107	11,577
Minority interests		(1,773)	(2,077)
		45,334	9,500
Earnings per share – Basic	8	1.63 cents	0.40 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2007

		2007	2006
	NOTES	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		227,158	197,497
Interests in associates		29,748	23,828
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		2,363	31,527
		<u>260,619</u>	<u>254,202</u>
Current assets			
Inventories	9	1,127	2,703
Amounts due from customers for contract works	10	30,268	24,972
Trade and other receivables	11	38,171	41,706
Amounts due from associates		316	90
Pledged bank deposits	11	10,800	24,567
Bank balances and cash	11	445,677	341,485
		<u>526,359</u>	<u>435,523</u>
Current liabilities			
Trade and other payables	12	103,496	68,862
Amounts due to associates		643	–
Customer deposits for contract work		51,691	45,301
Income tax payable		7,794	2,903
Other loan	13	9,090	10,000
		<u>172,714</u>	<u>127,066</u>
Net current assets		<u>353,645</u>	<u>308,457</u>
		<u><u>614,264</u></u>	<u><u>562,659</u></u>

	<i>NOTES</i>	2007 RMB'000	2006 RMB'000
Capital and reserves			
Share capital	14	289,809	289,809
Reserves		322,172	269,849
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		611,981	559,658
Minority interests		2,283	3,001
		<hr/>	<hr/>
Total equity		614,264	562,659
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. GENERAL

The Company is a listed public limited company established in Beijing, the People's Republic of China (the "PRC"). Its ultimate holding company is Beijing State-owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

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

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are organised into two operating divisions namely e-Government technology services and e-Commerce technology services. These divisions are the basis on which the Group reports its primary segment information.

e-Government technology services – the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment to government body and its related entities.

e-Commerce technology services – the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment to non-government related entities.

Business segments for the year are as follows:

	2007		2006	
	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>
e-Government technology services	275,553	55,442	201,691	43,810
e-Commerce technology services	12,701	(12,817)	21,480	(24,346)
	<u>288,254</u>	<u>42,625</u>	<u>223,171</u>	<u>19,464</u>
Gain on disposal of a business engaged in e-commerce technology service		–		18,278
Gain on disposal of a jointly controlled entity engaged in other business		–		1,849
Other income		49,425		19,966
Unallocated administrative expenses		(37,807)		(39,979)
Interest on other loan wholly repayable within five years		(213)		(251)
Share of losses of associates engaged in other businesses		(3,200)		(7,810)
Profit before tax		50,830		11,517
Income tax expense		(5,496)		(2,017)
Profit for the year		<u>45,334</u>		<u>9,500</u>

As the assets of the Group are substantially used on a common basis by the segments of the Group, it is impracticable to analyse the assets and liabilities of the Group by business segments.

Geographical segments

The Group's operations are situated in Mainland China in the PRC in which its revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

4. GAIN ON DISPOSAL OF A BUSINESS

On 30th December, 2005, the Company entered into an asset transfer agreement with third parties pursuant to which the Company agreed to sell its business and all assets in relation to the Group's provision of online payment services to the third parties for cash consideration of US\$2,500,000. The relevant computer equipment, network equipment, office equipment, furniture and fixtures in relation to the Group's division of online payment services of RMB1,265,000 was carried as property, plant and equipment held for sale as at 31st December, 2005. The transfer of business was completed on 18th January, 2006 and a gain of RMB18,278,000 was recognised by the Group for the year ended 31st December 2006.

5. PROFIT BEFORE TAX

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' and supervisors' remuneration	2,029	2,007
Other staff costs	57,855	52,930
Other staff's retirement benefit scheme contributions	4,087	3,752
	<u>63,971</u>	<u>58,689</u>
Less: Staff costs included in research and development costs	(7,513)	(15,192)
Staff costs included in contract works	(24,826)	(18,050)
	<u>31,632</u>	<u>25,447</u>
Depreciation	67,671	48,407
Less: Depreciation included in research and development costs	(1,381)	(2,128)
Depreciation capitalised in contract works	(61,929)	(19,146)
	<u>4,361</u>	<u>27,133</u>
Operating lease rentals in respect of		
– cable network	8,303	11,695
– land and buildings	9,793	10,892
	<u>18,096</u>	<u>22,587</u>
Less: Operating lease rentals included in research and development costs	(1,094)	(675)
Operating lease rentals capitalised in contract work	(9,079)	(9,364)
	<u>7,923</u>	<u>12,548</u>
Allowance for doubtful debts	3,639	1,596
Auditors' remuneration	1,607	1,302
Cost of inventories recognised as expenses	23,923	40,768
Impairment of goodwill of an associate (included in share of losses of associates)	867	1,059
Loss on disposal of property, plant and equipment	171	85
Share of tax of an associate (included in share of losses of associates)	367	193
Write down of inventories	1,088	10,180
and after crediting:		
Government grants	11,535	9,593
Interest income from bank deposits	2,906	2,727
	<u><u>2,906</u></u>	<u><u>2,727</u></u>

6. INCOME TAX EXPENSE

The Company is recognised as a new-technology enterprise according to PRC tax regulations and subject to PRC income tax at 15% (2006: 15%) of the estimated assessable profit for the year.

The Company's subsidiaries, Capinfo Technology Development Co., Ltd. and Beijing Sports Technology Co., Ltd. were High-Technology Enterprise which approved by The Committee of Beijing Science and Technology. Pursuant to the relevant laws and regulations in the PRC, these companies is entitled to exemption from income tax for three years commencing from the Company has been established and thereafter and entitled to a 50% relief from income tax for the next three years.

In addition, pursuant to an announcement made by the State Administration of Taxation, certain entities including the Company qualify to apply for a reduction of income tax rate to 10%, subject to the approval from the government in the following financial year, as an incentive and support to their software development activities in the PRC. As a result, a tax credit of approximately RMB705,000 for the year ended 31st December 2006 is recognised in the current year and a tax credit of approximately RMB1,558,000 for the year ended 31st December 2005 is recognised in last year.

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
The charge (credit) comprises:		
PRC income tax		
Current year	6,201	3,575
Tax credit for previous year	(705)	(1,558)
	5,496	2,017

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Profit before tax	50,830	11,517
Tax at domestic income tax rate of 15% (2006: 15%)	7,625	1,728
Tax effect of expenses that are not deductible in determining taxable profit	915	2,266
Tax effect of tax exemption granted to subsidiaries	(3,889)	(2,688)
Tax effect of tax losses of subsidiaries not recognised	1,070	1,098
Tax effect of share of profit of an associate	(367)	(193)
Tax effect of tax losses of associates not recognised	847	1,364
Tax credit for previous year	(705)	(1,558)
Tax expense for the year	5,496	2,017

At the balance sheet date, the subsidiaries have unused tax losses of approximately RMB25,000,000 (2006: RMB23,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire before 2012.

On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the People's Republic of China. On the December 2007, the State Council issued implementation Regulations of the New Law. The New Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprises from 1st January, 2008. In the opinion of the directors, however, the Company will apply for the "New and High-Tech Enterprise" status that will allow it to continue to entitle the tax rate of 15% under the New Law.

7. DIVIDEND

Subsequent to the balance sheet date, the dividend of RMB1.40 cents (2006: Nil) per share has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of RMB47,107,000 (2006: RMB11,577,000) and 2,898,086,091 (2006: 2,898,086,091) shares in issue during the year.

No diluted earnings per share has been presented in 2007 and 2006 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both years.

9. INVENTORIES

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	725	2,018
Merchandise	402	685
	1,127	2,703

10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Contract costs incurred to date	195,701	211,806
Recognised profits less recognised losses	82,667	48,608
	278,368	260,414
Less: Progress billings	(248,100)	(235,442)
	30,268	24,972

11. OTHER FINANCIAL ASSETS

(1) Trade and other receivables

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade receivables		
– a fellow subsidiary	5,061	1,760
– other state-controlled entities and the PRC government	17,052	15,582
– others	16,168	12,787
Sub-total	38,281	30,129
Less: Allowance for doubtful debts	(15,833)	(11,350)
	22,448	18,779
Other receivables, deposits and prepayments	15,723	22,927
	38,171	41,706

The Group allows an average credit period of 180 days to its trade customers. The following is an aged analysis of trade receivables net of allowance at the balance sheet date:

Age	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
0 to 60 days	11,315	11,589
61 to 90 days	1,872	251
91 to 180 days	8,932	494
Over 180 days	329	6,445
	22,448	18,779

Movement in the allowance for the doubtful debts

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Balance at the beginning of the year	11,350	10,732
Impairment losses recognised on receivables	4,483	618
Balance at the end of the year	15,833	11,350

The overdue balances were approximately RMB329,000 as at 31st December, 2007 (2006: RMB6,445,000) for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

(2) Pledged Bank deposits

Pledged bank deposits carry fixed interest rates which range from 3.33% to 3.78% per annum with maturity periods within three to six months.

(3) Bank balances and cash

Bank balances carry interest at a market rate of 0.72% per annum.

12. TRADE AND OTHER PAYABLES

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade payables		
– a fellow subsidiary	20	–
– others	16,619	5,679
	<u>16,639</u>	<u>5,679</u>
Government grants not recognised as income	19,032	26,188
Other payables and accrued expenses	67,092	27,736
Customer deposits	733	9,259
	<u>103,496</u>	<u>68,862</u>

The following is an aged analysis of trade payables at the balance sheet date:

Age	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
0 to 60 days	13,277	1,976
61 to 90 days	369	213
91 to 180 days	92	57
Over 180 days	2,901	3,433
	<u>16,639</u>	<u>5,679</u>

13. OTHER LOAN

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Carrying amount repayable:		
Within one year and shown under current liabilities	9,090	10,000

The loan is granted by the PRC government, denominated in Renminbi, unsecured and bears interest at floating rate at 1 year time deposit rate plus 0.3% and the average interest rate is 2.55% (2006: 2.55%) per annum for the year ended 31st December, 2007.

14. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each at 1st January 2006, 31st December 2006 and 31st December 2007	2,123,588,091	774,498,000	289,809

15. CHANGES IN EQUITY OF THE GROUP

For the year ended 31 December 2007

	Attributable to equity holders of the parent							Minority interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory welfare fund RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000		
At 1st January 2006	289,809	254,079	–	1,625	812	1,756	548,081	4,678	552,759
Profit for the year (total recognised income for the year)	–	–	–	–	–	11,577	11,577	(2,077)	9,500
Capital contribution from minority owner of a subsidiary	–	–	–	–	–	–	–	400	400
Transfer of statutory welfare fund	–	–	–	812	(812)	–	–	–	–
Profit appropriations	–	–	–	481	–	(481)	–	–	–
At 31st December 2006	289,809	254,079	–	2,918	–	12,852	559,658	3,001	562,659
Profit for the year (total recognised income for the year)	–	–	–	–	–	47,107	47,107	(1,733)	45,334
Capital contribution from minority owner of a subsidiary	–	–	5,216	–	–	–	5,216	1,055	6,271
Profit appropriations	–	–	–	6,614	–	(6,614)	–	–	–
At 31st December 2007	289,809	254,079	5,216	9,532	–	53,345	611,981	2,283	614,264

Note: Pursuant to a notice in respect of the financial treatments under new Company Law (關於《公司法》施行後有關企業財務處理問題的通知) issued by the Minister of Finance, there will be no accrual of statutory public welfare fund in 2006. The remaining balance of statutory public welfare fund is transferred to statutory surplus reserve.

DIVIDEND

The Board does recommend the payment of final dividend for the year ended 31st December, 2007 (2006: Nil).

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG)(THE “SFO”)

a. *Directors and Chief Executive of the Company*

Save as disclosed below, as of 31 December 2007, none of the Directors 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 SFO, 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 Rule 5.46 of the GEM Listing Rules.

Long positions in the underlying shares – options granted under share option scheme

Name	Number of H Shares subject to options outstanding as of 31 December 2007			Percentage to the issued H share capital
	Granted under the Pre-IPO Share Option Plan	Granted under the Share Option Scheme	Total	
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
	<u>6,356,550</u>	<u>7,330,000</u>	<u>13,686,550</u>	<u>1.77%</u>

All of the above-mentioned share options (the “Pre-IPO Options”) granted under the pre-IPO share option plan of the Company (the “Pre-IPO Share Option Plan”) were granted on 6 December 2001 at RMB1 per grant with an exercise price of HK\$0.48 per H Share. All these share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to the terms and conditions of the Pre-IPO Share Option Plan, restrictions imposed by the relevant PRC laws and regulations and any conditions of the grant as stipulated by the Board of Directors:

Proportion of share options granted and held by each of the Directors which become exercisable

Exercise period

20%	7 December 2002 to 6 December 2011
20%	7 December 2003 to 6 December 2011
20%	7 December 2004 to 6 December 2011
20%	7 December 2005 to 6 December 2011
20%	7 December 2006 to 6 December 2011

All of the above-mentioned share options (the “Share Options”) granted under the share option scheme of the Company (the “Share Option Scheme”) were granted on 17 August 2004 at RMB1 per grant with an exercise price of HK\$0.41 per H Share. These share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to restrictions imposed by the relevant PRC laws and regulations:

Proportion of share options granted and held by each of the Directors which become exercisable

Exercise period

25%	18 August 2005 to 17 August 2014
25%	18 August 2006 to 17 August 2014
25%	18 August 2007 to 17 August 2014
25%	18 August 2008 to 17 August 2014

b. *Substantial shareholders of the Company and other persons (other than Directors or chief executive of the Company)*

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 a Director or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2007:

Name of shareholder	Number of shares	Nature of interests	Percentage to the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,783,631,919 domestic shares	Beneficial owner	61.55%

So far as is known to any Director or chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as of 31 December 2007:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited (重慶宏信軟件有限公司)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮工業總公司)	Dongguan City Longxin Digital Technology Company Limited (東莞市龍信數碼科技有限公司)	Beneficial owner	40%
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限公司)	Beneficial owner	40%
China Association of Mayors	Beijing City Technology Development Co., Ltd	Beneficial owner	15%

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTIONS

(a) Pre-IPO share option plan

Pursuant to a pre-IPO share option plan, the pre-IPO share option has been granted with an exercise price of HK\$0.48 per H Share (the placing price of the H Shares of the Company upon issued) and can be exercised within a period of ten years from the date of grant, provided that the limitation imposed by relevant PRC laws and regulations should be complied. These share options are aimed to recognize the grantees' contributions to the Group in the past and at present. The summary of the granted Pre-IPO share option is as follows:

	At 1 January 2007	Lapsed or transferred to other classes during the period	At 31 December 2007
Directors of the Company	10,149,400	(3,792,850)	6,356,550
Supervisors of the Company	2,509,450	–	2,509,450
Senior management of the Company	4,836,620	–	4,836,620
Senior consultant of the Company	2,619,500	*1,309,750	3,929,250
Consultant of the Company	2,808,910	–	2,808,910
Other employees of the Company and its subsidiaries	19,481,795	(1,918,125)	17,563,670
	<u>42,405,675</u>	<u>4,401,225</u>	<u>38,004,450</u>

Notes: Dr. Chen Xinxiang resigned as the executive director and chairman of the Company on 23 July 2007, he is currently the honour chairman of the Company. All of the share options hold by Dr. Chen Xinxiang was transferred from the class of original director to the class of senior consultant.

During the period, the share options granted under the share option scheme of the Company is summaries as follows:

	At 1 January 2007	Lapsed or transferred to other classes during the period	At 31 December 2007
Directors of the Company	12,962,000	(5,632,000)	7,330,000
Supervisors of the Company	2,932,000	–	2,932,000
Senior management of the Company	9,166,000	(1,466,000)	7,700,000
Senior consultant of the Company	11,264,000	*2,700,000	13,964,000
Consultant of the Company	2,384,000	–	2,384,000
Other employees of the Company and its subsidiaries	20,125,000	(1,812,000)	18,313,000
	<u>58,833,000</u>	<u>6,210,000</u>	<u>52,623,000</u>

Notes: Dr. Chen Xinxiang resigned as the executive director and chairman of the Company on 23 July 2007, he is currently the honour chairman of the Company. All of the share options hold by Dr. Chen Xinxiang was transferred from the class of original director to the class of senior consultant.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 31 December 2007.

AUDIT COMMITTEE

An audit committee was established with written terms of reference in compliance with the requirements of the GEM Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong. Mr. Chen Jing is the chairman of the audit committee. During the year, 4 audit committee meetings were held. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Group's audited results for the year ended 31 December 2007 have been reviewed by the audit committee, which was of the view that the preparation of the financial statements were in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year under review, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

By Order of the Board
CAPINFO COMPANY LIMITED*
Mr. LI Minji
Chairman

Beijing, The People's Republic of China, 20th March 2008

As of the date hereof, the executive directors of the Company are Dr. Wang Xu, Ms. Zhang Yan; the non-executive directors of the Company are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Dr. Wu Bo, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Lu Xiao bing, Dr. Xia Peng; and the independent non-executive directors of the Company are Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* *For identification purposes only*