



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)*

# Interim Report

2010 >>>.....

## **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 an unaudited turnover of approximately RMB103.9 million for the six months ended 30th June, 2010, representing an approximately 18% decrease over the same period of the previous year;
- Sustained an unaudited profit attributable to the equity holders of the Company of approximately RMB10.9 million, for the six months ended 30th June, 2010;
- The board of Directors has recommended the payment of an interim dividend of RMB2.05 cents (pre-tax) per share for the six months ended 30th June, 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial Review*

The board of Directors (the "Board") of Capinfo Company Limited (the "Company") announces that, for the six months ended 30th June, 2010, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB103.9 million, representing a decrease of approximately 18% over the same period of last year, and a gross profit margin of 35%, as compared with 29% for the same period of last year. The Group has sustained an unaudited profit attributable to equity holders of the Company of approximately RMB10.9 million for the period under review while the profit attributable to equity holders of the Company was approximately RMB9.6 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 approximately 3.4 while the gearing ratio, defined as total borrowing over net assets, stayed at a relatively low level of less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 30th June, 2010, the Group had short-term, unsecured borrowings of RMB6.4 million. Cash and bank deposits of the Group were approximately RMB152.5 million as at 30th June, 2010 which mainly came from shareholders' contribution and working capital generated from operations.

As at 30th June, 2010, the Group had no assets pledged and had no significant contingent liabilities.

At at 30th June, 2010, the Group had capital commitment of approximately RMB21.9 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*

### *Foundation Businesses*

During the Period, the Company recorded steady growth in various business segments of the Company. Upon completion of upgrade and reform of Beijing private network of e-Government, the safety and transmission efficiency of the systems were significantly enhanced. In addition, cloud computing was initially adopted to complete the upgrade of the emails system of civil servants in Beijing City. Beijing Medical Insurance Information System was running steadily, providing stable and efficient technology services to more than 200,000 insured entities and more than 11 million insured individuals in Beijing. The Social Security Card System Integration Project for Beijing City successfully completed upgrade and reform. In the first half of the year, the accumulated card issuance across the city was over 6.20 million cards. At the same time, all service outlets of regional and county social security centers in Beijing were opened, realizing the practice of providing medical treatment to cardholders and real-time settlement. The proposal on Beijing housing provident fund made a significant breakthrough; where the business coverage had been expanded from Beijing to certain regions in Guangdong province and Guangxi province.

### *Adjustment and Optimization of the Group's Assets*

During the period, the Company, together with the National Stadium Co., Ltd. (國家體育場有限責任公司), Beijing National Aquatic Centre Co., Ltd.\* (北京國家游泳中心有限責任公司), Beijing International Sports Co., Ltd.\* (北京時博國際體育賽事有限公司) and Beijing Artists Management Corp., Ltd.\* (北京市演出有限責任公司), have injected capital into Beijing Culture & Sports Technology Co., Ltd.\* (北京文化體育科技有限公司), a wholly-owned subsidiary of the Company. Upon such capital injection, the business of Beijing Culture & Sports Technology Co., Ltd.\* (北京文化體育科技有限公司) will expand into the area of providing ticketing agency and the related information technology services. The introduction of new shareholders also generates more market resources and better growth opportunities to such company and lays a solid foundation for such company to develop into a premier ticketing company in the PRC. During the period under review, the Company transferred all of its 5% equity interests in Guangdong Kaipu Internet Information Technology Co., Ltd. (廣東開普互聯信息科技有限公司) to an external party and the quality of the Group's assets was further optimized.

### *Research and Development*

During the Period, the Company was named one of the “2010 (9th) Top 100 Enterprises in China in terms of Revenue from Software Business 2010” (二零一零(第九屆)中國軟件業務收入前百家企業) and was granted the title of “Independent Innovation Model Enterprise in the Software Industry in the State’s Independent Innovation Model Zone - Zhongguancun” (中關村國家自主創新示範區核心區軟件行業自主創新示範企業) leveraging on its “Ronease Multi-language Information Processing Platform” (Ronease多語言信息處理平臺).

### *Employees*

The Group had 984 employees as at 30th June, 2010, as compared to 889 employees as at 30th June, 2009. Remuneration of employees is determined according to government policies and with reference to the market conditions as well as the performance, qualification, and experience of individual employees. Discretionary bonuses will be granted to outstanding employees based on their individual performance as a reward for their contributions. Other benefits include retirement benefits and share options.

### *Future Prospects*

In consolidating the development of the foundation business, the Company will step up its efforts in the expansion of related extended businesses. Apart from retaining and developing government customers, the Company will focus on expanding market customers; emphasize on recruiting and fostering quality staff; strengthen the R&D capabilities of the Company; and regulated the internal control and risk management of the Company. At the same time, the Company will continue to reinforce the management of associated companies and endeavor to enhance its market share and overall profitability in an effort to maximize the value for the shareholders by achieving steady market performance.

# 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 7 to 21, 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 June, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Growth Enterprise Market Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making 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 HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statements of comprehensive income, and the relevant explanatory notes for each of the three-month periods ended 30th June, 2010 and 2009 disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

12th August, 2010

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30th June, 2010*

	NOTES	Three months ended		Six months ended	
		<b>30.6.2010</b> <b>RMB'000</b> <b>(Unaudited)</b>	30.6.2009 RMB'000 (Unaudited)	<b>30.6.2010</b> <b>RMB'000</b> <b>(Unaudited)</b>	30.6.2009 RMB'000 (Unaudited)
Turnover	4	<b>50,020</b>	71,029	<b>103,898</b>	126,686
Cost of sales		<b>(33,829)</b>	(47,915)	<b>(67,049)</b>	(90,577)
Gross profit		<b>16,191</b>	23,114	<b>36,849</b>	36,109
Other income		<b>9,353</b>	6,407	<b>12,957</b>	11,801
Research and development costs		<b>(3,494)</b>	(4,991)	<b>(7,060)</b>	(9,340)
Marketing and promotional expenses		<b>(5,874)</b>	(2,591)	<b>(12,694)</b>	(4,462)
Administrative expenses		<b>(10,150)</b>	(11,751)	<b>(18,601)</b>	(21,634)
Finance cost		<b>(80)</b>	(64)	<b>(227)</b>	(128)
Share of results of associates		<b>530</b>	1,524	<b>150</b>	(875)
Profit before taxation	5	<b>6,476</b>	11,648	<b>11,374</b>	11,471
Income tax expense	6	<b>(875)</b>	(2,216)	<b>(1,414)</b>	(2,324)
Profit and total comprehensive income for the period		<b>5,601</b>	9,432	<b>9,960</b>	9,147
Profit (loss) for the period attributable to:					
Owners of the Company		<b>6,123</b>	9,652	<b>10,873</b>	9,588
Non-controlling interest		<b>(522)</b>	(220)	<b>(913)</b>	(441)
		<b>5,601</b>	9,432	<b>9,960</b>	9,147
Earnings per share – Basic and diluted	8	<b>RMB0.21 cents</b>	RMB0.33 cents	<b>RMB0.38 cents</b>	RMB0.33 cents



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	NOTES	<b>30.6.2010</b>	31.12.2009
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
Non-current assets			
Property, plant and equipment	9	<b>132,876</b>	153,895
Investment property		<b>69,373</b>	71,265
Interests in associates		<b>22,027</b>	22,087
Available-for-sale investments		<b>1,000</b>	1,350
Deposits paid on acquisition of property, plant and equipment		<b>3,292</b>	1,355
Trade receivable - non-current	10	<b>5,794</b>	5,794
Deferred tax asset	11	<b>1,070</b>	1,306
		<b>235,432</b>	257,052
Current assets			
Inventories		<b>813</b>	831
Amounts due from customers for contract works		<b>43,324</b>	31,842
Trade and other receivables	10	<b>148,301</b>	62,743
Loans receivable	12	–	99,403
Financial assets at fair value through profit or loss	13	<b>231,789</b>	206
Bank deposits		<b>62,982</b>	150,955
Bank balances and cash		<b>152,486</b>	338,886
		<b>639,695</b>	684,866
Assets classified as held for sale	16	<b>210</b>	–
		<b>639,905</b>	684,866

	NOTES	<b>30.6.2010</b>	31.12.2009
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
Current liabilities			
Trade and other payables	14	<b>101,516</b>	167,806
Amounts due to associates		<b>330</b>	212
Customer deposits for contract works		<b>75,582</b>	75,933
Income tax payable		<b>2,290</b>	10,488
Other loan		<b>6,360</b>	8,180
		<b>186,078</b>	262,619
Net current assets		<b>453,827</b>	422,247
Total assets less current liabilities		<b>689,259</b>	679,299
Capital and reserves			
Share capital	15	<b>289,809</b>	289,809
Share premium and reserves		<b>396,550</b>	385,677
Equity attributable to owners of the Company		<b>686,359</b>	675,486
Non-controlling interest		<b>2,900</b>	3,813
Total equity		<b>689,259</b>	679,299

**Dr. Li Minji**

CHAIRMAN

**Dr. Wang Xu**

CHIEF EXECUTIVE OFFICER

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

	Attributable to owners of the Company					Total	Non-controlling interest	Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits			
	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
Profit and total comprehensive income for the period	-	-	-	-	9,588	9,588	(441)	9,147
Dividend recognised as distribution	-	-	-	-	(15,070)	(15,070)	-	(15,070)
At 30th June, 2009 (unaudited)	289,809	254,079	5,216	14,332	55,704	619,140	1,416	620,556
At 1st January, 2010	289,809	254,079	5,216	19,750	106,632	675,486	3,813	679,299
Profit and total comprehensive income for the period	-	-	-	-	10,873	10,873	(913)	9,960
At 30th June, 2010 (unaudited)	289,809	254,079	5,216	19,750	117,505	686,359	2,900	689,259

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

	<b>Six months ended</b>	
	<b>30.6.2010</b>	30.6.2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(132,696)</b>	(62,828)
Net cash used in investing activities		
Advance of loans receivable	<b>(50,000)</b>	–
Settlement of loans receivable	<b>150,000</b>	–
Purchase of financial assets at fair value through profit or loss	<b>(231,150)</b>	–
Cash paid for acquisition of property, plant and equipment	<b>(12,894)</b>	(10,561)
Proceeds from disposal of property, plant and equipment	<b>437</b>	–
Deposits paid on acquisition of property, plant and equipment	<b>(1,937)</b>	(1,548)
Increase in bank deposits	<b>(22,027)</b>	(20,020)
Release from bank deposits	<b>110,000</b>	65,476
Proceeds from disposal of available-for-sale investments	<b>923</b>	–
Other investing cash flows	<b>5,289</b>	1,631
	<b>(51,359)</b>	34,978
Net cash used in financing activities		
Repayment of other loan	<b>(1,820)</b>	–
Interest paid	<b>(525)</b>	–
	<b>(2,345)</b>	–
Net decrease in cash and cash equivalents	<b>(186,400)</b>	(27,850)
Cash and cash equivalents at beginning of the period	<b>338,886</b>	171,748
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>152,486</b>	143,898

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

### 1. GENERAL

The Company is a joint stock 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 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 value.

The accounting policies used in the condensed consolidated 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 some new accounting policies described below.

#### *Financial assets at fair value through profit or loss*

A financial asset may be designated as at fair value through profit or loss ("FVTPL") upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

In addition, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

#### **Application of new and revised HKFRSs with no impact to financial statements for current year or prior periods**

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements 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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>5</sup> 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 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 significant differences as compared with consolidated profit after taxation 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 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 RMB99,088,000 (six months ended 30.6.2009: RMB114,884,000).

## 5. PROFIT BEFORE TAXATION

	Three months ended		Six months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting) the following items:				
Depreciation of property, plant and equipment and investment properties	<b>16,172</b>	20,821	<b>32,608</b>	38,687
Less: Depreciation included in				
– research and development costs	<b>(53)</b>	(48)	<b>(102)</b>	(415)
– cost of sales	<b>(11,687)</b>	(14,628)	<b>(23,337)</b>	(24,879)
	<b>4,432</b>	6,145	<b>9,169</b>	13,393
(Reversal of) allowance for doubtful debts	<b>(335)</b>	652	<b>(483)</b>	1,517
Gain on disposal of property, plant and equipment	<b>(59)</b>	(47)	<b>(67)</b>	(56)
Government grants	<b>(2,696)</b>	(3,536)	<b>(3,250)</b>	(6,522)
Interest income from bank deposits	<b>(1,413)</b>	(701)	<b>(2,004)</b>	(1,621)
Interest income from loans and receivables	<b>(1,329)</b>	(1,400)	<b>(2,732)</b>	(2,784)
Interest income from financial assets at FVTPL	<b>(1,625)</b>	–	<b>(1,625)</b>	–
Dividend income from available-for-sale investment	<b>(240)</b>	(245)	<b>(240)</b>	(245)
Gain on disposal of available-for-sale investment	<b>(572)</b>	–	<b>(572)</b>	–
Rental income from investment property				
– gross rental	<b>(2,127)</b>	(449)	<b>(3,732)</b>	(449)
– direct operating expenses (including depreciation of investment properties)	<b>1,093</b>	206	<b>1,822</b>	206
– net rental	<b>(1,034)</b>	(243)	<b>(1,910)</b>	(243)



**6. INCOMETAX EXPENSE**

<b>Three months ended</b>		<b>Six months ended</b>	
<b>30.6.2010</b>	30.6.2009	<b>30.6.2010</b>	30.6.2009
<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000

The charge comprises:

PRC income tax			
– Current period	<b>1,133</b>	2,294	<b>1,178</b>
Deferred tax (credit) charge	<b>(258)</b>	(78)	<b>236</b>
	<b>875</b>	2,216	<b>1,414</b>
			2,324

The income tax expense is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year.

At the end of the reporting period, certain subsidiaries have unused tax losses of approximately RMB6,225,000 (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 of those loss making subsidiaries. The unused tax losses will expire before 2015.

**7. DIVIDENDS**

In August 2010, based on the Company’s total issued capital of 2,898,086,091 shares, the Board of Directors has proposed a payment of interim dividend of RMB2.05 cents (pre-tax) per share for the period ended 30th June, 2010, amounting an aggregate amount of approximately RMB59,411,000.

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 declared by the Board of Directors during the six months ended 30th June, 2009, and paid during 2009.

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 RMB1.85 cents (2009: RMB0.47 cents) for every share.

## 8. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	<b>6,123</b>	9,652	<b>10,873</b>	9,588

	Three months ended		Six months ended	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009
Number of ordinary shares for the purposes of calculation of the basic and diluted earnings per share	<b>2,898,086,091</b>	2,898,086,091	<b>2,898,086,091</b>	2,898,086,091

The calculation of diluted earnings per share did not take into account the share option of the Company for the periods ended 30th June, 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 periods.

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB10,067,000 (six months ended 30.6.2009: RMB13,642,000) 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 analysis of trade receivables by age at the end of reporting period, which presented based on invoice date and net of allowance for doubtful debts:

Age	30.6.2010	31.12.2009
	RMB'000	RMB'000
0 to 60 days	<b>47,486</b>	31,760
61 to 90 days	<b>2,187</b>	1,006
91 to 180 days	<b>40,882</b>	2,223
Over 180 days	<b>30,209</b>	14,890
	<b>120,764</b>	49,879
Less: non-current portion classified as non-current assets (Note)	<b>(5,794)</b>	(5,794)
	<b>114,970</b>	44,085

**10. TRADE AND OTHER RECEIVABLES (continued)**

Note: Included in the balance of trade receivables at 30th June, 2010 was a trade receivable of approximately RMB10,879,000 which will be settled by five equal annual instalments from 1st July, 2009 to 1st July, 2013 in accordance with the terms of payment of the contract with a customer. The balance of this trade receivable was approximately RMB7,970,000 as at 30th June, 2010. Therefore, the portion that will be settled after one year is classified as non-current assets at the end of the reporting period. 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:

	<b>Accrued expenses</b>
	RMB'000
At 1st January, 2010	1,306
Charge to profit or loss for the period	(236)
	<hr/>
At 30th June, 2010	1,070
	<hr/> <hr/>

**12. LOANS RECEIVABLE**

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. The loan was fully settled during the six months ended 30th June, 2010.

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30.6.2010</b>	31.12.2009
	RMB'000	RMB'000
Designated as at fair value through profit or loss		
– Trust investment	<b>230,639</b>	–
Held-for-trading		
– Guarantee contract	<b>1,150</b>	–
– Listed equity investments	–	206
	<hr/>	<hr/>
	<b>231,789</b>	206
	<hr/> <hr/>	<hr/> <hr/>

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

Note: In June 2010, the Company entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Company participated RMB230 million in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27th December, 2010. The Trust Investment will invest in a portfolio of investments, which mainly include debt and equity investments. The return of the Trust Investment expected to be 10% per annum.

In respect of the Trust Investment, the Company entered into a guarantee agreement with 深圳中科智擔保投資有限公司 (Shenzhen Credit Orienwise Co., Ltd.) ("SZ Orienwise") that SZ Orienwise guarantees the principle and the return of the Trust Investment to be not less than the prevailing bank deposit interest rate in the PRC. The Company recognised the guarantee fee of RMB1,150,000 as a derivative with gain or loss of changes in fair value recognised through profit or loss.

**14. TRADE AND OTHER PAYABLES**

The following is an analysis of trade payables by age at end of the reporting period, which presented based on the invoice date:

Age	30.6.2010 RMB'000	31.12.2009 RMB'000
0 to 60 days	1,397	14,436
61 to 90 days	33	8
91 to 180 days	4,044	2,187
Over 180 days	9,421	7,684
	<b>14,895</b>	<b>24,315</b>

**15. 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 30th June, 2010	2,123,588,091	774,498,000	289,809

**16. ASSETS CLASSIFIED AS HELD FOR SALE**

In 22nd April, 2010, the directors of the Company resolved to dispose of one of the Group's associates, Beijing Community Service Company Limited. Since then, the directors have started negotiations with several interested parties. The interest in an associate that expected to be sold within twelve months have been classified as assets held for sale and are separately presented in the condensed consolidated statement of financial position.

**16. ASSETS CLASSIFIED AS HELD FOR SALE (continued)**

On 12th June, 2010, the Company has entered into the equity transfer agreement with an independent third party to dispose of its interest in that associate at a cash consideration of RMB332,000. The proceeds of the disposal will exceed the carrying amount of the investment of RMB210,000 and, accordingly, no impairment loss has been recognised on the investment. The transaction has not yet been completed as at 30th June, 2010.

**17. CAPITAL COMMITMENTS**

	<b>30.6.2010</b>	31.12.2009
	<b>RMB'000</b>	RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>21,893</b>	24,875

**18. RELATED PARTY DISCLOSURES**

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

Related party	Nature of transactions	Three months ended		Six months ended	
		30.6.2010	30.6.2009	30.6.2010	30.6.2009
		RMB'000	RMB'000	RMB'000	RMB'000
<b>a. Holding company</b>					
China United Network Communications Corporation Limited (formerly known as CNC Beijing Communication Corporation) ("China Unicom")	Dedicated circuit leasing service expense	<b>3,426</b>	3,814	<b>5,531</b>	5,062
	Telephone related service expense	<b>100</b>	101	<b>205</b>	217
<b>b. Fellow subsidiaries</b>					
Capnet Company Limited ("Capnet")	Network system and the related maintenance service income	<b>1,575</b>	2,010	<b>3,150</b>	4,020
Beijing IC Design Park Co., Ltd. ("BIDP")	Property rental expense	<b>992</b>	992	<b>1,985</b>	1,985

Amounts due from fellow subsidiaries as at 30th June, 2010 is approximately RMB4,951,000 (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.

**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 fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services to other state-controlled entities and the PRC government. The service during the three and six months ended 30th June, 2010 are approximately RMB46,134,000 and RMB99,088,000 (three and six months ended 30.6.2009: RMB66,895,000 and RMB114,884,000) respectively. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 30th June, 2010, other loan of RMB6,360,000 (31.12.2009: RMB8,180,000) is borrowed from the Finance Bureau of Beijing, unsecured, repayment on demand and bears interest at annual interest rate of 2.55%. The Group has incurred interest expense which during three and six months ended 30th June, 2010 are approximately RMB80,400 and RMB227,400 (three and six months ended 30.6.2009: RMB64,000 and RMB128,000) respectively.

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 an associate*

Associate	Nature of transactions	Three months ended		Six months ended	
		30.6.2010 RMB'000	30.6.2009 RMB'000	30.6.2010 RMB'000	30.6.2009 RMB'000
Beijing Certificate of Authority Center Company Limited	Software development and providing related technical services to the Group	-	22	240	217

*(iv) Amounts 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 three and six months ended 30th June, 2010 are approximately RMB964,000 and RMB1,938,000 (three and six months ended 30.6.2009: RMB1,392,000 and RMB2,200,000) respectively.

**19. APPROVAL OF INTERIM FINANCIAL INFORMATION**

The interim financial information was approved by the board of directors on 12th August, 2010.

## DIVIDEND

The Board of Directors has recommended the payment of an interim dividend of RMB2.05 cents (pre-tax) per share for the six months ended 30th June, 2010.

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

### a. *Directors and Chief Executive of the Company*

Save as disclosed below, as at 30th June, 2010, none of the Directors and chief executive of the Company had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

Name	Number of H Shares under options outstanding at 30th June, 2010 Granted under			Percentage to the issued H share capital
	Pre-IPO Share Option Plan	Share Option Scheme	Total	
<i>Directors</i>				
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 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 (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 30th June, 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 at 30th June, 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 Longxin Digital Technology Company Limited (東莞市龍信數碼科技有限公司)	Beneficial owner	40%
Capinfo Soft Company Limited (遼寧眾信同行軟件開發有限公司)	Leng Zhilin (冷志林)	Beneficial owner	33%

**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:

	<b>At 1st January, 2010</b>	<b>Lapsed during the period</b>	<b>At 30th June, 2010</b>
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>33,199,760</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.

## SHARE OPTIONS (continued)

### (b) Share Option Scheme (continued)

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:

	<b>At 1st January, 2010</b>	<b>Lapsed during the period</b>	<b>At 30th June, 2010</b>
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	(459,000)	14,882,000
	<u>45,801,000</u>	<u>(459,000)</u>	<u>45,342,000</u>

## COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the six months ended 30th June, 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, 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, 2 audit committee meetings were held. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Group's unaudited results for the six months ended 30th June, 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 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 August, 2010

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Capinfo Company Limited (the “Company”) will be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the People’s Republic of China on Thursday, 30th September, 2010 at 9:30 a.m. for the following purposes:

### ORDINARY RESOLUTIONS

1. To consider and approve the payment of the interim dividend for the six months ended 30th June, 2010;
2. To consider and approve any motion (if any) proposed by the shareholders of the Company who hold 3% or above shares of the Company with voting rights at the above meeting.

By order of the Board  
**CAPINFO COMPANY LIMITED\***  
**Dr. Li Minji**  
*Chairman*

Beijing, the People’s Republic of China  
 13th August, 2010

#### Notes:

1. The register of members of the Company will be closed from Tuesday, 31st August, 2010 to Wednesday, 29th September, 2010 (both days inclusive), during which no transfer of the Company’s H Shares will be effected. The shareholders whose name appears on the register of members of the Company on Monday, 30th August, 2010 at 4:30 p.m. will be entitled to attend and vote at the EGM.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint in written form one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company.
3. A voting proxy form for the EGM is enclosed. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing or, if the appointor is a legal person, it shall be under seal or under the hand of a Director or attorney duly authorized.
4. The instrument appointing a proxy shall be deposited to the Company’s H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People’s Republic of China (for holders of Domestic Shares) not less than 24 hours before the time scheduled for the EGM or any adjournment thereof.
5. Shareholders of the Company who intend to attend the EGM should complete the enclosed reply slip for the EGM and return it to the Company’s H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company (for holders of Domestic Shares) at the address set out as above, on or before Friday, 10th September, 2010. The reply slip may be delivered by hand or by post.