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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: 1075)**

**CONSOLIDATED RESULTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2010**

- Turnover increased by approximately 2.72% to approximately RMB373 million
- Profit attributable to shareholders increased by approximately 11.79% to approximately RMB73.7 million
- Basic earnings per share increased by approximately 11.4% to RMB2.54 cents per share
- The board of Directors has recommended the payment of a final dividend of RMB1.15 cents per share (2009: nil) totalling approximately RMB33.33 million for the year ended 31st December, 2010, subject to approval by shareholders at the forthcoming annual general meeting.

The board of directors (the "Board") of Capinfo Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2010.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

		2010	2009
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		<b>373,014</b>	363,125
Cost of sales		<b>(236,233)</b>	(243,610)
Gross profit		<b>136,781</b>	119,515
Other income		<b>33,772</b>	22,849
Research and development costs		<b>(20,967)</b>	(18,658)
Marketing and promotional expenses		<b>(33,368)</b>	(19,103)
Administrative expenses		<b>(41,373)</b>	(49,452)
Share of results of associates		<b>6,103</b>	865
(Loss) gain on disposal of a subsidiary	4	<b>(174)</b>	1,929
Gain on disposal of associates		<b>(44)</b>	16,000
Gain on disposal of an available-for-sale investment		<b>573</b>	–
Finance cost		<b>(388)</b>	(255)
Profit before tax	5	<b>80,915</b>	73,690
Income tax expense	6	<b>(4,932)</b>	(7,575)
Profit and total comprehensive income for the year		<b><u>75,983</u></b>	<b><u>66,115</u></b>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		<b>73,706</b>	65,934
Non-controlling interests		<b>2,277</b>	181
		<b><u>75,983</u></b>	<b><u>66,115</u></b>
Earnings per share	8		
– Basic		<b><u>RMB2.54 cents</u></b>	<b><u>RMB2.28 cents</u></b>
– Diluted		<b><u>RMB2.54 cents</u></b>	<b><u>RMB2.28 cents</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		99,084	153,895
Investment property		67,490	71,265
Intangible asset		10,450	–
Deposits paid on acquisition of property, plant and equipment		290	1,355
Interests in associates		27,438	22,087
Available-for-sale investments		1,000	1,350
Trade receivables – non-current		3,642	5,794
Deferred tax assets		4,120	1,306
		<u>213,514</u>	<u>257,052</u>
Current assets			
Inventories	9	822	831
Trade and other receivables	10	94,756	53,198
Amounts due from customers for contract works	11	32,905	31,842
Amounts due from related parties		8,412	9,545
Loans receivable		–	99,403
Held-for-trading investments		–	206
Bank deposits		99,756	150,955
Bank balances and cash		489,644	338,886
		<u>726,295</u>	<u>684,866</u>
Current liabilities			
Trade and other payables	12	117,152	167,743
Amount due to a related party		107	275
Customer deposits for contract works		89,090	75,933
Income tax payable		5,395	10,488
Other loan	13	6,360	8,180
		<u>218,104</u>	<u>262,619</u>
Net current assets		<u>508,191</u>	<u>422,247</u>
Total assets less current liabilities		<u>721,705</u>	<u>679,299</u>
Capital and reserves			
Share capital	14	289,809	289,809
Share premium and reserves		401,713	385,677
Equity attributable to owners of the Company		691,522	675,486
Non-controlling interests		30,183	3,813
Total equity		<u>721,705</u>	<u>679,299</u>

Notes:

## 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 Company transferred to list from the Growth Enterprise Market to the Main Board of the Stock Exchange effective on 21st January, 2011.

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 new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

**Amendments to HKAS 7 Statement of Cash Flows**  
*(as part of Improvements to HKFRSs issued in 2009)*

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the consolidated statement of financial position can be classified as investing activities in the consolidated statement of cash flows. The application of the amendments to HKAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in HKAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset in the consolidated statement of cash flows. This change has been applied retrospectively.

Development costs of the Group paid in the year of 2009 were recorded as expenses and included in cash flows of operating activities in consolidated statement of cash flows. The revised Standard has had no impact to the Group for the current and prior years' presentation.

The amendments to HKAS 7 specify that changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions. Accordingly, the resulting cash flows are financing activity. The application of the amendments to HKAS 7 has resulted in a change in the presentation of cash outflows in 2009. Specifically, the capital contributions in the acquisition of additional interests in subsidiaries paid in 2009 have been reclassified from investing to financing activities in the consolidated statement of cash flow for the year ended 31st December, 2009.

**HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements**

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Company.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Company's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st January, 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the dilution of the Group's interest in Dongguan City Longxin Digital Technology Company Limited during the current year, which resulted in loss of control of it. The retained interest in the former subsidiary is recognised at its fair value at the date control is lost, instead of recognised at relevant share of net asset of the subsidiary. The change in policy has not result in material difference to the amount reported.

In addition, the application of the revised Standard has affected the accounting for the dilution of the Company's interest in a subsidiary, Beijing Culture & Sports Technology Co., Ltd., by introducing new equity holders during the current year, which has not resulted in loss of control of the subsidiary. The impact of the change in policy was that the difference of approximately RMB1.7 million between the capital received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of RMB1.7 million and a decrease in basic and diluted earnings per share for the year of RMB0.06 cents. In addition, cash consideration of RMB27.5 million received from the non-controlling shareholders is presented as cash flow from financing activities.

### **New and revised Standards and Interpretations issued but not yet effective**

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>5</sup>
HKAS 24 (as revised in 2009)	Related Party Disclosures <sup>6</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>7</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2013.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1st February, 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors of the Company anticipate that the adoption of HKFRS 9 may have impact on the amounts reported in respect of the Group's available-for-sale investment which are currently stated at cost less impairment and will be measured at fair value upon adoption.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

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. SEGMENTS INFORMATION**

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker.

CEO for the purpose of resource allocation and assessment of performance, reviewed consolidated profit after taxation and the consolidated revenue of the Group as a whole prepared in accordance with the Accounting Standards for Business Enterprise of PRC, which has no significant differences as compared with the consolidated profit after taxation and the consolidated revenue reported under HKFRS. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no operating segment is presented, other than the entity-wide disclosure.

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers, as well as all of the assets are located in the PRC. Aggregated revenues from state-controlled entities and the PRC government are approximately RMB348,476,000 (2009: RMB323,579,000).

#### 4. DISPOSAL OF A SUBSIDIARY

- (a) On 8th December, 2010, the Company entered into an agreement to introduce a new shareholder to a subsidiary, Dongguan City Longxin Digital Technology Company Limited, with of additional capital injection of RMB941,000 contributed by the new shareholder. The subsidiary is engaged in application and network development. The additional capital contribution was completed on 16th December, 2010, on which date the Company's equity interest was diluted from 60% to 41.96% and control on this subsidiary was lost.

Analysis of net assets of Dongguan City Longxin Digital Technology Company Limited at the date of disposal was as follows:

	<b>At 16.12.2010</b> <i>RMB'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	790
Amounts due from customers for contract work	236
Trade and other receivables	252
Bank balances and cash	3,406
Trade and other payables	(1,441)
Tax payable	(89)
	<u>3,154</u>
Net assets disposed of	<u>3,154</u>
Net assets disposed of	3,154
Non-controlling interests	(1,262)
Fair value of retained interest which accounted for interest in an associate	<u>(1,718)</u>
Loss on disposal	<u>174</u>
Cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>3,406</u>

The impact of Dongguan City Longxin Digital Technology Company Limited on the Group's results and cash flows in the current and prior years is immaterial to the Group.

- (b) On 17th September, 2009, the Company entered into a sale agreement with an independent third party to dispose of its entire interests in a subsidiary, Chongqing Hongxin Software Company Limited and its subsidiary (“Chongqing Hongxin”) for a cash consideration of RMB840,000. The subsidiaries are engaged in software development and related businesses. The disposal was completed on 28th October, 2009, on which date the control of Chongqing Hongxin was passed to the acquirer.

Analysis of net liabilities of Chongqing Hongxin at the date of disposal was as follows:

	<b>At 28.10.2009</b> <i>RMB'000</i>
Net liabilities disposed:	
Property, plant and equipment	417
Inventories	60
Amounts due from customers for contract work	356
Trade and other receivables	902
Bank balances and cash	84
Trade and other payables	<u>(3,243)</u>
	(1,424)
Non-controlling interests	335
Gain on disposal	<u>1,929</u>
Total consideration	<u><u>840</u></u>
Satisfied by:	
Cash	<u><u>840</u></u>
Net cash inflow arising on disposal:	
Cash consideration	840
Bank balances and cash of subsidiaries disposed of	<u>(84)</u>
	<u><u>756</u></u>

## 5. PROFIT BEFORE TAX

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Directors' and supervisors' remuneration	1,160	1,347
Other staff costs	119,477	99,825
Other staff's retirement benefit scheme contributions	7,185	6,204
	<u>127,822</u>	<u>107,376</u>
Less: Staff costs included in research and development costs	(11,408)	(11,509)
Staff costs included in cost of sales	(48,042)	(47,218)
	<u>68,372</u>	<u>48,649</u>
Depreciation of property, plant and equipment	77,598	84,995
Depreciation of investment property	3,775	2,523
Amortisation of intangible asset	550	–
Total depreciation and amortisation	81,923	87,518
Less: Depreciation included in research and development costs	(1,396)	(896)
Depreciation included in cost of sales	(48,543)	(53,965)
	<u>31,984</u>	<u>32,657</u>
Operating lease rentals in respect of		
– cable network	16,845	13,455
– land and buildings	14,485	11,572
	<u>31,330</u>	<u>25,027</u>
Less: Operating lease rentals included in research and development costs	(2,183)	(1,181)
Operating lease rentals included in cost of sales	(11,322)	(8,885)
	<u>17,825</u>	<u>14,961</u>
(Reversal of) allowance for doubtful debts	(3,001)	3,023
Auditors' remuneration	2,545	1,843
Cost of inventories recognised as expenses	38,181	17,080
Share of tax of an associate (included in share of results of associates)	1,715	1,404
and after crediting:		
Government grants ( <i>note</i> )	12,186	9,749
Interest income from bank deposits	3,168	4,750
Interest income from loans receivable	2,732	3,368
Gain on change in fair value of financial asset at FVTPL	11,392	–
Dividend income from available-for-sale investment	240	245
Gain on disposal of property, plant and equipment	102	126
Reversal of written down of inventories	145	27
Gross rental income from investment properties	6,951	3,397
Less: Direct operating expenses from investment properties that generated rental income during the year	(3,431)	(1,897)
Direct operating expenses from investment properties that did not generate any rental income during the year	(1,112)	(909)
	<u>2,408</u>	<u>591</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 was awarded as "key software enterprise under state planning and layout" (國家規劃佈局內重點軟體企業) by State Development and Reform Commission, Ministry of Industry and Information, Ministry of Commerce and State General Administration of Taxation for the years of 2010 and 2009. Thus, according to the relevant tax laws and regulations in the PRC, it is subject to tax rate of 10% on its estimated assessable profit for the year.

The Company's subsidiaries, Capinfo Technology Development Co., Ltd. and Beijing Sports Technology Co., Ltd. are recognised as High-Technology Enterprises which were 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 year of operation and entitled to a 50% relief from income tax for the three years from 2010 to 2012. Under the implementation of Transitional Tax Relief Rules, the tax holiday is continued to be enjoyed after the implementation of the New Law until the expiry of the entitlement on 31st December, 2012.

	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
The charge comprises:		
PRC income tax		
Current year	7,746	7,764
Overprovision for previous year	—	(420)
	<u>7,746</u>	<u>7,344</u>
Deferred tax (credit) charge	<u>(2,814)</u>	<u>231</u>
	<u><b>4,932</b></u>	<u><b>7,575</b></u>

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

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before tax	<b><u>80,915</u></b>	<b><u>73,690</u></b>
Tax at applicable income tax rate of 10% (2009: 10%)	<b>8,092</b>	7,369
Tax effect of income not taxable for tax purpose	<b>(597)</b>	(279)
Tax effect of expenses that are not deductible for tax purpose	<b>472</b>	1,204
Tax effect of deductible temporary differences not recognised	–	2,247
Utilisation of deductible temporary differences previously not recognised	<b>(2,333)</b>	(1,600)
Recognition of deductible temporary differences previously not recognised	<b>(972)</b>	–
Tax effect of tax losses not recognised	<b>72</b>	137
Tax effect of different tax rates of subsidiaries	<b>198</b>	(1,595)
Decrease in opening deferred tax assets resulting from the decrease in applicable tax rate	–	512
Overprovision for previous year	<u>–</u>	<u>(420)</u>
Tax expense for the year	<b><u>4,932</u></b>	<b><u>7,575</u></b>

## 7. DIVIDENDS

An interim dividends of RMB2.05 cents (2009: nil) (pre-tax) per share, amounting to an aggregate amount of RMB59,415,000 has been declared and paid during 2010.

The final dividend of RMB1.15 cents (pre-tax) in respect of the year ended 31 December 2010 (2009: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>73,706</u>	<u>65,934</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,898,086,091	2,898,086,091
Effect of dilutive potential ordinary shares:		
Issuable under the Company's share option scheme	<u>1,134,950</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,899,221,041</u>	<u>2,898,086,091</u>

For the year ended 31st December, 2009, the calculation of diluted earnings per share did not take into account the exercise of the share option of the Company because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the year of 2009.

## 9. INVENTORIES

The inventories comprise of consumables at the end of the year.

## 10. TRADE AND OTHER RECEIVABLES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Total trade receivables	75,682	52,097
Less: Allowance for doubtful debts	<u>(9,376)</u>	<u>(11,763)</u>
	66,306	40,334
Less: Non-current portion which shown in non-current assets ( <i>note</i> )	<u>(3,642)</u>	<u>(5,794)</u>
	62,664	34,540
Other receivables, deposits and prepayments	32,685	19,865
Less: Allowance for doubtful debts	<u>(593)</u>	<u>(1,207)</u>
	<u>32,092</u>	<u>18,658</u>
Trade and other receivables shown in current assets	<u><b>94,756</b></u>	<u><b>53,198</b></u>

The Group allows an average credit period of 180 days to its trade customers. The following is an analysis of trade receivables by age at the end of the year, which presented based on invoice date and net of allowance for doubtful debts:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
0 to 60 days	22,131	29,953
61 to 90 days	16,649	336
91 to 180 days	18,931	213
Over 180 days	<u>8,595</u>	<u>9,832</u>
	66,306	40,334
Less: Non-current portion classified as non-current assets ( <i>note</i> )	<u>(3,642)</u>	<u>(5,794)</u>
	<u><b>62,664</b></u>	<u><b>34,540</b></u>

*Note:* Included in the balance of trade receivables at 31st December, 2010 was a trade receivable with the original balance of approximately RMB10,879,000 which will be settled by five equal annual installments from 1st July, 2009 to 1st July, 2013 in accordance with the terms of payment of the contract with a customer. As at 31st December, 2010, the remaining balance of that trade receivable is approximately RMB6,250,000 (2009: RMB7,881,000), with current portion of RMB2,608,000 (2009: RMB2,087,000) and non-current portion of RMB3,642,000 (2009: RMB5,794,000). The effective interest rate applied on this receivable is 3.33% per annum.

Movement in the allowance for the doubtful debts:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Balance at beginning of the year	<b>12,970</b>	9,947
Impairment losses recognised during the year	–	3,023
Reversal during the year	<b>(3,001)</b>	–
Balance at end of the year	<b><u>9,969</u></b>	<b><u>12,970</u></b>

The overdue balances were approximately RMB2,345,000 aged over 180 days as at 31st December, 2010 (2009: RMB1,951,000 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. The Group does not hold any collateral over these balances.

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 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 is 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 RMB9,279,000 (2009: RMB11,763,000).

#### 11. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Contract costs incurred to date	<b>202,940</b>	223,489
Recognised profits less recognised losses	<b><u>105,056</u></b>	<u>118,323</u>
	<b>307,996</b>	341,812
Less: Progress billings	<b>(186,001)</b>	(234,037)
Customer deposits for contract works	<b><u>(89,090)</u></b>	<u>(75,933)</u>
Amounts due from customers for contract works	<b><u>32,905</u></b>	<b><u>31,842</u></b>

## 12. TRADE AND OTHER PAYABLES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade payables	32,668	24,268
Government grants not recognised as income	5,920	10,768
Other payables and accrued expenses	75,379	131,236
Advance from customers of goods and tickets sales	3,185	1,471
	<u>117,152</u>	<u>167,743</u>

The following is an aged analysis of trade payables at the end of the reporting period, which presented based on the invoice date:

Age	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
0 to 60 days	16,568	14,389
61 to 90 days	856	8
91 to 180 days	1,682	2,187
Over 180 days	13,562	7,684
	<u>32,668</u>	<u>24,268</u>

## 13. OTHER LOAN

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Carrying amount repayable on demand and shown under current liabilities	<u>6,360</u>	<u>8,180</u>

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate is 2.85% (2009: 2.55%) per annum for the year ended 31st December, 2010 and repayable on demand.

## 14. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid <i>RMB'000</i>
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each at 1st January, 2009, 31st December, 2009 and 31st December, 2010	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

## 15. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1st January, 2009	289,809	254,079	5,216	14,332	61,186	624,622	1,857	626,479
Profit and total comprehensive income for the year	-	-	-	-	65,934	65,934	181	66,115
Dividend recognised as distribution	-	-	-	-	(15,070)	(15,070)	-	(15,070)
Profit appropriations	-	-	-	5,418	(5,418)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	335	335
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	(40)	(40)
Capital contribution from non-controlling shareholder of a subsidiary	-	-	-	-	-	-	1,480	1,480
At 31st December, 2009	289,809	254,079	5,216	19,750	106,632	675,486	3,813	679,299
Profit and total comprehensive income for the year	-	-	-	-	73,706	73,706	2,277	75,983
Dividend recognised as distribution	-	-	-	-	(59,415)	(59,415)	-	(59,415)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(400)	(400)
Profit appropriations	-	-	-	7,579	(7,579)	-	-	-
Disposal of a subsidiary ( <i>note 4</i> )	-	-	-	-	-	-	(1,262)	(1,262)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	1,745	-	-	1,745	25,755	27,500
At 31st December, 2010	<u>289,809</u>	<u>254,079</u>	<u>6,961</u>	<u>27,329</u>	<u>113,344</u>	<u>691,522</u>	<u>30,183</u>	<u>721,705</u>

**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 2010, 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 2010			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%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
	<u>3,786,650</u>	<u>4,398,000</u>	<u>8,184,650</u>	<u>1.06%</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**

	<b>Exercise period</b>
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**

	<b>Exercise period</b>
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 2010:

<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%

## **BUSINESS REVIEW**

### **The Social Security Card Project and the Medical Insurance System**

The Social Security Card Project (“Social Security Card”) for Beijing City was awarded “Achievement in the Construction of Application System of Social Security Card Project for Beijing City” (「北京市社會保障卡工程應用系統建設成果獎」) by Beijing Municipal Bureau of Human Resources and Social Security, which further enhanced the brand image of the IT services of the Company. During the year, 1800 designated medical organizations in Beijing realized the practice of providing medical treatment to holders of Social Security Card with real-time settlement. The accumulated card issuance amounted to 7.5 million cards (2009: 1 million cards). Medical treatment with real-time settlement was provided to over 29 million headcounts. Meanwhile, the construction of Social Security Card Service System was in progress smoothly. The Company launched a social security card service website and provided cardholders with convenient services by setting up service outlets and self-service terminals.

Beijing Medical Insurance Information System (“Medical Insurance System”) was running steadily. During the year, the Medical Insurance System completed developments of a series of new services such as the provision of medical treatment to cardholders in clinics and hospitals, medical treatment to retired citizens and urban and rural citizens, medical treatment to medical staff as well as the “elderly-and-child” policy in urban and rural areas. The Company strived to improve its customer services and the operation and maintenance level as well as to upgrade its service standard on an on-going basis.

### **The e-Government Network**

Upon completion of upgrade and reform of the e-Government network, the functions of the system and the sustainable service level improved significantly. Beijing e-Government network hosted 117 networks of virtual businesses during the year (2009: 107). The operation and maintenance tasks of “software and hardware project for non-emergency services in Beijing” (「北京市非緊急救助服務軟硬件項目」), the “Finance Bureau of Beijing project” (「北京市財政局項目」) and the “Letter to the Mayor project” (「市長信箱項目」) were successfully completed. It also supported the safe and reliable operation of various important systems in Beijing City such as the municipal confidential system, governmental business of the municipal government, [www.bjdj.gov.cn](http://www.bjdj.gov.cn) (北京組工網), social security, public hygiene and epidemic prevention, new medical cooperation in rural areas and emergency command.

### **The Community Service Information System**

The comprehensive upgrade of the Community Service Information System and website ([www.96156.gov.cn](http://www.96156.gov.cn)) fully optimized the capacity of the service platforms. During the year, the amount of service platforms totaled 2.28 million, representing an increase of 82% over the corresponding period last year, which provided convenient and efficient information services to the public. In the meantime, the Company also supported the development of new social service hotline businesses including household services for the elderly, marriage registration services, home economics services, disabled assistance services and 96156 Call Centre in western cities.

## Beijing-China

In 2010, the operation and maintenance tasks for both the technologies and contents of “Beijing-China” website undertaken by the Company proceeded steadily and successfully ensured the security for the major events such as the NPC and CPPCC sessions, the opening and closing ceremonies of the World Expo (“World Expo”) and during festival holidays as well as the operation and maintenance tasks of the “Online Expo Beijing Pavilion”. “Online Expo Beijing Pavilion” was one of the three major tasks of Beijing’s participation in the Shanghai World Expo. Of which, the Company was responsible for the production of the theme pages of “Beijing Week” and “Beijing Pavilion”, which brought a 3D digital virtual pavilion to life and shared resources with “Beijing-China” (www.beijing.gov.cn). According to the statistics of Bureau of Shanghai World Expo Coordination, the theme page of “Beijing Pavilion” accumulated nearly 39.37 million hits as of the end of the World Expo, being the top online pavilion in the country.

During the year, the Company also combined the demands of “Beijing-China” business and reformed the cloud computing service among websites in order to pave the next step of the application and technology innovation of cloud computing for the Company.

## Honours and Awards

- Awarded the title of “Independent Innovation Model Enterprise in the Software Industry in the State’s Independent Innovation Model Zone – Zhongguancun” (「中關村國家自主創新示範區核心區軟件行業自主創新示範企業」)
- Awarded the title of “2010 (9th) Top 100 Enterprises in China in terms of Revenue from Software Business” (「2010 (第九屆) 中國軟件業務收入前百家企業」)
- Awarded “Outstanding Contribution in Electronic Information Platform from Technology Platform in the Capital” (「首都科技條件平台電子信息領域平台優秀貢獻獎」)
- Awarded “Achievement in the Construction of Social Security Card Project” (「社保卡項目建設成果獎」)
- Accredited as “Major Software Enterprise in National Planning 2010” (「2010年度國家規劃佈局內重點軟件企業」)

## Future Prospects

On 21 January 2011, the Company officially transferred the listing of its H shares from GEM of the Hong Kong Stock Exchange to the Main Board. The Main Board will act as a platform for the Company to realize its strategic development objectives. In 2011, the Company will rely on the platform resources of the Main Board and further boost the profitability of its principal businesses in accordance with the Company’s strategic development objectives. Through speeding up merger and acquisitions, reinforcement of management of associated companies and continuous optimization of asset structure, the Company will be able to enhance the overall competitiveness of the Group.

## **FINANCIAL REVIEW**

The board of Directors (the “Board”) of the Company announces that, for the year ended 31st December, 2010, the Company and its subsidiaries (collectively the “Group”) recorded an audited turnover of approximately RMB373 million, representing an increase of approximately 2.72% over last year, and a gross profit margin of 36.67%, representing an increase of approximately 3.76% over last year.

For the year under review, the Group has sustained an audited profit attributable to equity holders of the parent of approximately RMB73.7 million, representing an increase of approximately 11.79% over last year. Other income amounted to approximately RMB33.77 million, representing an increase of approximately 47.8% over last year, which was mainly derived from special research and development projects, property leasing, interests and investment income.

As at 31st December, 2010, the Group had unsecured borrowings of RMB6.36 million, bearing interests at an average interest rate of 2.85%. Cash and bank deposits were approximately RMB589.4 million, which were mainly derived from shareholders’ contribution and working capital generated from operations. The Group had capital commitment of approximately RMB23.54 million.

During the year under review, the Group had no assets pledged and no significant contingent liabilities. The Group’s financial position was not exposed to significant fluctuations in exchange rates and any related hedges.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31st December, 2010, the Group had a total of 1,071 employees (2009: 897 employees). The payable staff cost was approximately RMB127.8 million (2009: RMB107.4 million).

The Group also provides internal and external training to its staff to enhance their professional performance and overall capability. Remunerations of Directors of the Company are determined with reference to their positions, responsibilities, experience and the prevailing market conditions.

## **DIVIDENDS**

The Board has recommended the payment of a final dividend of RMB1.15 cents per share totalling approximately RMB33.33 million for the year ended 31st December, 2010 (2009: nil), subject to approval by shareholders at the forthcoming annual general meeting.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People’s Republic of China on Friday, 17th June, 2011 at 9:00 a.m.. The notice of annual general meeting will be published and despatched to shareholders of the Company in due course pursuant to the requirements of the Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 18th May, 2011 to Thursday, 16th June, 2011 (both inclusive), during which no transfer of shares will be effected. The shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Tuesday, 17th May, 2011 will be entitled to attend and vote at the annual general meeting.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving and maintaining statutory and regulatory standards and adherence to the principles of corporate governance. The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the year under review.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31st December, 2010.

## **PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S SHARES**

The Company did not repurchase any of its listed shares during the year ended 31st December, 2010. During the year ended 31st December, 2010, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, namely Dr. Wang Huacheng, Mr. Chen Jing and Mr. Gong Zhiqiang. All of them are independent non-executive Directors. The chairman of the audit committee is Dr. Wang Huacheng.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2010, including the accounting principles and practices adopted by the Group and the identification and appointment of external auditors.

## **INTERNAL CONTROL**

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

## **LISTING RULES**

Since the Company's listing status was transferred from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 21st January, 2011, the Company has regulated its corporate actions in strict compliance with the Code on Corporate Governance Practices, the Model Code for Securities Transactions by Directors of Listed Issuers and relevant regulatory requirements under the Listing Rules, and will further improve its control system to enhance the performance of corporate governance.

## **PUBLISHING RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE**

The Company's annual report for the year ended 31st December, 2010 which sets out all information required by the Listing Rules will be despatched to the Company's shareholders, and will be available for inspection in due course on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.capinfo.com.cn](http://www.capinfo.com.cn)).

By order of the Board  
**CAPINFO COMPANY LIMITED\***  
**Dr. Li Minji**  
*Chairman*

Beijing, the People's Republic of China, 21st March, 2011

*As at the date hereof, the executive director of the Company is Dr. Wang Xu; the non-executive directors of the Company are Dr. Li Minji, Ms. Sun Jing, Ms. Li Zhi, Mr. Pan Jiaren, Mr. Cao Jun, Mr. Qi Qigong and Ms. Lu Xiaobing; and the independent non-executive directors of the Company are Mr. Chen Jing, Dr. Wang Huacheng, Mr. Zeng Xianggao and Mr. Gong Zhiqiang.*

\* *For identification purpose only*