

# CAPINFO

## Capinfo Company Limited

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



Beijing 2008 Olympic Games  
Multi-Lingual Services Supplier

# 2007

## Interim Report

# CAPINFO

郵信息发展股份有限公司



**HIGHLIGHTS**

- Recorded an unaudited turnover of approximately RMB83.1 million for the six months ended 30th June, 2007, representing an approximately 5% increase over the same period of the previous year;
- Sustained an unaudited loss attributable to the equity holders of the Company of approximately RMB2.2 million, for the six months ended 30th June, 2007;
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007.

**MANAGEMENT DISCUSSION AND ANALYSIS***Financial Review*

The board of Directors (the "Board") of Capinfo Company Limited (the "Company") announces that, for the six months ended 30th June, 2007, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB83.1 million, representing an increase of approximately 5% over the same period of last year, and a gross profit margin of 28%, as compared with 29% for the same period of last year. The Group has sustained an unaudited loss attributable to equity holders of the Company of approximately RMB2.2 million for the period under review while the profit attributable to equity holders of the Company was approximately RMB3.5 million for the same period of last year.

Other income included government grants, interests and investment income which increased in the period under review.

The Group has sustained loss attributable to equity holders of the Company of approximately RMB2.2 million for the period under review as against profit attributable to equity holders of the Company of approximately RMB3.5 million for the same period of last year. Although other income increased for the period under review, the gain on disposal of business of approximately RMB18.3 million in the same period of last year did not occur again in the period under review.

The Group's current ratio, defined as total current assets over total current liabilities, was approximately 3.1 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 30th June, 2007, the Group had short-term, unsecured borrowings of RMB10 million. Cash and bank deposits of the Group were approximately RMB327.2 million as at 30th June, 2007 which mainly came from shareholders' contribution and working capital generated from operations.

As at 30th June, 2007, the Group had no assets pledged and had no significant contingent liabilities.

As at 30th June, 2007, the Group had capital commitment of approximately RMB42.6 million.

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

## *Business Review*

### *1. Continuous Development for Foundation Business, Enhance Mindsets for Services Innovation*

During the period under review, the Company continued to optimize, perfect and supplement the new features of, and to develop new software based on, the functions of the existing medical insurance software. In the first half of the year, good progress had been achieved in the development of the medical insurance system. The development of the social medical manual expense system and the information collection software 'Elderly and Youth (一老一少)' and the upgrading and expansion of capacity of the medical system have been completed, establishing a sound foundation for the medication and real time settlement for Beijing insured citizens in future.

The Beijing Medical Insurance Information System Project was awarded both the '2006 Information Beijing Application Achievements (2006信息北京十大應用成果獎)' jointly issued by Beijing Information Office (北京市信息化工作辦公室) and the Propaganda Division of the Beijing Municipal Committee, and the '2007 International Project Management Prize Winner (2007年國際項目管理大獎卓越獎)' issued by the organization committee of the IPMA

International Project Excellence Award in Poland, showing that the Group possessed the competence in international project management to a standard assessed and recognized by the IPMA.

During the period, a number of construction tasks on the private network have been successfully implemented and the Company further enhanced the capability of the standardized network service, continued to make progress in the direction of a unified private network services interface and standardized process workflows. It also provided effective technical support and service warranties of various system integrated projects. The external platform services website of the Beijing government has been launched, which marks the commencement of the value-added application services based on the private network provided by the Company.

The Beijing Community Service Information Network System has operated stably. The Company has been proactively developing the township application system of information network system to provide support for statistical data analyses and decision-making to different government network users based on additionally enhanced management and services functions. With the support of the 96156 service hotlines, the expansion of the social services operations and the active development of marketing projects, the influences of the Company on community information throughout the country has been increased.

## **2. *Development of the IT Services Sector, Outstanding Olympics Achievements***

The Group has made breakthroughs in Olympics-related projects with the upcoming 2008 Beijing Olympics. The Group has won a contract to be the multilingual services provider of the 2008 Olympic Games to be held in Beijing. The Olympic Multilingual Services System (奧運會多語言服務系統), a multilingual services system researched and developed by the Group together with other domestic and foreign artificial intelligence scientific research institutes and their respective proprietary technologies, after the successful bidding of the Olympic Games by Beijing, marks a fruitful achievement of the Group in tapping the IT services sector and headway to globalization. The Group aims to capitalize on the Olympic Multilingual Services System to provide timely, convenient and comprehensive multilingual services to the 2008 Olympic Games in Beijing, and grasp the opportunities to fully extend its proprietary technology edges and brand-name impacts.

During the period, the Group also won the bid for the Email Safety Ancillary Facilities of the Beijing Olympic Organization Committee and the Anti-virus Software of the Beijing Olympic Organization Committee, as well as having won the bid for the Operation Command Technology Protect System of the Beijing Olympic Organization Committee with Beijing Sport Technology Company Limited (北京體育科技有限公司). Meanwhile, the Group also secured the contract for the 'Technological Olympic Special Project-Paralympic Games Information System Key Technologies Research (科技奧運專項－殘奧會信息系統關鍵技術研究)' task.

### 3. *Research and Development*

During the period, there had been breakthroughs in a number of research projects of the Group. The Group completed the tasks of corporate investigation and research for the 'English Version of Capinfo Electronic Business Platform (首都電子商務平台英文版)'; the urban information disclosures and the investigation and research enterprises information disclosures; and the Cityguide-Beijing applied demonstration and improvement task in the Speech Automatic Friendly Interface Research (SAFIR) project. It also completed and consummated the testing of the Police Translation Dict (警譯通) which passed the M36 judging panel of EU.

The Olympic Multilingual Services Provider Project has been successfully implemented as scheduled, to which the development of the phrase one target of the main system has been completed having passed the third party inspection and the judging panel organized by the Olympic Organization Committee. The Group secured the '2008 Olympic Multilingual Services Proprietary Intellectual Property Innovation Award (奧運多語言系統自主知識產權規範服務創新開拓服務獎)' issued by the China Electronic Commerce Association.

#### *Employees*

As at 30th June 2007, the Group had 784 employees compared with 607 as at 30th June 2006. Remuneration was determined in accordance with government policies and by reference to market terms and the performance, qualifications and experience of individual employees. Discretionary bonuses based on individual performance were paid to employees as recognition of their contribution. Other benefits included retirement benefits and share options.



首都信息发展股份有限公司

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## TO THE BOARD OF DIRECTORS OF CAPINFO COMPANY LIMITED

### Introduction

We have reviewed the interim financial information set out on pages 8 to 20, which comprises the condensed consolidated balance sheet of Capinfo Company Limited (the "Company") as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw to your attention that the condensed consolidated income statements for each of the three-month periods ended 30th June, 2007 and 30th June, 2006 disclosed in the interim financial information have not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
14th August, 2007



## INTERIM RESULTS

The Board of Directors (the "Board") of the Company hereby announces that the unaudited consolidated results of the Group for the six months ended 30th June, 2007, together with the comparative figures for the corresponding period of 2006, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	NOTES	Three months ended		Six months ended	
		30.6.2007 RMB'000 (Unaudited)	30.6.2006 RMB'000 (Unaudited)	30.6.2007 RMB'000 (Unaudited)	30.6.2006 RMB'000 (Unaudited)
Revenue	4	48,683	53,655	83,094	78,967
Cost of sales		(33,842)	(34,310)	(59,719)	(56,145)
Gross profit		14,841	19,345	23,375	22,822
Gain on disposal of a business		-	-	-	18,278
Other income		10,843	2,475	16,826	4,930
Research and development costs		(9,801)	(5,947)	(14,236)	(10,894)
Marketing and promotional expenses		(1,936)	(2,106)	(3,752)	(5,021)
Administrative expenses		(10,457)	(10,254)	(22,001)	(19,824)
Finance costs		(64)	(84)	(128)	(127)
Share of losses of associates		(89)	(876)	(2,694)	(4,264)
Share of loss of a jointly controlled entity		-	(314)	-	(522)
Profit (loss) before tax		3,337	2,239	(2,610)	5,378
Income tax expense	5	(1,193)	(1,034)	(1,102)	(3,258)
Profit (loss) for the period	6	2,144	1,205	(3,712)	2,120
Attributable to:					
Equity holders of the Company		2,842	2,204	(2,225)	3,509
Minority interests		(698)	(999)	(1,487)	(1,389)
		2,144	1,205	(3,712)	2,120
Earnings (loss) per share					
- Basic	8	0.10 cents	0.08 cents	(0.08) cents	0.12 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	NOTES	30.6.2007 RMB'000 (Unaudited)	31.12.2006 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	235,442	197,497
Interests in associates		23,134	23,828
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		3,413	31,527
		<b>263,339</b>	254,202
<b>Current assets</b>			
Inventories		1,030	2,703
Amounts due from customers for contract work		42,910	24,972
Trade and other receivables	10	67,162	41,706
Amounts due from associates		571	90
Bank deposits		16,869	24,567
Bank balances and cash		310,287	341,485
		<b>438,829</b>	435,523
<b>Current liabilities</b>			
Customers' deposits for contract work		73,084	45,301
Trade and other payables	11	57,384	68,862
Income tax payable		2,708	2,903
Other loan		10,000	10,000
		<b>143,176</b>	127,066
Net current assets		<b>295,653</b>	308,457
Net assets		<b>558,992</b>	562,659
<b>Capital and reserves</b>			
Share capital	12	289,809	289,809
Reserves		267,624	269,849
Equity attributable to equity holders of the Company		<b>557,433</b>	559,658
Minority interests		1,559	3,001
Total equity		<b>558,992</b>	562,659

The interim financial report on pages 8 to 20 was approved and authorised for issue by the Board of Directors on 14th August, 2007 and is signed on its behalf by:

**Mr. Li Minji**  
DIRECTOR

**Dr. Wang Xu**  
DIRECTOR

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company						
	Share capital	Share premium	Statutory surplus reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2006	289,809	254,079	2,437	1,756	548,081	4,678	552,759
Profit (loss) for the period (total recognised income (expense) for the period)	-	-	-	3,509	3,509	(1,389)	2,120
At 30th June, 2006	289,809	254,079	2,437	5,265	551,590	3,289	554,879
At 1st January, 2007	289,809	254,079	2,918	12,852	559,658	3,001	562,659
Increase in minority interests due to decrease in interests in subsidiaries	-	-	-	-	-	45	45
Loss for the period (total recognised expense for the period)	-	-	-	(2,225)	(2,225)	(1,487)	(3,712)
At 30th June, 2007	289,809	254,079	2,918	10,627	557,433	1,559	558,992

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(9,172)</b>	(9,406)
Net cash used in investing activities:		
Cash paid for purchase of property, plant and equipment	<b>(30,504)</b>	(56,356)
Proceeds from disposal of a business	-	20,110
Dividends received from an associate	-	1,294
Decrease (increase) in bank deposits for investing purpose	<b>7,698</b>	(2,809)
Other investing cash flows	<b>780</b>	1,978
	<b>(22,026)</b>	(35,783)
Net cash used in financing activities	-	(127)
Net decrease in cash and cash equivalents	<b>(31,198)</b>	(45,316)
Cash and cash equivalents at 1st January	<b>341,485</b>	333,007
Cash and cash equivalents at 30th June, represented by Bank balances and cash	<b>310,287</b>	287,691



首都信息发展股份有限公司

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

### 1. GENERAL

The Company was established in Beijing, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. 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's ultimate holding company is Beijing State-Owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December, 2006.

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

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivative <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

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

### 4. SEGMENTS INFORMATION

#### 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.

Business segments for the period are as follows:

	Three months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
e-Government technology services	45,509	48,711	77,213	72,136
e-Commerce technology services	3,174	4,944	5,881	6,831
	<b>48,683</b>	53,655	<b>83,094</b>	78,967
Results				
e-Government technology services	3,177	13,447	7,458	12,994
e-Commerce technology services	(3,100)	(3,897)	(7,786)	(11,312)
	<b>77</b>	9,550	<b>(328)</b>	1,682

#### 4. SEGMENTS INFORMATION (continued)

	Three months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of a business engaged in e-Commerce technology service	-	-	-	18,278
Other income	<b>10,843</b>	2,475	<b>16,826</b>	4,930
Unallocated corporate expenses	<b>(7,430)</b>	(8,512)	<b>(16,286)</b>	(14,599)
Share of losses of associates	<b>(89)</b>	(876)	<b>(2,694)</b>	(4,264)
Share of loss of a jointly controlled entity	-	(314)	-	(522)
Finance costs	<b>(64)</b>	(84)	<b>(128)</b>	(127)
Profit (loss) before tax	<b>3,337</b>	2,239	<b>(2,610)</b>	5,378
Income tax expense	<b>(1,193)</b>	(1,034)	<b>(1,102)</b>	(3,258)
Profit (loss) for the period	<b>2,144</b>	1,205	<b>(3,712)</b>	2,120

#### 5. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RMB'000	RMB'000	RMB'000	RMB'000
PRC enterprise income tax				
Current year	<b>1,193</b>	1,034	<b>1,252</b>	3,258
Over provision in prior year	-	-	<b>(150)</b>	-
	<b>1,193</b>	1,034	<b>1,102</b>	3,258

The Company is recognised as a new-technology enterprise according to PRC tax regulations and subject to the income tax calculated at 15% (2006: 15%) of the estimated assessable profit for the six months ended 30th June, 2007.

In 16th March, 2007, the National People's Congress promulgated the Corporate Income Tax Law of the PRC (the new "CIT") which will be effective from 1 January 2008. The new CIT will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprise (the "FIE and FE tax laws") and Provisional Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. Currently, the Company and its subsidiaries in PRC applied tax rate under the existing tax laws to provide for current and deferred tax. The Corporate Income Tax Law detailed implementation rulings have not been released, it is uncertain for the Company, at this stage, to assess the impact of such new law. The directors of the Company will continue to assess the future financial impact upon release of detailed implementation rulings.

**5. INCOMETAX EXPENSE (continued)**

At 30th June, 2007, the subsidiaries have unused tax losses of approximately RMB25,961,000 (31.12.2006: RMB23,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire before 2012.

The tax charge for the six months ended 30th June, 2007 and 30th June, 2006 can be reconciled to the profit (loss) before tax in the condensed consolidated income statement as follows:

	Three months ended		Six months ended	
	30.6.2007 RMB'000	30.6.2006 RMB'000	30.6.2007 RMB'000	30.6.2006 RMB'000
Profit (loss) before tax	<b>3,337</b>	2,239	<b>(2,610)</b>	5,378
Tax at the domestic income tax rate of 15% (2006: 15%)	<b>501</b>	336	<b>(392)</b>	807
Tax effect of share of profits (losses) of associates	<b>(117)</b>	178	<b>404</b>	718
Tax effect of expense that are not deductible for tax purposes	<b>602</b>	43	<b>636</b>	1,118
Tax effect of income not taxable for tax purpose	-	(95)	-	(180)
Tax effect of tax losses of subsidiaries not recognised	<b>235</b>	572	<b>633</b>	795
Effect of tax exemption granted to subsidiaries in the PRC	<b>(56)</b>	-	<b>(98)</b>	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>28</b>	-	<b>69</b>	-
Overprovision in prior year	-	-	<b>(150)</b>	-
Income tax expense for the period	<b>1,193</b>	1,034	<b>1,102</b>	3,258



## 6. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging (crediting) the following items:

	Three months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) from operations has been arrived at after charging				
Depreciation	<b>15,824</b>	11,476	<b>24,842</b>	22,860
Less: Depreciation included in				
- research and development expense	<b>(277)</b>	(729)	<b>(603)</b>	(1,016)
- contract work	<b>(12,141)</b>	(825)	<b>(19,407)</b>	(1,559)
	<b>3,406</b>	9,922	<b>4,832</b>	20,285
Write down of inventories include				
in the cost of sales	<b>116</b>	278	<b>1,276</b>	1,753
Allowance for doubtful debts	<b>23</b>	(19)	<b>810</b>	1,930
Write off of goodwill	<b>867</b>	-	<b>867</b>	-
Impairment of goodwill of an associate	-	1,059	-	1,059
Government grants	<b>(6,959)</b>	(1,019)	<b>(8,376)</b>	(2,237)
Interest income from bank deposits	<b>(824)</b>	(707)	<b>(1,316)</b>	(1,278)
Fair value changes on investments held for trading	<b>(3,007)</b>	(631)	<b>(6,518)</b>	(1,200)
Dividend received from available-for sale investments	-	-	<b>(386)</b>	-

## 7. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

## 8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the equity holders of the company is based on the following data:

	Three months ended 30.6.2007		Six months ended 30.6.2007	
		30.6.2006		30.6.2006
Earnings				
Profit (loss) for the period attributable to equity holders of the company	<b>RMB2,842,000</b>	RMB2,204,000	<b>RMB(2,225,000)</b>	RMB3,509,000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>2,898,086,091</b>	2,898,086,091	<b>2,898,086,091</b>	2,898,086,091

No diluted earnings per share has been presented as the exercise price of the Company's share options was higher than the weighted average market price of the Company's shares for both periods.

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB63,012,000 (2006: RMB56,356,000) on acquisition of property, plant and equipment.

## 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 180 days to its trade customers.

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

	30.6.2007	31.12.2006
	RMB'000	RMB'000
0-60 days	<b>14,685</b>	11,589
61-90 days	<b>251</b>	251
>90 days	<b>26,332</b>	6,939
	<b>41,268</b>	18,779

**11. TRADE AND OTHER PAYABLES**

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

	<b>30.6.2007</b>	31.12.2006
	<b>RMB'000</b>	RMB'000
0-60 days	<b>20</b>	1,976
61-90 days	<b>107</b>	213
>90 days	<b>3,568</b>	3,490
	<b>3,695</b>	5,679

**12. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Share</b>
	<b>Domestic shares</b>	<b>H Share</b>	<b>capital</b>
			RMB'000
Authorised, issued and fully paid:			
Ordinary shares of RMB0.10 each			
At 1 January 2007 and 30 June 2007	2,123,588,091	774,498,000	289,809

**13. CAPITAL COMMITMENTS**

	<b>30.6.2007</b>	31.12.2006
	<b>RMB'000</b>	RMB'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of acquisition of		
– property, plant and equipment	<b>8,746</b>	16,111
– investments in subsidiaries	<b>3,850</b>	–
– formation of a new joint venture	<b>30,000</b>	30,000
	<b>42,596</b>	46,111

(i) Transactions and balances with a shareholder and fellow subsidiaries

Name of related party	Nature of transactions	Three months ended		Six months ended	
		30.6.2007 RMB'000	30.6.2006 RMB'000	30.6.2007 RMB'000	30.6.2006 RMB'000
(a) Shareholder					
CNC Communication Corporation	Dedicated circuit leasing services paid	1,899	2,728	3,445	5,966
Beijing Branch	Telephone related services paid	247	430	518	787
(b) Fellow subsidiaries					
Capnet Company Limited	Comprehensive services income received	-	4,552	-	5,160
	Network system and the related maintains services income received	2,010	-	4,020	-
Beijing IC Design Park Co., Ltd.	Property rentals paid	1,414	331	2,827	2,822

Amounts due from fellow subsidiaries as at 30th June, 2007 were approximately RMB5,253,000 (31.12.2006: RMB3,863,000). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and are repayable on demand.

#### 14. RELATED PARTY DISCLOSURES (continued)

##### (ii) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB77,213,000 (2006: RMB72,136,000) to other state-controlled entities and the PRC government for the current period. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

Other loan of RMB10,000,000 (2006.12.31: RMB10,000,000) is borrowed from the PRC government, unsecured and bears interest at annual interest rate of 2.55%.

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities, in its ordinary course of business. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

##### (iii) Amounts due from associates

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand. The amounts are aged within 60 days.

##### (iv) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the six months ended 30th June, 2007 was approximately RMB1,142,000 (2006: RMB1,367,000).

## DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2007 (2006: Nil).

## INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CAP571 OF THE LAWS OF HONG KONG) (THE "SFO")

### a. Directors and Chief Executive of the Company

Save as disclosed below, as at 30th June, 2007, none of the Directors and chief executive of the Company had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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 of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

Name	Number of H Shares under options outstanding at 30th June, 2007			Percentage to the issued H share capital
	Pre-IPO Share Option Plan	Granted under		
		Share Option Scheme	Total	
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
Dr. Chen Xinxiang (resigned as executive Director on 23 July 2007)	1,309,750	2,700,000	4,009,750	0.52%
	7,666,300	10,030,000	17,696,300	2.29%

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 6th 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 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**

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

All of the above-mentioned share options (“Share Options”) granted under the share option scheme of the Company (“Share Option Scheme”) were granted on 17th 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%	18th August, 2005 to 17th August, 2014
25%	18th August, 2006 to 17th August, 2014
25%	18th August, 2007 to 17th August, 2014
25%	18th August, 2008 to 17th 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 30th June, 2007:

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

*c. Interests in other members of the Group*

So far as is known to any Director or chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 30th June, 2007:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited	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 (北京宏信軟件有限責任公司)	Beneficial owner	40%



Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
China Association of Mayors (中國市長協會)	Beijing City Technology Development Company Limited (北京城市之窗科技發展有限公司)	Beneficial owner	15%

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

During the period, 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

Under the Pre-IPO Share Option Plan, the Pre-IPO Options had been granted in prior years at an exercise price of HK\$0.48 per H Share, which is the placing price upon the listing of the Company's H Shares, exercisable within a period of ten years from the date of grant subject to restrictions imposed by the relevant PRC laws and regulations. These options were to recognise the past and present contributions of the grantees to the Group. A summary of the Pre-IPO Options granted is as follows:

	At 1st January, 2007	Lapsed during the period	At 30th June, 2007
Directors of the Company	10,149,400	(2,483,100)	7,666,300
Supervisors of the Company	2,509,450	–	2,509,450
Senior management of the Company	4,836,620	–	4,836,620
Senior advisors of the Company	2,619,500	–	2,619,500
Advisors of the Company	2,808,910	–	2,808,910
Other employees of the Company and its subsidiaries	19,481,795	(1,133,205)	18,348,590
	42,405,675	(3,616,305)	38,789,370



(b) *Share Option Scheme*

Pursuant to the Share Option Scheme, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with initial payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of H Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than ten years from the date of grant subject to restrictions imposed by the relevant PRC laws and regulations.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the number of shares to be issued by the Scheme and other option scheme and the number of issued H Shares of the Company from time to time and no employee shall be granted an option which, if all the options granted to the employee (including both exercised and outstanding options) in any 12 months period up the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

A summary of the Share Options granted by the Company under the Share Option Scheme during the period were as follows:

	<b>At 1st January, 2007</b>	<b>Lapsed during the period</b>	<b>At 30th June, 2007</b>
Directors of the Company	12,962,000	(2,932,000)	10,030,000
Supervisors of the Company	2,932,000	–	2,932,000
Senior management of the Company	9,166,000	(1,466,000)	7,700,000
Senior advisors of the Company	11,264,000	–	11,264,000
Advisors of the Company	2,384,000	–	2,384,000
Other employees of the Company and its subsidiaries	20,125,000	(1,208,000)	18,917,000
	<b>58,833,000</b>	<b>(5,606,000)</b>	<b>53,227,000</b>



首都信息发展股份有限公司

## 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 throughout the six months ended 30th June, 2007.

## AUDIT COMMITTEE

The Company has established an audit committee 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 period under review, 2 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 unaudited results for the six months ended 30th June, 2007 have been reviewed by the audit committee, which was of the view that the preparation of the financial statements were in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

## CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Beijing, The People's Republic of China, 14th August, 2007

\* For identification purposes only