

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

08

Interim 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.

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This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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 an unaudited turnover of approximately RMB76.8 million for the six months ended 30th June, 2008, representing an approximately 8% decrease over the same period of the previous year;
- Sustained an unaudited profit attributable to the equity holders of the Company of approximately RMB6 million, for the six months ended 30th June, 2008;
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008.

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, 2008, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB76.8 million, representing a decrease of approximately 8% over the same period of last year, and a gross profit margin of 32%, as compared with 28% for the same period of last year. The Group has sustained an unaudited profit attributable to equity holders of the Company of approximately RMB6 million for the period under review while the loss attributable to equity holders of the Company was approximately RMB2.2 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's current ratio, defined as total current assets over total current liabilities, was approximately 1.9 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, 2008, the Group had short-term, unsecured borrowings of RMB9.09 million. Cash and bank deposits of the Group were approximately RMB542 million as at 30th June, 2008 which mainly came from shareholders' contribution and working capital generated from operations.

As at 30th June, 2008, the Group had no assets pledged and had no significant contingent liabilities.

As at 30th June, 2008, the Group had capital commitment of approximately RMB29.4 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. Foundation Business

During the period under review, the Company strived to ensure the smooth implementation of Olympic related information systems, and the stable operation of various foundation businesses. The network improvement of the medical insurance data centre, and the upgrading of the mainframe have made good progress, with around 1,500 hospitals realized upload of outpatient services data onto the medical insurance information system. The service scope of the electronic government administration special network has been further expanded, 93 sets of business networks have been loaded for the Beijing municipal government, with various targets reaching estimated quality standards. The community service information system pushed ahead, and successfully provided technical support services for the "Psychological Services for the Elders", the "Snow Storm Donation for the South" and the "Orphan Adoption Consultation for Sichuan Wenchuan Earthquake". To secure the smooth operation of window websites of Beijing during the Olympics, the Company has overhauled such websites, and provided quality comprehensive urban information services for the general public, as well as domestic and international tourists.

To enhance system capabilities to cope with emergencies, and ensure a safe and stable system operation, the Company has established various emergency plans for such information systems, and conducted emergency exercises.

2. Olympics Services

Since the beginning of 2008, Olympic projects undertaken by the Company have been orderly implemented. As the multilingual services provider for Beijing 2008 Olympics, the Company has successfully provided technical services for "Good Luck Beijing" trial tournament. Based simultaneously on the multilingual services platform, the Company will provide a unified Olympic and urban multilingual information services for the Olympic audience call centre, the airport greeting center, the Olympic site audience information service kiosks, the urban information service kiosks, the official Olympic internet website audience service channel and the official Olympic mobile website audience service channel and other audience service public information publishing channels.

3. Research and Development

Recently, "A Virtual Hardware Speedup Method and System" and the "PDA Mobile Phone Applicable in Police Affairs", independently developed by the Company, have been awarded an invention patent and a practical new type patent by the State Intellectual Property Office respectively.

During the period under review, projects undertaken by the Company like "Urban Emergency Connection and Social Comprehensive Service System" was awarded the third class prize of the "China Electronic Society 2007 Electronic Information Science Technology Award"; and the "Beijing Hotline" was named the "2008 Best Call Centre in China".

Employees

As at 30th June 2008, the Group had 937 employees compared with 784 as at 30th June 2007. 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.



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CAPINFO COMPANY LIMITED**

Introduction

We have reviewed the interim financial information set out on pages 7 to 20, which comprises the condensed consolidated balance sheet of Capinfo Company Limited (the "Company") as of 30th June, 2008 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 Growth Enterprise Market 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 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, 2008 and 30th June, 2007 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

13th August, 2008

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, 2008, together with the comparative figures for the corresponding period of 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

| | Notes | Three months ended | | Six months ended | |
|---|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | 30.6.2008 RMB'000 (Unaudited) | 30.6.2007 RMB'000 (Unaudited) | 30.6.2008 RMB'000 (Unaudited) | 30.6.2007 RMB'000 (Unaudited) |
| Revenue | 4 | 46,878 | 48,683 | 76,829 | 83,094 |
| Cost of sales | | (32,550) | (33,842) | (52,153) | (59,719) |
| Gross profit | | 14,328 | 14,841 | 24,676 | 23,375 |
| Gain on disposal of a subsidiary | 5 | – | – | 1,777 | – |
| Other income | | 9,072 | 7,836 | 11,705 | 10,308 |
| Fair value gain on investments held for trading | | 2,384 | 3,007 | 2,447 | 6,518 |
| Research and development costs | | (7,081) | (9,801) | (8,251) | (14,236) |
| Marketing and promotional expenses | | (2,876) | (1,936) | (5,236) | (3,752) |
| Administrative expenses | | (9,430) | (10,457) | (18,708) | (22,001) |
| Interest on other loan wholly repayable within five years | | (85) | (64) | (149) | (128) |
| Share of losses of associates | | (836) | (89) | (2,761) | (2,694) |
| Profit (loss) before tax | 6 | 5,476 | 3,337 | 5,500 | (2,610) |
| Income tax expense | 7 | (4) | (1,193) | (7) | (1,102) |
| Profit (loss) for the period | | 5,472 | 2,144 | 5,493 | (3,712) |
| Attributable to: | | | | | |
| Equity holders of the Company | | 5,739 | 2,842 | 6,034 | (2,225) |
| Minority interests | | (267) | (698) | (541) | (1,487) |
| | | 5,472 | 2,144 | 5,493 | (3,712) |
| Earnings (loss) per share – Basic | 9 | 0.20 cent | 0.10 cent | 0.21 cent | (0.08) cent |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2008

| | <i>Notes</i> | 30.6.2008 RMB'000 (Unaudited) | 31.12.2007 <i>RMB'000</i> (Audited) |
|--|--------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 248,527 | 227,158 |
| Interests in associates | | 26,987 | 29,748 |
| Available-for-sale investments | | 1,350 | 1,350 |
| Deposits paid on acquisition of property, plant and equipment | | 4,093 | 2,363 |
| | | 280,957 | 260,619 |
| Current assets | | | |
| Inventories | | 3,108 | 1,127 |
| Amounts due from customers for contract work | | 52,055 | 30,268 |
| Trade and other receivables | 11 | 40,449 | 38,171 |
| Amounts due from associates | | – | 316 |
| Pledged bank deposits | | 23,700 | 10,800 |
| Bank balances and cash | | 518,045 | 445,677 |
| | | 637,357 | 526,359 |
| Current liabilities | | | |
| Customers' deposits for contract work | | 203,967 | 51,691 |
| Trade and other payables | 12 | 81,185 | 103,496 |
| Dividend payable | 8 | 40,573 | – |
| Amounts due to associates | | 920 | 643 |
| Income tax payable | | 3,361 | 7,794 |
| Other loan | | 9,090 | 9,090 |
| | | 339,096 | 172,714 |
| Net current assets | | 298,261 | 353,645 |
| Total assets less current liabilities | | 579,218 | 614,264 |

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30th June, 2008

| | Notes | 30.6.2008 RMB'000 (Unaudited) | 31.12.2007 <i>RMB'000</i> (Audited) |
|---|-------|---|---|
| Capital and reserves | | | |
| Share capital | 13 | 289,809 | 289,809 |
| Reserves | | 287,633 | 322,172 |
| Equity attributable to equity holders of the Company | | 577,442 | 611,981 |
| Minority interests | | 1,776 | 2,283 |
| Total equity | | 579,218 | 614,264 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

| | Attributable to equity holders of the Company | | | | | | | Total equity |
|--|---|----------------|-----------------|---------------------------|------------------|----------------|--------------------|----------------|
| | Share capital | Share premium | Capital reserve | Statutory surplus reserve | Retained profits | Total | Minority interests | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| At 1st January, 2007 (audited) | 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 (unaudited) | 289,809 | 254,079 | - | 2,918 | 10,627 | 557,433 | 1,559 | 558,992 |
| At 1st January, 2008 (audited) | 289,809 | 254,079 | 5,216 | 9,532 | 53,345 | 611,981 | 2,283 | 614,264 |
| Dividend declared | - | - | - | - | (40,573) | (40,573) | - | (40,573) |
| Profit (loss) for the period and total recognised profit (loss) for the period | - | - | - | - | 6,034 | 6,034 | (541) | 5,493 |
| Disposal of a subsidiary | - | - | - | - | - | - | 34 | 34 |
| At 30th June, 2008 (unaudited) | 289,809 | 254,079 | 5,216 | 9,532 | 18,806 | 577,442 | 1,776 | 579,218 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2008

| | Six months ended | |
|--|-------------------------|----------------|
| | 30.6.2008 | 30.6.2007 |
| <i>Note</i> | RMB'000 | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Net cash generated from (used in) operating activities | 129,881 | (9,172) |
| Net cash used in investing activities: | | |
| Cash paid for purchase of property, plant and equipment | (44,542) | (30,504) |
| Disposal of a subsidiary | 505 | – |
| Deposits paid on acquisition of property, plant and equipment | (3,368) | – |
| (Increase) decrease in pledged bank deposits | (12,900) | 7,698 |
| Other investing cash flows | 2,792 | 780 |
| | (57,513) | (22,026) |
| Net increase (decrease) in cash and cash equivalents | 72,368 | (31,198) |
| Cash and cash equivalents at 1st January | 445,677 | 341,485 |
| Cash and cash equivalents at 30th June, represented by bank balances and cash | 518,045 | 310,287 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

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 which is 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 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 consolidated financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2008.

| | |
|------------------|---|
| HK(IFRIC)-Int 11 | HKFRS 2: Group and Treasury Share Transactions ¹ |
| HK(IFRIC)-Int 12 | Service Concession Arrangements ² |
| HK(IFRIC)-Int 14 | HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ² |

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

² Effective for annual periods beginning on or after 1st January, 2008

The adoption of these new Interpretations had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new, revised or amended Standards and Interpretation that have been issued but are not yet effective on 1st January, 2008:

| | |
|--------------------------|---|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation ¹ |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes ³ |

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

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

³ Effective for annual periods beginning on or after 1st July, 2008

The directors of the Company anticipate that the application of these new, revised or amended Standards and 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 | |
|---|---------------------------|-----------|-------------------------|-----------|
| | 30.6.2008 | 30.6.2007 | 30.6.2008 | 30.6.2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | | |
| e-Government technology services | 45,755 | 45,509 | 74,471 | 77,213 |
| e-Commerce technology services | 1,123 | 3,174 | 2,358 | 5,881 |
| | 46,878 | 48,683 | 76,829 | 83,094 |
| Results | | | | |
| e-Government technology services | 3,389 | 3,177 | 9,280 | 7,458 |
| e-Commerce technology services | (4,182) | (3,100) | (6,620) | (7,786) |
| | (793) | 77 | 2,660 | (328) |
| Other income | 9,072 | 7,836 | 11,705 | 10,308 |
| Fair value gain on investments held for trading | 2,384 | 3,007 | 2,447 | 6,518 |
| Gain on disposal of a subsidiary | – | – | 1,777 | – |
| Unallocated corporate expenses | (4,266) | (7,430) | (10,179) | (16,286) |
| Interest on other loan wholly repayable within five years | (85) | (64) | (149) | (128) |
| Share of losses of associates | (836) | (89) | (2,761) | (2,694) |
| Profit (loss) before tax | 5,476 | 3,337 | 5,500 | (2,610) |
| Income tax expense | (4) | (1,193) | (7) | (1,102) |
| Profit (loss) for the period | 5,472 | 2,144 | 5,493 | (3,712) |

5. DISPOSAL OF A SUBSIDIARY

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

There was no significant profit and loss generated by the subsidiary during 2008 up to the date of disposal as the subsidiary has temporarily closed for office removal during the period. The revenue and cost of sales of this subsidiary for the six-month period ended 30th June, 2007 were RMB2,017,000 and RMB1,630,000, and the net loss was RMB2,025,000 for the six-month period ended 30th June, 2007.

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

| | 15.01.2008 RMB'000 |
|---|-------------------------------------|
| Net liabilities disposed: | |
| Property, plant and equipment | 242 |
| Inventories | 45 |
| Amount due from customers for contract work | 2,945 |
| Trade and other receivables | 797 |
| Bank balances and cash | 16 |
| Trade and other payables | <u>(4,121)</u> |
| | (76) |
| Minority interests | 34 |
| Gain on disposal | <u>1,777</u> |
| Total consideration | <u><u>1,735</u></u> |
| Satisfied by: | |
| Cash | 521 |
| Other receivable (<i>Note</i>) | <u>1,214</u> |
| | <u><u>1,735</u></u> |
| Net cash inflow arising on disposal: | |
| Cash consideration | 521 |
| Bank balances and cash disposal of | <u>(16)</u> |
| | <u><u>505</u></u> |

Note: Remaining cash consideration of RMB1,214,000 has not been paid as of 30th June, 2008 and is included in the other receivable as at 30th June, 2008. The amount shall be paid when the local Administrative Bureau of Industry and Commerce approved the registration of the change of shareholders of the company, such approval is obtained on 24th June, 2008.

6. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting) the following items:

| | Three months ended | | Six months ended | |
|--|--------------------|-----------|------------------|-----------|
| | 30.6.2008 | 30.6.2007 | 30.6.2008 | 30.6.2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit (loss) from operations has been arrived at after charging | | | | |
| Depreciation | 15,368 | 15,824 | 25,709 | 24,842 |
| Less: Depreciation included in | | | | |
| – research and development expense | (88) | (277) | (161) | (603) |
| – contract work | (13,617) | (12,141) | (19,649) | (19,407) |
| | 1,663 | 3,406 | 5,899 | 4,832 |
| Allowance of inventories included in cost of sales | 194 | 116 | 55 | 1,276 |
| Allowance for doubtful debts | 1,217 | 23 | 2,302 | 810 |
| Write off of goodwill | – | 867 | – | 867 |
| Government grants | (7,526) | (6,959) | (8,338) | (8,376) |
| Interest income from bank deposits | (1,039) | (824) | (2,515) | (1,316) |
| Dividend received from available-for sale investments | – | – | – | (386) |

7. INCOME TAX EXPENSE

| | Three months ended | | Six months ended | |
|-----------------------------|--------------------|-----------|------------------|-----------|
| | 30.6.2008 | 30.6.2007 | 30.6.2008 | 30.6.2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| The charge comprises: | | | | |
| PRC enterprise income tax | | | | |
| Current year | 19 | 1,193 | 22 | 1,252 |
| Overprovision in prior year | (15) | – | (15) | (150) |
| | 4 | 1,193 | 7 | 1,102 |

At 30th June, 2008, the subsidiaries have unused tax losses of approximately RMB22,000,000 (31.12.2007: RMB25,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire before 2013.

8. DIVIDENDS

A final dividend of RMB 1.40 cents (2007: Nil) per share, amounting to an aggregate amount of RMB40,573,000 (2007: Nil) for year 2007 has been declared during the period.

9. 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 | | Six months ended | |
|--|--------------------|-----------|------------------|-----------|
| | 30.6.2008 | 30.6.2007 | 30.6.2008 | 30.6.2007 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Earnings | | | | |
| Profit (loss) for the period attributable to equity holders of the Company | 5,739 | 2,842 | 6,034 | (2,225) |

| | Three months ended | | Six months ended | |
|---|----------------------|---------------|----------------------|---------------|
| | 30.6.2008 | 30.6.2007 | 30.6.2008 | 30.6.2007 |
| 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 all periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2008, the Group incurred approximately RMB47,338,000 (six months ended 30th June 2007: RMB63,012,000) on acquisition of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

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

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

| | 30.6.2008 | 31.12.2007 |
|---------------|---------------|------------|
| | RMB'000 | RMB'000 |
| 0-60 days | 2,287 | 11,315 |
| 61-90 days | 425 | 1,872 |
| 91-180 days | 2,790 | 8,932 |
| Over 180 days | 9,183 | 329 |
| | 14,685 | 22,448 |

The overdue balances were approximately RMB9,183,000 as at 30th June, 2008 (31.12.2007: RMB329,000) 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.

11. TRADE AND OTHER RECEIVABLES (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

12. TRADE AND OTHER PAYABLES

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

| | 30.6.2008 <i>RMB'000</i> | 31.12.2007 <i>RMB'000</i> |
|---------------|------------------------------------|------------------------------|
| 0-60 days | 317 | 13,277 |
| 61-90 days | 1 | 369 |
| 91-180 days | 1,069 | 92 |
| Over 180 days | 9,779 | 2,901 |
| | 11,166 | 16,639 |

13. SHARE CAPITAL

| | Number of shares | | Share capital <i>RMB'000</i> |
|------------------------------------|-------------------------|-----------------|--|
| | Domestic shares | H Shares | |
| Authorised, issued and fully paid: | | | |
| Ordinary shares of RMB0.10 each | | | |
| At 1st January, 2008 and | | | |
| 30th June, 2008 | 2,123,588,091 | 774,498,000 | 289,809 |

14. CAPITAL COMMITMENTS

| | 30.6.2008 <i>RMB'000</i> | 31.12.2007 <i>RMB'000</i> |
|---|------------------------------------|------------------------------|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment | 29,425 | 2,875 |

15. RELATED PARTY DISCLOSURES

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

| Name of related party | Nature of transactions | Three months ended | | Six months ended | |
|--|---|----------------------|----------------------|----------------------|----------------------|
| | | 30.6.2008 RMB'000 | 30.6.2007 RMB'000 | 30.6.2008 RMB'000 | 30.6.2007 RMB'000 |
| (a) Shareholder | | | | | |
| CNC Communication Corporation Beijing Branch | Dedicated circuit leasing services paid | 1,814 | 1,899 | 2,980 | 3,445 |
| | Telephone related services paid | 316 | 247 | 561 | 518 |
| (b) Fellow subsidiaries | | | | | |
| Capnet Company Limited | Network system and the related maintains services income received | 2,010 | 2,010 | 4,020 | 4,020 |
| Beijing IC Design Park Co., Ltd. | Property rentals paid | 992 | 1,414 | 2,074 | 2,827 |

Amounts due from fellow subsidiaries as at 30th June, 2008 are approximately RMB1,716,000 (31.12.2007: RMB5,061,000). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and expect to recover within one year.

(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 fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB74,471,000 (six months ended 30th June, 2007: RMB77,213,000) to other state-controlled entities and the PRC government for the six months ended 30th June, 2008. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

Other loan of RMB9,090,000 is borrowed from the PRC government, unsecured and bears interest at annual interest rate of 2.55%, and the Group has incurred interest expense of approximately RMB149,000 (six months ended 30th June, 2007: RMB128,000) for the six months ended 30th June, 2008.

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 to associates

The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

15. RELATED PARTY DISCLOSURES (continued)

(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, 2008 are approximately RMB1,955,000 (six months ended 30th June, 2007: RMB1,142,000).

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2008 (2Q 2007: 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 June, 2008, 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, 2008 | | | Percentage to the issued H share capital |
|------------------|--|------------------------|------------|--|
| | Granted under | | Total | |
| | Pre-IPO Share Option Plan | Share Option Scheme | | |
| <i>Directors</i> | | | | |
| Dr. Wang Xu | 1,297,350 | 1,466,000 | 2,763,350 | 0.36% |
| Ms. Zhang Yan | 1,308,200 | 1,466,000 | 2,774,200 | 0.36% |
| Mr. Qi Qigong | 1,244,650 | 1,466,000 | 2,710,650 | 0.35% |
| Mr. Pan Jiaren | 1,244,650 | 1,466,000 | 2,710,650 | 0.35% |
| | 5,094,850 | 5,864,000 | 10,958,850 | 1.42% |

Note: Dr. Wu Bo resigned as non-executive Director on 2 June 2008.

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, 2008:

| Name of shareholder | Number of shares | Nature of interests | Percentage to the issued share capital |
|---|-------------------------------|----------------------------|---|
| Beijing State-owned Assets Management Corporation Limited | 1,834,541,756 domestic shares | Beneficial owner | 63.31% |

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, 2008:

| 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% |
| 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, 2008 | Lapsed during the period | At 30th June, 2008 |
|--|---------------------------------|-------------------------------------|-------------------------------|
| Directors of the Company | 6,356,550 | – | 6,356,550 |
| Supervisors of the Company | 2,509,450 | – | 2,509,450 |
| Senior management of the Company | 4,836,620 | (784,920) | 4,051,700 |
| Senior advisors of the Company | 3,929,250 | – | 3,929,250 |
| Advisors of the Company | 2,808,910 | (745,860) | 2,063,050 |
| Other employees of the Company and its subsidiaries | 17,563,670 | (758,880) | 16,804,790 |
| | 38,004,450 | (2,289,660) | 35,714,790 |

(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, 2008 | Lapsed during the period | At 30th June, 2008 |
|--|---------------------------------|-------------------------------------|-------------------------------|
| Directors of the Company | 7,330,000 | – | 7,330,000 |
| Supervisors of the Company | 2,932,000 | – | 2,932,000 |
| Senior management of the Company | 7,700,000 | (1,925,000) | 5,775,000 |
| Senior advisors of the Company | 13,964,000 | – | 13,964,000 |
| Advisors of the Company | 2,384,000 | (459,000) | 1,925,000 |
| Other employees of the Company and its subsidiaries | 18,313,000 | (1,305,000) | 17,008,000 |
| | 52,623,000 | (3,689,000) | 48,934,000 |

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 six months ended 30th June, 2008.

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, 2008 have been reviewed by the audit committee, which was of the view that the preparation of the financial statements were in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the 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, 13 August, 2008

* *For identification purposes only*