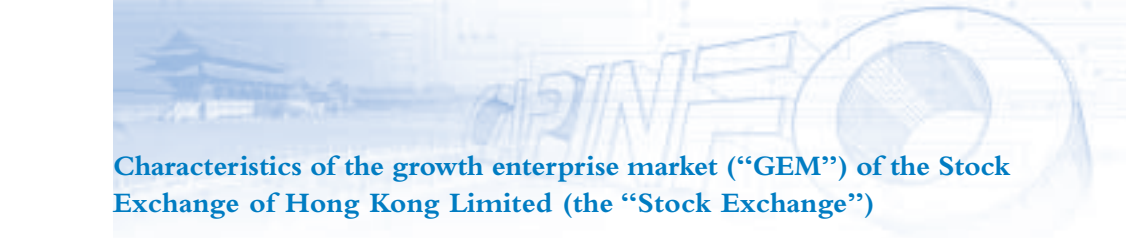


The logo for Capinfo, featuring the word "CAPINFO" in a bold, red, sans-serif font. The letter "A" is stylized with a white triangle inside it. The background of the entire page is a vibrant blue and orange digital-themed graphic with binary code and circuit patterns.

Capinfo Company Limited

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

1st Quarterly Report **2003**



## Characteristics of the growth enterprise market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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

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

*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the basis and assumptions that are fair and reasonable.*

## Highlights

- Net profit rose by approximately 38% over the same period in the previous year.
- The Directors do not recommend the payment of an interim dividend.

## Financial Review

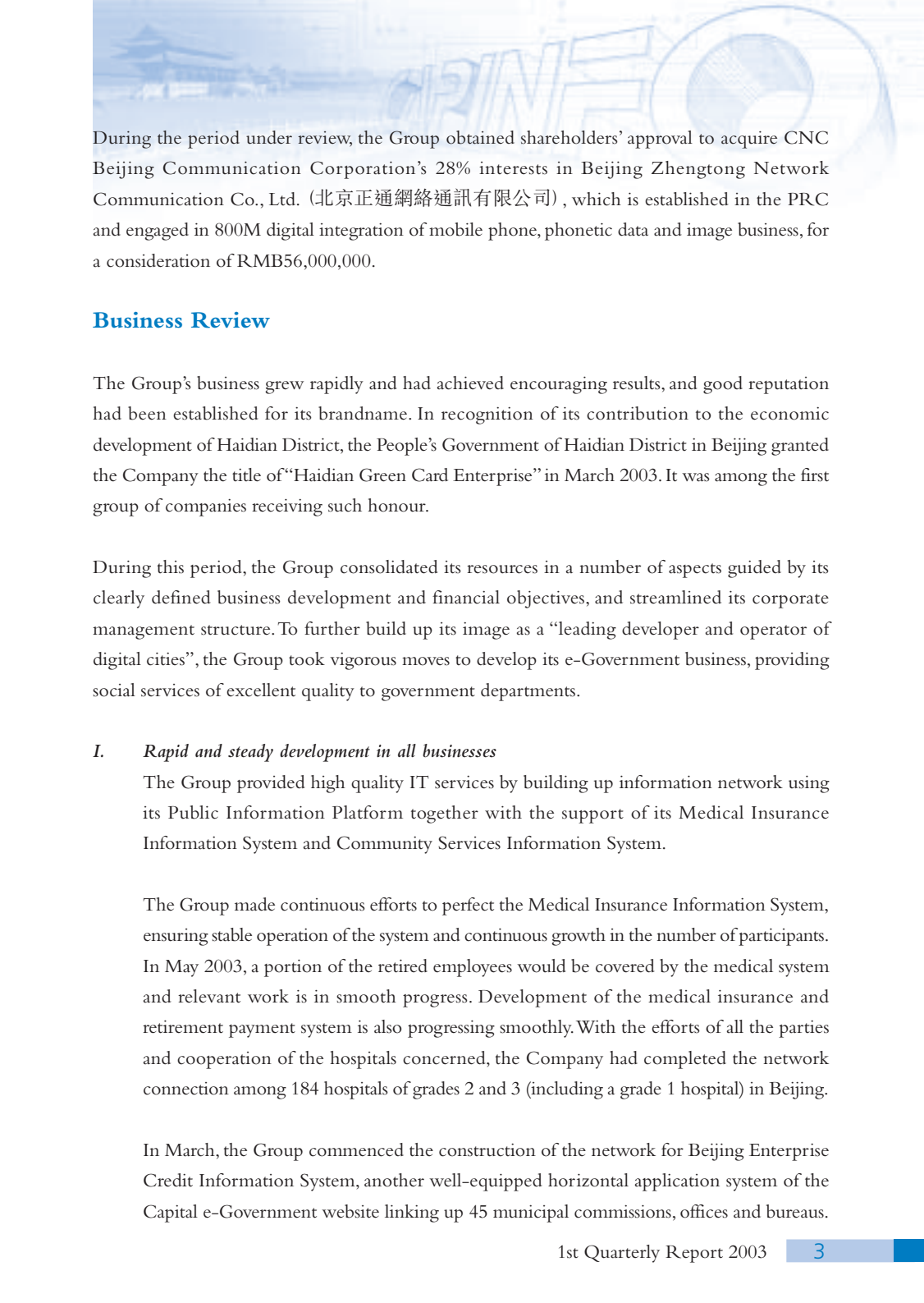
Capinfo Company Limited (the “Company”) and its subsidiaries (the “Group”) are pleased to announce the unaudited result for the three months ended 31st March, 2003. The Group recorded a turnover of approximately RMB50.8 million and a gross profit margin of 27%, while those for the same period of last year were approximately RMB55.5 million and 23% respectively. The Group’s net profit rose by approximately 38% over the same period last year to approximately RMB1.75 million for the period under review.

The Group’s result for the period under review was mainly attributable to the continuing development of e-Government sector including the provision of operation and maintenance services on various large scale systems in Beijing despite the fact that turnover from e-Commerce sector decreased which resulting in the Group’s turnover decreased in the period under review. The relative increase in revenue from e-Government sector increased the Group’s gross profit margin for the period under review.

Increase in operating expenses for the period was mainly attributable to the increase in equipment and human resources and applying of more prudent provision policy to cope with the business development. Other operating income mainly included interest income and government grants which increased for the period under review.

The Group’s current ratio, defined as total current assets over total current liabilities, increased from 2.9 as at the end of 2002 to 3.0 as at 31st March, 2003 which reflects the highly liquid position of the Group.

As at 31st March, 2003, the Group had pledged RMB1 million to a bank in the People’s Republic of China (the “PRC”) for banking facilities used and amounted to RMB320,000.



During the period under review, the Group obtained shareholders' approval to acquire CNC Beijing Communication Corporation's 28% interests in Beijing Zhengtong Network Communication Co., Ltd. (北京正通網絡通訊有限公司), which is established in the PRC and engaged in 800M digital integration of mobile phone, phonetic data and image business, for a consideration of RMB56,000,000.

## Business Review

The Group's business grew rapidly and had achieved encouraging results, and good reputation had been established for its brandname. In recognition of its contribution to the economic development of Haidian District, the People's Government of Haidian District in Beijing granted the Company the title of "Haidian Green Card Enterprise" in March 2003. It was among the first group of companies receiving such honour.

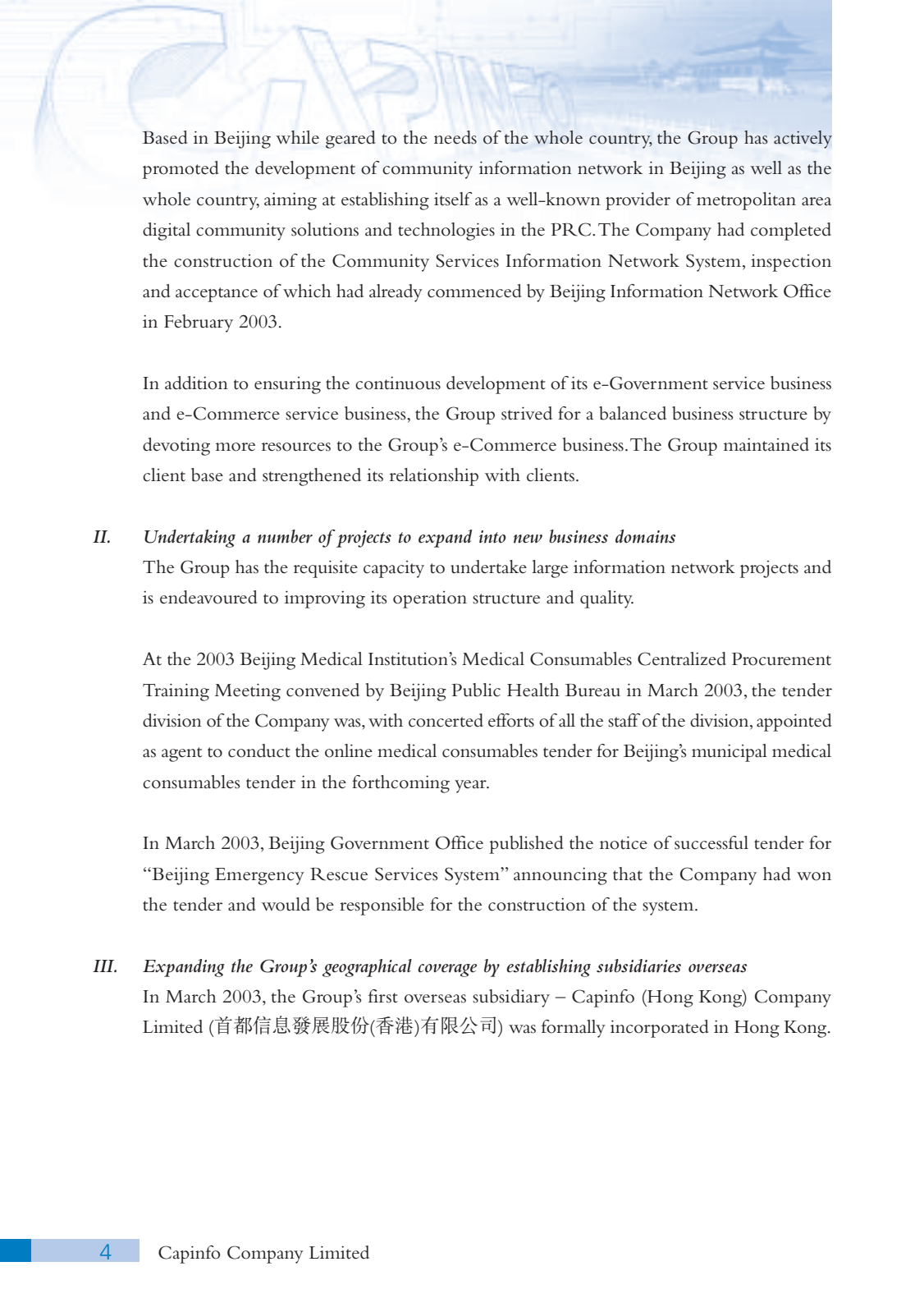
During this period, the Group consolidated its resources in a number of aspects guided by its clearly defined business development and financial objectives, and streamlined its corporate management structure. To further build up its image as a "leading developer and operator of digital cities", the Group took vigorous moves to develop its e-Government business, providing social services of excellent quality to government departments.

### *I. Rapid and steady development in all businesses*

The Group provided high quality IT services by building up information network using its Public Information Platform together with the support of its Medical Insurance Information System and Community Services Information System.

The Group made continuous efforts to perfect the Medical Insurance Information System, ensuring stable operation of the system and continuous growth in the number of participants. In May 2003, a portion of the retired employees would be covered by the medical system and relevant work is in smooth progress. Development of the medical insurance and retirement payment system is also progressing smoothly. With the efforts of all the parties and cooperation of the hospitals concerned, the Company had completed the network connection among 184 hospitals of grades 2 and 3 (including a grade 1 hospital) in Beijing.

In March, the Group commenced the construction of the network for Beijing Enterprise Credit Information System, another well-equipped horizontal application system of the Capital e-Government website linking up 45 municipal commissions, offices and bureaus.



Based in Beijing while geared to the needs of the whole country, the Group has actively promoted the development of community information network in Beijing as well as the whole country, aiming at establishing itself as a well-known provider of metropolitan area digital community solutions and technologies in the PRC. The Company had completed the construction of the Community Services Information Network System, inspection and acceptance of which had already commenced by Beijing Information Network Office in February 2003.

In addition to ensuring the continuous development of its e-Government service business and e-Commerce service business, the Group strived for a balanced business structure by devoting more resources to the Group's e-Commerce business. The Group maintained its client base and strengthened its relationship with clients.

## *II. Undertaking a number of projects to expand into new business domains*

The Group has the requisite capacity to undertake large information network projects and is endeavoured to improving its operation structure and quality.

At the 2003 Beijing Medical Institution's Medical Consumables Centralized Procurement Training Meeting convened by Beijing Public Health Bureau in March 2003, the tender division of the Company was, with concerted efforts of all the staff of the division, appointed as agent to conduct the online medical consumables tender for Beijing's municipal medical consumables tender in the forthcoming year.

In March 2003, Beijing Government Office published the notice of successful tender for "Beijing Emergency Rescue Services System" announcing that the Company had won the tender and would be responsible for the construction of the system.

## *III. Expanding the Group's geographical coverage by establishing subsidiaries overseas*

In March 2003, the Group's first overseas subsidiary – Capinfo (Hong Kong) Company Limited (首都信息發展股份(香港)有限公司) was formally incorporated in Hong Kong.



#### IV. *Research and development*

1. *One-stop office core technology*

During this period, research and development of the Group's workflow system technology was in smooth progress. With the workflow engine as the core, modules of other functions were integrated to form a solution catered to the needs of public approvals and services.

2. *Broadband access technology*

The Group has been engaged in the development of external cable modem, cable modem termination system (CMTS) and network resource management systems and products. An external cable modem in compliance with the European standard, EuroDOCSIS, was being launched. The outcome of the development was provided to the cable television network organizations of several cities for testing and trial operation.

3. *Multilingual intelligent information service network system*

The Group kept on conducting research in relation to multilingual intelligent information technology for Olympic Games. A testing platform based on existing technological level was constructed and certain multilingual information services was under trial operation.

### **Future Prospects**

While maintaining continuous and rapid development of its existing businesses, the Group will actively expand into new business domains and cooperate with software developers of other provinces to open up markets outside Beijing and increase its market share. With a clearly defined market position, the Group will consolidate its resources to improve its business operation and streamline its organizational structure.

# Independent Review Report to the Board of Directors of Capinfo Company Limited

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

## Introduction

We have been instructed by the directors of the Company to review the quarterly financial report for the three months ended 31st March, 2003 set out on pages 7 to 10.

## Directors' Responsibilities

The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a quarterly financial report. The quarterly financial report is the responsibility of, and has been approved by, the directors.

## Review Work Performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the quarterly financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the quarterly financial report.

## Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the quarterly financial report for the three months ended 31st March, 2003.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 12th May, 2003

## Condensed Consolidated Income Statement

For the three months ended 31st March, 2003

	NOTES	1.1.2003 to 31.3.2003 RMB'000 (unaudited)	1.1.2002 to 31.3.2002 RMB'000 (unaudited)
Turnover	3	50,814	55,484
Cost of sales		(37,162)	(42,712)
Gross profit		13,652	12,772
Other operating income		4,759	1,369
Research and development costs		(4,155)	(3,888)
Marketing and promotional expenses		(2,488)	(2,198)
Administrative expenses		(9,566)	(6,608)
Profit from operations		2,202	1,447
Interest on bank and other borrowings wholly repayable within five years		(95)	(98)
Share of losses of associates		(209)	–
Profit before taxation		1,898	1,349
Taxation	4	(200)	(137)
Profit before minority interests		1,698	1,212
Minority interests		55	59
Net profit for the period		1,753	1,271
Earnings per share			
– Basic	5	0.06 cents	0.04 cents



## Notes to the Condensed Financial Information

For the three months ended 31st March, 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

The condensed financial statements have been prepared under the historical cost convention and the accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2002 except for the adoption of Statement of Standard Accounting Practice No. 12 "Income taxes" (Revised) ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) 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. SSAP 12 (Revised) 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 SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

### 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.

	<b>1.1.2003 to 31.3.2003 RMB'000</b>	1.1.2002 to 31.3.2002 RMB'000
e-Government technology services	<b>38,342</b>	28,091
e-Commerce technology services	<b>12,472</b>	27,393
	<b>50,814</b>	55,484

### 4. 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 period represents PRC income tax calculated at the rate pursuant to the relevant rules and regulations in the PRC.

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

### 5. Earnings per Share

The calculation of the basic earnings per share is based on the net profit for the period of RMB1,753,000 (2002:RMB1,271,000) and the weighted average number of 2,898,086,091 (2002: 2,893,560,838) shares in issue during the period.

No diluted earnings per share has been presented because 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 31st March, 2002 and 31st March, 2003	2,123,588,091	774,498,000	289,809

## 7. Reserves

	Share premium	Deficit	Total
	RMB'000	RMB'000	RMB'000
At 1st January, 2002	243,231	(14,301)	228,930
Premium arising on issue of shares	11,902	–	11,902
Expenses incurred in connection with the issue of shares	(1,054)	–	(1,054)
Net profit for the period	–	1,271	1,271
At 31st March, 2002	254,079	(13,030)	241,049
At 1st January, 2003	254,079	(4,282)	249,797
Net profit for the period	–	1,753	1,753
At 31st March, 2003	254,079	(2,529)	251,550



## Dividend

The Board of directors does not recommend the payment of an interim dividend for the three months ended 31st March, 2003 (2002: Nil).


## Directors' and Supervisors' Interests in Securities

As at 31st March, 2003, 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 three months ended 31st March, 2003. A summary of these share options outstanding is as follows:

<b>Name of director</b>	<b>Number of share options outstanding at 1.1.2003 and 31.3.2003</b>
Dr. Chen Xinxiang	1,309,750
Dr. Wang Xu	1,297,350
Ms. Zhang Yan	1,308,200
Dr. Wu Bo	1,261,700
Mr. Gao Fengqian	1,283,400
Mr. Li Ye	1,309,750
Mr. Zuo Feng	1,309,750
Mr. Fan Dazhi	1,244,650
Mr. Qi Qigong	1,244,650
Mr. Pan Jiaren	1,244,650
Ms. Liang Mei	1,244,650
Mr. Wong Ying Ho, Kennedy	1,241,550
Mr. Ng Kin Fai, Francis	1,241,550
	<hr/>
	16,541,600
	<hr/>
<b>Name of supervisor</b>	
Ms. Liu Jian	1,244,650
Mr. Zhang Zhenlong	1,264,800
Mr. Cheng Huajun	1,286,500
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	3,795,950
	<hr/>



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. 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 31st March, 2003, 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 31st March, 2003.

## **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 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 31st March, 2003.

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 or the date on which the agreement is terminated upon the terms and conditions as set out therein in return for a fee.



## Competing Interests

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had 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*

Beijing, PRC, 12th May, 2003

\* *For identification purpose only*