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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

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

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2001**

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

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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.

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

RESULTS HIGHLIGHT

The Group's revenue was approximately RMB150 million for the financial year ended 31 December 2001, representing a significant growth of 200% over the previous year.

The Group recorded a relatively high gross profit margin of 29% in 2001 as against 24% in 2000.

Net loss for the financial year ended 31 December 2001 was approximately RMB9.9 million as against approximately loss of RMB6.2million in the previous year, largely as a result of our increasing effort in research and development.

CHAIRMAN'S STATEMENT

2001 was a challenging year to Capinfo. With concerted effort of staff and strong support from all parties, Capinfo achieved significant progress in various core businesses and was successfully listed in GEM on 21st December, 2001. The funds raised also topped all new issues in GEM during that year.

Capinfo constructs, owns and operates the electronic information exchange platform – Capital Public Information Platform (CPIP) as well as numerous major information application projects. With its development in e-Government, e-Commerce and internet professional services, Capinfo has built up an image of excellent enterprise as a “Contractor of Digital Beijing” and become a leading provider of e-Government, e-Commerce and network infrastructure services, and has actively participated in Beijing Government's information technology development.

While gaining progress in the business, Capinfo unceasingly enhances its ability to research and development and strengthens its internal control. Based on Beijing Digital Olympic Action Plan and the needs of the Chinese Government to accelerate e-Government throughout the country, Capinfo's research and development department has launched various researches, among which “City Digitalization Framework and Key Technology” has made an important breakthrough.

In June of 2001, Capinfo was formally accredited by international quality bodies (UK's UKAS crown logo and USA's RAB certificate). In October of 2001, Capinfo was awarded the title of Grade One Computer Information System Integrator by Accreditation Office of Computer Information System Integration of Ministry of Information Industry. This greatly helps to strengthen the quality control of Capinfo's products and services as well as enhance customers' confidence and increase its market share.

To become a leading “Contractor of Digital Cities” is Capinfo's goal with unremitting efforts. After China's accersion to WTO, Capinfo has to face increasingly intense business competition. In a time when opportunities come along with challenges, Capinfo will fully utilize its abundant experience and competitive edge accumulated in building “Digital Beijing”, capture the business opportunities arising from the Olympic Game, explore its market across the nation, and strive for greater return for the shareholders, investors and staff alike.

On behalf of the Board of Directors, I would like to extend my sincere gratitude and appreciation to the shareholders and staff for their support and hard work during the year.

ANNUAL RESULTS

The board of Directors (the “Board”) of Capinfo Company Limited hereby announces the audited consolidated results of the Company and the Company’s subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31st December, 2001 together with the comparative audited figures for the year ended 31st December, 2000 as follows:

		2001	(Note 1) 2000
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	149,745	49,854
Cost of sales		<u>(106,528)</u>	<u>(37,804)</u>
Gross profit		43,217	12,050
Other revenue		5,417	5,913
Research and development costs		(24,552)	(9,920)
Marketing and promotional expenses		(7,052)	(3,781)
Administrative expenses		<u>(25,687)</u>	<u>(9,316)</u>
Loss from operations	4	(8,657)	(5,054)
Interest on bank borrowings wholly repayable within five years		(695)	(973)
Gain on disposal of interest in an associate		747	–
Share of losses of an associate		<u>(771)</u>	<u>(126)</u>
Loss before taxation		(9,376)	(6,153)
Taxation	5	<u>(916)</u>	<u>–</u>
Loss before minority interests		(10,292)	(6,153)
Minority interests		<u>359</u>	<u>–</u>
Net loss for the year		<u><u>(9,933)</u></u>	<u><u>(6,153)</u></u>
Loss per share - Basic	6	<u><u>(0.5) cents</u></u>	<u><u>(0.4) cents</u></u>

Notes:

1. Group reorganisation and basis of preparation

China Information Highway Corporation (“CIHC”), the predecessor of the Company, was established in Beijing, the People’s Republic of China (the “PRC”) on 23rd January, 1998 as a limited liability company. Following the restructuring of CIHC in July 2000, CIHC was reorganised into the Company in which shares were issued by the Company to the shareholders of CIHC (the “Reorganisation”). The Company was established in Beijing, the PRC on 14th July, 2000 as a joint stock limited company. Upon establishment, the Company continued to carry on the business activities of CIHC. Accordingly, the results for the year ended 31st December, 2000 has been prepared to present the combined results of CIHC, the Company and the Company’s subsidiaries, as a continuing reporting entity as if the Reorganisation had been completed as of 1st January, 2000.

Following the consent from the China Securities Regulatory Commission (“CSRC”) on 31st October, 2001, the Company’s overseas-listed foreign shares (“H Shares”) were listed on GEM on 21st December, 2001.

The financial information as set out herein have been prepared under the historical cost convention as modified for the revaluation of investments in securities and recognition of assets received from non-reciprocal transfers. The principal accounting policies adopted are in accordance with accounting principles generally accepted in Hong Kong.

2. 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, e-Commerce technology services and internet services.

3. Segment Information

Business segments

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

As all of the assets of the Group are commonly used by all divisions of the Group, it is impracticable to analyse the assets and liabilities of the Group by business segments.

Business segments for the year are as follows:

	2001		(Note 1) 2000	
	Turnover RMB'000	Results RMB'000	Turnover RMB'000	Results RMB'000
Continuing operations				
– e-Government technology services	92,733	16,298	32,019	(3,442)
– e-Commerce technology services	50,377	(17,988)	13,032	(1,070)
	<u>143,110</u>	<u>(1,690)</u>	<u>45,051</u>	<u>(4,512)</u>
Discontinuing operations				
– internet service provision	6,635	5,003	4,803	1,985
	<u>149,745</u>	<u>3,313</u>	<u>49,854</u>	<u>(2,527)</u>
Other revenue		5,417		5,913
Central administrative expenses		(17,387)		(8,440)
Loss from operations		(8,657)		(5,054)
Interest on bank borrowings wholly repayable within five years		(695)		(973)
Income from interest in an associate engaged in e-Commerce technology services		(24)		(126)
Loss before taxation		(9,376)		(6,153)
Taxation		(916)		–
Loss before minority interests		(10,292)		(6,153)
Minority interests		359		–
Net loss for the year		<u>(9,933)</u>		<u>(6,153)</u>

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. Loss from operations

	2001	<i>(Note 1)</i> 2000
	<i>RMB'000</i>	<i>RMB'000</i>
Loss from operations has been arrived at after charging:		
Directors' and supervisors' remuneration (note 5)	903	638
Other staff costs	22,787	11,285
Other staff's retirement benefits scheme contributions	4,305	2,402
	<u>27,995</u>	<u>14,325</u>
Less: Staff costs included in research and development costs	(7,040)	(5,587)
Staff costs capitalised in contract work	(6,453)	(3,395)
	<u>14,502</u>	<u>5,343</u>
Depreciation	33,398	10,276
Less: Depreciation included in research and development costs	(5,919)	(953)
Depreciation capitalised in contract work	(19,021)	(3,088)
	<u>8,458</u>	<u>6,235</u>
Operating lease rentals in respect of		
– cable network	14,668	5,297
– land and buildings	12,355	5,248
	<u>27,023</u>	<u>10,545</u>
Less: Operating lease rentals included in research and development costs	(2,846)	(855)
Operating lease rentals capitalised in contract work	(10,027)	(4,797)
	<u>14,150</u>	<u>4,893</u>
Auditors' remuneration	650	450
Cost of goods sold	31,211	2,529
Loss on disposal of property, plant and equipment in connection with the discontinuing operations	57	–
Loss on disposal of other property, plant and equipment	196	61
and after crediting:		
Government grants *	1,500	3,202
Interest income from		
– bank	3,083	2,167
– investment in held-to-maturity debt securities	550	544
	<u><u>550</u></u>	<u><u>544</u></u>

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

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 their operations and entitled to a 50% tax relief for the next three years commencing 2001. The charge for 2001 represents PRC income tax calculated at the rate of 7.5% pursuant to the relevant rules and regulations in the PRC.

No provision for taxation has been made in 2000 as the Group had no assessable profit for that year.

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

6. Loss per Share

The calculation of the basic loss per share is based on the net loss for the year of RMB9,933,000 (2000: RMB6,153,000) and the weighted average number of 2,214,339,411 shares in issue during the year (2000: 1,662,490,151 shares as if the Reorganisation and the sub-division of the Company's shares as described in the paragraph headed "Resolutions passed at the Company's shareholders' meetings" in Appendix VI to the Prospectus) had been completed on 1 January 2000.

No diluted loss per share has been presented as the effect of the potential shares outstanding during the year was anti-dilutive. There was no potential dilutive share for the year ended 31 December 2000.

7. Reserves

	Share premium	Retained profits (deficit)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
THE GROUP			
At 1st January, 2000 (<i>note 1</i>)	–	7,339	7,339
Net loss for the year (<i>note 1</i>)	–	(6,153)	(6,153)
Transferred to share capital pursuant to the Reorganisation	–	(5,554)	(5,554)
	<hr/>	<hr/>	<hr/>
At 31st December, 2000	–	(4,368)	(4,368)
Premium arising on issue of shares	276,166	–	276,166
Expenses incurred in connection with the issue of shares	(32,935)	–	(32,935)
Net loss for the year	–	(9,933)	(9,933)
	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>243,231</u>	<u>(14,301)</u>	<u>228,930</u>
THE COMPANY			
At 1st January, 2000 (<i>note 1</i>)	–	7,339	7,339
Net loss for the year (<i>note 1</i>)	–	(6,153)	(6,153)
Transferred to share capital pursuant to the Reorganisation	–	(5,554)	(5,554)
	<hr/>	<hr/>	<hr/>
At 31st December, 2000	–	(4,368)	(4,368)
Premium arising on issue of shares	276,166	–	276,166
Expenses incurred in connection with the issue of shares	(32,935)	–	(32,935)
Net loss for the year	–	(8,968)	(8,968)
	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>243,231</u>	<u>(13,336)</u>	<u>229,895</u>

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

DIVIDEND

The board does not recommend the payment of dividend for the year ended 31 December 2001 (2000: Nil).

CLOSURE OF H SHARE REGISTER

The H shares register of members of the Company will be closed from 9 April 2002 to 10 May 2002 (both days inclusive), during which no transfer of H shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue was approximately RMB150 million for the financial year ended 31 December 2001, representing a significant growth of 200% over the previous year. Such significant growth was attributable to both e-Government and e-Commerce technology services. Both of them increased by about two times when compared to those in 2000. And they were resulted from the major projects for the Beijing Municipal Government carried out and the broadening of our customer base in e-Commerce sector.

The Group recorded a relatively high gross profit margin of 29% in 2001 as against 24% in 2000. The Group's gross profit was approximately RMB43 million for the financial year ended 31 December 2001, representing a remarkable growth of 259% over the previous year. Such remarkable growth was mainly attributable to the recognition of gross profit arisen from design and implementation of the Beijing Social Security Information System - Medical Insurance Information Sub-system and implementation of the Beijing Municipal Community Services Information Network System.

Net loss for the financial year ended 31 December 2001 was approximately RMB9.9 million as against approximately loss of RMB6.2 million in the previous year, largely as a result of our increasing effort in research and development, 103 out of 421 staff at 31 December 2001 were professionals in research and development which increased by 78% as against 60 professionals in research and development employed at 31 December 2000. The salaries of our staff were determined in accordance with their performance and market situation and the Group provided them with other benefits including retirement benefits and share options.

The current ratio of the Group was increased to 2.1 as at the financial year end from 1.7 at the end of the last financial year. The gearing ratio, defined as the ratio of total borrowings to total assets, was decreased to 0.01 as at the financial year end from 0.03 at the end of the last financial year. Both current ratio and gearing ratio reflected the health financial position of the Group and which was strengthened with the net proceeds from the listing on GEM in December 2001. Worth noting was that cash balances amounted to RMB455 million while loan balance amounted to only RMB5.5 million as at 31 December 2001. The loan was secured by pledge of the PRC treasury bonds held and will be fully repaid in 2002.

Business Review

Capital Public Information Platform

Capital Public Information Platform (CPIP) is a basic information exchange platform for various major digitalization application projects in Beijing. As a Metropolitan Area Network (MAN) exchange platform using IP-VPN technology, this platform is constructed, owned and operated by Capinfo. In 2001, Capinfo implemented its expansion plan based on CPIP. As of the end of 2001, nearly 1,000 kilometres of optic-fibre cables were laid with access to 39 government units in Beijing. While connecting the optic-fibre cables, Capinfo also completed upgrading and debugging network environment of 18 district governments and 15 government authorities in Beijing. This expansion aimed at linking up almost a hundred Beijing's key government agencies via CPIP making the whole office workflow and document transmission of Beijing Government to rely solely on this information exchange platform within the coming two years.

As of the end of 2001, Capinfo built various infrastructure such as Beijing digital authorization centre, call centre, hundreds of connecting nodes at city, district and street levels. Thanks to these business resources, Capinfo can fully utilize its advantage in CPIP to provide a wide range of business for the users of e-Government and e-Commerce, such as digital certificate service, call centre service, online payment service and e-Community service.

e-Government technology service

Beijing Social Security Information System – Medical Insurance Information Sub-system

In 2001, Capinfo completed part of the Medical Insurance Information Sub-system including the setup of data control centre and disaster prevention centre; as well as the design, programming and testing of software modules for payment of medical insurance fund and scrutiny of expenses. As for hospital information system, Capinfo successfully developed the “software for examination of medical insurance expenses” which is the first such system in achieving the analysis and examination of medical insurance expenses at hospital-end in China. Capinfo installed this software and conduct relevant training in all social security designated hospitals in Beijing. In order to enhance the transmission efficiency, Capinfo improved network environment for more than 30 medical insurance agencies and more than 200 designated hospitals in the Level 2A category.

Beijing Medical Insurance Information Sub-system developed by Capinfo has basically reached its design requirements. This system efficiently supports a medical insurance business covering more than 2 million individual participants and almost 20,000 participating units. The target of 2 million participants set for 2001 has already been exceeded. To guarantee smooth operation of the whole system, Capinfo also set up a guarantee system for medical insurance information system technology service.

By providing a package of medical insurance information system solution for data processing, development of software module, network security transmission and hospital information system, Capinfo has created a favourable environment for centralized treatment of five kinds of insurance, i.e. retirement, injury at work, unemployment and birth. The safe operation of medical insurance information system is a reliable cornerstone for Capinfo to secure the five kinds of insurance within and outside Beijing.

Citizen Card Project

As the connecting project of the Beijing Medical Information System, the Citizen Card (a smart card) contains information such as the number of identity card and medical insurance indentivity. By the end of 2001, the Citizen cards issued by Capinfo accumulated to 20,000. During the trial period, Capinfo adjusted and improved the outpatient flow and streamline identification and trading process.

Beijing-China Project

“Beijing-China” (<http://www.beijing.gov.cn>), linking to more than a hundred websites of government departments, is an integral part of the Digital Beijing. By the end of 2001, the click rate of “Beijing-China” exceeded 67 million person/time and the number of homepage browsers reached 0.77 million person/time. Through “Beijing-China”, Capinfo set up more than 4,000 e-mail accounts for various government units as well as virtual hosting service for nearly one hundred units. The Capinfo also received orders for solution of e-Government System for Dongcheng district government of Beijing through “Beijing-China”.

Beijing Municipal Community Services Information Network System

The Beijing Municipal Community Services Information Network System is another major information application project of Beijing built, owned and operated by Capinfo. The network system is attached to the platform of CPIP servicing residents of the Beijing communities. The system fulfils not only management of service resources of communities in Beijing but also aggregate different business enterprises to provide financial, educational, security, leisure, medical, household and delivery services to the community residents.

In 2001, Capinfo carried out the second phase construction work under the contract entered with the government. That is expanding the geographical areas from eight districts in urban Beijing to ten more district/counties and 41 street offices affiliated to them in the remote countryside. Capinfo laid out a number of cables for the network and completed construction work of 51 community site stations and 41 street hotline call centres.

Capinfo substantially improved the operating data structure, website pages, searching engines and statistic tools of the “ Community Service Information Website” (www.bjcs.gov.cn). Based on the urban street social service centres, Capinfo, using the system network, provides supporting service for security, medical emergency, education, stock trading, household and real estate brokerage. By the end of December, negotiations were underway with several servicing companies.

e-Commerce technology service

Online payment platform

In order to serve the customers of Beijing e-Commerce City (www.beijing.com.cn) better, Capinfo continued to develop types of credit cards and geographical areas for the use of payment. By the end of 2001, there were more than 60 kinds of credit cards and 16 domestic commercial banks supported by Beijing e-Commerce City.

To enhance the efficiency of operation, Capinfo restructured the online payment business of Beijing e-Commerce City. Version upgrade for the website of Beijing e-Commerce City to meet the needs of business was also completed alongside with expansion of B2B business. At the end of December, Beijing e-Commerce City provided service to almost 150 internet service providers.

Logistic Delivery

Capinfo considered logistic delivery as an important part of the e-business service. Working with the Beijing Shuangchen Express Company, Capinfo developed courier logistic delivery management system which supports online order placing, member management and price management. In 2001, Capinfo added three major functions to the system, namely online payment, security identification and orders channel in and channel out. Promotional activities were conducted three times in Beijing, Shanghai and Guangzhou respectively.

Digital Certificate

In March, Capinfo established BJCA. Major business of the company is to build, operate and maintain software and hardware systems used for digital certification as well as developing application software, promoting digital certificate service and to provide security solutions. Capinfo completed the second stage construction work of BJCA in June. In July 2001, BJCA became the first digital certification centre in China with acquiring the ISO9001 certification.

Actively promoting wider use of digital certificate, BJCA had developed many security solutions based on digital certificate. By the end of 2001, security solutions based on digital certificate constructed by BJCA included e-government security solution, enterprise security solution, online share trading security solution and designated certificate service. Applications of digital certificate were effectively promoted by BJCA to many industries.

BJCA embroidered the digital certificate of a company in the soft copy of the company's code certificate. In corporation with the government, BJCA launched this application in "Haidian online office system" and confirmed the safeness of transmitting declared information online by the enterprises. By the end of 2001, BJCA had issued digital certificates to more than 2,000 enterprises that used the system. In addition, BJCA set up digital certificate reception points at 15 district/county tax bureaus, together with digital certificate service to over 1,000 online tax reporting enterprises.

In regard to e-Commerce application, BJCA launched services focusing on online stock trading, online payment, and B2B e-Commerce. Currently, the company provides digital certificate security service to a number of online trading systems.

Research and Development

Positioning itself as a top IT research and development entity in the country, the R&D centre of Capinfo had forged alliance with reputable R&D institutes and universities in China and overseas to ensure it will enjoy competitive edges of R&D over the long term.

Research and development projects of Capinfo in 2001 included: Broadband and multimedia access technology based on HFC structure, Key technology of e-Commerce platform of Beijing Municipality-intelligent search engine, Computer supported and cooperative work. The R&D centre launched "Product

for XML e-information exchange platform” to meet the needs of government for digital Olympic action plans and promoting e-government in Beijing. The product has been used for the online government procurement system; where as “online office software system based on browser service model” has been used for e-government project for Dongcheng district government in Beijing.

1. Broadband and multimedia access technology based on HFC structure

The research and development centre completed the design model formation for PCI Cable Modem, which it owns the proprietary intellectual rights. The modem passed the environmental test and electric magnetic compatibility test fulfilling the industry standard set by Ministry of Information Industry for built-in modem. The Cable Modem has been applied to the broadband access project of Yuxin Garden.

The Broadband access Network Management software is built upon CORBA technology, it incorporates equipment management, user management and application management framework and consists of Network Tube Function Area defined by international standard organizations: Placing management, function management, safety management, charging management and malfunction management. Development of the first version of Broadband access Network software was completed in 2001 and was used the actual operation of the HFC access network in Yuxin Garden.

2. Research on Intelligent search engine

The research and development centre developed a trainable Chinese word segmentation algorithm, a full-text retrieval software CapIndex for both Chinese and English and an open domain Chinese summarization system based on the VSM theory with success. The intelligent search engine is now in use on websites like www.beijing.gov.cn etc.

3. CSCW Studies

With efforts made by the R&D Centre, the project has led to the development of a series of systems that meet the WFMC standard. These include the workflow system which consists of a workflow server, graphics process defining tool and user-task management tool and other auxiliary tools; multicast-based multimedia conference system which consists of a Conference management server, streaming-media interactive service, Instant message service, and SmartBoard Sharing system and a CSCW prototype system, which integrates perfectly the workflow system and conference system, while simultaneously provides support for dispatch of other external applications.

In 2001, the R&D Centre cooperated with Digital Media Research Centre of Graduate School, Chinese Academy of Science to jointly establish a laboratory to cater for their research needs. At the same time, according to the Group’s strategic development goals, the R&D Centre has also strengthened its internal management, accelerated its pace in product development and strengthened its connections with its peers at home and abroad through exchange programs.

Future Prospects

In 2002, the Group will strive for business growth and develop a national digital-city market in an orderly manner. The Group will increase its investment in research and development, introduce to the market new software and hardware products under its own brand names, and to further improve its research and

development capability. In conjunction with the projects associated with Digital-Olympic Games and aiming at consolidating its existing market position, the Group will also explore new markets such as the wireless, multi-linguistic service and credit rating businesses.

The Group's development highly relies on a team of sophisticated talents. Capinfo is striving for the building up of a pragmatic, yet innovative and dynamic culture. Capinfo's employees recognize and abide by the following principles. They are – market-oriented, self-motivation, enthusiasm, goal-focusing, solid technologies, stringent processes, in-depth understanding of the situation on site, and unite together with mutual support. We will dedicate ourselves in building up a public image: "Capinfo" is a brand name which represents high quality service in informatization of cities, high quality working team and a leading enterprise with high returns.

After China's accession to the WTO and successful application for hosting the Olympic Games, the proposed initiatives for a Green, Scientific and Humanitarian Olympic Games have brought in tremendous development opportunities for Capinfo. The Group will further enhance its competitive market position in Beijing by capturing the business opportunities arising from the Digital-Olympic Games, and to strengthen its core competitive edge as a digital city based application service provider. Meanwhile, the Group will gear up its efforts in expanding its market across the country, and by taking advantage of its extensive digital-city construction and operation experiences, enter into the national digital-city market with its strengths in solutions design, project implementation and consulting services.

USE OF PROCEEDS

None of the net proceeds from issue of new H shares had been applied as at 31 December 2001.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, according to the register maintained under Section 16(1) of the SDI Ordinance, Beijing State-owned Assets Management Corporation Limited ("BSAM") owned 1,786,414,174 domestic shares in the Company which represents 62% of the issued share capital of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st December, 2001.

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

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

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.

SPONSOR'S INTERESTS

None of the Company's sponsor, its directors, employees or associates (as referred to in Note 3 to the Rule 6.35 of the GEM Listing Rules) had any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31st December, 2001.

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.

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 from its listing date to 31st December, 2001.

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 first audit committee meeting was held on 14th March, 2002. 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
Chen Xinxiang
Chairman

The People's Republic of China, 15th March, 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*