



Beijing 2008 Olympic Games
Multi-Lingual Services Supplier

CAPINFO

CAPINFO COMPANY LIMITED

(a joint stock limited company established in the People's Republic of China with limited liability)

(Stock Code: 8157)



Third Quarterly Report





CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“THE STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Perspective 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 characteristic 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 and no assurance given that there will be a liquid market in the securities traded on GEM.

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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 RMB194.9 million for the nine months ended 30th September, 2009, representing an approximately 24% increase over the same period of the previous year;
- Attained an unaudited profit attributable to the equity holders of the parent of approximately RMB34.6 million for the nine months ended 30th September, 2009;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2009.

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, 2009, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB194.9 million, representing an increase of approximately 24% over the same period of last year, and a gross profit margin of 29%, as compared with 32% for the same period of last year. The Group has sustained an unaudited profit attributable to equity holders of the Company of approximately RMB34.6 million for the period under review while the loss attributable to equity holders of the Company was approximately RMB15.6 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 2.73 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, 2009, the Group had unsecured borrowings of RMB9.09 million. Cash and bank deposits of the Group were RMB346 million which mainly came from shareholders' contribution and working capital generated from operations.



As at 30th September, 2009, the Group had no assets pledged and had no significant contingent liabilities.

As at 30th September, 2009, the Group had capital commitment of approximately RMB36.7 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

Foundation Business

Various business sectors of the Group experienced a rapid growth during the period. The E-Government network delivered outstanding comprehensive results to the Group while the overall network upgrade and renovation project proceeded smoothly, hence laying a solid foundation for future improvement on system performance and serving as a guarantee of its long-term competitiveness. The upgrade and renovation project for the medical insurance system remained in force while new features were being constantly developed to satisfy new demand. Pilot program of immediate settlement for clinic visitors holding social security cards was officially launched and it is expected that the above program will be further extended to the whole city based on the successful pilot experience acquired from Shijingshan District, Beijing.

Research and Development

In terms of research and development of new system and software products, the Group allocated considerable resources along with all-round support towards it as always and developed, with unremitting effort, a series of software products possessing the potential of extensive application such as the Community Service Information System, which was widely recognized among the customers.

Future Prospects

During the period under review, the Group achieved rapid and sustainable development through consolidation and development of foundation business and thorough integration of subsidiaries. With an aim to enhance its overall competitiveness and profitability, the Group will then set its core goal for future development as to enlarge customer base, expand new market and explore new business orientation based on its existing platform and resources.



Deloitte.

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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 6 to 20, which comprises the condensed consolidated statement of financial position of Capinfo Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30th September, 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows 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 statements of comprehensive income for each of the three-month periods ended 30th September, 2009 and 30th September, 2008 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, 2009



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30th September, 2009

	NOTES	Three months ended		Nine months ended	
		30.9.2009 RMB'000 (Unaudited)	30.9.2008 RMB'000 (Unaudited)	30.9.2009 RMB'000 (Unaudited)	30.9.2008 RMB'000 (Unaudited)
Revenue	4	68,171	80,028	194,857	156,857
Cost of sales		(47,578)	(55,097)	(138,155)	(107,250)
Gross profit		20,593	24,931	56,702	49,607
Gain on disposal of an associate	5	16,000	–	16,000	–
Gain on disposal of a subsidiary		–	–	–	1,777
Other income		5,234	2,769	17,035	14,474
Fair value gain on investments held for trading		936	1,000	936	3,447
Research and development costs		(4,094)	(2,810)	(13,434)	(11,061)
Marketing and promotional expenses		(3,847)	(5,282)	(8,309)	(10,518)
Administrative expenses		(9,841)	(8,323)	(31,475)	(27,031)
Interest on other loan wholly repayable within five years		(63)	(42)	(191)	(191)
Share of results of associates		538	(736)	(337)	(3,497)
Profit before tax	6	25,456	11,507	36,927	17,007
Income tax expense	7	(259)	(2,856)	(2,583)	(2,863)
Profit for the period and total comprehensive income		25,197	8,651	34,344	14,144
Profit for the period and total comprehensive income attributable to:					
Owners of the Company		25,064	9,574	34,652	15,608
Minority interests		133	(923)	(308)	(1,464)
		25,197	8,651	34,344	14,144
Earnings per share					
– Basic	9	RMB0.87 cents	RMB0.33 cents	RMB1.20 cents	RMB0.54 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2009

	NOTES	30.9.2009 RMB'000 (Unaudited)	31.12.2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	138,842	241,930
Investment property	11	72,212	–
Interests in associates		23,868	24,245
Available-for-sale investments		1,350	1,350
Prepayment for acquisition of property, plant and equipment		16,518	5,098
Trade receivable – non-current	12	5,794	7,881
Deferred tax assets	13	–	1,537
		258,584	282,041
Current assets			
Inventories		2,162	1,801
Amounts due from customers for contract work		41,211	31,481
Trade and other receivables	12	124,351	45,397
Amounts due from associates		312	–
Entrusted loan	14	99,204	88,832
Held-for-trading investment		35	–
Bank deposits		170,860	239,300
Bank balances and cash		175,326	171,748
		613,461	578,559
Current liabilities			
Customers' deposits for contract work		103,788	64,620
Trade and other payables	15	106,374	148,787
Amounts due to associates		355	644
Current income tax liabilities		5,205	10,980
Other loan		9,090	9,090
		224,812	234,121



	NOTES	30.9.2009 RMB'000 (Unaudited)	31.12.2008 RMB'000 (Audited)
Net current assets		388,649	344,438
		647,233	626,479
Capital and reserves			
Share capital	16	289,809	289,809
Reserves		354,395	334,813
Equity attributable to owners of the Company		644,204	624,622
Minority interests		3,029	1,857
Total equity		647,233	626,479

Dr. Li Minji
Chairman

Dr. Wang Xu
Chief Executive Officer



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th September, 2009

	Attributable to owners of the Company							Total equity RMB'000 (unaudited)
	Share capital RMB'000 (unaudited)	Share premium RMB'000 (unaudited)	Capital reserve RMB'000 (unaudited)	Statutory surplus reserve RMB'000 (unaudited)	Accumulated profits RMB'000 (unaudited)	Total RMB'000 (unaudited)	Minority interests RMB'000 (unaudited)	
At 1st January, 2008	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
Total comprehensive income for the period	-	-	-	-	15,608	15,608	(1,464)	14,144
Disposal of a subsidiary	-	-	-	-	-	-	34	34
At 30th September, 2008	289,809	254,079	5,216	9,532	28,380	587,016	933	587,949
At 1st January, 2009	289,809	254,079	5,216	14,332	61,186	624,622	1,857	626,479
Dividend paid	-	-	-	-	(15,070)	(15,070)	-	(15,070)
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	1,480	1,480
Total comprehensive income for the period	-	-	-	-	34,652	34,652	(308)	34,344
At 30th September, 2009	289,809	254,079	5,216	14,332	80,768	644,204	3,029	647,233



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th September, 2009

	Nine months ended	
	30.9.2009	30.9.2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities		
(Increase) decrease in trade and other receivables	(72,336)	305
Decrease in trade and other payables	(41,186)	(410)
Other operating cash flows	94,726	131,502
	(18,796)	131,397
Net cash from (used in) investing activities		
Cash paid for purchase of property, plant and equipment	(18,777)	(60,375)
Proceeds from disposal of a subsidiary	-	1,719
Proceeds from disposal of an associate	8,000	-
Deposits paid on acquisition of property, plant and equipment	(16,379)	(5,277)
Decrease (increase) in bank deposits	68,440	(14,900)
Repayment of entrusted loan	92,000	-
Advance of entrusted loan	(100,000)	(92,000)
Other investing cash flows	2,680	4,737
	35,964	(166,096)
Net cash used in financing activities		
Capital contribution from a minority shareholder of a subsidiary	1,480	80
Dividend paid	(15,070)	(40,573)
	(13,590)	(40,493)
Net increase (decrease) in cash and cash equivalents	3,578	(75,192)
Cash and cash equivalents at beginning of the period	171,748	445,677
Cash and cash equivalents at end of the period, represented by bank balances and cash	175,326	370,485



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September, 2009

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 measured at fair values.

Except as described below, the accounting policies used in the interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31st December, 2008. The adoption of the new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods.

Transfer from property, plant and equipment to investment property

During this interim period, the Group transferred an item of property, plant and equipment measured using the cost model to investment property (evidenced by end of owner-occupation). In the past, the Group did not have such transfers and did not have any investment property.

If an item of property, plant and equipment carried at cost model becomes an investment property because its use has been changed, evidenced by end of owner-occupation, such a transfer does not change the carrying amount of the property transferred. Subsequent to the initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over its estimated useful lives and after taking into account its estimated residual value, using the straight-line method.



3. PRINCIPAL ACCOUNTING POLICIES (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognized.

HKAS 1 (Amendments) Presentation of Financial Statements

(effective for annual periods beginning on or after 1st January, 2009)

The revised standard has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the results or financial position of the Group.

Improvements to HKFRSs issued in May 2008

The Improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied. The only amendment included in Improvements to HKFRSs that resulted in a change of the Group's accounting policies is the amendment to HKAS 20 Government Grants, which requires the benefit of a government loan at a below-market rate of interest to be accounted for as a government grant, measured as the difference between the initial carrying value of the loan determined in accordance with HKAS 39 and the proceeds received. In the past, the Group did not recognise government grant in relation to benefit of a government loan at below-market interest rate. The amendment to HKAS 20 will be applied prospectively to government loans received on or after 1st January, 2009. No such government loans were received during the current interim period.

The Group has not early applied the following revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective on 1st January, 2009:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ¹
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction ⁴
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ²
HK (IFRIC)-Int 18	Transfers of Assets from Customers ³

¹ Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

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

³ Effective for transfers on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st January, 2010

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



4. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's Chief Executive Officer is identified as the chief operating decision maker. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In past, the Group's primary reporting format was business segments based on e-Government technology services and e-Commerce technology services. However, the information reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of performance is based on the project reports carried out by the project team of the Group. Accordingly, no segment reporting is presented.

5. DISPOSAL OF AN ASSOCIATE

On 30th July, 2009, the Company entered into an equity transfer agreement with an independent third party to dispose of its equity interest held in an associate, Touch Beijing IT Development Co., Ltd, for a cash consideration of RMB16,000,000. The associate is engaged in provision of information application services and related businesses. The disposal was completed on 27th September, 2009, on which date significant influence of Touch Beijing IT Development Co., Ltd. was passed to the acquirer.

Up to 30th September, 2009, the Company has received the cash consideration of RMB8,000,000 and the remaining amount of RMB2,700,000 and RMB5,300,000 shall be paid before 30th October, 2009 and 30th November, 2009 respectively according to supplementary agreement which was signed on 11th September, 2009.

6. PROFIT BEFORE TAXATION

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

	Three months ended		Nine months ended	
	30.9.2009 RMB'000	30.9.2008 RMB'000	30.9.2009 RMB'000	30.9.2008 RMB'000
Depreciation	14,480	17,876	53,167	43,585
Less: Depreciation in respect of				
– research and development expense	(646)	(187)	(1,061)	(348)
– contract work	(11,955)	(15,482)	(36,834)	(35,131)
	1,879	2,207	15,272	8,106
Reversal of allowance for inventories	(1,216)	(96)	(1,189)	(151)
Impairment loss recognised in respect of interests in associates (included in share of losses of associates)	–	–	513	–
Allowance for doubtful debts	(136)	(301)	1,381	2,001
Government grants	(1,047)	(800)	(7,569)	(9,138)
Interest income from bank deposits	(1,272)	(1,643)	(2,893)	(4,158)
Interest income from entrusted loans	(385)	(224)	(3,169)	(224)
Rental income from investment property	(1,756)	–	(2,205)	–



7. INCOME TAX CHARGE

	Three months ended		Nine months ended	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RMB'000	RMB'000	RMB'000	RMB'000
The charge comprises:				
PRC income tax				
Current period	439	4,020	4,324	4,042
Overprovision in prior year	(180)	(1,164)	(204)	(1,179)
	259	2,856	4,120	2,863
Deferred tax credit	-	-	(1,537)	-
	259	2,856	2,583	2,863

At 30th September, 2009, the subsidiaries have unused tax losses of approximately RMB19,000,000 (31.12.2008: RMB16,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire before 2014.

8. DIVIDENDS

During the current period, a final dividend in respect of the previous financial year of RMB0.52 cents (pre-tax) in cash (2008: RMB1.40 cents) per share, amounting to an aggregate amount of approximately RMB15,070,000 (2008: RMB40,573,000), has been declared and paid.

According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations for Enterprise Income Tax of the People's Republic of China which took effect on 1st January, 2008, enterprise income tax is payable by non-resident enterprises in respect of dividend income derived from the PRC at an applicable tax rate of 10% and listed issuers shall withhold such enterprise income tax on behalf of the non-resident enterprises. Cash dividend payable to H-share non-resident enterprises after the deduction of the said enterprise income tax is RMB0.47 cent for every share.



9. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RMB'000	RMB'000	RMB'000	RMB'000
Earnings				
Profit for the period attributable to owners of the Company	25,064	9,574	34,652	15,608
Number of shares				
Number of ordinary shares for the purpose 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.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB22,319,000 (2008: RMB59,778,000) on acquisition of property, plant and equipment.

11. INVESTMENT PROPERTY

During the current period, the Group transferred a property from property, plant and equipment to investment property and the property has been rented out under operating leases.



12. 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 reporting date:

	30.9.2009	31.12.2008
	RMB'000	RMB'000
0 – 60 days	39,798	27,675
61 – 90 days	6,081	242
91 – 180 days	24,616	791
Over 180 days	32,633	5,169
	103,128	33,877
Less: Non current portion classified as non-current assets (<i>Note</i>)	(5,794)	(7,881)
	97,334	25,996

Note:

Included in the balance of trade receivables at 30th September, 2009 was a trade receivable of approximately RMB5,794,000 which will be settled by four equal annual instalments from 1st July, 2010 in accordance with the terms of payment of the contract with a customer. Therefore, the portion that will be settled after one year is classified as non-current assets at the reporting date. The effective interest rate applied on this receivable is 3.33% per annum.

13. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the current period:

	Accrued expense
	RMB'000
At 1st January, 2009	1,537
Charge to profit or loss for the period	(1,537)
At 30th September, 2009	–



14. ENTRUSTED LOAN

On 25th September, 2009, the Company entered into an entrusted loan agreement with 中國民生銀行股份有限公司 (China Minsheng Banking Co., Ltd.) (“Minsheng Bank”) and 北京汽車工業控股有限公司 (Beijing Automotive Industry Holding Co., Ltd.) (“BAIHC”). Pursuant to the agreement, the Company lent a short term loan of RMB100 million to BAIHC via Minsheng Bank, which will be repayable in one lump sum on 24th September, 2010. The loan is secured by dividend, if any that will be declared for the year ending 31st December, 2009 by 北京汽車投資有限公司 (Beijing Automobile Investment Co., Ltd.) (“BAIC”) to BAIHC. The loan interest is charged at 85% of the prevailing one-year bank lending rate set by the People’s Bank of China from time to time. The interest payment will be settled quarterly. BAIHC is an enterprise owned by the PRC government and BAIC is a subsidiary of BAIHC.

The entrusted loan lent to 北京巨鵬投資公司 (Beijing Jupeng Investment Company Limited) in 2008 was fully repaid on 24th July, 2009, according to the terms of the trust and loan agreements.

15. TRADE AND OTHER PAYABLES

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

	30.9.2009	31.12.2008
	RMB'000	RMB'000
0 – 60 days	4,293	13,215
61 – 90 days	471	1,766
91 – 180 days	554	3,559
Over 180 days	7,791	5,662
	13,109	24,202

16. SHARE CAPITAL

	Number of shares		Share capital
	Domestic shares	H Share	RMB'000
Authorised, issued and fully paid:			
Ordinary shares of RMB0.10 each			
At 1st January, 2009			
and 30th September, 2009	2,123,588,091	774,498,000	289,809



17. CAPITAL COMMITMENTS

	30.9.2009	31.12.2008
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	36,746	11,179

18. 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	
		30.9.2009	30.9.2008	30.9.2009	30.9.2008
		RMB'000	RMB'000	RMB'000	RMB'000
(a) Shareholder					
China United network Communications Corporation Limited Beijing Branch	Dedicated circuit leasing services expense Telephone related services expense	2,549	2,140	7,611	5,120
		132	255	349	816
(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	993	2,978	3,067

Amounts due from fellow subsidiaries as at 30th September, 2009 were approximately RMB8,360,000 (31.12.2008: RMB5,061,000). The amount is included in trade and other receivables and is unsecured, non-interest bearing and expected to be recovered within one year.



18. RELATED PARTY DISCLOSURES (continued)

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB175,425,000 (2008: RMB143,955,000) 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 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 (2008: RMB191,000) in current interim period.

Entrusted loan of RMB100,000,000 is lent to an enterprise owned by the PRC government. Details of the loan have been set out in note 14.

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) Transactions with associates

Associate	Nature of transaction	Three months ended		Nine months ended	
		30.9.2009 RMB'000	30.9.2008 RMB'000	30.9.2009 RMB'000	30.9.2008 RMB'000
Beijing Certificate of Authority Center Company Limited	Software development and providing related technical services to the Group	-	191	217	191
Beijing Community Service Company Limited	Software development and providing related technical services to the Group	-	-	-	30

(iv) Amounts due from/to associates

The amounts due from/to associates are unsecured, non-interest bearing and 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, 2009 was approximately RMB3,245,000 (2008: RMB3,118,000).



19. EVENT AFTER THE INTERIM REPORTING DATE

On 17th September, 2009, the Company entered into an equity transfer agreement with independent third party to dispose of a subsidiary, Chongqing Hongxin Software Co. Ltd., for a cash consideration of RMB840,000. The subsidiary was engaged in software development and related businesses. The disposal was completed on 28th October, 2009, on which date control of Chongqing Hongxin Software Co. Ltd. was passed to the acquirer.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 12th November, 2009.



DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2009 (3Q 2008: Nil).

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

a. *Directors and Chief Executive of the Company*

Save as disclosed below, as at 30th September, 2009, 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, 2009			Percentage to the issued H share capital
	Pre-IPO Share Option Plan	Granted under Share Option Scheme	Total	
Directors				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	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%
	3,786,650	4,398,000	8,184,650	1.06%



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

a. *Directors and Chief Executive of the Company (continued)*

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



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

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, 2009:

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, 2009:

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%



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, 2009	Lapsed during the period	At 30th September, 2009
Directors of the Company	5,094,850	(1,308,200)	3,786,650
Supervisors of the Company	1,244,650	–	1,244,650
Senior management of the Company	5,313,400	–	5,313,400
Senior advisors of the Company	3,929,250	1,308,200	5,237,450
Advisors of the Company	2,063,050	–	2,063,050
Other employees of the Company and its subsidiaries	16,804,790	(1,250,230)	15,554,560
	<u>34,449,990</u>	<u>(1,250,230)</u>	<u>33,199,760</u>

Note: Ms. Zhang Yan resigned as the executive director on 19th June, 2009. The Share Options which she holds were reclassified from the category of directors to senior advisors.



SHARE OPTIONS (continued)

(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, 2009	Lapsed during the period	At 30th September, 2009
Directors of the Company	5,864,000	(1,466,000)	4,398,000
Supervisors of the Company	1,466,000	-	1,466,000
Senior management of the Company	7,241,000	-	7,241,000
Senior advisors of the Company	13,964,000	1,466,000	15,430,000
Advisors of the Company	1,925,000	-	1,925,000
Other employees of the Company and its subsidiaries	17,008,000	(1,667,000)	15,341,000
	<u>47,468,000</u>	<u>(1,667,000)</u>	<u>45,801,000</u>

Note: Ms. Zhang Yan resigned as the executive director on 19th June, 2009. The Share Options which she holds were reclassified from the category of directors to senior advisors.



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, 2009.

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 Dr. Wang Huacheng, Mr. Chen Jing and Mr. Gong Zhiqiang, Dr. Wang Huacheng 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, 2009 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*
Dr. Li Minji
Chairman

Beijing, the People's Republic of China, 12th November, 2009