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**CAPINFO COMPANY LIMITED\***

**首都信息發展股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 8157)*

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**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](http://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 RMB223.2 million for the year ended 31st December, 2006;
- The Group attained an audited profit attributable to the equity holders of the parent of approximately RMB11.6 million for the year ended 31st December, 2006, representing an increase of 167%;
- The Board does not recommend the payment of a final dividend for the year ended 31st December, 2006.

## CHAIRMAN'S STATEMENT

In 2006, the Group's foundation business progressed steadily in all aspects, project commercialization continued, significant breakthroughs were made in the Olympic Games projects, comprehensive integration of IT services businesses was commenced and internal-control mechanism was further refined and perfected.

Notable achievements were made in our foundation business. The stable operation of Beijing Medical Insurance Information System enabled over 6 million insured to have access to basic medical services. Beijing Municipal Government Cable Private Network was fully service oriented. The newly launched Beijing Municipal Government Affairs Outer-Network provides users with better and more extensive services. Beijing Community Service Information System was transformed into a community public service platform with its management and service functions being further strengthened.

The effectiveness of application of major informatization projects are apparent and the IT services capabilities are progressively strengthened. The project of "Beijing City Administration Information Platform" was awarded the prize of "Excellent International Project Management (China) 2006". During the Spring Festival in 2006, Beijing Emergency Response System played a vital role in controlling the setting off of firecrackers in all districts and counties of the city and in handling emergencies which provided technical protection in eliminating losses in fires. Beijing Hotline has become an indispensable tool for Beijing Municipal Government, enterprises and public institutions in providing public services.

The Group was delighted to secure Olympic Games projects. The Group participated in the information system building project for 2008 Paralympic Games and won the tender for the e-mail system construction project for Beijing Olympic Organizing Committee.

The Group continued to promote its project management standard and constantly enhanced its technical innovation capability. The improvement in CMMIS (Capability Maturity Model Integration for Software) process has been aggressively carried out. A number of software products were awarded the software copyright registration certificates issued by the National Copyright Administration.

In the coming year, we will undertake more important informatization construction commitments. The upcoming 2008 Olympic Games in Beijing, in particular, offers us greater development opportunities, while accompanying by higher requirements. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to shareholders and other people for their full support and to all the staff members for their dedication.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The board of Directors (the “Board”) of the Company announces that, for the year ended 31 December 2006, the Company and its subsidiaries (collectively the “Group”) recorded an audited turnover of approximately RMB223.2 million, representing a decrease of approximately 12% over that of last year, and a gross profit margin of 25%, as compared with 26% for last year. The Group has attained an audited profit attributable to equity holders of the parent of approximately RMB11.6 million for the year under review, representing an increase of approximately 167% over that of last year.

The Group’s turnover decreased during the year under review because revenue recognized from both e-Government business and e-Commerce business decreased.

During the year under review, the Group devoted more resources on research and development, thus increased its research and development expenses. On the other hand, the Group exercised more stringent control on expenses, which resulted in the decrease in administrative expenses.

During the year under review, there was a gain on disposal of the online payment business of approximately RMB18 million and a gain on disposal of a jointly controlled entity of approximately RMB1.8 million which compensated the impact from the decrease in turnover and attributable to the increase in profit attributable to equity holders of the parent to approximately RMB11.6 million, representing an increase of approximately 167% over that of the last year.

The Group’s current ratio, defined as total current assets over total current liabilities, maintained at a relatively high level of over 3.4 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 2006, the Group had unsecured borrowings of RMB10 million, bearing interests at an average interest rate of 2.55%, which will mature within 1 year from 31 December 2006. Cash and bank deposits of the Group as at 31 December 2006 were mainly derived from shareholders’ contribution and working capital generated from operations.

As at 31 December 2006, the Group had no assets pledged and had no significant contingent liabilities.

As at 31 December 2006, the Group had capital commitment of approximately RMB46.1 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 e-Government Network*

During the year, the Group reinforced operational safeguarding capability, and particularly standardized the process workflow for network events and backup plans. Consequently customer satisfaction was substantially enhanced and the upgrading task for nearly 400 network points for the community and medical insurance networks was largely completed. The Group introduced a portal website prototype system for the Beijing Municipal Government Affairs Outer-Network, and successfully carried out the security work for the cable network of government affairs during the China-Africa Cooperation Forum.

At the end of 2006, the e-Government Cable Network project ranked fifth in the award of the 2006 Top 20 Best Service Organizations for E-Government Provision and Maintenance in China (「2006年中國電子政務最佳運維服務機構20強」).

#### *The Medical Insurance System*

During the year, the Medical Insurance System continued to improve its service and had stable overall performance, the system now covers 18 districts and counties in Beijing as well as the Yizhuang Development Zone (亦莊開發區) in Beijing, with more than 900 designated medical outlets, 25 medical insurance handling agents with 70,000 participating enterprises and over 6,000,000 policyholders.

#### *The Community Service Information System*

During the year, the Group completed the upgrading and restructuring work for the community system platform, and enabled interconnection with the shared interchange platform for municipal government affairs information. The Group introduced a new version of community administrative software which was marketed among more than 2,500 communities throughout the city.

The Beijing Municipal Community Public Service Platform (「北京市社區公共服務平台」) enjoyed a service call volume 51% higher than the same period last year, and 94.4% customer satisfaction relating to the provision and maintenance of the community network. In December 2006, the Platform ranked fourth in the award of the 2006 Top 20 Best Service Organizations for Provision and Maintenance of E-Government Affairs in China (「2006年中國電子政務最佳運維服務機構20強」).

## **Business Development**

During 2006, the Group further consolidated various resources in response to market demands and targeted at the high-end IT service segments, which brought about new development trends and business growth.

### *Emergency Response Centres*

During the year, the Group secured projects such as the Tongzhou Emergency Response Centre, the Daxing Emergency Response Centre and the Changping Emergency Response Centre etc., and also carried out construction work for the 12345 non-emergency aid system. This has helped establishing brand image and gaining popularity for the Group within the emergency aid, non-emergency aid and fundamental municipal management sectors, laying sound foundations for it to take up further projects in the related fields.

### *Development in Other Regional Markets*

Adhering to the industry-focused and project-centered principle for the consolidation of regional markets, the Group has successfully secured and carried out e-government systems in cities such as Dongguan, Huai'an, Yingkou, Panjin and Shenyang etc. in the PRC. It has formed a development strategy for other regional markets applying the experience gained in Beijing with geographical adjustments' rationale and has achieved relatively stable operating and maintenance revenue and profit.

### *The Olympics Projects*

The Group has made breakthroughs in Olympics-related projects with the upcoming 2008 Beijing Olympics. The multilingual research and development project once again won support from the National 863 Project. Progress was seen in the Paralympics IT service. The Group established Beijing Sports Technology Co., Ltd., a wholly-owned subsidiary with an aim to take the Olympics IT service projects, to glorify the Olympics spirit and to grow into an internationally leading provider of sports information system and service. The project will provide a favorable opportunity for the Group to gain access to the science and technology orientated sports culture fields.

### *IT Services Business*

Upon a year of initial exploration, a set of growth pattern and ideas was formed which targeted the 2008 Olympics for its development IT services, making use of the foundation businesses and network platform resources as strongholds and call centers and IT service centres as technological backups.

In addition to core businesses including the Capital Environment Building Hotline, the Heat-supply Hotline, the Sewage Lids Management Hotline, Administrative Practices and Trade Practices Hotline, the Juvenile Psychological Hotline and the Medical Insurance Consultancy Hotline, the Group recorded steady growth in the outsourcing business of e-government affairs call services, and it also undertook the Capital ASP Service Platform for Small and Medium Enterprises from the Municipal Science and Technology Commission. This marked the Group's initial headways to the enterprise IT service segment through its strengths in platform resources.

## **Investments**

Upon the successful completion of transfer of the Online Payment Assets between the Group and PayEase (Beijing) Technology Ltd (a wholly-owned subsidiary of PayEase Corp.), Capinfo (Hong Kong) Company Limited, a wholly owned subsidiary of the Company acquired approximately 25.9% equity interests in PayEase Corp. in order to further strengthen the mutual cooperation.

In May 2006, one of the Group's wholly-owned subsidiaries, Capinfo Technology Development Company Limited (「首都信息科技發展有限公司」), formerly known as Capinfo System Integration Company Limited (「首都信息系統集成有限責任公司」), was established with a registered capital of RMB 50 million, and was awarded with Grade I Quality Assurance for Computer Information Systems Integration Relating to State Confidential Information, which was a crucial attribute for the Group's competitiveness in the market.

In September 2006, through joint efforts with the Information Center of the State General Administration of Sports, the Group established another wholly-owned subsidiary, namely Beijing Sports Technology Co. Ltd. with a registered capital of RMB10 million to engage in the IT service for the 2008 Beijing Paralympics.

## **Future Prospects**

Based on the stable growing foundation business, the Group will further capitalize on its abundant potential resources, constantly enhance mindsets for services innovation, strengthen the caliber on active planning and in-depth services, project management functions and the setup of a human resources administrative system in order to maximize the overall advantages of the Group.

## **Employees**

Professionals are the Group's precious assets. As at the end of 2006, the Group had 702 employees as against 542 employees at the end of 2005. During the year, total staff cost was approximately RMB58.7 million (2005: RMB52.0 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 2006, together with the comparative figures for the corresponding period of 2005, as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2006*

	<i>NOTES</i>	<b>2006</b> <b><i>RMB'000</i></b>	<b>2005</b> <b><i>RMB'000</i></b>
Turnover	3	<b>223,171</b>	254,187
Cost of sales		<b>(168,207)</b>	(188,526)
Gross profit		<b>54,964</b>	65,661
Gain on disposal of a business	4	<b>18,278</b>	–
Gain on disposal of a joint controlled entity		<b>1,849</b>	–
Other income		<b>19,966</b>	21,864
Research and development costs		<b>(26,590)</b>	(21,173)
Marketing and promotional expenses		<b>(8,815)</b>	(9,171)
Administrative expenses		<b>(40,074)</b>	(46,174)
Interest on other loan wholly repayable within five years		<b>(251)</b>	(255)
Share of losses of associates		<b>(7,810)</b>	(2,398)
Share of loss of a jointly controlled entity		–	(806)
Profit before tax	5	<b>11,517</b>	7,548
Income tax expense	6	<b>(2,017)</b>	(3,118)
Profit for the year		<b>9,500</b>	4,430
Attributable to:			
Equity holders of the parent		<b>11,577</b>	4,332
Minority interests		<b>(2,077)</b>	98
		<b>9,500</b>	4,430
Earnings per share – Basic	8	<b>0.40 cents</b>	0.15 cents



**CONSOLIDATED BALANCE SHEET***At 31 December 2006*

	<i>NOTES</i>	<b>2006</b> <b>RMB'000</b>	2005 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>197,497</b>	141,446
Interests in associates		<b>23,828</b>	32,932
Interest in a jointly controlled entity		–	1,151
Available-for-sale investments		<b>1,350</b>	1,350
Deposits paid on acquisition of property, plant and equipment		<b>31,527</b>	10,340
		<hr/> <b>254,202</b>	<hr/> 187,219
<b>Current assets</b>			
Inventories	<i>9</i>	<b>2,703</b>	17,005
Amounts due from customers for contract work	<i>10</i>	<b>24,972</b>	27,579
Trade and other receivables	<i>11</i>	<b>41,706</b>	46,713
Amounts due from associates and a jointly controlled entity		<b>90</b>	1,182
Bank deposits	<i>11</i>	<b>24,567</b>	63,555
Bank balances and cash	<i>11</i>	<b>341,485</b>	333,007
		<hr/> <b>435,523</b>	<hr/> 489,041
Property, plant and equipment held for sale		–	1,265
		<hr/> <b>435,523</b>	<hr/> 490,306
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>68,862</b>	96,922
Customers' deposits for contract work		<b>45,301</b>	13,247
Taxation payable		<b>2,903</b>	4,597
Other loan – current portion	<i>13</i>	<b>10,000</b>	7,000
		<hr/> <b>127,066</b>	<hr/> 121,766
Net current assets		<hr/> <b>308,457</b>	<hr/> 368,540
		<hr/> <b>562,659</b>	<hr/> <b>555,759</b>



	<i>NOTES</i>	<b>2006</b> <b>RMB'000</b>	2005 RMB'000
Capital and reserves			
Share capital	<i>14</i>	<b>289,809</b>	289,809
Reserves		<b>269,849</b>	258,272
		<hr/>	<hr/>
Equity attributable to equity holders of the parent		<b>559,658</b>	548,081
Minority interests		<b>3,001</b>	4,678
		<hr/>	<hr/>
Total equity		<b>562,659</b>	552,759
Non-current liabilities			
Other loan	<i>13</i>	–	3,000
		<hr/>	<hr/>
		<b>562,659</b>	555,759
		<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, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of the new HKFRSs had no material effect on how the results and the 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 not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	Group and Treasury Shares Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

1 Effective for annual periods beginning on or after 1st January 2007

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

3 Effective for annual periods beginning on or after 1st March 2006

4 Effective for annual periods beginning on or after 1st May 2006

5 Effective for annual periods beginning on or after 1st June 2006

6 Effective for annual periods beginning on or after 1st November 2006

7 Effective for annual periods beginning on or after 1st March 2007

8 Effective for annual periods beginning on or after 1st January 2008

### 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:

	2006		2005	
	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>
e-Government technology services	201,691	43,810	225,099	54,333
e-Commerce technology services	21,480	(24,346)	29,088	(24,454)
	<u>223,171</u>	<u>19,464</u>	<u>254,187</u>	<u>29,879</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		19,966		21,864
Unallocated administrative expenses		(39,979)		(40,736)
Interest on other loan wholly repayable within five years		(251)		(255)
Share of losses of associates engaged in other businesses		(7,810)		(2,398)
Share of loss of a jointly controlled entity engaged in other business		–		(806)
Profit before tax		11,517		7,548
Income tax expense		(2,017)		(3,118)
Profit for the year		<u>9,500</u>		<u>4,430</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 current year.

## 5. PROFIT BEFORE TAX

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' and supervisors' remuneration (note 9)	2,007	1,643
Other staff costs	52,930	47,194
Other staff's retirement benefit scheme contributions	3,752	3,203
	<u>58,689</u>	<u>52,040</u>
Less: Staff costs included in research and development costs	(15,192)	(8,920)
Staff costs included in contract work	(18,050)	(8,059)
	<u>25,447</u>	<u>35,061</u>
Depreciation	48,407	62,727
Less: Depreciation included in research and development costs	(2,128)	(1,055)
Depreciation capitalised in contract work	(19,146)	(18,306)
	<u>27,133</u>	<u>43,366</u>
Operating lease rentals in respect of		
– cable network	11,695	13,964
– land and buildings	10,892	9,493
	<u>22,587</u>	<u>23,457</u>
Less: Operating lease rentals included in research and development costs	(675)	(752)
Operating lease rentals capitalised in contract work	(9,364)	(6,204)
	<u>12,548</u>	<u>16,501</u>
Allowance for doubtful debts	1,596	4,890
Auditors' remuneration	1,302	1,014
Cost of inventories recognised as expenses	40,768	52,954
Impairment of goodwill of an associate (included in share of losses of associates)	1,059	–
Impairment of goodwill of a subsidiary (included in administrative expenses)	–	3,488
Loss on disposal of property, plant and equipment	85	609
Net foreign exchange loss	–	522
Share of tax of an associate (included in share of losses of associates)	193	134
Write down of inventories	10,180	8,312
and after crediting:		
Dividend income from available-for-sale investments	–	375
Gain on disposal of available-for-sale investments	–	2,580
Government grants	9,593	14,691
Interest income from bank deposits	2,727	1,705
Fair value gain on investments held for trading	5,353	1,834
	<u><u>10,180</u></u>	<u><u>8,312</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% (2005: 15%) of the estimated assessable profit for the year.

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 RMB1,558,000 for the year ended 31st December 2005 is recognised in the current year and a tax credit of approximately RMB1,594,000 for the year ended 31st December 2004 is recognised in last year.

	<b>2006</b> <i>RMB'000</i>	2005 <i>RMB'000</i>
The charge (credit) comprises:		
PRC income tax		
Current	3,575	4,712
Tax credit for previous year	<u>(1,558)</u>	<u>(1,594)</u>
	<u><b>2,017</b></u>	<u>3,118</u>

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

	<b>2006</b> <i>RMB'000</i>	2005 RMB'000
Profit before tax	<u><b>11,517</b></u>	<u>7,548</u>
Tax at domestic income tax rate of 15% (2005: 15%)	1,728	1,132
Tax effect of expenses that are not deductible in determining taxable profit	2,266	2,747
Tax effect of income not taxable for tax purpose	(2,688)	(275)
Tax effect of tax losses of subsidiaries not recognised	1,098	589
Tax effect of share of profit of an associate	(193)	(134)
Tax effect of tax losses of associates and a jointly controlled entity not recognised	1,364	653
Tax credit for previous year	<u>(1,558)</u>	<u>(1,594)</u>
Tax expense for the year	<u><b>2,017</b></u>	<u>3,118</u>

At the balance sheet date, the subsidiaries have unused tax losses of approximately RMB23,000,000 (2005: RMB16,000,000) 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 2011.

## 7. DIVIDEND

No dividend was paid or proposed during 2006, nor has any dividend been proposed since the balance sheet date (2005: Nil).

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the parent is based on the profit for the year attributable to equity holders of the parent of RMB11,577,000 (2005: RMB4,332,000) and 2,898,086,091 (2005: 2,898,086,091) shares in issue during the year.

No diluted earnings per share has been presented in 2006 and 2005 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

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Raw materials	2,018	1,778
Merchandise	685	15,227
	<u>2,703</u>	<u>17,005</u>

## 10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Contract costs incurred to date	211,806	77,831
Recognised profits less recognised losses	48,608	7,951
	<u>260,414</u>	<u>85,782</u>
Less: Progress billings	(235,442)	(58,203)
	<u>24,972</u>	<u>27,579</u>

## 11. OTHER FINANCIAL ASSETS

### (1) Trade and other receivables

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade receivables		
– a fellow subsidiary	1,760	1,370
– other state-controlled entities and the PRC government	13,987	6,160
– others	3,032	12,574
	<u>18,779</u>	<u>20,104</u>
Other receivables, deposits and prepayments	22,927	26,609
	<u>41,706</u>	<u>46,713</u>

Payment terms with customers are mainly on credit. Invoices are normally payable within 60 days of issuance, except for certain well established customers that the Group offers longer payment credit terms. The following is an aged analysis of trade receivables at the balance sheet date:

Age	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
0 to 60 days	11,589	6,162
61 to 90 days	251	–
91 to 180 days	494	3,486
Over 180 days	6,445	10,456
	<u>18,779</u>	<u>20,104</u>

**(2) Bank deposits**

Bank deposits carry fixed interest rates which range from 1.98% to 2.43% with maturity periods within three to six months.

**(3) Bank balances and cash**

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

**12. TRADE AND OTHER PAYABLES**

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade payables		
– a fellow subsidiary	–	526
– others	5,679	8,594
	<u>5,679</u>	<u>9,120</u>
Government grants not recognised as income	26,188	24,489
Other payables and accrued expenses	27,736	55,076
Customers' deposits	9,259	8,237
	<u>68,862</u>	<u>96,922</u>

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

Age	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
0 to 60 days	1,976	1,918
61 to 90 days	213	–
91 to 180 days	57	4,717
Over 180 days	3,433	2,485
	<u>5,679</u>	<u>9,120</u>



### 13. OTHER LOAN

	<b>2006</b> <i>RMB'000</i>	2005 <i>RMB'000</i>
Carrying amount repayable:		
Within one year	<b>10,000</b>	7,000
More than one year, but not exceeding two years	—	3,000
	<b>10,000</b>	10,000
Less: Amount due within one year and shown under current liabilities	<b>10,000</b>	7,000
Amount due after one year	—	3,000

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% (2005: 2.55%) per annum for the year ended 31st December 2006.

### 14. SHARE CAPITAL

	<b>Number of shares</b>		<b>Registered, issued and fully paid <i>RMB'000</i></b>
	<b>Domestic shares</b>	<b>H shares</b>	
Balance of share capital of RMB0.10 each at 1st January 2005, 31st December 2005 and 31st December 2006	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

## 15. CHANGES IN EQUITY OF THE GROUP

For the year ended 31 December 2006

	Attributable to equity holders of the parent					Total	Minority interests	Total
	Share capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Accumulated profits (losses)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2005	289,809	254,079	1,378	689	(2,206)	543,749	1,282	545,031
Profit for the year (total recognised income for the year)	–	–	–	–	4,332	4,332	98	4,430
Capital contribution from minority owner of a subsidiary	–	–	–	–	–	–	800	800
Acquisition of a subsidiary	–	–	–	–	–	–	2,498	2,498
Profit appropriations	–	–	247	123	(370)	–	–	–
At 31st December 2005	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)	–	–	–
<b>At 31st December 2006</b>	<b><u>289,809</u></b>	<b><u>254,079</u></b>	<b><u>2,918</u></b>	<b><u>–</u></b>	<b><u>12,852</u></b>	<b><u>559,658</u></b>	<b><u>3,001</u></b>	<b><u>562,659</u></b>

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 not recommend the payment of final dividend for the year ended 31st December, 2006 (2005: 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 at 31 December 2006, 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 at 31 December 2006			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. Chen Xinxiang	1,309,750	2,700,000	4,009,750	0.51%
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%
Mr. Wong Ying Ho, Kennedy	1,241,550	1,466,000	2,707,550	0.35%
Mr. Ng Kin Fai, Francis	1,241,550	1,466,000	2,707,550	0.35%
	<u>10,149,400</u>	<u>12,962,000</u>	<u>23,111,400</u>	<u>2.98%</u>

Mr. Wong Ying Ho, Kennedy and Mr. Ng Kin Fai, Francis resigned as independent non-executive Directors on 13 October 2006 and all the options held by them lapsed after three months from the date of resignation.

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 2006:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Nature of interests</b>	<b>Percentage to the issued share capital</b>
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 at 31 December 2006:

<b>Name</b>	<b>Equity interests held in members of the Group (other than the Company)</b>	<b>Nature of interests</b>	<b>Approximate percentage</b>
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%

## 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 adopted by the Company at an extraordinary general meeting held on 6th December 2001, the Company granted options to subscribe for H Shares in the Company with a payment of RMB1 upon each grant of options and with an exercise price of HK\$0.48 per H Share. Options granted are exercisable within a period of ten years from the date of grant subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors.

Details of the pre-IPO share options held by the directors, other key management and other parties and movements in such holdings during the year are as follows:

	Outstanding at 1st January 2005	Lapsed during the year	Outstanding at 31st December 2005	Lapsed during the year	Outstanding at 31st December 2006
Directors	10,149,400	–	10,149,400	–	10,149,400
Supervisors	3,795,950	–	3,795,950	(1,286,500)	2,509,450
Senior management	4,836,620	–	4,836,620	–	4,836,620
Senior advisors	2,619,500	–	2,619,500	–	2,619,500
Advisors	4,309,930	–	4,309,930	(1,501,020)	2,808,910
Other employees	23,040,750	(3,061,095)	19,979,655	(497,860)	19,481,795
	<u>48,752,150</u>	<u>(3,061,095)</u>	<u>45,691,055</u>	<u>(3,285,380)</u>	<u>42,405,675</u>

The options outstanding at the end of the year have a remaining contractual life of 5 years (2005: 6 years). None of the pre-IPO share options has been exercised during the year.

#### (b) Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 6th December 2001 (the "Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with a payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of

H Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the five trading days immediately preceding the date of grant of the option; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of H Shares of the Company in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of H Shares of the Company in issue as at the date of approval of the Scheme unless further shareholders’ approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person’s maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

The Company has granted 67,298,000 options under the Scheme on 17th August 2004 at RMB1 for each grant of options and with an exercise price of HK\$0.41 per H Share. Total consideration received during the year ended 31st December 2004 for taking up the options granted amounted to RMB114. The share options are fully vested on 17th August 2004. Details of these share options held by the directors, other key management and other parties and movements in such holdings during the years are as follows:

	Outstanding at 1st January 2005	Lapsed during the year	Outstanding at 31st December 2005	Lapsed during the year	<b>Outstanding at 31st December 2006</b>
Directors	12,962,000	–	12,962,000	–	<b>12,962,000</b>
Supervisors	4,398,000	–	4,398,000	(1,466,000)	<b>2,932,000</b>
Senior management	9,166,000	–	9,166,000	–	<b>9,166,000</b>
Senior advisors	11,264,000	–	11,264,000	–	<b>11,264,000</b>
Advisors	3,302,000	–	3,302,000	(918,000)	<b>2,384,000</b>
Other employees	23,822,000	(3,093,000)	20,729,000	(604,000)	<b>20,125,000</b>
	<u>64,914,000</u>	<u>(3,093,000)</u>	<u>61,821,000</u>	<u>(2,988,000)</u>	<u><b>58,833,000</b></u>



The options outstanding at the end of the year have a remaining contractual life of 8 years (2005: 9 years).

The financial impact of all the above share options granted and vested before 1st January 2005 is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year ended 31st December 2004. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## **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 2006.

## **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 2006 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\***  
**Dr. CHEN Xinxiang**  
*Chairman*

Beijing, The People's Republic of China, 23 March 2007

*As of the date hereof, the executive directors of the Company are Dr. Chen Xinxiang, 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. Tan Guoan, Dr. Xia Peng, Mr. Liu Zhiyong; 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](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*

\* *For identification purposes only*