



# 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)*

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2003

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This announcement, for which the directors of Capinfo Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to Capinfo Company Limited. 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 bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- Achieved a turnover of approximately RMB188million for the nine months ended 30th September, 2003, representing an approximately 19% increase as compared with the same period in previous year;
- Accomplished a net profit of approximately RMB4.8million for the nine months ended 30th September, 2003;
- The Directors do not recommended the payment of an interim dividend for the nine months ended 30th September, 2003.

## **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, 2003, the Company and its subsidiaries (collectively the “Group”) recorded an unaudited turnover of approximately RMB188 million, representing an increase of approximately 19% as compared with the same period of last year, and a gross profit margin of 26%, as compared with 31% for the same period of last year. The Group has accomplished an unaudited net profit of approximately RMB4.8 million for the period under review, representing a decrease of approximately 34% as compared with the same period of last year.

During the period under review, the Group devoted much resources to marketing which resulted in not only increase in revenue from both e-Government and e-Commerce sectors but also increase in distribution cost. Increase in operating expenses for the period was also attributable to the increase in the investment in human resources and adoption of more prudent provision policy to cope with the business development.

The businesses including credit rating and information kiosk carried out by the Group’s associates which were newly incorporated last year were still at the development stage. Losses sustained by such associates on top of the increase in operating expenses mentioned above were attributable to the decrease in net profit for the period under review.

Gross profit margin for the period under review decreased because, in general, the gross profit margin attained from e-Government projects this period are relatively lower. Other operating income mainly included interest income and government grants which increased during the period under review.

The Group’s current ratio, defined as total current assets over total current liabilities, remained at 2.9 while the gearing ratio, defined as total borrowing over net assets, maintained at a relatively low level of less than 2%. Both ratios reflected that the Group had sufficient financial resources.

## BUSINESS REVIEW

During the period under review, the Group's business continued to grow steadily, and better operation and maintenance services of e-Government information system were provided for clients. In view of the continuous rapid growth of nationwide e-Government and digital city markets, the Group devoted to develop markets outside Beijing by capitalizing on its brand name of "Digital City Developer and Operator". Besides, investments in business domains such as software and information kiosk were also increased to enhance continual profit growth momentum. The Group also made constant optimization for its organizational and management structures for higher operation efficiency.

Recently, the Group participated in the promotion of Beijing Informatization Association (北京信息化協會) and Beijing Multimedia Industry Association (北京多媒體行業協會). Joining such associations may help the Group develop its "Digital Beijing" operation and expand its market share in the multimedia industry. The Group was awarded the "China Excellent Enterprise Database Certificate" by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會).

### 1. Sustained Development in Traditional Business

Based on the Capital Public Information Platform, the Group continued to construct operational network and valued added application system, including visual office coordinating system platform and video conference system, for various government commissions, offices and bureaus. The Social Security Money Collection Sub-system of the Beijing Medical Insurance Information System developed by the Group had commenced its online operation. From then onwards, the Group controlled the core technologies for the sub-systems of, among others, medical insurance payment, social security money collection, social security accounting and hospital front-end, which may ensure the stable operation of Beijing Medical Insurance Information System in the long-run and the development of medical insurance information system operation outside Beijing. The Group won the bid for the "Prototype Data Switching System for Multiple Applications of Beijing Citizen Card" project, which is one of the projects under the "Research and Development on Key Technologies and Products of Beijing Citizen Card Multiple Application System" project proposed by Beijing Municipal Commission of Science and Technology. This success laid a solid foundation for the Group's Beijing Citizen Card Project. During the period under review, the Community Services Information Network System was in stable operation and progressing smoothly under the testing and acceptance procedures. The PC version of the Community Management Information System was put into services for the neighborhood committees in the eight districts of Beijing city.

The Group's e-Commerce payment platform operation achieved further growth. Both of the Tsinghua University and Beijing University were users of our e-commerce payment services. During the period, the transaction volume through the payment platform and the number of users both increased.

The digital certificate business of Beijing Certificate Authority Center Company Limited ("BJCA"), a subsidiary of the Group, experienced a continual growth whilst it completed the implementation of security solution for the Beijing Community Services Information Network System, and the overall safety design and implementation of the information system of Beijing Municipal Office of Informatization.

## **2. Development of Nationwide Market for Digital City and e-Government**

Leveraging on its experience and strengths in “Digital Beijing” construction, the Group continued to develop a nationwide market for digital city and e-Government operations with its base in Beijing during the period.

Following the Digital Yingkou project, the Group entered into the Contract for the Whole Planning of e-Government Project and the other projects with the municipal governments of the north-eastern and eastern China.

The Group took vigorous initiatives to expand its urban community information business nationwide. The testing and acceptance procedures for the phase 1 digital community project undertaken by the Group in Shilong Town, Dongguan City were completed. Besides, the Group attained the community management information system project in another city in PRC.

BJCA, the Group’s subsidiary, also actively developed markets outside Beijing. It undertook the construction of digital certification authority center in a city outside Beijing which included the creation of PKI (Public Key Infrastructure) environment, and provision of digital certification system and information security related services for that city.

## **3. Rationalization of Strategic Resources and Investment in Emerging Businesses**

In line with its software business strategies, the Group co-founded Chongqing Hongxin Company Limited with the Business Incubator of Chongqing Hi-tech Industrial Development Zone on 18th July, 2003. This company, in which the Group invested RMB18 million and held 90% equity interest, would be engaged principally in software development and outsourcing services. In addition, it was intended to establish its own software brand with exclusive intellectual property right.

In order to boost the information kiosk business of TouchBeijing IT Development Co., Ltd. (also known as Beijing Shoutong Wanwei Information Technology Development Co., Ltd.) (北京首通萬維信息技術發展有限公司) (“TouchBeijing”), an associate of the Group, and to achieve economies of scale through establishing more information kiosks in Beijing to cope with the growth of existing businesses, such as the e-commerce platform, the Group and Beijing State-owned Assets Management Corporation Limited (“BSAM”) entered into a further investment agreement on 5th September, 2003. Pursuant to the agreement, the Group and BSAM made further investments of RMB12 million and RMB18 million respectively. The registered capital of TouchBeijing was then increased from RMB10 million to RMB40 million, and the percentage of equity interest held by both parties remained at 40% and 60% respectively. Details of which had been disclosed in the Company’s announcement dated 5th September, 2003. TouchBeijing also signed cooperation agreements with China Unionpay Co., Ltd., Xinhua News Agency, Sina.com and Beijing Xin Ying Lian Film Co., Ltd. to provide services with more content and much reliability.

During the period under review, the Group acquired 10% shareholding in Beijing Clone Century Information Engineering Technology Co., Ltd. (北京科龍新銳信息工程技術有限公司) for the purpose of expanding its medical and health information application business. After the acquisition, the company was renamed to Health Information Technology Beijing Co., Ltd. (北京首信新銳科技發展有限公司).

#### **4. Consolidation of Internal Management and Optimization of Organizational Structure**

In order to accelerate the progress of the Beijing Social Security Information System and Citizen Card Project, and to improve the realignment of businesses and resources among related departments with a view to keeping the core competitiveness of the social security information system and citizen card business, the Group decided to consolidate three departments, namely, the social security operation department, citizen card operation department and social information system technology development department to form the business operation department of social security and citizen card systems. The new department will be responsible for the development, implementation, operation and maintenance of social security and citizen card business. The establishment of the department may help develop the Group's social security and citizen card business throughout the PRC.

#### **5. Research and Development**

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

As a result of our Capinfo Workflow Engine V2.1 edition research, a detailed technological solution for edition upgrading was concluded and put into development. The new edition was principally designed to improve operational efficiency, user-friendliness and information exchange functions. Completion in the development of information service centre V1.0 edition had contributed an instant information service component for i-Service and enhanced real-timeliness and user-friendliness of e-Government application.

##### *Broadband access technology*

Currently the Group has finished the development and preliminary testing for certain modules of the Chinese standard cable modem security mechanism, developed by the Group, including key management, data packet encryption and decryption algorithm, and identity authentication. Such modules already passed the phased assessment. The phase 1 development of e-Government private network management system was completed primarily. The first stage examination of network management system is well under way.

##### *Multilingual intelligent information service network system for Olympic Games*

Multilingual intelligent information service, a key project of the State's "863 Project" and Beijing Science and Technology Plan, undertaken by the Group, has begun entering into the phase of system integration. The relevant core technologies will be scheduled for the first stage of development successively and then the appraisal conducted by the competent organization of the State's "863 Project" at the end of October.

#### **Prospects**

As a leading enterprise in the Chinese e-Government market, the Group will keep its existing operations in rapid growth while capturing the Olympic business opportunities. The Group will also continue to promote its brand name of "the Leading Digital City Developer and Operator" and develop markets outside Beijing proactively. Besides, by optimizing organizational structure and integrating internal resources, the Group may reduce the operating costs and enhance the quality of services. Investments in new domains such as software and information kiosk will also strengthen the Group's core competitiveness.

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2003

	NOTES	(Unaudited) Three months ended		(Unaudited) Nine months ended	
		30th September, 2003 <i>RMB'000</i>	30th September, 2002 <i>RMB'000</i>	30th September, 2003 <i>RMB'000</i>	30th September, 2002 <i>RMB'000</i>
Turnover	3	<b>61,367</b>	53,250	<b>188,421</b>	158,988
Cost of sales		<b>(44,679)</b>	(37,875)	<b>(138,692)</b>	(110,455)
Gross profit		<b>16,688</b>	15,375	<b>49,729</b>	48,533
Other operating income		<b>2,886</b>	4,155	<b>10,482</b>	6,797
Research and development costs		<b>(4,124)</b>	(3,822)	<b>(14,267)</b>	(14,074)
Marketing and promotional expenses		<b>(3,508)</b>	(2,294)	<b>(9,886)</b>	(6,194)
Administrative expenses		<b>(9,104)</b>	(10,291)	<b>(27,701)</b>	(24,516)
Profit from operations		<b>2,838</b>	3,123	<b>8,357</b>	10,546
Interest on bank borrowings					
wholly repayable within five years		<b>(15)</b>	(157)	<b>(196)</b>	(381)
Share of losses of an associate		<b>(919)</b>	(127)	<b>(2,257)</b>	(127)
Share of losses of a jointly controlled entity		<b>(136)</b>	–	<b>(136)</b>	–
Profit before taxation		<b>1,768</b>	2,839	<b>5,768</b>	10,038
Taxation	4	<b>(204)</b>	(1,585)	<b>(763)</b>	(2,358)
Profit before minority interests		<b>1,564</b>	1,254	<b>5,005</b>	7,680
Minority interests		<b>(238)</b>	(252)	<b>(159)</b>	(283)
Net profit for the period		<b>1,326</b>	1,002	<b>4,846</b>	7,397
Earnings per share					
– Basic	5	<b>0.05 cents</b>	0.03 cents	<b>0.17 cents</b>	0.26 cents

**NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT**  
*FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2003*

**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 overseas-listed foreign shares ("H shares") were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE**

The condensed financial statements have been prepared under the historical cost convention.

In the current period, the Company has adopted the revised SSAP 12 "Accounting for income taxes" for the first time. This revised SSAP has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements, which have been adopted in the condensed financial statements.

The principal effect of the implementation of revised SSAP 12 is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. Revised SSAP 12 requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of revised SSAP 12 resulted in the recognition of deferred taxation credit for the nine months period of RMB1,155,000 and deferred taxation asset at 30th September, 2003 of RMB1,155,000 and has had no significant effect on the results for the prior accounting periods.

Other than the above, the accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2002.

### 3. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the provision of e-Government technology services and e-Commerce technology services. An analysis of the Group's turnover is as follows:

	Three months ended		Nine months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
e-Government technology services	48,811	34,492	135,872	112,588
e-Commerce technology services	12,556	18,758	52,549	46,400
	<u>61,367</u>	<u>53,250</u>	<u>188,421</u>	<u>158,988</u>

### 4. TAXATION

	Three months ended		Nine months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

The charge comprises:

PRC income tax	(204)	(1,585)	(1,918)	(2,358)
Deferred taxation	–	–	1,155	–
	<u>(204)</u>	<u>(1,585)</u>	<u>(763)</u>	<u>(2,358)</u>

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 period represents PRC income tax calculated at the rate of 7.5% pursuant to the relevant rules and regulations in the PRC.

### 5. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
Net profit for the period	<u>RMB1,326,000</u>	<u>RMB1,002,000</u>	<u>RMB4,846,000</u>	<u>RMB7,397,000</u>
Weighted average 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>2,896,577,673</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 the period.



## 6. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each			
At 1st January, 2003 and 30th September, 2003	<u>2,123,588,091</u>	<u>774,498,000</u>	<u>289,809</u>

## 7. RESERVES

	Share capital RMB'000	Share premium RMB'000	Accumulated profit (deficit) RMB'000	Total RMB'000
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	–	–	7,397	7,397
At 30th September, 2002	<u>289,809</u>	<u>254,079</u>	<u>(6,904)</u>	<u>536,984</u>
Net profit for the period	–	–	2,622	2,622
At 31st December, 2002	<u>289,809</u>	<u>254,079</u>	<u>(4,282)</u>	<u>539,606</u>
Net profit for the period	–	–	4,846	4,846
At 30th September, 2003	<u><u>289,809</u></u>	<u><u>254,079</u></u>	<u><u>564</u></u>	<u><u>544,452</u></u>

## DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 30th September, 2003 (2002: Nil).

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

### a. Directors, Supervisors and Chief Executive of the Company

Save as disclosed below, as at 30th September, 2003, none of the Directors, supervisors 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”), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 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 1st January, 2003 and 30th September, 2003	Percentage to the issued share capital
<b>Directors</b>		
Dr. Chen Xinxiang	1,309,750	0.04519%
Dr. Wang Xu	1,297,350	0.04477%
Ms. Zhang Yan	1,308,200	0.04514%
Dr. Wu Bo	1,261,700	0.04354%
Mr. Fan Dazhi	1,244,650	0.04295%
Mr. Qi Qigong	1,244,650	0.04295%
Mr. Pan Jiaren	1,244,650	0.04295%
Mr. Wong Ying Ho, Kennedy	1,241,550	0.04284%
Mr. Ng Kin Fai, Francis	1,241,550	0.04284%
	<u>11,394,050</u>	
<b>Supervisors</b>		
Ms. Liu Jian	1,244,650	0.04295%
Mr. Zhang Zhenlong	1,264,800	0.04364%
Mr. Cheng Huajun	1,286,500	0.04439%
	<u>3,795,950</u>	

All of the above-mentioned share options were granted on 6th December, 2001 with an exercise price of HK\$0.48 per H Share. The share options granted to the Directors and supervisors of the Company 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 and supervisors which become exercisable**

	<b>Exercise period</b>
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

**b. Substantial shareholders of the Company and other persons**

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of substantial shareholders of the Company and other persons (other than a Director, supervisor or chief executive of the Company), which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Nature of interests</b>	<b>Percentage to the issued share capital</b>
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:

<b>Name</b>	<b>Equity interests held in members of the Group (except for the Company)</b>	<b>Nature of interests</b>	<b>Approximate percentage</b>
Shanghai Electronic Certificate Authority Centre Co., Ltd.	Beijing Certificate Authority Centre Company Limited	Beneficial owner	10%
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited	Beneficial owner	10%

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

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

## SHARE OPTIONS

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

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

	At 1st January, 2003	Lapsed during the period	Regrouped due to reallocation of human resources	At 30th September, 2003
Directors of the Company	16,541,600	(5,147,550)	–	11,394,050
Supervisors of the Company	3,795,950	–	–	3,795,950
Senior management of the Company	4,847,780	(774,690)	1,534,500	5,607,590
Senior advisors of the Company	3,929,250	–	–	3,929,250
Advisors of the Company	4,309,930	–	773,760	5,083,690
Other employees of the Company and its subsidiaries	35,500,890	(8,512,135)	(760,740)	26,228,015
Employees of Capnet Company Limited, a subsidiary of BSAM	1,547,520	–	(1,547,520)	–
	<u>70,472,920</u>	<u>(14,434,375)</u>	<u>–</u>	<u>56,038,545</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 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.

## **SPONSOR'S INTERESTS**

Core Pacific-Yamaichi Capital Limited, its directors, employees or associates (as referred to in Note 3 to 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 September, 2003. Pursuant to the agreement dated 17th December, 2001, Core Pacific-Yamaichi Capital Limited has been retained to act as the Company's sponsor, in return for a fee, for the period up to 31st December, 2003 or the date on which the agreement is terminated upon the terms and conditions as set out therein.

## **COMPETING INTEREST**

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had any interests 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, 12th November, 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*