



# 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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 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.*

## HIGHLIGHTS

- Turnover rose by approximately 110% over the same period in previous year.
- Net profit of approximately RMB6.4 million was recorded as against net loss of approximately RMB10 million in the corresponding period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Capinfo Company Limited (“the Company”) and its subsidiaries (“the Group”) are pleased to announce that, for the six months ended 30th June, 2002, the Group recorded a turnover of approximately RMB106 million, representing an increase of approximately 110% as compared with the same period of last year, and a gross profit margin of 31%, as compared with 24% for the same period of last year. The Group has also turned from net loss of approximately RMB10 million for the same period of last year to net profit of approximately RMB6.4 million for the period of review.

The outstanding performance of the Group during the period of review was mainly attributable to the Group’s provision of operation and maintenance services for the Beijing e-Government Network, and the on-going operation of the major applicable digitalization projects in Beijing. This was also the main reason for the growth in revenue from e-Government service to approximately RMB78 million in the period of review.

The Group’s current ratio (total current assets over total current liabilities) increased from 2.1 at the end of 2001 to 2.7 at the end of this period. Gearing ratio (total liabilities over net assets) was maintained at a relatively low level of less than 3%. Both ratios reflected the sufficiency in financial resources of the Group.

During the period, 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 the period end, none of the banking facilities was utilized. Debenture amounted to RMB18 million held by the Group was pledged to a bank to secure a bank loan of RMB5.5 million as at the period end.

### Business Review

The Group’s existing businesses, including e-Government and e-Commerce, kept on growing in the period of review. During the period of review, the Group had initially established its leading brand image of “Digital City Developer and Operator” and had obtained new business from its existing clientele. With its extensive experience from establishing and running “the Digital Beijing”, the Group had been actively developing its businesses to provinces and cities other than Beijing, and to utilize its well-established customer resources and technologies advantages to develop emerging businesses such as credit services.

## **I. Keeping on developing existing businesses and obtaining new projects**

Beijing Social Security Information - Medical Insurance Information Sub-system Project was progressing according to schedule; Beijing Municipal Community Services Information Network System had entered the stage of operation and maintenance; number of digital certificate issued has increased steadily; dealing in online payment platform grew progressively. The Group has recently acquired the contract for “Operation and Maintenance Services for Beijing e-Government Network”. The Group is responsible for network design, construction of core nodes and distribute nodes, equipment supply and configuration. That is establishing a high-speed broadband information network between municipal administration departments for the digitalization and networking of government office operations. Upon completion of the network, the Group can provide the operation and maintenance of the network platform, and development of the government network-based e-Government applications services.

Based on our high quality service and leading brand image, the Group kept on obtaining new projects from the existing customers. For instance, the Group was commissioned for “Beijing e-Government Online Services Platform”. The service system came into trial operation in late May, and provides online approval services for 15 bureaus as testing points of Beijing Municipal Government, such as “Re-application of Resident Identity Card” for Beijing Public Security Bureau, and “Establishment and Revision of Foreign-invested Enterprises” for Beijing Municipal Foreign Economic Relations and Trade Commission. Through “Beijing e-Government Online Services Platform”, these departments will carry out online processing of 58 administration approval acts. In response to the increasing demand on efficient online communication between government departments and the public, the service system will fulfill such demand with the help from the Capital Public Information Platform.

The Group has also recently obtained the contract for “the Development of Beijing e-Geographic Information System”. Accordingly, the Group will take an active role in developing the market of geographic information system used in Beijing city planning.

Ministry of Science and Technology had lined up with experts from the State Information Promotion Office, General Office of the State Council, State Secrecy Bureau, Ministry of Information Industry and Ministry of Public Security to undertake “The PRC’s e-Government Applications Demonstration Projects”. The Group had successfully tendered one of the projects, namely “Labour Employment Management Softwares and Projects under the Framework of One-stop Services”.

Other than the foresaid, the Group kept on providing software development and system integration services to various governmental organizations and commercial units.

## **II. Taking the initiative to open up market outside Beijing**

The Group took the advantage of its experience in developing large city applications information systems in Beijing, and proactively developed market outside Beijing. Subsequent to entering into the markets of Guangxi and Chongqing, etc., the Group recently signed “Overall Organizing and Strategic Cooperative Agreement” with Yingkou municipal government. The Group has recently also set up Hangzhou representative office, and employed persons of repute from the industry as officers of the representative office endeavouring to acquire projects related to “Digital Zhejiang”, and providing other cities with solutions and technological consultative services related to digital cities. The Group is also keen on seeking cooperation with local enterprises in other regions.

### **III. Proactively developing new scopes of businesses**

The Group has made good use of well-established customer resources and technological edge in its new businesses. Beijing Credit Management Company Limited (北京信用管理有限公司) (“BCMC”), in which the Group contributed RMB5,000,000 as capital and owns a 25% equity interest, has been established. BCMC will target for credit intermediaries, enterprises, financial and governmental organizations and selected individuals, and utilize Internet technology and traditional technology to provide information and consultation services related to credit rating and risk management, as well as businesses related to corporate management consultation. As such, the Group can open up new businesses and diversify its core competencies to different scopes of businesses.

### **IV. Research and development**

#### **Online One-stop Office Core Technologies**

In the first half of 2002, a workflow engine software module and on-line operation security software for data security transmission were developed. These technologies, combining with the research results of General Framework, Kernel Technologies & Application Projects of the City Informatization under The National High Technology Research and Development Program of China (863 Program), form the framework design of the public services platform, and support the development of the “Beijing e-Government Online Services Platform”. The system has undergone trial operation on the Beijing-China Website ([www.beijing.gov.cn](http://www.beijing.gov.cn)). The research results of load balancing was used in Medical Insurance Information Sub-system. The research on the acceleration of e-Commerce network operation was well in progress. Relevant software modules have been used in the backend system of e-Commerce services.

#### **Broadband Access Technology**

A broadband community network based on the Hybrid fibre coaxial cable (“HFC”) structure was established in the Yuxin Garden District and the network was incorporated with a network resource management software system. On this basis, the research and development on external Cable Modem was subsequently completed and small scale production was underway. Also, the research and development on the second edition of network resource management software system was completed. The aforesaid achievements were the outcomes of the Group’s self-conducted scientific researches conducted by the Group on its own. Respective commercialization was underway. Finally, embedded products was used in the demonstration zones in some selected districts in Guangdong Province.

### **V. Employees**

Professionals are the Group’s precious assets. As at 30 June 2002, the Group had 444 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.

## **PROSPECTS**

Alongside with the emerging e-Government service over the nation, there is enormous room for the market development of e-Government technology service business.

In Beijing, the Group owns the Capital Public Information Platform and keeps on developing sizeable e-Government service systems, in order to cope with the considerable and continuous needs from the Municipal Government for providing public services and improving working conditions in a network environment. The Group also actively using its own developing abilities in capturing Olympic related services. e-Government application service software and business framework developed by the Group can also fulfill the pressing demand from other provinces and cities which are looking for enhancing their efficiency in providing public services.

The Group has endeavored to apply its extensive experience and proficient skills to various rapidly developing commercial aspects such as investment in Beijing Credit Management Company Limited (北京信用管理有限公司).

With enormous room of market development, the Group will focus on its core strengths in businesses and technologies and continue to put in resources to boost turnover and acquire market share. On these foundations, the Group will have an excellent prospect for long-term development.

# COMPARISON OF THE BUSINESS PLANS AND ACTUAL PROGRESS

## For the period from 1st January, 2002 to 30th June, 2002

### Business objectives

### Actual progress

#### e-Government

##### *Products and services launching*

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>– 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</li></ul> | <p>District/county level e-Government total solution has been developed in late March and was planned to be used in Dongcheng District e-Government projects as well as in online approval pilot project.</p> |
|--|---|

##### *GIS integrated application service*

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>– the completion of Beijing 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 and of an aggregate area of approximately 240 square kilometers</li></ul> | <p>According to the Government's arrangement, Beijing GIS phase 2 has not been commenced yet.</p> |
|--|---|

##### *Sale and market promotion*

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>– to focus the market resource of marketing e-commerce solutions to the aviation and retail industries in the PRC</li></ul> | <p>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.</p> |
|---|--|

##### *Research and development*

###### *One-stop office core technology*

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>– to research on the application of security technology on broadband data transmission</li></ul> | <p>Online business security software for data transmission was developed.</p>  |
| <ul style="list-style-type: none"><li>– to research on encryption algorithm for wireless voice and data transmission</li></ul>         | <p>The research project was being conducted smoothly and the result will be used in Multilingual Intelligent Information Service System that will be useful for Olympic Games.</p> |

## **Business objectives**

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

### *GPS integrated application*

- to further research on the GIS application technology

### *Workflow system technology*

- to research and develop the Workflow technology

## **e-Commerce**

### *Products and services launching*

- the launching of the Enterprise Procurement Management Software for enterprises to manage their procurement of supplies and outsourcing services in an efficient and cost-effective manner and the Enterprise Sales Channel Management Software module for enterprises to manage its sale channels in an efficient and cost-effective manner, which will utilise the i-Service, which is a basic platform or middle ware connecting two separate applications
- the launching of an online business security software suite, namely the PKI technology-based Web Safety General Communication Software which may be applied to digital certificates, by making the use of digital certificates more secured and efficient than those ordinary password-based system
- to launch online securities transaction channel, distance learning channel, distance medicare channel, digital books channel, VOD, interactive games channel based on the Beijing City Community Services Information System's call center, narrowband and broadband network, in the Beijing Municipality

## **Actual progress**

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.

The research was being conducted smoothly and was used in GPS support commanding system.

Developed workflow technology has been used in Dongcheng District and Beijing Municipal Labor and Social Security Bureau's e-Government solutions.

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))

Has been used for city level phase I of e-Government online service platform

Online securities transaction channel, distance learning channel, digital books channel, VOD have been launched in Yuxin Garden. Such services were being developed on schedule.

## **Business objectives**

- the launching of HFC broadband access products including the cable modem developed by the Group and a community network management system, in the Beijing Municipality

## **Actual progress**

HFC broadband access products have been produced in small quantity and were used in selected model communities in Guangdong Province.

## ***Sale and market promotion***

- the use of advertisement to market the Company's complete suite of software products and solutions
- continue to seek and form strategic partnerships with major financial institutions, enterprises, system integrators in the PRC and nationally and internationally renowned IT companies

Used magazines etc, to promote the Company's brand name, software products and solutions.

Built up strategic partnership with famous enterprises in the industry such as ERG, POSDATA, ADOBE.

## ***Research and development***

- the development of the external cable modem, CMTS and network resource management system and products e-Commerce platform

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

## **Internet technology service**

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

- 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.



## USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

	Approximate amount for intended use <i>RMB'000</i>	Actual amount used up to 30th June, 2002 <i>RMB'000</i>
The expansion and maintenance of the CPIP	31,000	25,737
<i>e-Government Technology Services</i>		
– research and implementation of platform	63,000	22,499
– research on GPS integrated application service system	37,000	1,874
– research on workflow system technology	16,000	141
– research on one-stop office core technology and solutions	21,000	323
<i>e-Commerce Technology Services</i>		
– research and implementation of platform	31,000	5,717
– development of e-commerce security application system software	19,000	1,510
– research on CSCW system	16,000	541
<i>Internet Technology Services</i>		
– research on broadband multimedia access total solutions based on HFC technology	21,000	2,576
Marketing and brand building	27,000	2,105
Settle payment to supplier	5,000	5,000
	<u>          </u>	<u>          </u>

## CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH JUNE, 2002

	NOTES	(Unaudited)		(Unaudited)	
		Three months ended 30th June, 2002 RMB'000	30th June, 2001 RMB'000	Six months ended 30th June, 2002 RMB'000	30th June, 2001 RMB'000
Turnover	3	<b>50,254</b>	39,001	<b>105,738</b>	50,236
Cost of sales		<b>(29,868)</b>	(28,667)	<b>(72,580)</b>	(37,950)
Gross profit		<b>20,386</b>	10,334	<b>33,158</b>	12,286
Other revenue		<b>1,273</b>	213	<b>2,642</b>	943
Research and development costs		<b>(6,364)</b>	(5,546)	<b>(10,252)</b>	(10,951)
Marketing and promotional expenses		<b>(1,702)</b>	(1,915)	<b>(3,900)</b>	(3,143)
Administrative expenses		<b>(7,617)</b>	(5,424)	<b>(14,225)</b>	(9,510)
Profit (loss) from operations	4	<b>5,976</b>	(2,338)	<b>7,423</b>	(10,375)
Interest on bank borrowings wholly repayable within five years		<b>(126)</b>	(160)	<b>(224)</b>	(331)
Share of losses of an associate		–	(256)	–	(586)
Profit (loss) before taxation		<b>5,850</b>	(2,754)	<b>7,199</b>	(11,292)
Taxation	5	<b>(636)</b>	–	<b>(773)</b>	–
Profit (loss) before minority interests		<b>5,214</b>	(2,754)	<b>6,426</b>	(11,292)
Minority interests		<b>(90)</b>	980	<b>(31)</b>	980
Net profit (loss) for the period		<b><u>5,124</u></b>	<b><u>(1,774)</u></b>	<b><u>6,395</u></b>	<b><u>(10,312)</u></b>
Earnings (loss) per share					
– Basic	7	<b><u>0.18 cents</u></b>	<b><u>(0.08) cents</u></b>	<b><u>0.22 cents</u></b>	<b><u>(0.47) cents</u></b>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
AT 30TH JUNE, 2002

	<i>NOTES</i>	<b>30th June, 2002 RMB'000 (unaudited)</b>	31st December, 2001 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	223,003	207,375
Interest in an associate		5,000	–
Investments in securities		15,350	15,350
Deposits made on acquisition of property, plant and machinery		5,149	6,971
		<u>248,502</u>	<u>229,696</u>
Current assets			
Inventories		15,385	5,374
Amounts due from customers for contract work		1,516	1,516
Trade and other receivables	9	68,396	66,171
Investments in securities		93,000	18,000
Taxation recoverable		576	1,350
Pledged bank deposits		106,120	–
Bank balances and cash		195,447	455,300
		<u>480,440</u>	<u>547,711</u>
Current liabilities			
Trade and other payables	10	49,913	75,174
Customers' deposits for contract work		123,456	176,843
Current portion of secured long-term bank loans		5,500	5,500
		<u>178,869</u>	<u>257,517</u>
Net current assets		<u>301,571</u>	<u>290,194</u>
Total assets less current liabilities		550,073	519,890
Non-current liability			
Long-term loan		10,000	–
Minority interests		4,091	4,060
Net assets		<u>535,982</u>	<u>515,830</u>
Capital and reserves			
Share capital		289,809	286,900
Reserves		246,173	228,930
Shareholders' funds		<u>535,982</u>	<u>515,830</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	<b>Share capital</b> <i>RMB'000</i> (unaudited)	<b>Share premium</b> <i>RMB'000</i> (unaudited)	<b>Deficit</b> <i>RMB'000</i> (unaudited)	<b>Total</b> <i>RMB'000</i> (unaudited)
At 1st January, 2001	219,400	–	(4,368)	215,032
Net loss for the period	–	–	(10,312)	(10,312)
At 30th June, 2001	<u>219,400</u>	<u>–</u>	<u>(14,680)</u>	<u>204,720</u>
At 1st January, 2002	286,900	243,231	(14,301)	515,830
Issue of shares	2,909	11,902	–	14,811
Expenses incurred in connection with the issue of shares	–	(1,054)	–	(1,054)
Net profit for the period	–	–	6,395	6,395
At 30th June, 2002	<u>289,809</u>	<u>254,079</u>	<u>(7,906)</u>	<u>535,982</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	<b>Six months ended 30th June, 2002</b> <i>RMB'000</i> (unaudited)	Six months ended 30th June, 2001 <i>RMB'000</i> (unaudited)
Net cash (used in) generated from operating activities	<b>(56,001)</b>	27,628
Net cash used in investing activities	<b>(214,914)</b>	(34,791)
Net cash from financing activities	<b>23,757</b>	4,420
Decrease in cash and cash equivalents	<b>(247,158)</b>	(2,743)
Cash and cash equivalents at 1st January	<b>442,605</b>	226,827
Cash and cash equivalents at 30th June	<u><b>195,447</b></u>	<u>224,084</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

**1. GENERAL**

The Company was established in Beijing, the People's Republic of China (the "PRC") on 14 July 2000 as a joint stock limited company. Following the consent from the China Securities Regulatory Commission on 31st October, 2001, the Company's overseas-listed foreign shares ("H shares") were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 21st December, 2001.

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

**2. ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

The condensed financial statements have been prepared under the historical cost convention. The interim report has been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2001.

In the current period, the Company has adopted for the first time the revised SSAP 1 "Presentation of financial statements" and SSAP 15 "Cashflow statements". The revision of SSAP 1 and SSAP 15 have introduced statement of changes in equity and certain changes in the presentation of cash flow statement. The presentation in the current period's cash flow statement has been modified in order to conform with the requirement of SSAP 15. Presentation of comparative cash flow statement has been modified in order to achieve a consistent presentation.

**3. 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.

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.

Business segments for the period are as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30.6.2002</b>	30.6.2001	<b>30.6.2002</b>	30.6.2001
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
<b>TURNOVER</b>				
Continuing operations				
– e-Government technology services	<b>50,005</b>	35,535	<b>78,096</b>	44,451
– e-Commerce technology services	<b>249</b>	1,291	<b>27,642</b>	2,307
	<b>50,254</b>	36,826	<b>105,738</b>	46,758
Discontinued operations				
– internet service	–	2,175	–	3,478
	<b>50,254</b>	39,001	<b>105,738</b>	50,236
<b>RESULTS</b>				
Continuing operations				
– e-Government technology services	<b>13,750</b>	1,674	<b>20,118</b>	(214)
– e-Commerce technology services	<b>(1,630)</b>	(1,419)	<b>(1,741)</b>	(4,850)
	<b>12,120</b>	255	<b>18,377</b>	(5,064)
Discontinued operations				
– internet service	–	487	–	1,124
	<b>12,120</b>	742	<b>18,377</b>	(3,940)
Other revenue	<b>1,273</b>	213	<b>2,642</b>	943
Central administrative expenses	<b>(7,417)</b>	(3,293)	<b>(13,596)</b>	(7,378)
Profit (loss) from operations	<b>5,976</b>	(2,338)	<b>7,423</b>	(10,375)
Interest on bank borrowings wholly repayable within five years	<b>(126)</b>	(160)	<b>(224)</b>	(331)
Income from interest in an associate engaged in e-Commerce technology services	–	(256)	–	(586)
Profit (loss) before taxation	<b>5,850</b>	(2,754)	<b>7,199</b>	(11,292)
Taxation	<b>(636)</b>	–	<b>(773)</b>	–
Profit (loss) before minority interests	<b>5,214</b>	(2,754)	<b>6,426</b>	(11,292)
Minority interests	<b>(90)</b>	980	<b>(31)</b>	980
Net profit (loss) for the period	<b>5,124</b>	(1,774)	<b>6,395</b>	(10,312)

### **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.

#### 4. PROFIT (LOSS) FROM OPERATIONS

	Three months ended		Six months ended	
	30.6.2002	30.6.2001	30.6.2002	30.6.2001
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) from operations has been arrived at after charging:				
Depreciation	16,490	11,309	29,974	15,377
Less: Depreciation included in				
– research and development costs	(959)	(1,186)	(1,817)	(1,281)
– contract work	(6,391)	(2,169)	(13,529)	(4,752)
	<u>9,140</u>	<u>7,954</u>	<u>14,628</u>	<u>9,344</u>
Costs of goods sold	1,266	639	20,062	1,450
and after crediting:				
Interest income from				
– bank	1,010	110	2,360	668
– investment in held-to-maturity debt securities	138	138	275	275
	<u>138</u>	<u>138</u>	<u>275</u>	<u>275</u>

#### 5. 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.

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

#### 6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend (2001: Nil).

#### 7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	Three months ended		Six months ended	
	30.6.2002	30.6.2001	30.6.2002	30.6.2001
Net profit (loss) for the period	<u>RMB5,124,000</u>	<u>RMB(1,774,000)</u>	<u>RMB 6,395,000</u>	<u>RMB(10,312,000)</u>
Weighted average number of ordinary shares for the purposes of basic earning per shares	<u>2,898,086,091</u>	<u>2,193,997,000</u>	<u>2,895,823,465</u>	<u>2,193,997,000</u>

No diluted earnings per share has been presented as the effect of the potential shares outstanding during the period was anti-dilutive. There were no potential dilutive shares in 2001.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB45,608,000 (2001: RMB46,649,000) on acquisition of property, plant and equipment.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30.6.2002</b> <i>RMB'000</i>	31.12.2001 <i>RMB'000</i>
Trade receivables from		
– a fellow subsidiary	1,589	623
– others	37,011	25,963
	<u>38,600</u>	26,586
Other receivables	15,156	25,220
Deposits made to a minority shareholder of a subsidiary on acquisition of equipment for sales	13,030	13,030
Interest receivables	1,610	1,335
	<u>68,396</u>	<u>66,171</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 60 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the reporting date:

	<b>30.6.2002</b> <i>RMB'000</i>	31.12.2001 <i>RMB'000</i>
Age		
0 to 60 days	21,030	25,527
91 to 180 days	3,182	163
Over 180 days	14,388	896
	<u>38,600</u>	<u>26,586</u>

## 10. TRADE AND OTHER PAYABLES

	<b>30.6.2002</b> <i>RMB'000</i>	31.12.2001 <i>RMB'000</i>
Trade payables	873	2,326
Other payables	43,546	34,703
Other customers' deposits	5,494	7,071
Amount due to the State Social Security Fund Council of the PRC	–	31,074
	<u>49,913</u>	<u>75,174</u>



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

	<b>30.6.2002</b> <i>RMB'000</i>	31.12.2001 <i>RMB'000</i>
Age		
0 to 60 days	–	1,892
91 to 180 days	<b>5</b>	–
Over 180 days	<b>868</b>	434
	<u>873</u>	<u>2,326</u>

## 11. CAPITAL COMMITMENTS

	<b>30.6.2002</b> <i>RMB'000</i>	31.12.2001 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>10,106</b>	34,205
	<u>10,106</u>	<u>34,205</u>

## 12. CONNECTED TRANSACTIONS

During the period, the Group has the following significant transactions with connected parties:

Nature of transactions	Three months ended		Six months ended	
	<b>30.6.2002</b> <i>RMB'000</i>	30.6.2001 <i>RMB'000</i>	<b>30.6.2002</b> <i>RMB'000</i>	30.6.2001 <i>RMB'000</i>
Telecommunication support services paid to China Netcom Beijing Communication Corporation (formerly known as China Telecom Group Beijing Corporation) (“China Netcom Beijing”)	<u>3,170</u>	<u>5,460</u>	<u>6,689</u>	<u>7,218</u>
Technical support and leasing of premises and equipment to Capnet Company Limited	<u>781</u>	<u>–</u>	<u>1,589</u>	<u>–</u>

*Note:* China Netcom Beijing is the controlling shareholder of a promoter of the Company while Capnet Company Limited is a fellow subsidiary of the Company.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 30th June, 2002, none of the directors, supervisors, or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Company's pre-IPO share option plan, the directors and supervisors of the Company have personal interest in share options which had been granted to them on 6th December, 2001 to subscribe for H Shares in the Company at an exercise price of HK\$0.48 per H Share exercisable within a period of ten years from the date of grant subject to certain restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares. No share option has been granted or exercised during the six months ended 30th June, 2002. A summary of these share options outstanding is as follows:

<b>Name of director</b>	<b>Number of share options outstanding at 1.1.2002 and 30.6.2002</b>
Dr.Chen Xinxiang	1,309,750
Dr.Wang Xu	1,297,350
Zhang Yan	1,308,200
Dr.Wu Bo	1,261,700
Gao Fengqian	1,283,400
Li Ye	1,309,750
Zuo Feng	1,309,750
Fan Dazhi	1,244,650
Qi Qigong	1,244,650
Pan Jiaren	1,244,650
Liang Mei	1,244,650
Wong Ying Ho, Kennedy	1,241,550
Ng Kin Fai, Francis	1,241,550
	<hr/>
	16,541,600
	<hr/> <hr/>
<b>Name of supervisor</b>	
Zhang Zhenlong	1,264,800
Liu Jian	1,244,650
Cheng Huajun	1,286,500
	<hr/>
	3,795,950
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Save as disclosed above, at no time during the period was the Company or its holding company or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors and supervisors or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2002, according to the register maintained under Section 16(1) of the SDI 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 30th June, 2002.

## **SHARE OPTIONS**

### **(a) Pre-IPO Share Option Plan**

Under the Company’s pre-IPO share option plan, share options (the “Pre-IPO Options”) had been granted in prior year 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 certain restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares. These options were to recognise the past and present contributions of the grantee to the Group. A summary of these share options granted is as follows:

	<b>Number of the Pre-IPO Options outstanding at 1.1.2002 and 30.6.2002</b>
Directors of the Company	16,541,600
Supervisors of the Company	3,795,950
Senior management of the Company	4,847,780
Senior advisors of the Company	3,929,250
Advisors of the Company	4,309,930
Other employees of the Company and its subsidiaries	35,500,890
Employees of Capnet Company Limited, a subsidiary of BSAM	1,547,520
	<u>70,472,920</u>

## **(b) Share Option Scheme**

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 6th December, 2001, (the “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 10 years from the date of grant.

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 to 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.

No option was granted by the Company under the Scheme since its adoption.

## **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.

## **SPONSOR’S INTERESTS**

Core Pacific – Yamaichi Capital Limited, its directors, employees or associates (as referred to in Note 3 to the Rule 6.35 of the GEM Listing Rules) did not have 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 30th June, 2002.

Pursuant to the agreement dated 17th December, 2001, Core Pacific – Yamaichi Capital Limited has been retained to act as the Company’s sponsor for the period up to 31st December, 2003 in return for a monthly advisory fee.

## **COMPETING INTEREST**

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

## **CORPORATE GOVERNANCE**

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 during the period of review.

An audit committee was established on 6th December, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The two independent non-executive directors, Mr. Wong Ying Ho, Kennedy and Mr. Ng Kin Fai, Francis, have been appointed to the audit committee. Mr. Wong Ying Ho, Kennedy was appointed as the Chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

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

The People's Republic of China, 9th August, 2002

*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*