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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)*

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**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 RMB339.5 million for the year ended 31st December, 2008;
- The Group attained an audited profit attributable to the equity holders of the Company of approximately RMB53.22 million for the year ended 31st December, 2008, representing an increase of 13%;
- The Board does recommend the payment of a final dividend for the year ended 31st December, 2008.

## **CHAIRMAN'S STATEMENT**

Capinfo entered its 10th year of development in 2008. Since its establishment in 1998, the Company experienced 10 years of start-up and development, and has become a leading enterprise in the information industry in Beijing, with advanced technologies and quality services.

During the year, the Group continued with the promotion of its foundation businesses and robust development. Upgrading and improvement of the Medical Insurance Information System, the Community Service Information System, e-Government and other systems have been successfully completed, with a comprehensive enhancement of business support capabilities, IT services of the Group entering a new level, among progresses in marketization exploration for foundation businesses, and a bright prospect for the promotion of various systems in other places. During the period under review, the Company thoroughly integrated its subsidiaries, with enhanced profitability. Outstanding results in international business development like the business cooperation and outsourcing relationship built with HP formed a solid foundation for the Group to enter into the international IT market in the future.

During the Olympics, the Group has successfully completed the technical protection tasks for the 2008 Beijing Olympics and Paralympics with its advanced, mature and reliable products and services, thus made a major contribution for the success of the Games. And the Group was named a “committed, creditworthy” enterprise by the organizing committee of the 29th Olympic Games. While achieving outstanding results in the Olympic Games, the Group has also won a good brand image and operation results.

After the Olympics, the Group will take advantage of its brand image with results achieved thereby, to further explore new business types, new customer groups and new service areas; expand room for market development of the Group; enhance overall profit level of the Group; “create value for shareholders” from time to time; and contribute efforts for the century of Capinfo.

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 2008, the Company and its subsidiaries (collectively the “Group”) recorded an audited turnover of approximately RMB339.5 million, representing an increase of approximately 18% over that of last year, and a gross profit margin of 34%, as compared with 32% for last year. The Group has attained an audited profit attributable to equity holders of the parent of approximately RMB53.22 million for the year under review, representing an increase of approximately 13% 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 reasonable level of over 2 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 2008, the Group had unsecured borrowings of RMB9.09 million, bearing interests at an average interest rate of 2.55%. The Group had entrusted loans of RMB92 million, bearing interests at an annual interest rate of 6%, which will be repaid on 25 July 2009. Cash and bank deposits of RMB411 million of the Group as at 31 December 2008 were mainly derived from shareholders’ contribution and working capital generated from operations.

As at 31 December 2008, the Group had no assets pledged and had no significant contingent liabilities.

As at 31 December 2008, the Group had capital commitment of approximately RMB11.2 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 was highly praised by customers for its excellent system functions and comprehensive services. As of 31 December 2008, the Medical Insurance System has served more than 11 million insured people, with newly insured people increasing more than 22% compared with last year, achieving the target of covering urban residents in Beijing with basic medical insurance. To further expand the service scope of the Medical Insurance System, enhance service quality, the Group conducted a large scale upgrading and improvement of the mainframe and database of the Medical Insurance System, thus significantly enhanced the overall functions of the system and raised the IT service to a new level.

- *The e-Government Network*

During the year, the e-Government Network has been running steadily, with enhanced operation maintenance level. As of 31 December 2008, the e-Government Network has almost 700 accesses for municipal people's congress and government administration departments, contracted 102 networks of various government departments, total number of units accessed amounted to almost 7,000. To increase market competitiveness of the Network, the Group conducted system renovation for the e-Government Network, developed IP and virtual network businesses, and achieved good results in marketization exploration.

- *The Community Service Information System*

The Community Service Information System has been renewed and renovated successfully, with fully enhanced business support capabilities. As of 31 December 2008, the Community Service Information System successfully completed convenience projects like "Olympic Volunteers", "Snow Storm Donation for the South", "Orphan Adoption Consultation for Sichuan Wenchuan Earthquake", "Marriage Registration Enquiry", "Dispensary in Community", with the help of the community hotline "96156", social services portals and other public services platforms, with highly recognized service quality from users. The system has now developed into a major support system for new community services and large scale social projects, and has been widely promoted in Guangdong Province, Hubei Province and other districts.

- *Beijing-China*

"Beijing-China" is a portal website for the Beijing Municipal, and has been named the "No. 1 Nationwide Government Portal" consecutively for two years for its high speed, stable, safe and convenient network services, with a current monthly hit count of nearly 200 million for its Chinese version. During the period under review, to raise the overall operation level of "Beijing-China", the Group conducted a comprehensive upgrading for its system structure, thus significantly enhanced and consolidated the capability of the Group to provide IT services for government portals and e-commerce customers at network terminals, and formed a good brand foundation for the future development of "Portal IT Outsourcing Services".

## **Olympics Results**

Together with the closing ceremonies of the 29th Olympics Games and the 2008 Beijing Paralympics Games, the Group completed its task of “Ensure a Peaceful Olympics”. During the Olympics and the Paralympics, the Group became a number one in Olympic history, i.e. the first Olympic multilingual services provider, and made a significant contribution to the Olympics with its “Olympic Multilingual Services System”, which has been on top of the “2008 InfoBeijing Ten Application Result Awards ”.

For the period under review, from the “Good Luck Beijing” trial tournament to the closing ceremonies of the Olympics and the Paralympics Games, the Group has undertaken various Olympic information service system construction and maintenance tasks like “OOC Main Operation Centre”, “Head Communication System”, “Paralympics Results System”, “Ticket Data Analysis System”, “E-mail Anti-virus System” and OOC information System outsourcing, and successfully completed such tasks with its outstanding technical management level and service quality. The Company was approved and appraised by the Beijing Municipal Government, the 29th Olympic Organizing Committee, various government departments and other institutions, and hereby won a good brand image, as well as promising operation performance.

## **International Business Development**

During the year, based on its successful experience and brand advantage in system operation and maintenance and industry software system development, the Group built up a standardized business cooperation and outsourcing service relationship with HP, an international IT conglomerate, and acquired supplier qualifications for HP BPO and ITO of HP GDCC. The results marked the Group as a long term cooperation partner for international renowned enterprises, and formed a foundation for further entering into the international IT service market.

- *Future Prospects*

2009 will be a year of in-depth adjustments in world and Chinese economies, with difficult tasks and rare opportunities, thus a bright prospect. With years’ successful experience and outstanding IT service technology advantages, the Group is in a great position to explore for an internationalized development path with Capinfo characteristics.

- *Employees*

As at the end of 2008, the Group had 755 employees (2007: 837). The payable staff cost was approximately RMB99.52 million (2007: RMB63.97 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 2008, together with the comparative figures for the corresponding period of 2007, as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2008*

	<i>NOTES</i>	<b>2008</b> <i>RMB'000</i>	<b>2007</b> <i>RMB'000</i>
Turnover		<b>339,499</b>	288,254
Cost of sales		<b>(225,357)</b>	(195,439)
Gross profit		<b>114,142</b>	92,815
Other income		<b>16,456</b>	18,331
Gain on disposal of a subsidiary	4	<b>1,777</b>	—
Fair value gain on investments held for trading		<b>3,447</b>	31,094
Research and development costs		<b>(16,486)</b>	(22,004)
Marketing and promotional expenses		<b>(15,308)</b>	(8,657)
Administrative expenses		<b>(41,824)</b>	(57,336)
Interest on other loan wholly repayable within five years		<b>(255)</b>	(213)
Share of losses of associates		<b>(3,344)</b>	(3,200)
Profit before tax	5	<b>58,605</b>	50,830
Income tax expense	6	<b>(6,090)</b>	(5,496)
Profit for the year		<b>52,515</b>	45,334
Attributable to:			
Equity holders of the Company		<b>53,215</b>	47,107
Minority interests		<b>(700)</b>	(1,773)
		<b>52,515</b>	45,334
Earnings per share-Basic	8	<b>RMB1.84 cents</b>	RMB1.63 cents

# CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>NOTES</i>	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>241,930</b>	227,158
Interests in associates		<b>24,245</b>	29,748
Available-for-sale investments		<b>1,350</b>	1,350
Deposits paid on acquisition of property, plant and equipment		<b>5,098</b>	2,363
Trade receivables-non-current		<b>7,881</b>	–
Deferred tax assets		<b>1,537</b>	–
		<hr/> <b>282,041</b>	<hr/> 260,619
<b>Current assets</b>			
Inventories	<i>9</i>	<b>1,801</b>	1,127
Amounts due from customers for contract works	<i>10</i>	<b>31,481</b>	30,268
Trade and other receivables	<i>11</i>	<b>45,397</b>	38,171
Amounts due from associates		–	316
Entrusted loan		<b>88,832</b>	–
Bank deposits	<i>11</i>	<b>239,300</b>	10,800
Bank balances and cash	<i>11</i>	<b>171,748</b>	445,677
		<hr/> <b>578,559</b>	<hr/> 526,359
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>148,787</b>	103,496
Amounts due to associates		<b>644</b>	643
Customer deposits for contract works		<b>64,620</b>	51,691
Income tax payable		<b>10,980</b>	7,794
Other loan	<i>13</i>	<b>9,090</b>	9,090
		<hr/> <b>234,121</b>	<hr/> 172,714
Net current assets		<hr/> <b>344,438</b>	<hr/> 353,645
Total assets less current liabilities		<hr/> <b>626,479</b>	<hr/> 614,264
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>289,809</b>	289,809
Reserves		<b>334,813</b>	322,172
Equity attributable to equity holders of the Company		<hr/> <b>624,622</b>	<hr/> 611,981
Minority interests		<b>1,857</b>	2,283
Total equity		<hr/> <b>626,479</b>	<hr/> 614,264



## 1. GENERAL

The Company is a limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong limited (the "Stock Exchange"). Its ultimate holding company is Beijing State-owned Assets Management 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>7</sup>



- 1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1st January, 2009
- 3 Effective for annual periods beginning on or after 1st July, 2009
- 4 Effective for annual periods ending on or after 30th June 2009
- 5 Effective for annual periods beginning on or after 1st July, 2008
- 6 Effective for annual periods beginning on or after 1st October, 2008
- 7 Effective for transfers on or after 1st July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments 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:

	2008		2007	
	Turnover	Results	Turnover	Results
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
e-Government technology services	329,937	71,001	275,553	66,666
e-Commerce technology services	9,562	(4,868)	12,701	(12,817)
	<u>339,499</u>	<u>66,133</u>	<u>288,254</u>	<u>53,849</u>
Gain on disposal of a subsidiary		1,777		–
Other income		11,460		38,201
Unallocated administrative expenses		(17,167)		(37,807)
Interest on other loan wholly repayable within five years		(255)		(213)
Share of losses of associates engaged in other businesses		(3,343)		(3,200)
Profit before tax		<u>58,605</u>		<u>50,830</u>
Income tax expense		(6,090)		(5,496)
Profit for the year		<u>52,515</u>		<u>45,334</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 the PRC in which its revenue is derived principally therefrom. Accordingly, no geographical segments by geographical market based on location of customers were presented. All assets of the Group are located in the PRC.

#### **4. DISPOSAL OF A SUBSIDIARY**

On 28th December, 2007, the Company entered into a conditional sale agreement with third parties to dispose of a subsidiary, Beijing Co-Create Open Source Software Co., Ltd., for a cash consideration of RMB1,735,000. The subsidiary was engaged in development, sales and management consultation of operation systems and related businesses. The disposal was completed on 15th January, 2008, on which date control of Beijing Co-Create Open Source Software Co., Ltd. passed to the acquirer.

There was no significant profit and loss generated by the subsidiary during 2008 up to the date of disposal as the subsidiary has temporarily closed for office removal during the period. The revenue and cost of sales of this subsidiary for the year ended 31st December, 2007 was RMB2,499,000 and RMB1,864,000 respectively and the loss of this subsidiary for the year ended 31st December, 2007 was RMB3,334,000.

The net liabilities of Beijing Co-Create Open Source Software Co., Ltd. at the date of disposal were as follows:

	<b>15.1.2008</b>
	<b><i>RMB'000</i></b>
Net liabilities disposed:	
Property, plant and equipment	242
Inventories	45
Amount due from customers for contract work	2,945
Trade and other receivables	797
Bank balances and cash	16
Trade and other payables	(4,121)
	<hr/>
Minority interests	(76)
Gain on disposal	34
	<hr/>
Total consideration	<b>1,777</b>
	<hr/> <hr/>
Satisfied by:	
Cash	<b>1,735</b>
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	1,735
Bank balances and cash of subsidiary disposed of	(16)
	<hr/>
	<b>1,719</b>
	<hr/> <hr/>

## 5. PROFIT BEFORE TAX

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' and supervisors' remuneration	1,550	2,029
Other staff costs	92,625	57,855
Other staff's retirement benefit scheme contributions	5,347	4,087
	<u>99,522</u>	<u>63,971</u>
Less: Staff costs included in research and development costs	(9,893)	(7,513)
Staff costs included in cost of sales	(32,758)	(24,826)
	<u>56,871</u>	<u>31,632</u>
Depreciation	65,031	67,671
Less: Depreciation included in research and development costs	(1,658)	(1,381)
Depreciation included in cost of sales	(51,205)	(61,929)
	<u>12,168</u>	<u>4,361</u>
Operating lease rentals in respect of		
– cable network	11,377	8,303
– land and buildings	13,793	9,793
	<u>25,170</u>	<u>18,096</u>
Less: Operating lease rentals included in research and development costs	(909)	(1,094)
Operating lease rentals included in cost of sales	(8,316)	(9,079)
	<u>15,945</u>	<u>7,923</u>
Allowance for doubtful debts	1,828	4,483
Auditors' remuneration	1,733	1,607
Cost of inventories recognised as expenses	45,246	23,923
(Gain) loss on disposal of property, plant and equipment	(227)	171
(Reversal of) impairment loss recognised in respect of inventories	(376)	1,088
Impairment of an associate (included in share of losses of associates)	–	867
Share of tax of an associate (included in share of losses of associates)	416	367
and after crediting:		
Government grants ( <i>note</i> )	8,443	11,535
Interest income from bank deposits	5,319	2,906
Interest income from entrusted loan	1,769	–
	<u><u>15,945</u></u>	<u><u>7,923</u></u>

*Note: Government grants are obtained specifically for certain of the Group's research and development projects, that are eligible to receive government grants, in which attributable depreciation, staff costs, cable network and research and development costs are compensated.*

## 6. INCOME TAX EXPENSE

The Company is recognised as a New and High-Tech Enterprise, according to the Law of the People's Republic of China on Enterprise Income Tax and subject to PRC income tax at 15% (2007: 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 are entitled to exemption from income tax for three years commencing from the first profit-making year of operation and thereafter and entitled to a 50% relief from income tax for the next three years ("Tax Holiday").

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 RMB2,402,000 for the year ended 31st December, 2007 is recognised in the current year and a tax credit of approximately RMB705,000 for the year ended 31st December, 2006 is recognised in last year.

	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
The charge (credit) comprises:		
PRC income tax		
Current year	<b>10,029</b>	6,201
Tax credit for previous year	<b>(2,402)</b>	(705)
	<b>7,627</b>	5,496
Deferred tax assets	<b>(1,537)</b>	–
	<b>6,090</b>	5,496

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

	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
Profit before tax	<b>58,605</b>	50,830
Tax at domestic income tax rate of 15% (2007: 15%)	<b>8,791</b>	7,625
Tax effect of expenses that are not deductible in determining taxable profit	<b>584</b>	915
Tax effect of Tax Holiday granted to subsidiaries	<b>(2,244)</b>	(3,889)
Tax effect of tax losses of subsidiaries not recognised	<b>860</b>	1,070
Tax effect of share of losses of associates not recognised	<b>501</b>	480
Tax credit for previous year	<b>(2,402)</b>	(705)
Tax expense for the year	<b>6,090</b>	5,496

At the balance sheet date, the subsidiaries have unused tax losses of approximately RMB16,000,000 (2007: RMB25,000,000) 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 2013.

## 7. DIVIDEND

A final dividend of RMB1.40 cents (2006: Nil) per share, amounting to an aggregate amount of RMB40,574,000 (2006: Nil) for the year ended 31st December, 2007 has been declared and paid during the year.

Subsequent to the balance sheet date, the dividend of RMB0.52 cents (2007: RMB1.40 cents) per share, amounting to an aggregate amount of RMB15,000,000 (2007: RMB40,574,000) for the year ended 31st December, 2008, has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming annual 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 RMB53,215,000 (2007: RMB47,107,000) and 2,898,086,091 (2007: 2,898,086,091) shares in issue during the year.

No diluted earnings per share has been presented in 2008 and 2007 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

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Raw materials	67	725
Merchandise	1,734	402
	<u>1,801</u>	<u>1,127</u>

## 10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Contract costs incurred to date	151,263	195,701
Recognised profits less recognised losses	78,931	82,667
	<u>230,194</u>	<u>278,368</u>
Less: Progress billings	(198,713)	(248,100)
	<u>31,481</u>	<u>30,268</u>

## 11. OTHER FINANCIAL ASSETS

### (1) Trade and other receivables

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade receivables		
– a fellow subsidiary	1,276	5,061
– other state-controlled entities and the PRC government	32,449	17,052
– others	<u>9,514</u>	<u>16,168</u>
Sub-total	43,239	38,281
Less: Allowance for doubtful debts	<u>(9,362)</u>	<u>(15,833)</u>
	33,877	22,448
Less: Non-current portion which shown in non-current assets ( <i>note</i> )	<u>(7,881)</u>	<u>–</u>
	25,996	22,448
Other receivables, deposits and prepayments	<u>19,401</u>	<u>15,723</u>
Trade and other receivables shown in current assets	<u><u>45,397</u></u>	<u><u>38,171</u></u>

The Group generally 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	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
0 to 60 days ( <i>note</i> )	27,675	11,315
61 to 90 days	242	1,872
91 to 180 days	791	8,932
Over 180 days	<u>5,169</u>	<u>329</u>
	<u><u>33,877</u></u>	<u><u>22,448</u></u>

*Note:* Included in the balance of trade receivables at 31st December 2008 was a trade receivable of approximately RMB7.9 million (2007: Nil) which will be settled by equal annual instalment within 5 years from 1st July, 2009 in accordance with the terms of payment of the contract with a customer. Therefore, the portion that will be settled after one year are shown and included as non-current assets at the balance sheet date. The effective interest rate applied on this receivable is 3.33% per annum.

Movement in the allowance for the doubtful debts

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Balance at the beginning of the year	15,833	11,350
Recognised during the year	1,828	4,483
Write off during the year	<u>(8,299)</u>	<u>–</u>
Balance at end of the year	<u><u>9,362</u></u>	<u><u>15,833</u></u>

The overdue balances were approximately RMB5,169,000 aged over 180 days as at 31st December, 2008 (2007: RMB329,000 aged over 180 days) 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. The credit quality of the trade receivable that are neither past due nor impaired is good.

Included in the allowance for doubtful debts are individually impaired trade receivables which aged over one year with an aggregate balance of RMB9,362,000 (2007: RMB15,833,000). The Group does not hold any collateral over these balances.

**(2) Pledged bank deposits**

Pledged bank deposits carry fixed interest rates which range from 1.71% to 1.98% per annum with maturity periods within three to six months.

**(3) Bank balances and cash**

Bank balances carry interest at a market rate of 0.36% (2007: 0.72%) per annum.

**12. TRADE AND OTHER PAYABLES**

	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade payables		
– a fellow subsidiary	–	20
– third parties	<b>24,202</b>	16,619
	<b>24,202</b>	16,639
Government grants not recognised as income	<b>17,828</b>	19,032
Other payables and accrued expenses	<b>104,716</b>	67,092
Customer deposits	<b>2,041</b>	733
	<b>148,787</b>	103,496

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

<b>Age</b>	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
0 to 60 days	<b>13,215</b>	13,277
61 to 90 days	<b>1,766</b>	369
91 to 180 days	<b>3,559</b>	92
Over 180 days	<b>5,662</b>	2,901
	<b>24,202</b>	16,639



### 13. OTHER LOAN

	<b>2008</b> <i>RMB'000</i>	2007 <i>RMB'000</i>
Carrying amount repayable within one year and shown under current liabilities	<b>9,090</b>	9,090

The loan is granted by the PRC government, denominated in Renminbi, unsecured and bears interest at fixed interest rate is 2.55% (2007: 2.55%) per annum for the year ended 31st December, 2008.

### 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, 2007, 31st December, 2007 and 31st December, 2008	<b>2,123,588,091</b>	<b>774,498,000</b>	<b>289,809</b>

## 15. CHANGES IN EQUITY OF THE GROUP

For the year ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2007	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	(1,773)	45,334
Capital contribution from minority owner of a subsidiary	–	–	–	–	–	–	475	475
Share of capital reserve of an associate contributed from an equity owner in excess of its proportionate interest	–	–	5,216	–	–	5,216	580	5,796
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
Dividend paid	–	–	–	–	(40,574)	(40,574)	–	(40,574)
Profit for the year (total recognised income for the year)	–	–	–	–	53,215	53,215	(700)	52,515
Capital contribution from minority owner of a subsidiary	–	–	–	–	–	–	240	240
Profit appropriations	–	–	–	4,800	(4,800)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	34	34
<b>At 31st December 2008</b>	<b>289,809</b>	<b>254,079</b>	<b>5,216</b>	<b>14,332</b>	<b>61,186</b>	<b>624,622</b>	<b>1,857</b>	<b>626,479</b>

## DIVIDEND

A dividend of RMB0.52 cents (2007: RMB1.40 cents) per share, amounting to an aggregate amount of RMB15,000,000 (2007: RMB40,574,000) for the year ended 31st December, 2008, has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

## 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 2008, 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 2008			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%
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>5,094,850</u>	<u>5,864,000</u>	<u>10,958,850</u>	<u>1.42%</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 2008:

<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	1,834,541,756 domestic shares	Beneficial owner	63.31%

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 2008:

<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%
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 6th December 2001 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 2008	Lapsed or transferred to other classes during the period	At 31 December 2008
Directors of the Company	6,356,550	(1,261,700)	5,094,850
Supervisors of the Company	2,509,450	(1,264,800)	1,244,650
Senior management of the Company	4,836,620	*1,261,700 (784,920)	5,313,400
Senior consultant of the Company	3,929,250	–	3,929,250
Consultant of the Company	2,808,910	(745,860)	2,063,050
Other employees of the Company and its subsidiaries	17,563,670	(758,880)	16,804,790
	<u>38,004,450</u>	<u>(3,554,460)</u>	<u>34,449,990</u>

*Notes:* Dr. Wu Bo resigned as the executive director of the Company on 2 June 2008, he is currently the chief officer of the Company. All of the share options of the Company held by Dr. Wu Bo were transferred from the class of original director to the class of senior management.

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

	At 1 January 2008	Lapsed or transferred to other classes during the period	At 31 December 2008
Directors of the Company	7,330,000	(1,466,000)	5,864,000
Supervisors of the Company	2,932,000	(1,466,000)	1,466,000
Senior management of the Company	7,700,000	*1,466,000 (1,925,000)	7,241,000
Senior consultant of the Company	13,964,000	–	13,964,000
Consultant of the Company	2,384,000	(459,000)	1,925,000
Other employees of the Company and its subsidiaries	18,313,000	(1,305,000)	17,008,000
	<u>52,623,000</u>	<u>(5,155,000)</u>	<u>47,468,000</u>

*Notes:* Dr. Wu Bo resigned as the executive director of the Company on 2 June 2008, he is currently the chief officer of the Company. All of the share options of the Company held by Dr. Wu Bo were transferred from the class of original director to the class of senior management.

## 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 2008.

## 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 2008 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. LI Minji**  
*Chairman*

Beijing, The People's Republic of China, 23 March 2009

*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 Dr. Li Minji, Mr. Xu Zhe, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Lu Xiao bing, Mr. Cao Jun; 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*