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**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)*

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2002**

**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.**

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*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 requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the basis and assumptions that are fair and reasonable.*

## **RESULTS HIGHLIGHT**

Net profit for the financial year ended 31st December, 2002 was approximately RMB10 million as against net loss of approximately RMB9.9 million in last year.

The revenue of the Company and its subsidiaries (the “Group”) was approximately RMB237 million for the financial year ended 31st December, 2002, representing a significant growth of 59% over that of the previous year.

## **CHAIRMAN’S STATEMENT**

The year 2002 was a year of great success for the Group. During this period, the Group took vigorous moves to build up its image as a “Digital City Developer and Operator”. Through upgrading, construction and operation of a number of large scale information systems of “Digital Beijing”, the Group has gradually gained a dominant position in the construction of “digital cities”.

With concerted efforts of our staff, the Group made significant progress in various core businesses. The Group constructed, owned and operated the main infrastructures of “Digital Beijing” - the large scale metropolitan area information systems such as Capital Public Information Platform, Beijing Social Security Information System, Beijing Citizen Card Information System, Beijing Electronic Community Information System and “Beijing e-Commerce City”. These information systems together formed the basic information facilities of “Digital Beijing” which, by means of computerization, directly or indirectly raised the government’s operation efficiency and living standard of the citizens. Apart from further expanding its existing customer base, the Group has also actively opened up the market for “digital city” in other cities. The initial results were positive.

As an important collaborator of the Beijing government in the development of information technology, the Group also actively participated in the formulation of the Action Plan for “Beijing Olympic Games – Special Programme for Construction of Digital Olympics” and endeavored to capture the business opportunities arising from the Olympic Games, including the successful tender for the multi-lingual system project geared to the needs of the Olympics. The project will be jointly developed with several related parties of the European Union and there are good prospects for further applications.

In an increasingly competitive market environment, the Group continued to refine its corporate strategy, rationalize its organizational structure and improve its operation efficiency. During this period, the Group also, taking a cautious approach, invested in businesses which could fully utilize the core competence of the Group.

With rapid development of information system construction in cities of the PRC, the market for e-Government, e-Commerce and infrastructural networking technology services has gained further growth momentum. The Group will strive to become one of the most competitive IT enterprises in China by continuing to utilize its various strengths and dedicate efforts in research and development while assimilating the opportunities arising from the Olympic Games.

On behalf of the Directors, I would like to extend my sincere gratitude and appreciation to our shareholders and various parties for their support during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's revenue was approximately RMB237 million for the financial year ended 31st December, 2002, representing an increase of 59% over the previous year. Such significant increase was attributable to the business development in relation to large scale information systems for Digital Beijing as well as network solution, system integration services provided for commercial sectors.

The Group's gross profit was approximately RMB63 million for the financial year ended 31st December, 2002, representing an increase of 46% over the previous year while gross profit margin in 2002 was 27%.

Net profit for the financial year ended 31st December, 2002 was approximately RMB10 million as against approximately net loss of RMB9.9 million in the previous year, largely as a result of the operation and maintenance services provided for the Capital Public Information Platform, Beijing Social Security Information System – Medical Insurance Information Sub-system and Beijing Municipal Community Services Information Network System.

The Group's current ratio, defined as total current assets over total current liabilities, increased from 2.1 as at 31st December, 2001 to 2.9 as at 31st December, 2002 which reflected the highly liquid financial position of the Group.

During the year, the Group had pledged RMB106 million time deposit to a bank in PRC for banking facilities amounting to RMB80 million. Such banking facilities would facilitate the implementation of the Group's various projects and as at 31st December, 2002, none of the banking facilities was utilized. As at the end of the year under review, the Group had floating interest rate long term loan of RMB10 million that will be matured within 5 years and the Group's gearing ratio, defined as total borrowing over net assets, was 2%. Cash and bank deposits were RMB341 million as at 31st December, 2002 which were mainly came from shareholders' contribution and working capital generated from its operation.

As at 31st December, 2002, the Group had RMB20.6 million capital commitment and had no significant contingent liabilities. 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

During the year under review, a number of credentials were granted to the Group by various government authorities. In April 2002, it was granted the "Credential for Computer Information System Integration Concerning State Secrets" by the State Secrets Bureau. In August, it obtained the "Credential for Import and Export Enterprises" by the Ministry of Foreign Trade and Economics. In December, it was granted the "Credential for Software Enterprises" by the Ministry of Information Industry of the State. Such credentials and certificates warrant that the Group is able to develop further its existing business domains, build up stronger barriers for competitors to enter the business and enjoy the relevant preferential policies.

The "Beijing e-Commerce Project" of the Group was appraised by the State Planning Commission as an excellent model project of advanced technological industry during the year. The Group's advantages in research and development and product commercialization will enable it to maintain its existing competitiveness.

## **e-Government Technology Service**

The Group's e-Government technology services mainly include: Capital Public Information Platform, Beijing Social Security Information System – Medical Insurance Information Sub-system, Beijing Citizen Card Project and Beijing Municipal Community Services Information Network System. In particular, the construction and operating results of Capital Public Information Platform, Beijing Social Security Information System – Medical Insurance Information Sub-system and Beijing Municipal Community Services Information Network System contributed substantially to the operating results of the Group.

### **I. Capital Public Information Platform**

Based on the Capital Public Information Platform, the Group completed the construction of the Capital e-Government website. During this period, access to hundreds of city and district government units was made and several hundred access points were provided to the police private networks. Establishment of the Capital e-Government website is essential for the Group to continue exploring the potential business value of such customers and providing first class e-Government solutions.

### **II. Infrastructure of “Digital Beijing”**

Up to November, the Social Security Information System had supported the provision of different types of medical insurance to nearly 4 million participants and handled payment of medical funds amounting to over RMB2 billion. Both the quality of service and level of customer satisfaction had increased significantly. Through the creation of the Citizen Card Division, the Group took over the entire business operation of Beijing Citizen Card Company Limited, as a result, much progress was made to the operation of the three centres of Beijing Citizen Card Information System (data exchange centre, secret key centre, service centre).

During the year under review, the Group endeavored to increase the number of customers from the government sector for the Beijing Municipal Community Services Information Network System and maintained as the operator of 96156 call centre for Beijing Civil Affairs Bureau. Through the Community Service Information System, 3,000 service providers were developed in Beijing. In particular, the neighbourhood committee management software module was recognized by a number of municipal governments.

## **e-Commerce Technology Service**

Beijing Digital CA Centre issued 150,000 CA certificates during the year under review, and became one of the model enterprises of PKI inter-connection model projects selected by the State Planning Commission.

The business of “Capinfo Payment Platform” increased by 70% compared with the previous financial year. Beijing e-Commerce City ([www.beijing.com.cn](http://www.beijing.com.cn)) was elected “Excellent Model Project of Advanced Technological Industry” by the State Planning Commission. Moreover, the Group was appointed by the Ministry of Science and Technology of the State to develop the “e-Commerce and Modern Logistic Area Pilot Project”.

## **Investments in Emerging Business Domains**

In order to fully utilize the resources of Capital Public Information Platform and the resources of e-Government and e-Commerce services, the Group, invested RMB4 million, together with Beijing State-Owned Assets Management Corporation Limited jointly established Beijing Shoutong Wanwei Information Technology Development Co., Ltd. (“Beijing Shoutong”) to engage in the operation of Digital Beijing Information Kiosk. Business of Beijing Shoutong, which is owned 40% by the Group, is in smooth progress. Phase I of the project in relation to information kiosk would involve the building of a number of “Digital Beijing” information kiosks in the busy commercial streets, high-class hotels and shopping arcades in Beijing. Beijing Credit Bureau Company Limited, in which the Group invested RMB5 million and owned a 25% equity interest, is also actively engaged in the development of information and advisory services related to credit reporting, credit rating and risk management. It has participated in the “Small and Medium Enterprises Financial Support Programme” of Beijing, and completed the development of all service provider credit rating systems within the Beijing Community Services Information System. The Group also proposed, subject to shareholder’s approval, to invest RMB56 million to Beijing Zhengtong Network Communication Company Limited which engages in 800M digital trunk related businesses.

## **Employees**

Professionals are the Group’s precious assets. As at 31st December, 2002, the Group had 515 employees as against 421 employees at the end of 2001. Remuneration is determined in accordance with government policies and by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include retirement benefits and share options. During the year under review, total staff cost paid was approximately RMB29 million. The Company had adopted a Pre-IPO Share Option Scheme and Share Option Scheme on 6th December 2001. Options had been granted to certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. The Board of Directors may, at its discretion, invite any employees to take up options to subscribe H Shares of the Company pursuant to the Share Option Scheme.

## **Research and Development**

### **I. One-stop Office Core Technology**

During this year, the Group continued to improve the workflow engine software modules after development was completed, and such modules were used in the Beijing e-Government Online Service Platform and several other government projects. Moreover, as research and development of the XML data exchange platform was successfully completed during this year, the Group used the relevant modules in large scale information systems of Digital Beijing and extension of functions of other systems.

### **II. Broadband Access System**

The Group had completed the upgrading of the network management software which was applied to the network management of e-Government web system built on the Capital Public Information Platform, and was introduced to other cities as a software product of “Digital Beijing”. The design model formation for PCI Cable Modem was completed and trial run was being conducted in the small districts of a number of cities.

### **III. Multilingual Intelligent Information Service Network System**

The “Research on Model System of Key Technologies and Applications of Multilingual Information Service System for Olympic Games” was proceeding well. The Group planned to use the system first in the multilingual official website of the Olympic Organizing Committee, Digital Beijing Multilingual Information Kiosk and Digital Beijing Multilingual Mobile Terminal. As the business of the new company jointly established by the Group and Beijing State-Owned Assets Management Corporation Limited which operates the “Digital Beijing” Information Kiosk was in smooth progress, this system may be used initially in “Digital Beijing” Information Kiosk upon completion of research and development.

## **Future prospects**

In 2003, the Group will endeavor to improve its corporate development strategy highlighting e-Government as its main business and strengthen its organizational structure to enhance operation efficiency. Through building up its image as the “leading developer and operator of digital cities” and exploring in-depth the existing customer resources, the Group will open up further markets for “digital city” outside Beijing. With extensive experience in the construction and operation of large scale information systems, the development of related software to a mature stage and having various infrastructures of “Digital Beijing” in place, the Group is well-positioned to capture the business opportunities arising from the “Digital Olympic”.

## **Comparison between Business Objectives and Actual Business Progress**

*From 1st January, 2002 to 31st December, 2002*

### **Business Objectives**

### **Actual Progress**

#### **Products and services launching**

The launching of the district/county level e-Government total solution with the functions of electronic documentation system, search engine integration technology and general government payment system

District /county level e-Government total solution has been developed in late March and has been used in Dongcheng District e-Government projects as well as in online approval pilot project

#### **GPS integrated application service**

The completion of Beijing geographic information system (“GIS”) phase 2 which will extend the coverage of GIS phase 1 to all of the greening areas of Chaoyang District, Haidian District, Shijingshan District, Fengtai District, Da Xing District and Changping District in Beijing, which will encompass 26 towns and 4 farms of an aggregate area of approximately 240 square kilometers

According to the government’s arrangement, construction of Beijing GIS phase 2 has not been commenced yet

To integrate GIS functions and community network functions to the existing e-Government solutions and modules

GIS modules have been developed smoothly and the related community network functions have been integrated to the existing e-Government solutions, including the application of GIS modules plan to Digital Beijing Information Kiosk

The launching of the Enterprise Procurement Management Software for enterprises to manage their procurement of supplies and outstanding services in an efficient and cost-effective manner and the Enterprise Sales Channel Management Software module for enterprises to manage its sales channels in an efficient and cost-effective manner, which will utilize the i-Service, which is a basic platform or middle ware connecting two separate applications

These two software modules have been used for “Beijing municipal 2002 medical consumables procurement project (Trial)” ([www.capmed.com.cn](http://www.capmed.com.cn))

<p>The launching of an online business security software suite, namely the PKI technology-based Web Safety General Communication Software which may be applied to improve digital certificates, by making use of digital certificates more secured and efficient than those ordinary password-based system</p>	<p>This has been used for city level phase I of e-Government online service platform</p>
<p>To launch online securities transaction channel, distance learning channel, distance medicare channel, digital books channel, video on demand (“VOD”), interactive games channel based on the Beijing City Community Services Information System’s call center, narrowband and broadband networks, in the Beijing Municipality</p>	<p>Online securities transaction channel, distance learning channel, digital books channel, VOD have been launched in Yuxin Garden. Such services were being developed on schedule</p>
<p>The launching of Hybrid Fiber Coaxial Cable (“HFC”) broadband access products including the cable modem developed by the Group and a community network management system, in the Beijing Municipality</p>	<p>HFC broadband access products have been produced in small quantity and were used in selected model communities in Guangdong Province</p>
<p>To launch the i-Service version 2.0 which will contain, in addition to the basic functions of version 1.0, an application module for the development of management, security and workflow applications</p>	<p>Development was completed in December and the related functions have been integrated to i-Service version 2.0 for use in online approval pilot project</p>
<p>To launch the Enterprise Application Portal, is a web-based solution for deploying an enterprise-level portal, and the Enterprise Knowledge Management Software module, is a web-based solution serving as an extension of an enterprise’s information technology management which enables it to gather, analyse, structure, store and share knowledge in various areas such as project management, for use on i-Service</p>	<p>Development of the online application solution has been postponed according to the market situation.</p>
<p>To launch network security engine for the protection of extensive markup language format information using public key infrastructure technology</p>	<p>The network security engine has been used in online approval pilot project</p>
<p>To launch the introduction of set-top box based household appliances for the digitalisation of household environment</p>	<p>Research and development of the project have been postponed according to the market situation</p>
<p>To launch real time verification of Digital Certificates (CA)</p>	<p>The services have been launched successfully and used in online securities services</p>

To launch the accelerated service and server load balancing service for e-business transactions	Such services have been provided for e-Commerce website, web hosting etc
To launch internet data centre (“IDC”) data backup services	The services have been successfully used in the Group’s IDC equipment facilities including the BJCA equipment facilities

**Sales and marketing**

To promote the market resources of e-commerce solutions, to explore mainly on the market opportunities for aviation and retail industries in the PRC	Co-operated with famous partners in the industry and developed the Beijing online bill payment platform which supports payment of flight and railway tickets, water, electricity and gas, etc.
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The use of advertisement to market the Company’s complete suite of software products and solutions	To promote the Company’s brand name, software products and solutions by magazines and other multimedia
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Continue to seek and form strategic partnership with major financial institutions, enterprises, system integrators in the PRC and nationally and internationally renowned IT companies	Built up strategic partnership with famous enterprises in the industry such as ERG, POSDATA, ADOBE
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To promote the sales of e-Government solutions in other cities in the PRC with the establishment of additional sales channels and sales team	The sales team has been strengthened during the streamlining of organizational structure and the Group’s e-Government solutions have been applied to several major e-Government model cities.
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The Group’s e-Commerce platform to introduce to other cities in the PRC through an ASP model which will be promoted by a sales channel comprising sales agents nationwide	Launching of the services has been postponed according to the market situation
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To continue to seek strategic partnership with major foreign enterprises, and system integrators, conventional enterprises and financial institutions in the PRC	Continue to maintain active contacts with major foreign enterprises and system integrators, conventional enterprises and financial institutions in line with the development strategy of the Company
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To cooperate with manufacturers of community services products and manufacturers of HID concept household appliances for the joint promotion of the Group’s community service platform	The community services platform has provided services jointly with the newly established 96156 community services hotline
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## Research and development

### One-stop office core technology

To research on the application of security technology on broadband data transmission

Online business security software for data transmission has been developed

To research on encryption algorithm for wireless voice and data transmission

The research project progressed smoothly and the result will be used in Multilingual Intelligent Information Service System that will be useful for Olympic Games

To research on server load balancing technology and e-commerce network speed accelerator technology

The research result of server load balancing technology was used in the Medical Insurance main system while research on e-commerce network speed accelerator was being conducted smoothly

### GPS integrated application

To further research on the Geographic Information System (GIS) application technology

The research was being conducted smoothly and was used in Global Positioning System support commanding system

### Workflow system technology

To research and develop the workflow technology

The workflow technology so developed has been used in Dongcheng district and Beijing Municipal Labor and Social Security Bureau's e-Government total solutions

To continue the research on workflow technology and the research on wireless applications

The research was being conducted smoothly and some of the modules have been integrated to the i-Service testing version

The development of the external cable modem, Cable Modem Termination System and network resource management system and products

Being developed smoothly and the result will be used for trial in related government authorities

To research on the intelligent household appliances which are designed on the HFC structure

Research has been postponed due to changing market situation

To research on IDC information backup and data recovery technology

Relevant solutions have been developed and used in the Group's IDC equipment facilities

## USE OF PROCEEDS

	<b>Approximate amount for intended use</b> <i>RMB '000</i>	<b>Approximate amount actually used up to 31st December, 2002</b> <i>RMB '000</i>
The expansion and maintenance of the CPIP e-Government Technology Services	31,000	26,148
– research and implementation of platform	63,000	35,665
– research on GPS integrated application service system	37,000	5,917
– research on workflow system technology	16,000	3,404
– research on one stop office core technology and solutions	21,000	6,012
e-Commerce Technology Services		
– research and implementation of platform	31,000	5,818
– development of e-commerce security application system software	19,000	5,042
– research on CSCW system	16,000	4,476
Internet Technology Services		
– research on broadband multimedia access total solutions based on HFC technology	21,000	2,980
Marketing and brand building	27,000	4,595
Settle payment to supplier	5,000	5,000
	<u>          </u>	<u>          </u>

The unused proceeds from the placing of the Company's H shares pursuant to the prospectus dated 17th December, 2001 (being the difference between the approximate amount for intended use and approximate amount actually used up to 31st December, 2002 stated above) included (i) the amount required for achieving business objectives scheduled for the year 2003, and (ii) the amount not being utilized as a result of the delay in the progress of certain business objectives, and (iii) saving in costs for achieving business objectives. The aforesaid unused proceeds were placed in a PRC bank as deposits at 31st December, 2002.

## ANNUAL RESULTS

The board of Directors (the “Board”) of Capinfo Company Limited hereby announces the audited consolidated results of the Group for the year ended 31st December, 2002 together with the comparative audited figures for the year ended 31st December, 2001 as follows:

	<i>NOTES</i>	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover	4	237,474	149,745
Cost of sales		<u>(174,470)</u>	<u>(106,528)</u>
Gross profit		63,004	43,217
Other operating income		16,135	5,417
Research and development costs		(19,408)	(24,552)
Marketing and promotional expenses		(9,141)	(7,052)
Administrative expenses		<u>(36,626)</u>	<u>(25,687)</u>
Profit (loss) from operations	5	13,964	(8,657)
Interest on bank and other borrowings wholly repayable within five years		(445)	(695)
Gain on disposal of interest in an associate		–	747
Share of losses of associates		<u>(607)</u>	<u>(771)</u>
Profit (loss) before taxation		12,912	(9,376)
Taxation	9	<u>(2,410)</u>	<u>(916)</u>
Profit (loss) before minority interests		10,502	(10,292)
Minority interests		<u>(483)</u>	<u>359</u>
Net profit (loss) for the year		<u><u>10,019</u></u>	<u><u>(9,933)</u></u>
Earnings (loss) per share - Basic	10	<u><u>0.3 cents</u></u>	<u><u>(0.5) cents</u></u>

### NOTES

#### 1. GENERAL

The Company is a joint stock limited company established in Beijing, the People’s Republic of China (the “PRC”). Its ultimate holding company is Beijing State-owned Assets Management Corporation Limited (“BSAM”), a state-owned enterprise, also established in the PRC.

The Company acts as an investment holding company and is also engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment.

## 2. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

The adoption of these new or revised SSAPs has resulted in the introduction of statement of changes in equity and a change in the format of presentation of the cash flow statement as well as additional disclosures. These changes have had no significant impact on the results for the current or prior accounting periods.

## 3. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities. The principal accounting policies adopted are in accordance with accounting principles generally accepted in Hong Kong.

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group’s operations are organised into three operating divisions namely e-Government technology services, e-Commerce technology services and internet service provision. These divisions are the basis on which the Group reports its primary segment information. In August 2001, the business of internet service provision was discontinued.

e-Government technology services - the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment to government body and its related entities.

e-Commerce technology services - the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment to non-government and non-government related entities.

Internet service provision - provision of internet services.

Business segments for the year are as follows:

	2002		2001	
	Turnover RMB'000	Results RMB'000	Turnover RMB'000	Results RMB'000
Continuing operations				
– e-Government technology services	159,860	43,033	92,733	16,298
– e-Commerce technology services	<u>77,614</u>	<u>(8,694)</u>	<u>50,377</u>	<u>(17,988)</u>
	237,474	34,339	143,110	(1,690)
Discontinued operations				
– internet service provision	<u>–</u>	<u>–</u>	<u>6,635</u>	<u>5,003</u>
	<u>237,474</u>	34,339	<u>149,745</u>	3,313
Other operating income		16,135		5,417
Central administrative expenses		<u>(36,510)</u>		<u>(17,387)</u>
Profit (loss) from operations		13,964		(8,657)
Interest on bank and other borrowings wholly repayable within five years		(445)		(695)
Loss from interest in an associate engaged in e-Commerce technology services		–		(24)
Loss from interests in associates engaged in other businesses		<u>(607)</u>		<u>–</u>
Profit (loss) before taxation		12,912		(9,376)
Taxation		<u>(2,410)</u>		<u>(916)</u>
Profit (loss) before minority interests		10,502		(10,292)
Minority interests		<u>(483)</u>		<u>359</u>
Net profit (loss) for the year		<u>10,019</u>		<u>(9,933)</u>

As the assets of the Group are substantially used on a common basis by each of the segments of the Group, it is impracticable to analyse the assets and liabilities of the Group by business segments.

### Geographical segments

The Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

## 5. PROFIT (LOSS) FROM OPERATIONS

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Profit (loss) from operations has been arrived at after charging:		
Directors' and supervisors' remuneration (note 6)	1,150	903
Other staff costs	24,056	22,787
Other staff's retirement benefits scheme contributions	3,793	4,305
	<u>28,999</u>	<u>27,995</u>
Less: Staff costs included in research and development costs	(6,305)	(7,040)
Staff costs capitalised in contract work	(9,559)	(6,453)
	<u>13,135</u>	<u>14,502</u>
Depreciation	63,301	33,398
Less: Depreciation included in research and development costs	(4,953)	(5,919)
Depreciation capitalised in contract work	(27,744)	(19,021)
	<u>30,604</u>	<u>8,458</u>
Operating lease rentals in respect of		
– cable network	13,475	14,668
– land and buildings	12,067	12,355
	<u>25,542</u>	<u>27,023</u>
Less: Operating lease rentals included in research and development costs	(3,939)	(2,846)
Operating lease rentals capitalised in contract work	(1,753)	(10,027)
	<u>19,850</u>	<u>14,150</u>
Auditors' remuneration	658	650
Cost of goods sold	76,649	31,211
Loss on disposal of property, plant and equipment in connection with the discontinued operations	–	57
Loss on disposal of other property, plant and equipment	302	196
and after crediting:		
Government grants <sup>Note a</sup>	7,950	1,500
Interest income from		
– bank	2,887	3,083
– investment in held-to-maturity debt securities	4,796	550
	<u><u>7,950</u></u>	<u><u>1,500</u></u>

Note a: The government grants are obtained specifically for the Group's certain research and development projects, that are eligible to receive government grants, in which attributable depreciation, staff costs, operating lease rentals in respect of land and buildings and cable network and research and development costs are compensated.

## 6. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Fees for		
– non-executive directors	212	–
– supervisors	–	–
Other emoluments for non-executive directors	–	–
	<u>212</u>	<u>–</u>
Other emoluments for executive directors		
– basic salaries and allowances	733	585
– bonus	–	70
– retirement benefits scheme contributions	49	90
	<u>782</u>	<u>745</u>
Other emoluments for supervisors		
– basic salaries and allowances	144	120
– bonus	–	20
– retirement benefits scheme contributions	12	18
	<u>156</u>	<u>158</u>
	<u>1,150</u>	<u>903</u>

For the year ended 31st December, 2002, basic salaries and allowances paid to the four executive directors were RMB190,000, RMB189,000, RMB179,000 and RMB175,000 respectively; while retirement benefits scheme contributions in respect of the four executive directors were RMB13,000, RMB12,000, RMB12,000 and RMB12,000 respectively. In addition, directors' fees paid to the two non-executive directors were RMB106,000 and RMB106,000 respectively.

For the year ended 31st December, 2001, basic salaries and allowances paid to the four executive directors were RMB181,000, RMB180,000, RMB120,000 and RMB104,000 respectively; bonus paid to the four executive directors were RMB20,000, RMB20,000, RMB20,000 and RMB10,000 respectively; while retirement benefits scheme contributions in respect of the four executive directors were RMB28,000, RMB22,000, RMB20,000 and RMB20,000 respectively.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, four executive directors have waived emoluments of RMB298,000, RMB289,000, RMB248,000 and RMB263,000 respectively and a supervisor has waived emoluments of RMB44,000. None of the directors and supervisors had waived any emoluments in 2001.

## 7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included two (2001: two) executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining three (2001: three) highest paid individuals are as follows:

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Basic salaries and allowances	952	480
Bonus	–	86
Retirement benefits scheme contributions	12	32
	<u>964</u>	<u>598</u>

## 8. DISCONTINUED OPERATIONS

The Group ceased its internet service provision business in August 2001. Pursuant to an agreement dated 5th August, 2001, the Group agreed to dispose of all the related equipment and facilities of its internet service provision business for a consideration of approximately RMB2.8 million to Capnet Company Limited (“Capnet”), a subsidiary of BSAM.

The results of this discontinued operations in 2001 were as follows:

	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover	<u>–</u>	<u>6,635</u>
Profit from operations	<u>–</u>	<u>5,003</u>

The operations discontinued during the year ended 31st December, 2001 contributed approximately RMB5.0 million to the Group's cashflows from operating activities and approximately RMB2.8 million to the Group's cashflows from investing activities.

## 9. TAXATION

The Company is recognised as a new-technology enterprise according to PRC tax regulations and is entitled to exemption from PRC income tax for the first three years of its operations and entitled to a 50% tax relief for the next three years commencing 2001. The charge for the year represents PRC income tax calculated at the rate of 7.5% pursuant to the relevant rules and regulations in the PRC.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of RMB10,019,000 (2001: net loss of RMB9,933,000) and the weighted average number of 2,896,970,275 (2001: 2,214,339,411) shares in issue during the year.

No diluted earnings per share has been presented in 2002 because the exercise price of the Company's options was higher than the average market price of the Company's shares for the year.

No diluted loss per share has been presented for 2001 as the effect of the potential shares outstanding during the year was anti-dilutive.

## 11. CHANGES IN EQUITY OF THE GROUP

	<b>Share capital</b>	<b>Share premium</b>	<b>Deficit</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1st January, 2001	219,400	–	(4,368)	215,032
Issue of H shares upon listing	64,558	276,166	–	340,724
Exercise of over-allocation options	2,942	–	–	2,942
Expenses incurred in connection with the issue of shares	–	(32,935)	–	(32,935)
Net loss for the year	–	–	(9,933)	(9,933)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2001	286,900	243,231	(14,301)	515,830
Exercise of over-allocation options	2,909	11,902	–	14,811
Expenses incurred in connection with the issue of shares	–	(1,054)	–	(1,054)
Net profit for the year	–	–	10,019	10,019
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2002	<u>289,809</u>	<u>254,079</u>	<u>(4,282)</u>	<u>539,606</u>

At the balance sheet date, the Company had no reserves available for distribution to shareholders.

## DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31st December 2002 (2001: Nil).

## CLOSURE OF H SHARE REGISTER

The H share register of members of the Company will be closed from 12th April, 2003 to 12th May, 2003 (both days inclusive), during which no transfer of H shares will be effected.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, according to the register maintained under Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance, Beijing State-owned Assets Management Corporation Limited (“BSAM”) owned 1,783,631,919 domestic shares in the Company which represents 61.55% of the issued share capital of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st December, 2002.

## DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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

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

## **PRE-EMPTIVE RIGHTS**

There is no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **CORPORATE GOVERNANCE**

During the year, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

The audit committee comprises two independent non-executive directors, Mr. Wong Ying Ho, Kennedy and Mr. Ng Kin Fai, Francis. Mr. Wong Ying Ho, Kennedy acts as the Chairman of the audit committee. During the year, four 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.

## **COMPETING INTERESTS**

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

## **SPONSOR'S INTERESTS**

Pursuant to the agreement dated 17th December, 2001, Core Pacific – Yamaichi Capital Limited (the "Sponsor") has received and will receive a fee for acting as the Company's retained Sponsor for the period up to 31st December, 2003 or until the Sponsor agreement is terminated upon the terms and conditions set out therein.

None of the Sponsor, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31st December, 2002.

By order of the board  
**Capinfo Company Limited\***  
**Dr. Chen Xinxiang**  
*Chairman*

Hong Kong, 20th March, 2003

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

\* *For identification purposes only*