

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 a turnover of approximately RMB156.8 million for the nine months ended 30th September, 2008, representing an approximately 10% increase over the same period of the previous year;
- Attained an unaudited profit attributable to the equity holders of the parent of approximately RMB15.6 million for the nine months ended 30th September, 2008;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2008.

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, 2008, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB156.8 million, representing an increase of approximately 10% over the same period of last year, and a gross profit margin of 32%, as compared with 29% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the parent of approximately RMB15.6 million for the period under review while the profit attributable to equity holders of the parent was approximately RMB7.63 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 2.14 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, 2008, the Group had unsecured borrowings of RMB9.09 million. Cash and bank deposits of the Group were RMB396 million which mainly came from shareholders' contribution and working capital generated from operations.

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

As at 30th September, 2008, the Group had capital commitment of approximately RMB28.9 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. Steady Progresses in Foundation Businesses, Outstanding Achievements in Olympic Projects

During this period, various businesses of the Group made progressed steadily. The Group fully fulfilled the promise of zero accident in system operations during the 2008 Olympics and the Paralympics, and made outstanding contributions to the achievement of a " Safe Olympics". Meanwhile, the Company successfully accomplished the construction and maintenance of undertaken projects like the " Olympic Multilingual Information Services System", the " Olympic Organizing Committee MOC Emergency Response Command System" and many other Olympics information services systems, for which the Company was approved and appraised by the Beijing Municipal Government, the 29th Olympic Organizing Committee, various government departments and other institutions, and hereby won a good brand image, as well as promising operation performance.

The E-Government Network was operated stably, with the service capability improved. Currently, the Network has 98 sets of business networks loaded for government administration departments, with a total of 7,000 access users. With the optimization of system fundamental network facilities, loading capacity of the E-Government Network has been further enhanced.

The upgrading of the mainframe and data base system of the medical insurance system was fully completed. After such upgrading, the processing capacity of the system has been enhanced by tens of times, thus significantly improve the IT services of the system as a whole. During this period, the medical insurance system completed the uploading of more than 9.2 million pieces of outpatient data for outpatient services of 1490 hospitals.

The Beijing Official Portal built and maintained by the Company provided quality information services for tens of millions of domestic and overseas users during the Olympics and the Paralympics. The company also realized zero accident operation for constructed networks, including 80% of the Beijing Municipal Government Networks. The risk and emergency response capabilities of the system thereby experienced practical examinations.

2. *Market Development*

During the period under review, thanks to its advantages in industry software system development, operation and maintenance, the Company became a services outsourcing supplier of Hewlett Packard, thus formed a foundation for the Company to further develop the international software outsourcing market. Meanwhile, the Dongguan Community Management Information System, a system developed by the Company itself, was officially launched for application in Dongguan City as well.

3. *Future Prospects*

With ever maturing technologies and professional IT services, and with both technical and brand achievements in the Olympics, the Company will constantly build up its IT service marketing strategy and IT service supporting system, which are market oriented and featured with Capinfo characteristics, value added business content, and a potential of large-scale operation, so as to enhance the Company's capability for sustainable development, and create more value for the shareholders.



**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") and its subsidiaries as of 30th September, 2008 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 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. The directors are responsible for the preparation and presentation of this interim financial information which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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 September, 2008 and 30th September, 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

Hong Kong, 12th November, 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30th September, 2008

	Notes	Three months ended		Nine months ended	
		30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	80,028	59,350	156,857	142,444
Cost of sales		(55,097)	(41,303)	(107,250)	(101,022)
Gross profit		24,931	18,047	49,607	41,422
Gain on disposal of a subsidiary	5	-	-	1,777	-
Other income		2,769	1,937	14,474	12,245
Net gain on investments held for trading		1,000	8,608	3,447	15,126
Research and development costs		(2,810)	(4,257)	(11,061)	(18,493)
Marketing and promotional expenses		(5,282)	(2,156)	(10,518)	(5,908)
Administrative expenses		(8,323)	(11,527)	(27,031)	(33,528)
Interest on other loan wholly repayable within five years		(42)	(63)	(191)	(191)
Share of losses of associates		(736)	(982)	(3,497)	(3,676)
Profit before tax	6	11,507	9,607	17,007	6,997
Income tax expense	7	(2,856)	(388)	(2,863)	(1,490)
Profit for the period		8,651	9,219	14,144	5,507
Attributable to:					
Equity holders of the Company		9,574	9,858	15,608	7,633
Minority interests		(923)	(639)	(1,464)	(2,126)
		8,651	9,219	14,144	5,507
Earnings per share					
- Basic	9	0.33 cents	0.34 cents	0.54 cents	0.26 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2008

	Notes	30.9.2008 RMB'000 (Unaudited)	31.12.2007 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	243,084	227,158
Interests in associates		26,251	29,748
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		5,458	2,363
		276,143	260,619
Current assets			
Inventories		2,058	1,127
Amounts due from customers for contract work		60,309	30,268
Trade and other receivables	11	35,575	38,171
Entrusted loan	12	92,000	–
Amounts due from associates		–	316
Fixed bank deposits		25,700	10,800
Bank balances and cash		370,485	445,677
		586,127	526,359
Current liabilities			
Trade and other payables	13	96,377	103,496
Amounts due to associates		1,204	643
Amounts due to customers for contract work		161,432	51,691
Current income tax liabilities		6,218	7,794
Other loan		9,090	9,090
		274,321	172,714
Net current assets		311,806	353,645
Total assets less current liabilities		587,949	614,264

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30th September, 2008

	Notes	30.9.2008 RMB'000 (Unaudited)	31.12.2007 <i>RMB'000</i> (Audited)
Capital and reserves			
Share capital	14	289,809	289,809
Reserves		297,207	322,172
Equity attributable to equity holders of the Company		587,016	611,981
Minority interests		933	2,283
Total equity		587,949	614,264

The interim financial information on pages 7 to 20 was approved and authorised for issue by the Board of Directors on 12th November, 2008 and is signed on its behalf by:

Mr. Li Minji
CHAIRMAN

Dr. Wang Xu
CHIEF EXECUTIVE OFFICER

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th September, 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
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	390	390
Increase in minority interests due to the partial disposal of interests in subsidiary	-	-	-	-	-	-	45	45
Profit (loss) for the period and total recognised income (expense) for the period	-	-	-	-	7,633	7,633	(2,126)	5,507
At 30th September, 2007								
(unaudited)	289,809	254,079	-	2,918	20,485	567,291	1,310	568,601
At 1st January, 2008								
(audited)	289,809	254,079	5,216	9,532	53,345	611,981	2,283	614,264
Dividend paid	-	-	-	-	(40,573)	(40,573)	-	(40,573)
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	80	80
Profit (loss) for the period and total recognised income (loss) for the period	-	-	-	-	15,608	15,608	(1,464)	14,144
Disposal of a subsidiary	-	-	-	-	-	-	34	34
At 30th September, 2008								
(unaudited)	289,809	254,079	5,216	9,532	28,380	587,016	933	587,949

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 30th September, 2008

	Note	Nine months ended	
		30.9.2008 RMB'000 (unaudited)	30.9.2007 RMB'000 (unaudited)
Net cash from operating activities		131,397	11,475
Net cash used in investing activities			
Cash paid for purchase of property, plant and equipment		(60,375)	(46,455)
Proceeds from disposal of a subsidiary	5	1,719	–
Deposits paid on acquisition of property, plant and equipment		(5,277)	–
(Increase) decrease in fixed bank deposits		(14,900)	8,498
Acquisition of an associate		–	(1,000)
Advance of entrusted loan		(92,000)	–
Other investing cash flows		4,737	2,716
		(166,096)	(36,241)
Net cash (used in) from financing activities			
Capital contribution from a minority shareholder of a subsidiary		80	390
Dividend paid		(40,573)	–
		(40,493)	390
Net decrease in cash and cash equivalents		(75,192)	(24,376)
Cash and cash equivalents at 1st January		445,677	341,485
Cash and cash equivalents at 30th September, represented by bank balances and cash		370,485	317,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September, 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, 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 stated 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 amendment and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, 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
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets ³

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

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

³ Effective from 1st July, 2008

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

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

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The directors of the Company anticipate that the application of these new or revised standards, amendments 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		Nine months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
e-Government technology services	75,514	56,877	149,985	134,090
e-Commerce technology services	4,514	2,473	6,872	8,354
	80,028	59,350	156,857	142,444
Results				
e-Government technology services	14,460	12,405	32,078	28,239
e-Commerce technology services	2,645	(3,041)	(3,975)	(10,827)
	17,105	9,364	28,103	17,421
Other income	1,969	974	5,336	2,906
Fair value gain on investments held for trading	1,000	8,608	3,447	15,126
Unallocated corporate expenses	(7,789)	(8,294)	(17,968)	(24,580)
Share of losses of associates	(736)	(982)	(3,497)	(3,676)
Gain on disposal of a subsidiary	–	–	1,777	–
Interest on other loan wholly repayable within five years	(42)	(63)	(191)	(191)
	11,507	9,607	17,007	6,997
Income tax expense	(2,856)	(388)	(2,863)	(1,490)
	8,651	9,219	14,144	5,507

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 nine month period ended 30th September, 2007 was RMB2,334,000 and RMB1,811,000 respectively and the loss of this subsidiary for the nine month period ended 30th September, 2007 was RMB2,939,000.

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

	15.1.2008 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	<u><u>1,735</u></u>
Net cash inflow arising on disposal:	
Cash consideration	1,735
Bank balances and cash of subsidiary disposed of	<u>(16)</u>
	<u><u>1,719</u></u>

6. PROFIT BEFORE TAX

	Three months ended		Nine months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):				
Depreciation	17,876	24,902	43,585	49,744
Less: Depreciation in respect of				
– research and development expense	(187)	(501)	(348)	(1,104)
– contract work	(15,482)	(18,676)	(35,131)	(38,083)
	2,207	5,725	8,106	10,557
Allowance of inventories included in cost of sales	96	72	151	1,348
(Reversal of) allowance for doubtful debts	(301)	783	2,001	1,593
Write off of goodwill	–	–	–	867
Government grants included in other income	(800)	(963)	(9,138)	(9,339)
Interest income from bank deposits	(1,643)	(774)	(4,158)	(2,090)
Dividend received from available-for-sale investments	–	–	–	(386)
Net (gain) loss on disposal of property, plant and equipment	(185)	35	(185)	182

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RMB'000	RMB'000	RMB'000	RMB'000
The charge comprises:				
PRC enterprise income tax				
Current year	4,020	1,084	4,042	2,336
Over provision in prior year	(1,164)	(696)	(1,179)	(846)
	2,856	388	2,863	1,490

At 30th September, 2008, the subsidiaries have unused tax losses of approximately RMB16,280,000 (31st December, 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 and paid during the period.

12. ENTRUSTED LOAN

On 8th September, 2008, the Company entered into a trust agreement with 中誠信託有限責任公司 (China Credit Trust Co., Ltd.) ("China Credit Trust"), pursuant to which the Company contributed an amount of RMB92 million from its internal resources as the trust property into China Credit Trust and China Credit Trust extended the trust property to 北京巨鵬投資公司 (Beijing Jupeng Investment Company Limited) ("Beijing Jupeng") as the short-term loan under the loan agreement and the asset pledge agreement, which will be repayable on 25th July, 2009 and secured by the properties and relevant land use right which are owned by 北京柏裕投資公司 (Beijing Baiyu Investment Company Limited) ("Beijing Baiyu"). The short-term loan is charged at an effective interest rate of 6% per annum. According to the trust agreement, if the interest derived from the short-term loan, after deducting the relevant tax and duties and other relevant expenses, is greater than RMB4 million, China Credit Trust is entitled to obtain the amount of interest payment in excess of RMB4 million as trust management fee; otherwise, the Company is not obliged to pay China Credit Trust any trust management fee.

13. TRADE AND OTHER PAYABLES

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

	30.9.2008	31.12.2007
	RMB'000	RMB'000
0-60 days	7,845	13,277
61-90 days	-	369
91-180 days	655	92
Over 180 days	7,322	2,901
	15,822	16,639

14. SHARE CAPITAL

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

15. CAPITAL COMMITMENTS

	30.9.2008	31.12.2007
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of acquisition of property, plant and equipment	28,959	2,875

16. 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	
		30.9.2008 RMB'000	30.9.2007 RMB'000	30.9.2008 RMB'000	30.9.2007 RMB'000
(a) Shareholder					
CNC Communication Corporation Beijing Branch	Dedicated circuit leasing services paid	2,140	3,040	5,120	6,485
	Telephone related services paid	255	231	816	749
(b) Fellow subsidiaries					
Capnet Company Limited	Network system and the related maintains services income received	2,010	2,010	6,030	6,030
Beijing IC Design Park Co., Ltd.	Property rentals paid	993	1,082	3,067	3,909

Amounts due from fellow subsidiaries as at 30th September, 2008 were approximately RMB1,148,000 (31st December, 2007: RMB5,061,000). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and are repayable 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 RMB149,985,000 (nine months ended 30th September, 2007: RMB134,090,000) to other state-controlled entities and the PRC government for the nine months ended 30th September, 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 approximately RMB191,000 (nine months ended 30th September, 2007: RMB191,000) for the nine months ended 30th September, 2008.

16. RELATED PARTY DISCLOSURES (continued)

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

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 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.

(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 nine months ended 30th September, 2008 was approximately RMB3,118,000 (nine months ended 30th September, 2007: RMB1,778,000).

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2008 (3Q 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 September, 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 September, 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%

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 September, 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 September, 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 (重慶宏信軟件有限責任公司)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮工業總公司)	Dongguan City Longxin Digital Technology Company Limited (東莞市龍信數碼科技有限公司)	Beneficial owner	40%
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限責任公司)	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 September, 2008
Directors of the Company	6,356,550	–	6,356,550
Supervisors of the Company	2,509,450	(1,264,800)	1,244,650
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
	<u>38,004,450</u>	<u>(3,554,460)</u>	<u>34,449,990</u>

(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 September, 2008
Directors of the Company	7,330,000	–	7,330,000
Supervisors of the Company	2,932,000	(1,466,000)	1,466,000
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	(5,155,000)	47,468,000

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, 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, 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, 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, 12th November, 2008

* For identification purposes only