

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

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

(Stock Code: 8157)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group achieved an unaudited turnover of approximately RMB55.66 million for the three months ended 31st March, 2009;
- The Group sustained an unaudited loss attributable to the equity holders of the Company of approximately RMB60 thousand for the three months ended 31st March, 2009;
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the “Board”) of Capinfo Company Limited (the “Company”) announces that, for the three months ended 31st March, 2009, the Company and its subsidiaries (collectively the “Group”) recorded an unaudited turnover of approximately RMB55.66 million, representing an increase of approximately 86% over the same period of last year, and a gross profit margin of 23%, as compared with 35% for the same period of last year. The Group has sustained an unaudited loss attributable to equity holders of the Company of approximately RMB60 thousand for the period under review as against profit attributable to equity holders of the Company of approximately RMB0.3 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, remained at approximately 3 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 31st March, 2009, the Group had unsecured borrowings of RMB9.09 million. Cash and bank deposits of the Group as at 31st March, 2009 mainly came from shareholders’ contribution and working capital generated from operations.

As at 31st March, 2009, the Group had no assets pledged and had no significant contingent liabilities.

As at 31st March, 2009, the Group had capital commitment of approximately RMB8 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, various businesses of the Group developed steadily. The system upgrade of the e-Government network has commenced and will effectively improve the business capacity of the e-Government network, as well as the safety and stability of the network operation to satisfy the increasing needs in administrative applications in the future. The official trial of "Application Service of Social Security Card System Integration Project for Beijing Municipal 北京市社會保障卡系統集成應用服務項目" has commenced in Xicheng District and Shijingshan District, indicating that the information services of the Group has stepped onto a new stage. The smooth implementation of the project exemplifies the Group's leading strength in information services.

Research and Development

During the period, the Group was awarded the honour of "Zhongguancun 20 Anniversary Award for Enterprise's Outstanding Achievements in Innovation and Development 中關村20年創新及發展做出突出貢獻企業"; "Ronease Multi-lingual Information Service System" was recognized as an Independent Innovation Product of Beijing Municipal. The Group served as the Designated Information Technology Service Provider for World Snooker China Open 2009.

Business Development and Future Prospects

With the development of informatization in China, the operation and maintenance demand of the Chinese government in the respect of projects such as administrative applications and convenience projects increases. In order to satisfy needs of the industry, the Group's foundation businesses will upgrade and innovate aggressively in coming years, which bringing significant benefits to the Group and substantial improvement to the Group's core competitive strength.

In the face of financial crisis, the Group will be fully prepared to turn a crisis into an opportunity, avoid risks, explore new breakthroughs for the business, and thus improve the overall profitability of the Group.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31st March, 2009

	<i>NOTES</i>	Three months ended	
		31.3.2009 <i>RMB'000</i> (Unaudited)	31.3.2008 <i>RMB'000</i> (Unaudited)
Turnover	4	55,657	29,951
Cost of sales		<u>(42,662)</u>	<u>(19,603)</u>
Gross profit		12,995	10,348
Gain on disposal of a subsidiary		–	1,777
Other income		5,394	2,633
Fair value gain on investments held for trading		–	63
Research and development costs		(4,349)	(1,170)
Marketing and promotional expenses		(1,871)	(2,360)
Administrative expenses		(9,883)	(9,277)
Interest on other loan wholly repayable within five years		(64)	(64)
Share of losses of associates		<u>(2,399)</u>	<u>(1,925)</u>
(Loss) profit before taxation	5	(177)	24
Income tax charge	6	<u>(108)</u>	<u>(3)</u>
(Loss) profit for the period and total comprehensive income and expense		<u>(285)</u>	<u>21</u>
(Loss) profit for the period and total comprehensive income and expense attributable to:			
Equity holders of the Company		(64)	295
Minority interests		<u>(221)</u>	<u>(274)</u>
		<u>(285)</u>	<u>21</u>
(Loss) earnings per share – Basic	8	<u>RMB(0.002) cent</u>	<u>RMB0.010 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH, 2009

	<i>NOTES</i>	31.3.2009 RMB'000 (Unaudited)	31.12.2008 RMB'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	9	228,492	241,930
Interests in associates		21,846	24,245
Available-for-sale investments		1,350	1,350
Deposits paid on acquisition of property, plant and equipment		2,932	5,098
Trade receivable – non-current	10	7,881	7,881
Deferred tax assets	11	1,459	1,537
		<u>263,960</u>	<u>282,041</u>
Current assets			
Inventories		1,905	1,801
Amounts due from customers for contract works		34,242	31,481
Trade and other receivables	10	78,264	45,397
Entrusted loan	12	90,216	88,832
Bank deposits		203,807	239,300
Bank balances and cash		140,360	171,748
		<u>548,794</u>	<u>578,559</u>
Current liabilities			
Trade and other payables	13	114,358	148,787
Amounts due to associates		554	644
Customer deposits for contract works		58,012	64,620
Current income tax liabilities		4,546	10,980
Other loan		9,090	9,090
		<u>186,560</u>	<u>234,121</u>
Net current assets		<u>362,234</u>	<u>344,438</u>
		<u>626,194</u>	<u>626,479</u>

	<i>NOTES</i>	31.3.2009 RMB'000 (Unaudited)	31.12.2008 <i>RMB'000</i> (audited)
Capital and reserves			
Share capital	<i>14</i>	289,809	289,809
Reserves		<u>334,749</u>	<u>334,813</u>
Equity attributable to equity holders of the Company		624,558	624,622
Minority interests		<u>1,636</u>	<u>1,857</u>
Total equity		<u>626,194</u>	<u>626,479</u>

Dr. Li Minji
CHAIRMAN

Dr. Wang Xu
CHIEF EXECUTIVE OFFICER

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31ST MARCH, 2009

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Accumulated profit	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2008	289,809	254,079	5,216	9,532	53,345	611,981	2,283	614,264
Total comprehensive income and expense for the period	-	-	-	-	295	295	(274)	21
Disposal of a subsidiary	-	-	-	-	-	-	34	34
At 31st March, 2008	<u>289,809</u>	<u>254,079</u>	<u>5,216</u>	<u>9,532</u>	<u>53,640</u>	<u>612,276</u>	<u>2,043</u>	<u>614,319</u>
At 1st January, 2009	289,809	254,079	5,216	14,332	61,186	624,622	1,857	626,479
Total comprehensive income and expense for the period	-	-	-	-	(64)	(64)	(221)	(285)
At 31st March, 2009	<u>289,809</u>	<u>254,079</u>	<u>5,216</u>	<u>14,332</u>	<u>61,122</u>	<u>624,558</u>	<u>1,636</u>	<u>626,194</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE THREE MONTHS ENDED 31ST MARCH, 2009*

	Three months ended	
	31.3.2009	31.3.2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities		
Increase in trade and other receivables	(33,699)	(29,112)
Decrease in trade and other payables	(33,382)	(24,677)
Other operating cash flows	<u>2,767</u>	<u>(4,284)</u>
	<u>(64,314)</u>	<u>(58,073)</u>
Net cash from (used in) investing activities		
Cash paid for purchase of property, plant and equipment	(2,043)	(3,875)
Deposits paid on acquisition of property, plant and equipment	(1,354)	(7,863)
Decrease in bank deposits	35,493	–
Proceeds from disposal of a subsidiary	–	505
Other investing cash flows	<u>830</u>	<u>1,476</u>
	<u>32,926</u>	<u>(9,757)</u>
Net decrease in cash and cash equivalents	(31,388)	(67,830)
Cash and cash equivalents at beginning of the period	<u>171,748</u>	<u>445,677</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>140,360</u></u>	<u><u>377,847</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31ST MARCH, 2009

1. GENERAL

The Company was established in Beijing, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's H shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment.

The Company's ultimate holding company is Beijing State-Owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2008, except for the adoption of the new and revised standards, amendments and interpretations ("new HKFRSs") which have become effective during the current financial period. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except as follows:

HKAS 1 (Amendments) *Presentation of Financial Statements* *(effective for annual periods beginning on or after 1st January, 2009)*

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

Improvements to HKFRSs issued in May 2008

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 3 (Revised)	Business Combinations ²
HK (IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ³
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ²
HK (IFRIC)-Int 18	Transfers of Assets from Customers ⁴

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

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

³ Effective for annual periods ending on or after 30th June, 2009

⁴ Effective for transfers on or after 1st July, 2009

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

4. OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the Standard which has been superseded (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The adoption of HKFRS 8 did not result in any change in the segment information presented.

For management purposes, the Group's operations are organised into two operating divisions namely e-Government technology services and e-Commerce technology services.

All of the segment revenue reported below is from external customers.

Segment result represents the profit (loss) earned by each segment without allocation of central administration costs and directors' salaries, share of losses of associates, other unallocated income, fair value gain on investments held for trading and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Operating segments for the period are as follows:

	Three months ended 31.3.2009		Three months ended 31.3.2008	
	Turnover RMB'000	Result RMB'000	Turnover RMB'000	Result RMB'000
e-Government technology services	54,019	8,766	28,716	7,775
e-Commerce technology services	1,638	(2,624)	1,235	(2,438)
	<u>55,657</u>	<u>6,142</u>	<u>29,951</u>	<u>5,337</u>
Other income		2,409		749
Fair value gain on investments held for trading		-		63
Gain on disposal of a subsidiary		-		1,777
Unallocated administrative expenses		(6,265)		(5,913)
Interest on other loan wholly repayable within five years		(64)		(64)
Share of losses of associates engaged in other businesses		<u>(2,399)</u>		<u>(1,925)</u>
(Loss) profit before taxation		(177)		24
Income tax		<u>(108)</u>		<u>(3)</u>
(Loss) profit for the period		<u><u>(285)</u></u>		<u><u>21</u></u>

5. (LOSS) PROFIT BEFORE TAXATION

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

	Three months ended	
	31.3.2009	31.3.2008
	RMB'000	RMB'000
Depreciation	17,866	10,341
Less: Depreciation included in		
– research and development expenses	(367)	(73)
– contract work	(10,251)	(6,032)
	<u>7,248</u>	<u>4,236</u>
Impairment loss recognised (reversed) in respect of:		
– inventories	11	(139)
– interests in associates (included in share of losses of associates)	513	–
Allowance for doubtful debts recognised	865	1,085
Government grants	(2,986)	(812)
Interest income from bank deposits	(920)	(1,476)
	<u><u>108</u></u>	<u><u>3</u></u>

6. INCOME TAX

	Three months ended	
	31.3.2009	31.3.2008
	RMB'000	RMB'000
The charge comprises:		
PRC income tax		
– Current period	30	3
– Deferred tax charge	78	–
	<u>108</u>	<u>3</u>

At 31st March, 2009, the subsidiaries have unused tax losses of approximately RMB18,000,000 (31.12.2008: RMB16,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. At 31st March, 2009, the unused tax losses of the Company amounted to RMB2,961,000 has been recognised. The unused tax losses will expire before 2014.

7. DIVIDENDS

A dividend of RMB1.40 cents per share for the year ended 31st December, 2007, amounting to an aggregate amount of approximately RMB40,574,000 has been declared and paid during the year ended 31st December, 2008.

During the current period, dividend for the year ended 31st December, 2008 of RMB0.52 cent in cash for every share (pre-tax) or a total of approximately RMB15,000,000, based on the Company's total issued capital of 2,898,086,091 shares as at 31st December, 2008 has been proposed by the directors. According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations for Enterprise Income Tax of the People's Republic of China which took effect on 1st January, 2008, enterprise income tax is payable by non-resident enterprises in respect of dividend income derived from the PRC at an applicable tax rate of 10% and listed issuers shall withhold such enterprise income tax on behalf of the non-resident enterprises. Cash dividend payable to H-share non-resident enterprises after the deduction of the said enterprise income tax is RMB0.47 cent for every share. The proposed profit distribution is subject to the approval by the shareholders in the forthcoming general meeting.

8. (LOSS) EARNINGS PER SHARE

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

	Three months ended	
	31.3.2009	31.3.2008
	RMB'000	RMB'000
(Loss) profit for the period attributable to equity holders of the Company	(64)	295
	Number of shares	
	31.3.2009	31.3.2008
Number of ordinary shares for the purposes of basic (loss) earnings per share	2,898,086,091	2,898,086,091

No diluted (loss) earnings per share has been presented as the exercise price of the Company's share options was higher than the weighted average market price of the Company's shares for both periods.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB4,452,000 (2008: RMB2,861,000) on acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

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

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

Age	31.3.2009 RMB'000	31.12.2008 RMB'000
0 to 60 days	41,160	27,675
61 to 90 days	19,581	242
91 to 180 days	2,829	791
Over 180 days	4,702	5,169
	68,272	33,877
Less: Non current portion classified as non-current assets (<i>note</i>)	(7,881)	(7,881)
	60,391	25,996

Note:

Included in the balance of trade receivables at 31st March, 2009 was a trade receivable of approximately RMB7.9 million (2008.12.31: RMB7.9 million) which will be settled by 5 equal annual instalments from 1st July, 2009 in accordance with the terms of payment of the contract with a customer. Therefore, the portion that will be settled after one year is classified as non-current assets at the balance sheet date. The effective interest rate applied on this receivable is 3.33% per annum.

The overdue balances were approximately RMB4,702,000 as at 31st March, 2009 (31.12.2008: RMB5,169,000) for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

11. DEFERRED TAX ASSETS

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

	Accrued expense <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2009	1,537	–	1,537
(Charge) credit to income statement for the period	<u>(522)</u>	<u>444</u>	<u>(78)</u>
At 31st March, 2009	<u><u>1,015</u></u>	<u><u>444</u></u>	<u><u>1,459</u></u>

12. ENTRUSTED LOAN

On 8th September, 2008, the Company entered into a trust agreement with中誠信託有限責任公司(China Credit Trust Co., Ltd.) (“China Credit Trust”), pursuant to which the Company contributed cash amounting to RMB92 million as the trust property into China Credit Trust and China Credit Trust extended the trust property to北京巨鵬投資公司(Beijing Jupeng Investment Company Limited) (“Beijing Jupeng”) as the short-term loan under the loan agreement and the asset pledge agreement, which will be fully repayable on 25th July, 2009 and secured by the properties and relevant land use right which are owned by北京柏裕投資公司(Beijing Baiyu Investment Company Limited) (“Beijing Baiyu”). According to the trust agreement, if the interest derived from the entrusted loan, after deducting the relevant tax and duties and other relevant expenses, is greater than RMB4 million, China Credit Trust is entitled to obtain the amount of interest payment in excess of that amount of RMB4 million as trust management fee; otherwise, the Company is not obliged to pay China Credit Trust any trust management fee. The Company has received the full interest amount of RMB4 million for the whole loan period in advance in 2008. The amount of entrusted loan is carried at amortised cost at an effective interest rate of 5% per annum.

The management have performed an assessment on the financial capability of Beijing Jupeng and considered that there is no significant risk to recover the loan, and the management has performed an assessment on the estimated market value of the pledged properties and relevant land use right owned by Beijing Baiyu. As at 31st March, 2009 there is no indication showing that the estimated market value of the pledged properties is lower than the carrying value of the entrusted loan. Thus, the directors consider that no impairment loss is provided for the entrusted loan.

13. TRADE AND OTHER PAYABLES

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

Age	31.3.2009 RMB'000	31.12.2008 RMB'000
0 to 60 days	2,402	13,215
61 to 90 days	5,844	1,766
91 to 180 days	1,812	3,559
Over 180 days	8,311	5,662
	<u>18,369</u>	<u>24,202</u>

14. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid <i>RMB'000</i>
	Domestic shares	H shares	
Authorised, issued and fully paid: Ordinary shares of RMB0.10 each			
At 1st January, 2009 and 31st March, 2009	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

15. CAPITAL COMMITMENTS

	31.3.2009 RMB'000	31.12.2008 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>7,953</u>	<u>11,179</u>

16. RELATED PARTY DISCLOSURES

(i) Transactions with holding company and fellow subsidiaries

Related party	Nature of transactions	Three months ended	
		31.3.2009 RMB'000	31.3.2008 RMB'000
a. Immediate holding company			
China United network Communications Corporation Limited Beijing Branch (formerly known as China Netcom Corporation Ltd. Beijing Branch)	Dedicated circuit leasing service expense	1,248	1,166
	Telephone related service expense	116	245
b. Fellow subsidiaries			
Capnet Company Limited	Network system and the related maintenance service income	2,010	2,010
Beijing IC Design Park Co., Ltd.	Property rental expense	<u>993</u>	<u>1,082</u>

Amounts due from fellow subsidiaries as at 31st March, 2009 is approximately RMB3,491,000 (31.12.2008: RMB5,061,000). The amount is included in trade and other receivables and is unsecured, non-interest bearing and expected to be recovered within one year.

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB52,009,000 (2008: RMB26,706,000) to other state-controlled entities and the PRC government for the current period. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

Other loan of RMB9,090,000 is borrowed from the PRC government, unsecured and bears interest at annual interest rate of 2.55%, and the Group has incurred interest expense approximately RMB64,000 (2008: RMB64,000) in current interim period.

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities, in its ordinary course of business. In view of the nature of those transactions, the directors are of the opinion that separate disclosure would not be meaningful.

(iii) Transactions with an associate

Associate	Nature of transaction	Three months ended	
		31.3.2009	31.3.2008
		<i>RMB'000</i>	<i>RMB'000</i>
Beijing Certificate of Authority Center Company Limited	Software development and providing related technical services to the Group	<u>195</u>	<u>–</u>

(iv) Amount due to associates

The amounts are unsecured, non-interest bearing and are repayable on demand.

(v) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the three months ended 31st March, 2009 are approximately RMB808,000 (2008: RMB948,000).

17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 13rd May, 2009.

DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31st March, 2009 (2008 first quarter: Nil).

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

a. Directors and Chief Executive of the Company

Save as disclosed below, as at 31st March, 2009, none of the Directors, and chief executive of the Company had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

Name	Number of H Shares subject to options outstanding at 31st March, 2009			Percentage to the issued H share capital
	Granted under 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%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
	<u>5,094,850</u>	<u>5,864,000</u>	<u>10,958,850</u>	<u>1.42%</u>

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 the terms and conditions of the Pre-IPO Share Option Plan, restrictions imposed by the relevant PRC laws and regulations and any conditions of the grant as stipulated by the Board of Directors:

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

Exercise period

20%	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 the terms and conditions of the Share Option Scheme, restrictions imposed by the relevant PRC laws and regulations and any conditions of the grant as stipulated by the Board of Directors:

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

Exercise period

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

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

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than a Director or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31st March, 2009:

Name of shareholder	Number of shares	Nature of interests	Percentage to the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,834,541,756 domestic shares	Beneficial owner	63.31%

c. Interests in other members of the Group

So far as is known to any Director or chief executive of the Company, the following companies/ persons were interested in 10% or more of the equity interests of any other members of the Group as at 31st March, 2009:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone (重慶高新技術產業開發區創新服務中心)	Chongqing Hongxin Software Company Limited (重慶宏信軟件有限責任公司)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮工業總公司)	Dongguan City Longxin Information Development Company Limited (東莞市龍信數碼科技有限公司)	Beneficial owner	40%
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限責任公司)	Beneficial owner	40%
China Association of Mayors (中國市長協會)	Beijing City Technology Development Company Limited (北京城市之窗科技發展有限公司)	Beneficial owner	15%

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

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

SHARE OPTIONS

(a) Pre-IPO Share Option Plan

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

	At 1st January, 2009	Lapsed during the period	At 31st March, 2009
Directors of the Company	5,094,850	–	5,094,850
Supervisors of the Company	1,244,650	–	1,244,650
Senior management of the Company	5,313,400	–	5,313,400
Senior advisors of the Company	3,929,250	–	3,929,250
Advisors of the Company	2,063,050	–	2,063,050
Other employees of the Company and its subsidiaries	<u>16,804,790</u>	<u>–</u>	<u>16,804,790</u>
	<u>34,449,990</u>	<u>–</u>	<u>34,449,990</u>

(b) Share Option Scheme

Pursuant to the Share Option Scheme, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with initial payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of H Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than ten years from the date of grant subject to restrictions imposed by the relevant PRC laws and regulations.

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

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

	At 1st January, 2009	Lapsed during the period	At 31st March, 2009
Directors of the Company	5,864,000	–	5,864,000
Supervisors of the Company	1,466,000	–	1,466,000
Senior management of the Company	7,241,000	–	7,241,000
Senior advisors of the Company	13,964,000	–	13,964,000
Advisors of the Company	1,925,000	(459,000)	1,466,000
Other employees of the Company and its subsidiaries	<u>17,008,000</u>	<u>–</u>	<u>17,008,000</u>
	<u><u>47,468,000</u></u>	<u><u>(459,000)</u></u>	<u><u>47,009,000</u></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 three months ended 31st March, 2009.

AUDIT COMMITTEE

An audit committee was established on with written terms of reference in compliance with the requirements of the GEM Listing Rules. The audit committee comprises three independent non-executive directors. During the period, 1 audit committee meeting was held. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The Group's unaudited results for the three months ended 31st March, 2009 have been reviewed by the audit committee, which was of the view that the preparation of the financial statements were in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period under review, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

By Order of the Board
CAPINFO COMPANY LIMITED*
Dr. LI Minji
Chairman

Beijing, The People's Republic of China, 13th May 2009

As of the date hereof, the executive directors of the Company are Dr. Wang Xu and Ms. Zhang Yan; the non-executive directors of the Company are Dr. Li Minji, Mr. Xu Zhe, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Lu Xiaobing and Mr. Cao Jun; and the independent non-executive directors of the Company are Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* *For identification purposes only*