



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)

First Quarterly Report

2010 >>>.....

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.

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

- The Group achieved an unaudited turnover of approximately RMB53.88 million for the three months ended 31st March, 2010;
- The Group recorded an unaudited profit attributable to the equity holders of the Company of approximately RMB4.75 million for the three months 31st March, 2010;
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the "Board") of Capinfo Company Limited (the "Company") announces that, for the three months ended 31st March, 2010, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB53.88 million, representing a decrease of approximately 3% over the same period last year, and a gross profit margin of 38%, as compared with 23% for the same period last year. The Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB4.75 million for the period under review while the loss attributable to equity holders of the Company was approximately RMB60 thousand for the same period last year.

Other income included government grants, interests and investment income obtained during the period under review.

The Group's current ratio (i.e. total current assets over total current liabilities) was approximately 3 while the gearing ratio (i.e. total borrowing over net assets) remained at less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 31st March, 2010, the Group had unsecured borrowings of RMB8.18 million. As at 31st March, 2010, cash and bank deposits of approximately RMB354.20 million of the Group mainly came from shareholders' capital contribution and the working capital generated from operations.

As at 31st March, 2010, the Group had no assets pledged and had no significant contingent liabilities.

As at 31st March, 2010, the Group had capital commitment of approximately RMB20 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 current period, businesses of the Company progressed orderly. The Social Card Security System successfully completed its upgrade, which substantially enhanced functions of the System. As of 31st March, more than 3.8 million Social Security Cards were issued in the municipal and hospitals in Beijing had officially commenced the practice of providing medical treatment to cardholders. The extensive application and promotion of Social Security Cards replaced the conventional manual medical reimbursement, bringing in a more convenient and simplified medication and reimbursement procedures for the sick. During the quarter, the Medical Insurance System operated stably, successfully providing stable and highly efficient technological services to more than 11 million of medically insured citizens in Beijing. The e-Community Information System developed the "Information Registration System for Household and Elderly (Support for Disabled) Service Providers" (居家養老(助殘)服務商信息登記系統) for disadvantaged minorities including the elderly, the physically disabled and the sick, helping them with convenient, swift, diversified and user-friendly services. Various indicators of the e-Government Network has reached the pre-set target with stable operation and expanding clientele. The "Beijing-China" website recorded an increasing number of visits and successfully ensured network operation security during major festivals and for the major events such as Chinese New Year and the NPC and CPPCC sessions.

2. Business Development

During the current period, the Company was accepted as a member of Beijing BODA, an association which aims at carrying on Olympics spirit, expanding Olympics achievements and facilitating the construction of Beijing as a modern city and an international sports and cultural centre. The Company was appointed as the official information technology service provider for the World Snooker China Open for the fourth consecutive year to provide network technological services for the match, which was a high recognition of the host for the Company's service standard. In addition to the enhancement of the Company's consolidated business level, the accumulation of experience in providing information technology services for international matches also helps establish the Company's positive corporate image.

3. Future Prospects

The Company's future business development will focus on seeking profit growth points for its principal businesses and aggressive expansion of new businesses. The Company will expand its market share by the capitalization of its competitive edges in terms of technology and resources. The Company will diversify its development and enhance its overall market competitiveness.

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 19, 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 31st March, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended and certain explanatory notes. The interim financial information has been prepared solely for the purpose and on the basis set out in note 2 to the interim financial information. 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. 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 inquiries, 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 the basis set out in note 2 to the interim financial information.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

12th May, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31st March, 2010

		Three months ended	
	NOTES	31.3.2010	31.3.2009
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	53,878	55,657
Cost of sales		(33,220)	(42,662)
Gross profit		20,658	12,995
Other income		4,760	5,394
Fair value gain on investments held for trading		102	–
Research and development costs		(3,566)	(4,349)
Marketing and promotional expenses		(6,820)	(1,871)
Administrative expenses		(9,709)	(9,883)
Finance cost		(147)	(64)
Share of results of associates		(380)	(2,399)
Profit (loss) before taxation	5	4,898	(177)
Income tax expense	6	(539)	(108)
Profit (loss) and total comprehensive income (loss) for the period		4,359	(285)
Profit (loss) for the period attributable to:			
Owners of the Company		4,750	(64)
Non-controlling interest		(391)	(221)
		4,359	(285)
Earnings (loss) per share – Basic and diluted	8	RMB0.16 cent	RMB(0.002) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31st March, 2010*

	NOTES	31.3.2010 RMB'000 (Unaudited)	31.12.2009 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	142,779	153,895
Investment property		70,319	71,265
Interests in associates		21,707	22,087
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		1,525	1,355
Trade receivable – non-current	10	5,794	5,794
Deferred tax assets	11	812	1,306
		<hr/> 244,286	257,052
Current assets			
Inventories		751	831
Amounts due from customers for contract works		36,344	31,842
Trade and other receivables	10	90,292	62,743
Loans receivables	12	149,754	99,403
Held-for-trading investments		–	206
Bank deposits		132,457	150,955
Bank balances and cash		221,768	338,886
		<hr/> 631,366	684,866

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st March, 2010

	NOTES	31.3.2010 RMB'000 (Unaudited)	31.12.2009 RMB'000 (Audited)
Current liabilities			
Trade and other payables	13	114,099	167,806
Amounts due to associates		330	212
Customer deposits for contract works		67,101	75,933
Income tax payable		2,284	10,488
Other loan		8,180	8,180
		191,994	262,619
Net current assets		439,372	422,247
Total assets less current liabilities		683,658	679,299
Capital and reserves			
Share capital	14	289,809	289,809
Share premium and reserves		390,427	385,677
Equity attributable to owners of the Company		680,236	675,486
Non-controlling interest		3,422	3,813
Total equity		683,658	679,299

Dr. Li Minji

CHAIRMAN

Dr. Wang Xu

CHIEF EXECUTIVE OFFICER

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31st March, 2010*

	Attributable to owners of the Company							Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2009	289,809	254,079	5,216	14,332	61,186	624,622	1,857	626,479
Total comprehensive loss for the period	-	-	-	-	(64)	(64)	(221)	(285)
At 31st March, 2009	<u>289,809</u>	<u>254,079</u>	<u>5,216</u>	<u>14,332</u>	<u>61,122</u>	<u>624,558</u>	<u>1,636</u>	<u>626,194</u>
At 1st January, 2010	289,809	254,079	5,216	19,750	106,632	675,486	3,813	679,299
Total comprehensive income for the period	-	-	-	-	4,750	4,750	(391)	4,359
At 31st March, 2010	<u>289,809</u>	<u>254,079</u>	<u>5,216</u>	<u>19,750</u>	<u>111,382</u>	<u>680,236</u>	<u>3,422</u>	<u>683,658</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31st March, 2010

	Three months ended	
	31.3.2010	31.3.2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(78,534)	(64,314)
Net cash used in investing activities		
Advance of loans receivables	(50,000)	–
Cash paid for acquisition of property, plant and equipment	(8,587)	(2,043)
Deposits paid on acquisition of property, plant and equipment	(170)	(1,354)
Increase in bank deposits	(1,502)	(20,302)
Release from bank deposits	20,000	55,795
Other investing cash flows	1,675	830
	(38,584)	32,926
Net decrease in cash and cash equivalents	(117,118)	(31,388)
Cash and cash equivalents at beginning of the period	338,886	171,748
Cash and cash equivalents at end of the period, represented by bank balances and cash	221,768	140,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March, 2010

1. GENERAL

The Company is a limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong limited (the "Stock Exchange"). Its ultimate holding company is Beijing State-owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC.

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 condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

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.

The amount included in this interim financial information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") applicable to interim period. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

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 value.

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, 2009, except for the adoption of the new and revised standards, amendments and interpretations ("new HKFRSs") which have become effective during the current period. 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.

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

HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter ²
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1st February 2010

² Effective for annual periods beginning on or after 1st July 2010

³ Effective for annual periods beginning on or after 1st January 2011

⁴ Effective for annual periods beginning on or after 1st January 2013

3. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The amendments to HKAS 24 *Related Party Disclosures* simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party. The amendments to HKAS 24 provide a partial exemption from the disclosure requirements of HKAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements of HKAS 24 in relation to related party transactions and outstanding balances (including commitments) with: (i) a government that has control, joint control or significant influence over the reporting entity; and (ii) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The application of HKAS 24 (amendment) shall not have a significant impact to the Group.

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

4. SEGMENTS INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker. CEO for the purpose of resource allocation and assessment of performance, reviewed consolidated profit after taxation and the consolidated revenue of the Group as a whole reported under PRC GAAP, which has no any differences as compared with the consolidated revenue reported under HKFRS. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no operating segment is presented, other than the entity-wide disclosure.

The Group's operations are located on the People's Republic of China ("PRC") and all the revenue of the Group comes from PRC customers, as well as all of the assets are located in the PRC. Aggregated revenues from state-controlled entities and the PRC government are approximately RMB52,954,000 (three months ended 31.3.2009: RMB52,009,000).

5. PROFIT (LOSS) BEFORE TAXATION

	Three months ended	
	31.3.2010	31.3.2009
	RMB'000	RMB'000
Profit (loss) before tax has been arrived at after charging (crediting) the following items:		
Depreciation	16,436	17,866
Less: Depreciation included in		
– research and development costs	(49)	(367)
– contract work	(11,650)	(10,251)
	3,791	7,248
(Reversal of) allowance for doubtful debts	(148)	865
Gain on disposal of property, plant and equipment	8	9
Government grants	(554)	(2,986)
Interest income from bank deposits	(591)	(920)
Interest income from loans receivables	(1,403)	(1,384)
Dividend income from available-for-sale investment	(240)	–
Rental income from investment property	(1,606)	–
Cost of inventories recognised as expenses (including reversal of inventories: RMB27,000 (three months ended 31.3.2009: RMB11,000))	2,006	745

6. INCOME TAX EXPENSE

	Three months ended	
	31.3.2010	31.3.2009
	RMB'000	RMB'000
The charge comprises:		
PRC income tax		
– Current period	45	30
Deferred tax charge	494	78
	539	108

At the end of reporting period, the subsidiaries have unused tax losses of approximately RMB2,831,000 (31.12.2009: RMB680,000) 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 2015.

7. DIVIDENDS

No dividend has been proposed for the current period.

A dividend of RMB0.52 cents per share, amounting to an aggregate amount of RMB15,070,000 for the year ended 31st December, 2008 has been recommended by the Board of Directors during the three months ended 31st March, 2009 and paid during 2009.

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended	
	31.3.2010	31.3.2009
	RMB'000	RMB'000
Profit (loss) for the period attributable to owners of the Company	4,750	(64)
	<hr/>	
	Number of shares	
	31.3.2010	31.3.2009
Number of ordinary shares for the purposes of basic earnings (loss) per share	2,898,086,091	2,898,086,091
	<hr/>	

The calculation of diluted earnings per share did not take into account the share option of the Company for the periods ended 31st March, 2010 and 2009 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both years.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB4,399,000 (three months ended 31.3.2009: RMB4,452,000) on acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

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

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

Age	31.3.2010	31.12.2009
	RMB'000	RMB'000
0 to 60 days	39,467	31,760
61 to 90 days	22,109	1,006
91 to 180 days	3,020	2,223
Over 180 days	14,182	14,890
	78,778	49,879
Less: non current portion classified as non-current assets (note)	(5,794)	(5,794)
	72,984	44,085

Note: Included in the balance of trade receivables at 31st March, 2010 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.

11. 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, 2010	1,306
Charge to profit or loss for the period	(494)
	<u>812</u>
At 31st March, 2010	<u>812</u>

12. LOANS RECEIVABLES

Age	31.3.2010	31.12.2009
	RMB'000	RMB'000
Loan A (note i)	99,614	99,403
Loan B (note ii)	50,140	–
	149,754	99,403

note i: During 2009, the Company entered into a 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責任公司 (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 ended 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 effective interest rate of the loan is 4.3%. The interest payment will be settled quarterly. BAIHC is an enterprise owned by the PRC government and BAIC is a subsidiary of BAIHC.

note ii: On 25th February, 2010, the Company entered into an agreement with 招商銀行股份有限公司 (China Merchants Banking Co., Ltd.) (“the Bank”). Such arrangement substantially is to participate in a short-term loan provided to Aluminium Corporation of China. The Company participated RMB 50 million in such arrangement. The loan is due for repayment on 7th June, 2010. The effective interest rate of the investment is 3.1% per annum.

The management have performed an assessment on these loans receivables and considered that there is no indication of significant impairment risk. Thus, the directors consider that no impairment loss is provided for these loans receivables.

13. TRADE AND OTHER PAYABLES

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

Age	31.3.2010 RMB'000	31.12.2009 RMB'000
0 to 60 days	1,573	14,436
61 to 90 days	8,207	8
91 to 180 days	854	2,187
Over 180 days	7,259	7,684
	17,893	24,315

14. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each Issued and fully paid at 1st January, 2010 and 31st March, 2010	2,123,588,091	774,498,000	289,809

15. CAPITAL COMMITMENTS

	31.3.2010 RMB'000	31.12.2009 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	20,438	24,875

16. RELATED PARTY DISCLOSURES

(i) *Transactions with holding company and fellow subsidiaries*

Related party	Nature of transactions	Three months ended	
		31.3.2010 RMB'000	31.3.2009 RMB'000
a. Holding company			
China United Network Communications Corporation Limited (formerly known as CNC Beijing Communication Corporation) ("China Unicom")	Dedicated circuit leasing service expense	2,105	1,248
	Telephone related service expense	105	116
b. Fellow subsidiaries			
Capnet Company Limited ("Capnet")	Network system and the related maintenance service income	1,575	2,010
Beijing IC Design Park Co., Ltd. ("BIDP")	Property rental expense	993	993

Amounts due from fellow subsidiaries as at 31st March, 2010 is approximately RMB3,313,000 (31.12.2009: RMB9,545,000). The amount is included in trade and other receivables and is unsecured, non-interest bearing and expected to be recovered 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 RMB52,954,000 (2009: RMB52,009,000) 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 RMB8,180,000 is borrowed from the PRC government, unsecured, repayment on demand and bears interest at annual interest rate of 2.55%, and the Group has incurred interest expense approximately RMB147,000 (three months ended 31.3.2009: RMB64,000) in current interim period.

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.

16. RELATED PARTY DISCLOSURES (continued)*(iii) Transactions with an associate*

Associate	Nature of transaction	Three months ended	
		31.3.2010 RMB'000	31.3.2009 RMB'000
Beijing Certificate of Authority Center Company Limited	Software development and providing related technical services to the Group	240	195

(iv) Amount due to associates

The amounts are unsecured, non-interest bearing and are 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 three months ended 31st March, 2010 are approximately RMB974,000 (2009: RMB808,000).

17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 12th May, 2010.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2010 (2009 first quarter: 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 of 31st March, 2010, none of the Directors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of 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 as referred to in Rule 5.46 of the GEM Listing Rules.

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

Name	Number of H Shares subject to options outstanding as of 31st March, 2010			Percentage to the issued H share capital
	Granted under the Pre-IPO Share Option Plan	Granted under the Share Option Scheme	Total	
Directors				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
Mr. Qi Qigong	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 (CAP. 571 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 6 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 the terms and conditions of the Pre-IPO Share Option Plan, restrictions imposed by the relevant PRC laws and regulations and any conditions of the grant as stipulated by the Board of Directors:

Proportion of share options granted and held by each of the Directors which become exercisable

Exercise period

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

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

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 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 31 March 2010:

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 of 31 March 2010:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
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%

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

During the year, 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, 2010	Lapsed during the period	At 31st March, 2010
Directors of the Company	3,786,650	–	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	5,237,450	–	5,237,450
Advisors of the Company	2,063,050	–	2,063,050
Other employees of the Company and its subsidiaries	15,554,560	–	15,554,560
	<u>33,199,760</u>	<u>–</u>	<u>33,199,760</u>

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 granted under the Scheme shall not exceed 30% of the number of shares to be issued by the Scheme and other share 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 to 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 current period is as follows:

	At 1st January, 2010	Lapsed during the period	At 31st March, 2010
Directors of the Company	4,398,000	–	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	15,430,000	–	15,430,000
Advisors of the Company	1,925,000	–	1,925,000
Other employees of the Company and its subsidiaries	15,341,000	–	15,341,000
	<hr/> 45,801,000	–	<hr/> 45,801,000

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 to 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 three months ended 31st March, 2010.

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. During the period, 1 audit committee meeting was 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 three months ended 31st March, 2010 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 year under review, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules.

By order of the Board

CAPINFO COMPANY LIMITED*

Dr. Li Minji

Chairman

Beijing, the People's Republic of China, 12th May, 2010