



Beijing 2008 Olympic Games
Multi-Lingual Services Supplier

CAPINFO

CAPINFO COMPANY LIMITED

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

(Stock Code: 8157)

Third Quarterly Report

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 RMB174.7 million for the nine months ended 30th September, 2010;
- Attained an unaudited profit attributable to the equity holders of the Company of approximately RMB27.5 million for the nine months ended 30th September, 2010;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the "Board") of Capinfo Company Limited (the "Company") announces that, for the nine months ended 30th September, 2010, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB174.7 million, representing a decrease of approximately 10% over the same period of last year, and a gross profit margin of 36%, 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 RMB27.5 million for the period under review while the loss attributable to equity holders of the parent was approximately RMB34.6 million for the same period of last year.

Other income included government grants, interests and investment income recorded in the period under review.

The Group's current ratio, defined as total current assets over total current liabilities, was 2.59 while the gearing ratio, defined as total borrowing over net assets, was less than 1%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 30th September, 2010, the Group had unsecured borrowings of approximately RMB6.4 million. Cash and bank deposits of the Group were approximately RMB159 million which mainly came from shareholders' contribution and working capital generated from operations.

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

As at 30th September, 2010, the Group had capital commitment of approximately RMB23.6 million.

During the period under review, the Group's financial position was not exposed to significant fluctuations in exchange rates and any related hedges.

Business Review

Foundation Business

During the Period, the Company recorded steady growth in various business segments with remarkable result. Upon completion of upgrade and reform of Beijing private network of e-Government, the safety and transmission efficiency of the systems were significantly improved. Beijing Medical Insurance Information System was running steadily, providing quality network technology services to nearly 240,000 insured entities and 12 million insured residents. Phase one of the Social Security Card System Integration Project was basically completed. Currently, the accumulated card issuance across the city was over 6.5 million cards. Over 1700 designated medical organizations realized the practice of providing medical treatment to cardholders with real-time settlement. With the profound IT technology services, Beijing e-Community Information System completed all tasks of operations and maintenance services. The successful operation of the website of the “Beijing-China” business provided operation and maintenance security for certain important events, such as the opening of the Beijing’s video website of Shanghai World Expo and 2010 Online Disclosure of Government’s Information.

Business Development

With the promotion of the real-time settlement system for medical treatment of hospitals, higher level of demand on the functions and security of our real-time settlement system is required by the hospital. To cope with such demand for technology service from hospitals, the Company will introduce relevant customized services in a timely manner. During the Period, the Company won the bid for the project of operation and maintenance system of the housing provident fund of Beijing, laying a solid foundation for the Company in respect of the general operation and maintenance service of information technology development in housing provident fund service of Beijing. Leveraging on the brand name of the Beijing project, the Company will strive to develop the housing provident fund business in the future throughout the nation. Meanwhile, in order to capture the opportunities in the Internet of Commodities industry, the Company will actively participate and engage in the planning and construction of the infrastructure of the Internet of Commodities.

Future Prospects

For internal business development, the Company will lay emphasis on re-organizing the structure, optimizing the human resources management system, bringing into full play the advantages of the internal resources, and enhancing the working efficiency and initiative of the staff; For external business development, in order to explore new businesses and new resources, and devote to enhance the Company’s core competitiveness, the Company will make more effort in financing, merger and acquisition and enrich the existing business segments through resources consolidation and industry optimization.

Deloitte.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 20, which comprises the condensed consolidated statement of financial position of Capinfo Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th September, 2010 and the related condensed consolidated statements of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended and certain explanatory notes. The Growth Enterprise Market Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof 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 September, 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

11th November, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30th September, 2010

	NOTES	Three months ended		Nine months ended	
		30.9.2010 RMB'000 (Unaudited)	30.9.2009 RMB'000 (Unaudited)	30.9.2010 RMB'000 (Unaudited)	30.9.2009 RMB'000 (Unaudited)
Turnover	4	70,766	68,171	174,664	194,857
Cost of sales		(44,743)	(47,578)	(111,792)	(138,155)
Gross profit		26,023	20,593	62,872	56,702
Gain on disposal of an associate	5	66	16,000	66	16,000
Other income		12,214	6,170	25,171	17,971
Research and development costs		(4,635)	(4,094)	(11,695)	(13,434)
Marketing and promotional expenses		(7,908)	(3,847)	(20,602)	(8,309)
Administrative expenses		(8,940)	(9,841)	(27,541)	(31,475)
Finance cost		(81)	(63)	(308)	(191)
Share of results of associates		(396)	538	(246)	(337)
Profit before taxation	6	16,343	25,456	27,717	36,927
Income tax expense	7	(662)	(259)	(2,076)	(2,583)
Profit and total comprehensive income for the period		15,681	25,197	25,641	34,344
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		16,656	25,064	27,529	34,652
Non-controlling interests		(975)	133	(1,888)	(308)
		15,681	25,197	25,641	34,344
Earnings per share – Basic and diluted	9	RMB0.58 cents	RMB0.87 cents	RMB0.95 cents	RMB1.20 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30th September, 2010*

	NOTES	30.9.2010	31.12.2009
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	10	137,276	153,895
Investment property		68,427	71,265
Interests in associates		21,575	22,087
Available-for-sale investments		1,000	1,350
Deposits paid on acquisition of property, plant and equipment		246	1,355
Trade receivables – non-current	11	3,619	5,794
Deferred tax asset	12	2,488	1,306
		234,631	257,052
Current assets			
Inventories		1,079	831
Amounts due from customers for contract works		53,162	31,842
Trade and other receivables	11	126,025	62,743
Loans receivable	13	–	99,403
Financial assets at fair value through profit or loss	14	231,789	206
Bank deposits		142,787	150,955
Bank balances and cash		159,038	338,886
		713,880	684,866

	NOTES	30.9.2010 RMB'000 (Unaudited)	31.12.2009 RMB'000 (Audited)
Current liabilities			
Trade and other payables	15	94,836	168,018
Dividend payable		59,411	–
Customer deposits for contract works		111,661	75,933
Income tax payable		3,614	10,488
Other loan	18	6,360	8,180
		275,882	262,619
Net current assets		437,998	422,247
Total assets less current liabilities		672,629	679,299
Capital and reserves			
Share capital	16	289,809	289,809
Share premium and reserves		355,540	385,677
Equity attributable to owners of the Company		645,349	675,486
Non-controlling interests		27,280	3,813
Total equity		672,629	679,299

Dr. Li Minji

CHAIRMAN

Dr. Wang Xu

CHIEF EXECUTIVE OFFICER

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th September, 2010

	Attributable to owners of the Company					Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Accumulated profits			
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	
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	-	-	-	-	34,652	34,652	(308)	34,344
Dividend recognised as distribution	-	-	-	-	(15,070)	(15,070)	-	(15,070)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	1,480	1,480
At 30th September, 2009 (unaudited)	289,809	254,079	5,216	14,332	80,768	644,204	3,029	647,233
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	-	-	-	-	27,529	27,529	(1,888)	25,641
Dividend recognised as distribution	-	-	-	-	(59,411)	(59,411)	-	(59,411)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(400)	(400)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	1,745	-	-	1,745	25,755	27,500
At 30th September, 2010 (unaudited)	289,809	254,079	6,961	19,750	74,750	645,349	27,280	672,629

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th September, 2010

	Nine months ended	
	30.9.2010	30.9.2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(57,750)	(18,796)
Net cash (used in) from investing activities		
Cash paid for purchase of property, plant and equipment	(35,441)	(18,777)
Deposits paid on acquisition of property, plant and equipment	(1,547)	(16,379)
Proceeds from disposal of an associate	332	8,000
Decrease in bank deposits	(102,417)	(20,060)
Release from bank deposits	110,585	88,500
Advance of loans receivable	(50,000)	(100,000)
Settlement of loans receivable	150,000	92,000
Purchase of financial assets at fair value through profit or loss	(231,150)	–
Interest received	11,347	2,893
Other investing cash flows	1,439	(213)
	(146,852)	35,964
Net cash from (used in) financing activities		
Capital contribution from non-controlling shareholders of a subsidiary	27,500	1,480
Dividend paid	–	(15,070)
Dividend paid to a non-controlling shareholder of a subsidiary	(400)	–
Repayment of other loan	(1,820)	–
Interest paid	(526)	–
	24,754	(13,590)
Net (decrease) increase in cash and cash equivalents	(179,848)	3,578
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	159,038	175,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September, 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 statements 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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).

The Group applies HKFRS 3 (Revised 2008) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. As there was no transaction during the current period in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) 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 2008) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the dilution of the Group's interest in a subsidiary, Beijing Culture & Sports Technology Co., Ltd. by introducing new equity holders during the period, the impact of the change in policy has been that the difference of approximately RMB1.7 million between the consideration received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of RMB1.7 million and a decrease in basic and diluted earnings per share for the period of RMB0.06 cents. In addition, cash consideration of RMB27.5 million received from the non-controlling shareholders is presented as cash flow from financing activities.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁶
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

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

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

³ Effective for annual periods beginning on or after 1st July, 2010

⁴ Effective for annual periods beginning on or after 1st January, 2011

⁵ Effective for annual periods beginning on or after 1st July, 2011

⁶ Effective for annual periods beginning on or after 1st January, 2013

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 prepared accordance with the Accounting Standards for Business Enterprises of PRC, which has no significant differences as compared with consolidated profit after taxation and the consolidated revenue prepared accordance with 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 RMB165,777,000 (nine months ended 30.9.2009: RMB175,425,000).

5. DISPOSAL OF AN ASSOCIATE

On 12th June, 2010, the Company has entered into an equity transfer agreement with an independent third party to dispose of its interest in Beijing Community Service Company Limited, an associate of the Company at a cash consideration of RMB332,000. A gain on the disposal of RMB66,000 was resulted.

The disposal was completed on 16th September, 2010.

6. PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	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	20,141	14,480	52,749	53,167
Less: Depreciation included in				
– research and development expense	(50)	(646)	(152)	(1,061)
– cost of sales	(13,809)	(11,955)	(37,146)	(36,834)
	6,282	1,879	15,451	15,272
(Reversal of) allowance for doubtful debts	(749)	(136)	(1,232)	1,381
Reversal of allowance for inventories	–	(1,216)	(66)	(1,189)
Gain on disposal of property, plant and equipment	(35)	(8)	(102)	(64)
Impairment loss recognised in respect of interests in associates (included in share of losses of associates)	–	–	–	513
Government grants	(4,689)	(1,047)	(7,939)	(7,569)
Interest income from bank deposits	(543)	(1,272)	(2,547)	(2,893)
Interest income from loans receivable	–	(386)	(2,732)	(3,169)
Gain on change in fair value of financial assets at FVTPL	(5,679)	–	(7,304)	–
Dividend income from available-for-sale investments	–	–	(240)	(245)
Gain on disposal of available-for-sale investment	(572)	–	(572)	–
Rental income from investment property				
– gross rental	(1,866)	(1,884)	(5,598)	(2,333)
– direct operating expenses (including depreciation of investment properties)	993	833	2,815	1,039
– net rental	(873)	(1,051)	(2,783)	(1,294)

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RMB'000	RMB'000	RMB'000	RMB'000
The charge comprises:				
PRC income tax				
Current period	2,080	439	3,258	4,324
Overprovision in prior year	–	(180)	–	(204)
	2,080	259	3,258	4,120
Deferred tax credit	(1,418)	–	(1,182)	(1,537)
	662	259	2,076	2,583

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 RMB9,547,000 (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.

8. DIVIDENDS

The payment of an interim dividend of RMB2.05 cents (pre-tax) per share, amounting to an aggregate amount of RMB59,411,000 has been approved in the Company's extraordinary general meeting held on 30th September, 2010.

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.

9. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	16,656	25,064	27,529	34,652
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	Three months ended		Nine months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
Number of ordinary shares for the purpose of calculation of the basic and diluted earnings per share	2,898,086,091	2,898,086,091	2,898,086,091	2,898,086,091
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The calculation of diluted earnings per share did not take into account the share options of the Company for the periods ended 30th September, 2010 and 2009 because the exercise price of the Company's share options was higher than the weighted average market price of the Company's shares for both periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB33,706,000 (2009: RMB22,319,000) on acquisition of property, plant and equipment.

11. 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	30.9.2010	31.12.2009
	RMB'000	RMB'000
0 to 60 days	32,080	31,760
61 to 90 days	22,207	1,006
91 to 180 days	22,876	2,223
Over 180 days	15,319	14,890
	<hr/>	
	92,482	49,879
Less: non-current portion classified as non-current assets (note)	(3,619)	(5,794)
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	88,863	44,085
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11. TRADE AND OTHER RECEIVABLES (continued)

Note: Included in the balance of trade receivables at 30th September, 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 RMB5,895,000 as at 30th September, 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.

12. DEFERRED TAX ASSET

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

	Accrued expense
	RMB'000
At 1st January, 2010	1,306
Credit to profit or loss for the period	1,182
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At 30th September, 2010	2,488
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13. 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 would be repayable in one lump sum on 24th September, 2010. The loan was secured by dividend, if any that would 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 was 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 was 4.3%. The interest payment was 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 nine months ended 30th September, 2010.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2010	31.12.2009
	RMB'000	RMB'000
Designated as at fair value through profit or loss		
– Trust investment	230,639	–
Held-for-trading		
– Guarantee contract	1,150	–
– Listed equity investments	–	206
	<hr/>	<hr/>
	231,789	206
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14. 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 comprise debt investments at 30th September, 2010. 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 Orientwise Co., Ltd.) ("SZ Orientwise") that SZ Orientwise 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 change in fair value recognised through profit or loss.

15. 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:

	30.9.2010	31.12.2009
	RMB'000	RMB'000
0 to 60 days	3,948	14,436
61 to 90 days	25	8
91 to 180 days	554	2,187
Over 180 days	8,167	7,684
	12,694	24,315

16. SHARE CAPITAL

	Number of shares		Share capital RMB'000
	Domestic shares	H Share	
Ordinary shares of RMB0.10 each Issued and fully paid at 1st January, 2010 and 30th September, 2010	2,123,588,091	774,498,000	289,809

17. CAPITAL COMMITMENTS

	30.9.2010	31.12.2009
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	23,601	24,875

18. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Three months ended		Nine months ended	
		30.9.2010 RMB'000	30.9.2009 RMB'000	30.9.2010 RMB'000	30.9.2009 RMB'000
(a) Shareholder with significant influence to the Group					
China United network Communications Corporation Limited	Dedicated circuit leasing services expense	3,853	2,549	9,384	7,611
Beijing Branch	Telephone related services expense	131	132	336	349
(b) Fellow subsidiaries					
Capnet Company Limited	Network system and the related maintains services income received	1,575	2,010	4,725	6,030
Beijing IC Design Park Co., Ltd.	Property rentals paid	993	993	2,978	2,978

Amounts due from fellow subsidiaries as at 30th September, 2010 were approximately RMB6,553,000 (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 to other state-controlled entities and the PRC government. The service during the three and nine months ended 30th September, 2010 are approximately RMB66,689,000 and RMB165,777,000 (three and nine months ended 30.9.2009: RMB60,541,000 and RMB175,425,000) respectively. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 30th September, 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 2.85%. The Group has incurred interest expense during three and nine months ended 30th September, 2010 of approximately RMB81,000 and RMB308,000 (three and nine months ended 30.9.2009: RMB63,000 and RMB191,000) respectively.

18. RELATED PARTY DISCLOSURES (continued)

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

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits placements, borrowings and other general banking facilities, with certain banks 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		Nine months ended	
		30.9.2010 RMB'000	30.9.2009 RMB'000	30.9.2010 RMB'000	30.9.2009 RMB'000
Beijing Certificate of Authority Center Company Limited	Software development and providing related technical services to the Group	-	-	240	217

(iv) *Transactions with non-controlling shareholders of a subsidiary*

Non-controlling shareholders	Nature of transactions	Three months ended		Nine months ended	
		30.9.2010 RMB'000	30.9.2009 RMB'000	30.9.2010 RMB'000	30.9.2009 RMB'000
Beijing National Aquatic Center Company Limited	Provision of ticket agent service by the Group	856	-	856	-
National Stadium Company Limited	Provision of ticket agent service by the Group	518	-	518	-

(v) *Amounts due to associates and amount due from non-controlling shareholders of a subsidiary*

The amounts due to associates as at 30th September, 2010 were approximately RMB223,000 (31.12.2009: RMB212,000). The amounts are included in trade and other payables and are unsecured, non-interest bearing and repayable on demand.

The amounts due from non-controlling shareholders of a subsidiary at 30th September, 2010 were approximately RMB2,418,000 (31.12.2009: nil). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and to be received within one year.

(vi) *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 nine months ended 30th September, 2010 was approximately RMB945,000 and RMB2,883,000 (three and nine months ended 30.9.2009: RMB1,045,000 and RMB3,245,000) respectively.

19. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the board of directors on 11th November, 2010.

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2010 (3Q 2009: Nil).

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

a. *Directors and Chief Executive of the Company*

Save as disclosed below, as at 30th September, 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 September, 2010			Percentage to the issued H share capital
	Pre-IPO Share Option Plan	Granted under Share Option Scheme	Total	
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
	3,786,650	4,398,000	8,184,650	1.06%

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

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

All of the above-mentioned share options (the “Pre-IPO Options”) granted under the pre-IPO share option plan of the Company (the “Pre-IPO Share Option Plan”) were granted on 6th December, 2001 at RMB1 per grant with an exercise price of HK\$0.48 per H Share. All these share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to restrictions imposed by the relevant PRC laws and regulations:

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

Exercise period

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

All of the above-mentioned share options (“Share Options”) granted under the share option scheme of the Company (“Share Option Scheme”) were granted on 17th August, 2004 at RMB1 per grant with an exercise price of HK\$0.41 per H Share. These share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to restrictions imposed by the relevant PRC laws and regulations:

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

Exercise period

25%	18th August, 2005 to 17th August, 2014
25%	18th August, 2006 to 17th August, 2014
25%	18th August, 2007 to 17th August, 2014
25%	18th August, 2008 to 17th August, 2014

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

b. *Substantial shareholders of the Company and other persons (other than Directors or chief executive of the Company)*

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than a Director or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 30th September, 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 September, 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%
Beijing Culture & Sports Technology Co., Ltd. (北京文化體育科技有限公司)	National Stadium Co., Ltd. (國家體育場有限責任公司)	Beneficial owner	22%
	Beijing National Aquatic Centre Co., Ltd. (北京國家游泳中心有限責任公司)	Beneficial owner	16%
	Beijing Artists Management Corp., Ltd. (北京市演出有限責任公司)	Beneficial owner	12%

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

During the period neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTIONS

(a) *Pre-IPO Share Option Plan*

Under the Pre-IPO Share Option Plan, the Pre-IPO Options had been granted in prior years at an exercise price of HK\$0.48 per H Share, which is the placing price upon the listing of the Company's H Shares, exercisable within a period of ten years from the date of grant subject to restrictions imposed by the relevant PRC laws and regulations. These options were to recognise the past and present contributions of the grantees to the Group. A summary of the Pre-IPO Options granted is as follows:

	At 1st January, 2010	Lapsed during the period	At 30th September, 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>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 may be granted under the Scheme shall not exceed 30% of the number of shares to be issued by the Scheme and other option scheme and the number of issued H Shares of the Company from time to time and no employee shall be granted an option which, if all the options granted to the employee (including both exercised and outstanding options) in any 12 months period up the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

A summary of the Share Options granted by the Company under the Share Option Scheme during the period were as follows:

	At 1st January, 2010	Lapsed during the period	At 30th September, 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	(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 nine months ended 30th September, 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, 3 audit committee meetings were held. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Group's unaudited results for the nine months ended 30th September, 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, 11th November, 2010