



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

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.

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This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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

- Recorded a turnover of approximately RMB129 million for the nine months ended 30th September, 2006, representing an approximately 16.9% decrease over the same period of the previous year;
- Attained an unaudited profit attributable to the equity holders of the parent of approximately RMB3.35 million for the nine months ended 30th September, 2006;
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2006.

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, 2006, the Company and its subsidiaries (collectively the “Group”) recorded an unaudited turnover of approximately RMB129 million, representing a decrease of approximately 16.9% over the same period of last year, and a gross profit margin of 28.7%, as compared with 33.6% for the same period of last year. The Group has attained an unaudited profit attributable to equity holders of the parent of approximately RMB3.35 million for the period under review while the profit attributable to equity holders of the parent was approximately RMB4.71 million for the same period of last year.

During the period under review, turnover recognised from projects which had relatively high profit margin was reduced. As a result, the turnover and the gross profit margin decreased.

During the period under review, there was a gain on disposal of the online payment business of approximately RMB18.3 million which compensated the impact from the decrease in both the turnover and gross profit margin during the period and an unaudited profit attributable to equity holders of the parent of approximately RMB3.35 million was attained.

The Group’s current ratio, defined as total current assets over total current liabilities, was 2.78 while the gearing ratio, defined as total borrowing over net assets, was less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 30th September, 2006, the Group had unsecured borrowings of RMB10 million, and out of which, RMB7 million will mature within 1 year and RMB3 million will mature within 2-5 years from 30th September, 2006. Cash and bank deposits of the Group were RMB393 million as at 30th September, 2006 which mainly came from shareholders’ contribution and working capital generated from operations.

As at 30th September, 2006, the Group had no assets pledged and had no significant contingent liabilities.

As at 30th September, 2006, the Group had capital commitment of approximately RMB49.0 million.

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

Business Review

1. Consistent Growth of Foundation Business

During the period, the Group made steady progress in various aspects of business. The service system, actively promoted by the Group, was fully developed with steadily enhanced operating results. During the period, the Group successfully completed the sub-network segregation as part of the upgrade project for the Beijing CPC and administrative organs of the Beijing Municipal Government local area network.

2. Research and Development

During the period, the Group achieved significant progress in a number of research projects. ‘Key Technologies and Core Platforms for the Olympics Integrated Information Service’ (奧運綜合信息服務關鍵技術及核心平台), a National 863 Hi-Tech Project undertaken by the Group passed inspection. The project ‘Research and Development of a Multi-language Intelligent Mobile Terminal for Public-Security Applications’ (面向公安應用的多語言智能移動終端研發) was granted ‘Pilots of the Enterprise Innovational Application of Proprietary Intelligent Properties and Technical Standards’ (企業創新應用自主知識產權與技術標準試點) for the year 2006, a special fund from the Beijing Science and Technology Commission. The CapGate V4.51, a secured network gateway was accredited with Grade B Certificate of Military Information Security Products. During the period, a total of three software products of the Group received registration certificate for copyrights of computer software from the National Copyright Bureau.

3. Investment and Business Development

During the period, the Group capitalized on business opportunities in relation to the Olympic Games. With years of wide experience and its leading position in e-government and e-commerce, the Group took an active part in Olympics-related projects. During the period, the Group signed a memorandum of cooperation with the Information Center of the State General Administration of Sports and Atos Origin Information Technology (Beijing) Co. Ltd on the construction of the information system for the 13th Paralympic Games in 2008.

During the period, the Group established a wholly-owned subsidiary, the Beijing Sports Science and Technology Co. Ltd., which will be fully engaged in the construction of the Paralympic Games information system.

4. Future Prospects

The Group will continue to capture the Olympic Games-related market and enhance its participation in Olympics projects. While ensuring efficient operation of its foundation business, the Group will expand actively into new market areas to foster business growth so as to maximize return for shareholders.

THIRD QUARTERLY RESULTS

The Board of Directors (the “Board”) of the Company are pleased to announce that the unaudited consolidated results of the Group for the nine months ended 30th September, 2006, together with the comparative figures for the corresponding period of 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2006

	NOTES	(Unaudited)		(Unaudited)	
		Three months ended 30.9.2006 RMB'000	30.9.2005 RMB'000	Nine months ended 30.9.2006 RMB'000	30.9.2005 RMB'000
Turnover	4	50,005	53,887	128,972	155,119
Cost of sales		(35,828)	(33,927)	(91,973)	(103,003)
Gross profit		14,177	19,960	36,999	52,116
Gain on disposal of a business	5	–	–	18,278	–
Other income		3,879	4,582	8,809	9,591
Research and development costs		(6,926)	(6,232)	(17,820)	(14,934)
Marketing and promotional expenses		(2,099)	(2,799)	(7,120)	(6,274)
Administrative expenses		(8,580)	(10,701)	(28,404)	(29,462)
Interest on other loan wholly repayable within five years		(60)	(63)	(187)	(191)
Share of losses of associates		(1,299)	(2,029)	(5,563)	(5,633)
Share of profit (losses) of a jointly controlled entity		328	(237)	(194)	(642)
Gain on dilution of interest in an associate		–	254	–	254
(Loss) profit before taxation	6	(580)	2,735	4,798	4,825
Taxation	7	(583)	(492)	(3,841)	(1,001)
(Loss) profit for the period		<u>(1,163)</u>	<u>2,243</u>	<u>957</u>	<u>3,824</u>
Attributable to:					
Equity holders of the parent		(162)	2,830	3,347	4,707
Minority interests		(1,001)	(587)	(2,390)	(883)
		<u>(1,163)</u>	<u>2,243</u>	<u>957</u>	<u>3,824</u>
(Loss) earnings per share					
– Basic	9	<u>(0.01) cents</u>	<u>0.10 cents</u>	<u>0.12 cents</u>	<u>0.16 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2006

	<i>NOTES</i>	30.9.2006 RMB'000 (Unaudited)	31.12.2005 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	199,516	141,446
Interests in associates		26,075	32,932
Interest in a jointly controlled entity		957	1,151
Available-for-sale investments		1,850	1,350
Deposits paid on acquisition of property, plant and equipment		11,979	10,340
		240,377	187,219
Current assets			
Inventories		12,281	17,005
Amounts due from customers for contract work		56,276	27,579
Trade and other receivables	11	31,061	46,713
Amounts due from associates and a jointly controlled entity		1,182	1,182
Bank deposits		45,513	63,555
Cash and cash equivalents		347,551	333,007
		493,864	489,041
Property, plant and equipment held for sale		–	1,265
		493,864	490,306
Current liabilities			
Trade and other payables	12	75,982	96,922
Customers' deposits for contract work		90,571	13,247
Taxation payable		3,972	4,597
Other loan – due within one year		7,000	7,000
		177,525	121,766
Net current assets		316,339	368,540
Total assets less current liabilities		556,716	555,759
Capital and reserves			
Share capital	13	289,809	289,809
Reserves		261,619	258,272
Equity attributable to equity holders of the parent		551,428	548,081
Minority interests		2,288	4,678
Total equity		553,716	552,759
Non-current liabilities			
Other loan – due after one year		3,000	3,000
		556,716	555,759

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2006

Attributable to equity holders of the parent

	Share capital	Share premium	Statutory surplus reserve	Statutory welfare fund	Accumulated profits (losses)	Total	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
At 1st January, 2005	289,809	254,079	1,378	689	(2,206)	543,749	1,282	545,031
Acquisition of a subsidiary	–	–	–	–	–	–	2,498	2,498
Capital contribution by a minority investor of a subsidiary	–	–	–	–	–	–	800	800
Profit (loss) for the period (total recognised income (expense) for the period)	–	–	–	–	4,707	4,707	(883)	3,824
At 30th September, 2005	<u>289,809</u>	<u>254,079</u>	<u>1,378</u>	<u>689</u>	<u>2,501</u>	<u>548,456</u>	<u>3,697</u>	<u>552,153</u>
At 1st January, 2006	289,809	254,079	1,625	812	1,756	548,081	4,678	552,759
Profit (loss) for the period (total recognised income (expense) for the period)	–	–	–	–	3,347	3,347	(2,390)	957
At 30th September, 2006	<u>289,809</u>	<u>254,079</u>	<u>1,625</u>	<u>812</u>	<u>5,103</u>	<u>551,428</u>	<u>2,288</u>	<u>553,716</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2006

	(Unaudited)	
	Nine months ended	
	30.9.2006	30.9.2005
	RMB'000	RMB'000
Net cash from operating activities	65,819	6,030
Net cash (used in) from investing activities:		
Cash paid for purchase of property, plant and equipment	(91,796)	(36,152)
Capital contribution to an associate	–	(4,974)
Acquisition of available-for-sale investments	(500)	–
Proceeds from disposal of a business	20,110	–
Dividends received from an associate	1,294	–
Decrease in bank deposits for investing purpose	18,042	53,000
Acquisition of a subsidiary	–	4,413
Other investing cash flows	1,769	2,261
	(51,081)	18,548
Net cash (used in) from financing activities:		
Capital contribution from minority shareholders of a subsidiary	–	800
Other financing activities	(194)	(191)
	(194)	609
Increase in cash and cash equivalents	14,544	25,187
Cash and cash equivalents at beginning of the period	333,007	232,703
Cash and cash equivalents at end of the period	347,551	257,890

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2006

1. GENERAL

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

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

2. BASIS OF PREPARATION

The condensed 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* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that were issued by the HKICPA but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivative ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st March, 2006

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

The directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the results and the financial position of the Group.

4. BUSINESS SEGMENTS

For management purposes, the Group's operations are organised into two operating divisions namely e-Government technology services and e-Commerce technology services. These divisions are the basis on which the Group reports its primary segment information.

Business segments for the period are as follows:

	Three months ended		Nine months ended	
	30.9.2006 RMB'000	30.9.2005 RMB'000	30.9.2006 RMB'000	30.9.2005 RMB'000
Turnover				
e-Government technology services	49,244	45,314	121,380	128,028
e-Commerce technology services	761	8,573	7,592	27,091
	<u>50,005</u>	<u>53,887</u>	<u>128,972</u>	<u>155,119</u>
Results				
e-Government technology services	8,244	11,600	21,238	34,538
e-Commerce technology services	(5,599)	(3,995)	(16,911)	(9,327)
	<u>2,645</u>	<u>7,605</u>	<u>4,327</u>	<u>25,211</u>
Gain on disposal of a business engaged in e-Commerce technology service	–	–	18,278	–
Other income	3,879	4,582	8,809	9,591
Unallocated administrative expenses	(6,073)	(7,377)	(20,672)	(23,765)
Interest on other loan wholly repayable within five years	(60)	(63)	(187)	(191)
Share of losses of associates engaged in other businesses	(1,299)	(2,029)	(5,563)	(5,633)
Share of profit (losses) of a jointly controlled entity engaged in other businesses	328	(237)	(194)	(642)
Gain on dilution of interest in an associate	–	254	–	254
	<u>(580)</u>	<u>2,735</u>	<u>4,798</u>	<u>4,825</u>
(Loss) profit before taxation	(580)	2,735	4,798	4,825
Taxation	(583)	(492)	(3,841)	(1,001)
	<u>(1,163)</u>	<u>2,243</u>	<u>957</u>	<u>3,824</u>

5. GAIN ON DISPOSAL OF A BUSINESS

On 30th December, 2005, the Company entered into an asset transfer agreement with third parties pursuant to which the Company agreed to sell its business and all assets in relation to the Group's provision of online payment services to the third parties for cash consideration of US\$2,500,000. The relevant computer equipment, network equipment, office equipment, furniture and fixtures in relation to the Group's division of online payment services of RMB1,265,000 was carried as property, plant and equipment held for sale as at 31st December, 2005. The transfer of business was completed on 18th January, 2006 and a gain of RMB18,278,000 was recognised by the Group for the current period.

6. (LOSS) PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss) profit before taxation has been arrived at after charging (crediting):				
Depreciation	11,612	16,323	34,472	52,977
Less: Depreciation included in research and development costs	(1,065)	(157)	(2,081)	(550)
Depreciation capitalised in contract work	(861)	(5,472)	(2,420)	(16,092)
	<u>9,686</u>	<u>10,694</u>	<u>29,971</u>	<u>36,335</u>
Cost of inventories recognised as expenses	610	213	2,004	2,161
Write down of inventories	609	976	2,362	3,489
Allowance for doubtful debts	(1,211)	119	719	1,654
Impairment of goodwill of an associate	–	–	1,059	–
Government grants	(1,744)	(2,657)	(3,981)	(5,878)
Interest income from bank deposits	(714)	(34)	(1,992)	(1,188)
Fair value change on investments held for trading	(623)	(543)	(1,823)	(1,268)
Dividend income from available-for-sale investment	–	(375)	–	(375)
	<u>–</u>	<u>(375)</u>	<u>–</u>	<u>(375)</u>

During the nine-months ended 30th September, 2006, the Group has fully written off the goodwill of an associate of approximately RMB1,059,000 as the associate still suffers losses in its operation and its future expansion plan is uncertain. The impairment loss has been included in the share of losses of associates for the nine-months ended 30th September, 2006.

7. TAXATION

	Three months ended		Nine months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RMB'000	RMB'000	RMB'000	RMB'000
The charge (credit) comprises:				
PRC income tax				
Current	583	492	3,841	2,595
Overprovision in previous year	–	–	–	(1,594)
	<u>583</u>	<u>492</u>	<u>3,841</u>	<u>1,001</u>

The Company is recognised as a new-technology enterprise according to PRC tax regulations and subject to the income tax calculated at 15% (2005: 15%) of the estimated assessable profit for the nine months ended 30th September, 2006.

At 30th September, 2006, certain subsidiaries have unused tax losses of approximately RMB25,026,000 (31.12.2005: RMB16,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire before 2011.

8. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

9. (LOSS) EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
(Loss) profit for the period attributable to equity holders of the parent	<u>(RMB162,000)</u>	<u>RMB2,830,000</u>	<u>RMB3,347,000</u>	<u>RMB4,707,000</u>
Number of ordinary shares for the purposes of basic earnings per share	<u>2,898,086,091</u>	<u>2,898,086,091</u>	<u>2,898,086,091</u>	<u>2,898,086,091</u>

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

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB94,088,000 (2005: RMB34,196,000) on acquisition of property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

	30.9.2006	31.12.2005
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	7,579	20,104
Other receivables, deposits and prepayments	<u>23,482</u>	<u>26,609</u>
	<u>31,061</u>	<u>46,713</u>

Payment terms with customers are mainly on credit. Invoices are normally payable within 60 days of issuance, except for certain well established customers that the Group offers longer payment credit terms. The following is an aged analysis of trade receivables at the balance sheet date:

Age	30.9.2006	31.12.2005
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	1,324	6,162
61 to 90 days	1,444	–
91 to 180 days	713	3,486
Over 180 days	<u>4,098</u>	<u>10,456</u>
	<u>7,579</u>	<u>20,104</u>

12. TRADE AND OTHER PAYABLES

	30.9.2006 <i>RMB'000</i>	31.12.2005 <i>RMB'000</i>
Trade payables	9,121	9,120
Other payables	54,692	79,565
Customer deposits	12,169	8,237
	<u>75,982</u>	<u>96,922</u>

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

Age	30.9.2006 <i>RMB'000</i>	31.12.2005 <i>RMB'000</i>
0 to 60 days	1,728	1,918
61 to 90 days	562	–
91 to 180 days	15	4,717
Over 180 days	6,816	2,485
	<u>9,121</u>	<u>9,120</u>

13. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid <i>RMB'000</i>
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each			
At 1st January, 2006 and 30th September, 2006	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

14. CAPITAL COMMITMENTS

	30.9.2006 <i>RMB'000</i>	31.12.2005 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of		
– property, plant and equipment	18,431	70,013
– investment in a subsidiary	600	800
– investments in associates	–	56,500
– formation of a new joint venture	30,000	30,000
	<u>49,031</u>	<u>157,313</u>

15. RELATED PARTY DISCLOSURES

(a) Transactions and balances with holding company and fellow subsidiaries

Name of related party	Nature of transactions	Three months ended		Nine months ended	
		30.9.2006 RMB'000	30.9.2005 RMB'000	30.9.2006 RMB'000	30.9.2005 RMB'000
CNC Beijing Communication Corporation	Dedicated circuit leasing services paid Telephone related services paid	1,905 371	1,353 132	7,871 1,158	5,320 281
Capnet Company Limited	Comprehensive services income received	573	2,051	5,733	5,526
Beijing IC Design Park Co., Ltd.	Property rentals paid	<u>1,496</u>	<u>1,039</u>	<u>4,318</u>	<u>3,087</u>

Note: CNC Beijing Communication Corporation is the controlling shareholder of a promoter of the Company while Capnet Company Limited and Beijing IC Design Park Co., Ltd. are fellow subsidiaries of the Company.

Amounts due from fellow subsidiaries as at 30th September, 2006 were approximately RMB2,046,000 (31.12.2005: RMB1,370,000). The amounts are included in trade and other receivables and are unsecured, non-interest bearing and are repayable on demand.

Amount due to a fellow subsidiary as at 30th September, 2006 was nil (31.12.2005: RMB526,000). The amount was included in trade and other payables and was unsecured, non-interest bearing and was repayable on demand.

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provided e-Government technology services of approximately RMB121,380,000 (2005: RMB128,028,000) 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 RMB10,000,000 is borrowed from the PRC government, unsecured and bears interest at annual interest rate of 2.55%.

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.

(c) Amounts due from associates and a jointly controlled entity

The amounts due from associates and a jointly controlled entity are unsecured, non-interest bearing and are repayable on demand.

(d) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the nine months ended 30th September, 2006 was approximately RMB2,603,000 (2005: RMB2,057,000).

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2006 (2005: 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 30th September, 2006, 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 subject to options outstanding at 30th September, 2006			Percentage to the issued H share capital
	Granted under Pre-IPO Share Option Plan	Granted under Share Option Scheme	Total	
<i>Directors</i>				
Dr. Chen Xinxiang	1,309,750	2,700,000	4,009,750	0.51%
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%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
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%
Mr. Wong Ying Ho, Kennedy (resigned on 13 October, 2006)	1,241,550	1,466,000	2,707,550	0.35%
Mr. Ng Kin Fai, Francis (resigned on 13 October, 2006)	1,241,550	1,466,000	2,707,550	0.35%
	<u>10,149,400</u>	<u>12,962,000</u>	<u>23,111,400</u>	<u>2.98%</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 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

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, 2006:

Name of shareholder	Number of shares	Nature of interests	Percentage to the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,783,631,919 domestic shares	Beneficial owner	61.55%

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, 2006:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited	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 (東莞市龍信信息發展 有限公司)	Beneficial owner	40%

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

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

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, 2006.

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, 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, 2006 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. CHEN Xinxiang
Chairman

Beijing, The People's Republic of China, 10th November, 2006

As of the date hereof, the executive directors of the Company are Dr. Chen Xinxiang, Dr. Wang Xu, Ms. Zhang Yan; the non-executive directors of the Company are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Dr. Wu Bo, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Tan Guoan, Dr. Xia Peng, Mr. Liu Zhiyong; 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*