

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

Third Quarterly Report



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

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

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

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

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

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

This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Recorded a turnover of approximately RMB142.4 million for the nine months ended 30th September, 2007, representing an approximately 10.4% increase over the same period of the previous year;
- Attained an unaudited profit attributable to the equity holders of the parent of approximately RMB7.63 million for the nine months ended 30th September, 2007;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the "Board") of Capinfo Company Limited (the "Company") announces that, for the nine months ended 30th September, 2007, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB142.4 million, representing an increase of approximately 10.4% over the same period of last year, and a gross profit margin of 29.1%, as compared with 28.7% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the parent of approximately RMB7.63 million for the period under review while the profit attributable to equity holders of the parent was approximately RMB3.35 million for the same period of last year.

Other income includes government grants, interest and investment income recorded during the period under review.

The Group's current ratio, defined as total current assets over total current liabilities, was 2.88 while the gearing ratio, defined as total borrowing over net assets, was less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 30th September, 2007, the Group had no unsecured borrowings. Cash and bank deposits of the Group were RMB317 million which mainly came from shareholders' contribution and working capital generated from operations.

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

As at 30th September, 2007, the Group had capital commitment of approximately RMB8.97 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

1. *Continuous Development of Underlying Business*

During the period, the development of various businesses of the Group was smooth, and the overall operation of E-Government Private Network (電子政務專網) was stable. The Beijing Medical Information System successfully uploaded the out-patient data of 416 hospitals, and the network expansion of 194 hospitals were completed, which laid a solid foundation for the operation and service of the Medical Information System in the future.

The works of test and rehearsal for the Group's Olympic Multilingual Services System (奧運多語言綜合信息服務系統) was completed, and provided a solid emergency information and technology guarantee for the "Good Luck Beijing" Olympic Test. At the same time, the Group signed a "Contract of Overall Operation and Maintenance Services of Beijing Official Portal Website (首都之窗)" with the Beijing Informatization Office, and has become the overall outsourcing service provider for the Beijing Official Portal.

2. *Research and Development*

During the period, the "Speech Automatic Friendly Interface Research" (面向電子政務的語音人機交互技術研究) of the Group was sponsored by Haidian Zone SME International Development Special Projects. The "Medical Insurance Auditing and Clearing Information Management System V3.0" developed by the Group was awarded the "Finalist in 2007 PRC Innovative Software Product", and the Group was granted the title "Key Zhongguancun Enterprise in Participating the Construction of Olympic" by the Zhongguancun Scientific Zone Management Committee.



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3. *Investment*

During the period, the Group established a subsidiary in Liao Ning Province, Capinfo Soft Co., Ltd. (遼寧眾信同行軟件有限責任公司). The subsidiary is highly competitive in the application of software products and IT project sub-contracting services, and intends to develop business in the market of northeastern region.

4. *Future Prospects*

In addition to capture the opportunities of Olympic and participate in the construction of Olympic, the Group puts extra effort in establishing the “Public Medical Insurance Information Services Platform” and the “Beijing Official Portal and Multi-languages Technology Oriented Public Information Services Platform” by leveraging on its existing platform, in order to make great strides in development and generate better return for shareholders.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CAPINFO COMPANY LIMITED

Introduction

We have reviewed the interim financial information set out on pages 7 to 19, which comprises the condensed consolidated balance sheet of Capinfo Company Limited (the “Company”) as of 30th September, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the nine-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 is to express a conclusion on this 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.



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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 September, 2007 and 30th September, 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 November, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30th September, 2007

	NOTES	Three months ended		Nine months ended	
		30.9.2007 RMB'000 (Unaudited)	30.9.2006 RMB'000 (Unaudited)	30.9.2007 RMB'000 (Unaudited)	30.9.2006 RMB'000 (Unaudited)
Revenue	4	59,350	50,005	142,444	128,972
Cost of sales		(41,303)	(35,828)	(101,022)	(91,973)
Gross profit		18,047	14,177	41,422	36,999
Gain on disposal of a business		-	-	-	18,278
Other income		10,545	3,879	27,371	8,809
Research and development costs		(4,257)	(6,926)	(18,493)	(17,820)
Marketing and promotional expenses		(2,156)	(2,099)	(5,908)	(7,120)
Administrative expenses		(11,527)	(8,580)	(33,528)	(28,404)
Finance costs		(63)	(60)	(191)	(187)
Share of losses of associates		(982)	(1,299)	(3,676)	(5,563)
Share of profit (loss) of a jointly controlled entity		-	328	-	(194)
Profit (loss) before tax		9,607	(580)	6,997	4,798
Income tax expense	5	(388)	(583)	(1,490)	(3,841)
Profit (loss) for the period	6	9,219	(1,163)	5,507	957
Attributable to:					
Equity holders of the Company		9,858	(162)	7,633	3,347
Minority interests		(639)	(1,001)	(2,126)	(2,390)
		9,219	(1,163)	5,507	957
Earnings (loss) per share					
- Basic	8	0.34 cents	(0.01) cents	0.26 cents	0.12 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

	NOTES	30.9.2007 RMB'000 (Unaudited)	31.12.2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	227,708	197,497
Interests in associates		22,152	23,828
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		4,055	31,527
		255,265	254,202
Current assets			
Inventories		950	2,703
Amounts due from customers for contract work		54,374	24,972
Trade and other receivables	10	86,331	41,706
Amounts due from associates		90	90
Investments held for trading		5,401	–
Bank deposits		16,069	24,567
Bank balances and cash		317,109	341,485
		480,324	435,523
Current liabilities			
Customers' deposits for contract work		82,925	45,301
Trade and other payables	11	69,820	68,862
Amount due to an associate		455	–
Income tax payable		3,788	2,903
Other loan		10,000	10,000
		166,988	127,066
Net current assets		313,336	308,457
Total assets less current liabilities		568,601	562,659

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30th September, 2007

	NOTES	30.9.2007 RMB'000 (Unaudited)	31.12.2006 RMB'000 (Audited)
Capital and reserves			
Share capital	12	289,809	289,809
Reserves		277,482	269,849
Equity attributable to equity holders of the Company		567,291	559,658
Minority interests		1,310	3,001
Total equity		568,601	562,659

The interim financial report on pages 7 to 19 was approved and authorised for issue by the Board of Directors on 14th November, 2007 and is signed on its behalf by:

Mr. Li Minji
CHAIRMAN

Dr. Wang Xu
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th September, 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)	-	-	-	3,347	3,347	(2,390)	957
At 30th September, 2006	289,809	254,079	2,437	5,103	551,428	2,288	553,716
At 1st January, 2007	289,809	254,079	2,918	12,852	559,658	3,001	562,659
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	390	390
Partial disposal of interests in subsidiaries	-	-	-	-	-	45	45
Profit (loss) for the period (total recognised income (expense) for the period)	-	-	-	7,633	7,633	(2,126)	5,507
At 30th September, 2007	289,809	254,079	2,918	20,485	567,291	1,310	568,601

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 30th September, 2007

	Nine months ended	
	30.9.2007	30.9.2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	11,475	65,819
Net cash used in investing activities:		
Purchase of property, plant and equipment	(46,455)	(91,796)
Acquisition of available-for-sale investments	-	(500)
Proceeds from disposal of a business	-	20,110
Dividends received from an associate	-	1,294
Decrease in bank deposits for investing purpose	8,498	18,042
Acquisition of an associate	(1,000)	-
Other investing cash flows	2,716	1,769
	(36,241)	(51,081)
Net cash from (used in) financing activities:		
Capital contribution from a minority shareholder of a subsidiary	390	-
Other financing activities	-	(194)
Net (decrease) increase in cash and cash equivalents	(24,376)	14,544
Cash and cash equivalents at 1st January	341,485	333,007
Cash and cash equivalents at 30th September, represented by Bank balances and cash	317,109	347,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September, 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 are 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 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 except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st 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 ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivative ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵

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

² Effective for annual periods beginning on or after 1st March, 2006

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

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

⁵ Effective for annual periods beginning on or after 1st 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 and revised standards or interpretations that have been issued but are not yet effective.

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

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

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

³ Effective for annual periods beginning on or after 1st 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. SEGMENT INFORMATION

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		Nine months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
e-Government technology services	56,877	49,244	134,090	121,380
e-Commerce technology services	2,473	761	8,354	7,592
	59,350	50,005	142,444	128,972
Results				
e-Government technology services	11,442	8,244	18,900	21,238
e-Commerce technology services	(3,041)	(5,599)	(10,827)	(16,911)
	8,401	2,645	8,073	4,327

4. SEGMENT INFORMATION (continued)

	Three months ended		Nine months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of a business engaged in e-Commerce technology service	-	-	-	18,278
Other income	10,545	3,879	27,371	8,809
Unallocated corporate expenses	(8,294)	(6,073)	(24,580)	(20,672)
Share of losses of associates	(982)	(1,299)	(3,676)	(5,563)
Share of profit (loss) of a jointly controlled entity	-	328	-	(194)
Finance costs	(63)	(60)	(191)	(187)
Profit (loss) before tax	9,607	(580)	6,997	4,798
Income tax expense	(388)	(583)	(1,490)	(3,841)
Profit (loss) for the period	9,219	(1,163)	5,507	957

5. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RMB'000	RMB'000	RMB'000	RMB'000
PRC enterprise income tax				
Current year	1,084	583	2,336	3,841
Overprovision in prior year	(696)	-	(846)	-
	388	583	1,490	3,841

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 nine months ended 30th September, 2007.

In addition, pursuant to an announcement made by the State Administration of Taxation dated 9th January 2007, certain entities including the Company are granted a reduction of income tax rate to 10% for Year 2006 as an incentive and support to their software development activities in the PRC. As a result, an overprovision of income tax of approximately RMB696,000 for the year ended 31st December 2006 is recognised in the current year.

At 30th September, 2007, the subsidiaries have unused tax losses of approximately RMB28,000,000 (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.

5. INCOME TAX EXPENSE (continued)

On 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.

6. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended		Nine months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) from operations arrived at after charging (crediting):				
Depreciation	24,902	11,612	49,744	34,472
Less: Depreciation included in				
– research and development expenses	(501)	(1,065)	(1,104)	(2,081)
– contract work	(18,676)	(861)	(38,083)	(2,420)
	5,725	9,686	10,557	29,971
Write down of inventories included in the cost of sales	72	609	1,348	2,362
Allowance for doubtful debts recognised (reversed)	783	(1,211)	1,593	719
Impairment loss on interest in an associate	–	–	867	1,059
Government grants	(963)	(1,744)	(9,339)	(3,981)
Interest income from bank deposits	(774)	(714)	(2,090)	(1,992)
Fair value change on investments held for trading	(8,608)	(623)	(15,126)	(1,823)
Dividend received from available-for-sale investments	–	–	(386)	–
Loss on disposal of property, plant and equipment	35	101	182	104

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 equity holders of the company is based on the following data:

	Three months ended		Nine months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Earnings				
Profit (loss) for the period attributable to equity holders of the Company	RMB9,858,000	(RMB)162,000	RMB7,633,000	RMB3,347,000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,898,086,091	2,898,086,091	2,898,086,091	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 RMB80,350,000 (for the nine months ended 30th September, 2006: RMB94,088,000) 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:

	30.9.2007	31.12.2006
	RMB'000	RMB'000
0 – 60 days	17,231	11,589
61 – 90 days	–	251
>90 – 180 days	14,875	494
>180 days	25,231	6,445
	57,337	18,779

11. TRADE AND OTHER PAYABLES

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

Age	30.9.2007 RMB'000	31.12.2006 RMB'000
0 – 60 days	1,282	1,976
61 – 90 days	1	213
>90 days	3,544	3,490
	4,827	5,679

12. SHARE CAPITAL

	Number of shares		Registered, Issued and fully paid
	Domestic shares	H shares	RMB'000
Authorised, issued and fully paid: Ordinary shares of RMB0.10 each			
At 1st January, 2007 and 30th September, 2007	2,123,588,091	774,498,000	289,809

13. CAPITAL COMMITMENTS

	30.9.2007 RMB'000	31.12.2006 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of		
– property, plant and equipment	8,973	16,111
– formation of a new joint venture (<i>note</i>)	–	30,000
	8,973	46,111

Note: The two parties signed the project expiration agreement this period.

14. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Three months ended		Nine months ended	
		30.9.2007 RMB'000	30.9.2006 RMB'000	30.9.2007 RMB'000	30.9.2006 RMB'000
(a) Shareholder					
CNC Communication Corporation Beijing Branch	Dedicated circuit leasing services paid	3,040	1,905	6,485	7,871
	Telephone related services paid	231	371	749	1,158
(b) Fellow subsidiaries					
Capnet Company Limited	Comprehensive services income received	-	573	-	5,733
	Network system and related maintains services income received	2,010	-	6,030	-
Beijing IC Design Park Co., Ltd.	Property rentals paid	1,082	1,496	3,909	4,318

Amounts due from fellow subsidiaries as at 30th September, 2007 were approximately RMB3,990,000 (31.12.2006: RMB3,863,000). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and 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 disclosed above, the Group also provided e-Government technology services of approximately RMB134,090,000 (for the nine months ended 30th September, 2006: RMB121,380,000) 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 (31.12.2006: 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.

(iv) Amount due to an associate

The amount due to an associate is unsecured, non-interest bearing and is repayable on demand.

(v) 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 nine months ended 30th September, 2007 was approximately RMB1,778,000 (for the nine months ended 30th September, 2006: RMB2,603,000).

DIVIDEND

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

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

a. Directors and Chief Executive of the Company

Save as disclosed below, as at 30th September, 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 subject to options outstanding at 30th September, 2007			Percentage to the issued H share capital
	Granted under 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%
	6,356,550	7,330,000	13,686,550	1.77%

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

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

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 September, 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 September, 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 Information Development Company Limited (東莞市龍信信息發展有限公司)	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 (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 September, 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	(1,918,125)	17,563,670
	42,405,675	4,401,225	38,004,450



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(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:

	At 1st January, 2007	Lapsed during the period	At 30th September, 2007
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	(1,812,000)	18,313,000
	58,833,000	(6,210,000)	52,623,000

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 nine months ended 30th September, 2007.

AUDIT COMMITTEE

An audit committee was established on with written terms of reference in compliance with the requirements of the GEM Listing Rules. The audit committee comprises three independent non-executive directors. During the period, 3 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 nine months ended 30th September, 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 November, 2007

* *For identification purposes only*