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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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” in order to obtain up-to-date information on GEM-listed issuers.

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This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

CHAIRMAN'S STATEMENT

On behalf of Capinfo Company Limited (“Capinfo” or the “Company”) and its subsidiaries (collectively the “Group”), I would like to present the annual report for the year ended 31st December, 2003 to our shareholders.

2003 was a year of challenges and opportunities to the Group. The Group obtained the order of technical development and platform support for the website (www.beijing-olympic.org.cn) of the Beijing Organizing Committee for the Games of the XXIX Olympic, after its successful bid of Beijing emergency response system due to its good reputation and quality service. In the face of a sudden outbreak of Severe Acute Respiratory Syndrome (“SARS”), the Group was commissioned by the Beijing Municipal Government to actively develop the SARS information reporting system and Beijing suburb and rural area epidemic prevention and control information system which firmly ensured prompt delivery of relevant information to the Municipal Government for scientific decision-making and struggle against the disease. Meanwhile, the Group survived the unfavorable influences of SARS and took an active role in the informatization of Beijing and expanded aggressively into markets outside Beijing, and achieved results with great effort.

The Group saw steady development in its traditional core businesses. Construction of the e-Government private network which relied on the Capital Public Information Platform was being progressed smoothly and applications based on this private network were also developed gradually. The ability to process mass data and the stability of the Beijing Medical Insurance System had been steadily improved. The various subsystems developed solely by the Group were put into operation one by one. The projects of research and development of the Beijing Community Services Information System and the Beijing e-Commerce Platform had successfully passed the testing and acceptance procedures.

Leveraging on its extensive experience in digital cities construction, the Group actively expanded into the Northeastern, Central and Southern China markets through provision of comprehensive city informatization services, including consultation, management and software development, to certain departments of the local governments. The relevant projects had already passed the test and acceptance procedures.

During the year, the Group continued to devote resources and put much effort on research and development in the areas of software development, Information Kiosk and wireless technology applications which would enhance our competitive edge in the industry and region. The Group was devoted to general research of the Multilingual Intelligent Information Service Network System for the Beijing 2008 Olympic Games, a key item of the State's “863 Project”, and at the same time, worked closely with the Committee of the Beijing Olympic Games. As a result, the Group actively worked on the intermediate website for the 29th Olympic Games, paving the way for further participation in the informatization of 2008 Beijing Olympic Games.

Accompanied with the recovery of information technology market, more opportunities are found in the e-Government and e-Commerce markets of China. The Group will continue to enhance its internal management and operation system, strengthen its ability in software development and competitiveness, and provide better service to customers for more satisfactory returns to our investors.

On behalf of the Board, I would like to extend my sincere gratitude and appreciation to our shareholders and parties for their care and support, and our hardworking staff for this fiscal year.

Dr. Chen Xinxiang
Chairman

Beijing, PRC
19th March, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the “Board”) of Capinfo Company Limited (the “Company”) announces that, for the year ended 31st December, 2003, the Company and its subsidiaries (collectively the “Group”) recorded an audited turnover of approximately RMB280 million, representing an increase of approximately 18% as compared with that of last year, and a gross profit margin of 25%, as compared with 27% for last year. The Group has accomplished an audited net profit of approximately RMB5.9 million for the year under review, representing a decrease of approximately 41% as compared with that of last year.

During the year under review, the Group devoted much resources to marketing which resulted in not only increase in revenue but also increase in marketing and promotional expenses.

The businesses including credit rating, information kiosk and emergency aid system carried out by the Group’s associates and jointly controlled entity which were newly incorporated in recent years were still at the early development stage. Losses sustained by such associates and jointly controlled entity in addition to the increase in marketing and promotional expenses mentioned above were attributable to the decrease in net profit for the year under review.

Gross profit margin for the year under review decreased slightly is resulted from normal variations in gross profit of different projects. Other operating income mainly included interest income and government grants.

The Group’s current ratio, defined as total current assets over total current liabilities, increased from 2.9 to 3.7 while the gearing ratio, defined as total borrowing over net assets, stayed at a relatively low level of less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

As at 31st December, 2003, the Group had unsecured borrowings of RMB10 million at an annual interest rate of 2.55%, out of which, RMB2 million will become mature within 1 year and RMB8 million will mature within 2 - 5 years from 31st December, 2003. Cash and bank deposits of the Group were RMB260 million as at 31st December, 2003 which mainly came from shareholders’ contribution and working capital generated from operations.

As at 31st December, 2003, the Group had no assets pledged and had capital commitment of approximately RMB57 million.

As at 31st December, 2003, the Group had no significant contingent liabilities and, during the period under review, the Group’s financial position was not exposed to significant fluctuations in exchange rates and any related hedges.

Business Review

Our businesses saw stable development during the year under review. The Group continued to provide quality products and services in sectors of e-Government and e-Commerce, and further devoted resources and increased effort on research and development in software development and application of information kiosk and wireless technology, enhancing the satisfaction of clients of the Group.

Capital Public Information Platform

During the year under review, the Group made smooth progress in the business of e-Government private network based on Capital Public Information Platform. As at the end of 2003, more than 300 government departments made access to e-Government private network through optical cable and the application based on this e-Government private network also developed gradually. Over 20 government departments, such as the General Office of the Communist Party Commission of Beijing Municipality, the General Office of People's Government of Beijing Municipality, the Industrial and Commercial Administration Bureau of Beijing Municipality, the Beijing Finance Bureau, developed their e-Government business systems on the base of this e-Government private network. Such systems included Beijing Investment Project Approval Platform, Beijing Enterprise Credit Information System, Beijing Non-paper Official Document Transmission System, etc. The Group also provided the Road Administration Bureau of Beijing Municipality with the service of video conference based on the e-Government private network, and the Group recently signed a contract with the Beijing Municipal Commission of Urban Planning to set up a video conference system for it.

Medical Insurance System and Citizen Card Business

During the year under review, the Beijing Medical Insurance Information System proved smooth and its sub-systems, such as the cadre coordination system for retiree, social insurance collection system and, for Chaoyang District of Beijing City, the rural new cooperative medical insurance information system, succeeded in launching online operation. The Group has already acquired the core technologies, including four sub-systems of medical insurance payment, social insurance collection and collection, social insurance finance and hospital termination, and steadily improved mass data treatment capacity and system stability. The Group is engaged in the development of the medical insurance statistical inquiry and decision-making support system of Beijing Municipality, which will serve high-level users as an independent system.

The Group also made progress in the business of Citizen Card by completing the development of "Beijing Citizen Card Project Photo Digital Collection and Integration System". When this system operates, 70-80 thousand photos can be collected daily. As at December of 2003, the work of photo collection and integration for approximately 3.5 million people was completed. The main work of "Prototype Data Switching System for Multiple Applications of Beijing Citizen Card" was completed, basically realizing the workflow of various business of citizen card data exchange. The testing platform of user card and PSAM card were designed and established for the development of multi-application citizen card testing platform, and the Group is involved in the design of equipment testing platform and the establishment of application analogue environment.

e-Community Business

During the year under review, the Group's business of e-Community developed smoothly. After the launch of "PC version of the Community Management Information System", the office of information of Beijing Municipality arranged for a group of test and acceptance experts to conduct a strict examination on "Beijing community services Information Network System" in December of 2003. The experts held the view that this system had a reasonable technological framework and completed functions, integrating access channel, platform data standard, operation management and service standard in compliance with the design. Now this system has passed the acceptance procedures successfully.

This system includes a group of web sites covering 175 community service websites citywide, “96156 hotline” and the community management software for comprehensive resident information in a community that is able to provide over 200 types of community services to residents through various ways of information access. The establishment of this system altered the existing manual work such as registration reporting, investigation and statistical work of community resident commission. It has also provided a reliable base for community management and scientific decision-making of government bodies at various levels through complete, accurate and detailed record of community management information.

Digital Certificate Business

During the year under review, the Group achieved growth in the area of digital certificates by strengthening its support in sales channel, and laid a sound foundation for the future development. The digital certificate has been widely applied in all branches of Beijing Commercial Bank (北京市商業銀行), and over 100 offices where digital certificate business were founded.

During the year under review, the Group undertook the establishment of the municipal level platform security assurance system under the second phase of Beijing e-Government online approval project and part of security system for municipal government departments. In addition, the Group became qualified to undertake the development of security projects of district level governments in the districts like Dongcheng district and Mentougou district.

The Group is in the research for the application of PKI to Linux platform in order to make our solution applicable to various platforms.

Electronic Payment Business

During the year under review, the Group made every effort to support the development of online payment business. Recently, the Group made service agreements with universities such as Peking University and Tsinghua University to provide services of security cryptography, identity authentication, online secure payment and online inquiry for the online enrolment system for them. The total number of users was increased by almost 70 percent compared with that of the previous year, while the transaction volume and amount of transactions on www.beijing.com.cn had increased by almost three times compared with that of the previous year.

Beijing Emergency Response System

In March 2003, the Group won the tender offered by the Beijing Government Office for the Beijing Emergency Response System. As the system’s developer and service provider, the Group will provide various services including plan design and software development. Upon completion, the system will enhance Beijing’s ability to handle the outbreaks of large-scale emergency events, and help Beijing to host successfully the 2008 Olympic Games.

Corporate Credit Business

During the year under review, Beijing Credit Bureau Co., Ltd (“Beijing Credit”), which was an associate of the Group, actively developed the credit rating business. The company has begun to provide corporate credit rating service in the projects of “Small and Medium-Sized Enterprises Financial Support Project” and “Zhongguanchun Credit System Establishment,” making a significant breakthrough in the credit rating business in the market.

Beijing Credit has made major progress in data collection as it has obtained the data covering 700 thousand enterprises and 2.1 million individuals. Meanwhile, Beijing Credit actively cooperated with partners in the credit industry and delivered a variety of products and services. As an important partner in “Beijing futures credit system construction project”, Beijing Credit signed a cooperative agreement with the Chamber of Futures Commerce of Beijing to further improve the credibility of Beijing securities and futures market.

Beijing Credit recently launched the project of credit data exchange centre in Beijing. In November, 2003, the Development Planning Committee of the People's Government of Beijing Municipality (北京市發展和改革委員會) reviewed and approved the feasibility research report of Beijing credit data exchange centre project submitted by Beijing Credit. This project was part of "the demonstration project of joint establishment of social credit service system" administered by the National Development and Reform Commission (國家發展和改革委員會).

Entry into the Market Outside Beijing

During the year under review, the Group, armed with its rich experience in urban information construction, made special efforts to enter the market of northeastern, central and southern China. In northeastern China, the Group made an agreement with the government of Panjin city to undertake the planning, design, construction and operation of e-Government project in this city after the Group's cooperation with Yingkou city. In central China, capitalizing on its rich experience in e-Government, the Group successfully cooperated with the government of Wuhan city by undertaking the tasks of the planning, design and construction of local community management information system. In southern China, the first phase of digital community project of Shilong township of Dongguan city undertaken by the Group has passed testing and acceptance procedures, and the Group recently also won the bid in the tender of Golden Shield Project of Zhongshan city. The Group rapidly expanded its business and laid a foundation for the establishment of a business network across the country.

Investment and Business Development

To better develop Beijing Emergency Response System, the Group invested RMB4 million in July of 2003 to jointly set up China BPS Information Technology Co., Ltd (北京中佳訊信息技術有限公司) with other partners. The Group holds 40% interests in this company. This Company will be responsible for the construction and design of the "Beijing Emergence Response System". Now this company has already completed the research and development of wireless mobile video conferencing system, wireless mobile video monitoring system, and is in the process of active research and development of the wireless mobile IP products for the emergency aid system.

The Group co-founded Chongqing Hongxin Company Limited with the Business Incubator of Chongqing Hi-tech Industrial Development Zone in July of 2003. The Group invested RMB18 million in this company and holds 90% interests in it. The business of this company made progress smoothly. Recently it has completed the research and development of part of key technologies of business intelligence software and education software and has cooperated widely with local government bodies, scientific institutions and well-known enterprises in the sector.

In September of 2003, the Group and Beijing Municipality State-owned Assets Management Corporation Limited ("Beijing State-owned Assets Corporation") further invested RMB12 million and RMB18 million respectively in Touch Beijing IT Development Co., Ltd (北京首通萬維信息技術發展有限公司) ("Touch Beijing"), leading to an increase in the registered capital of Touch Beijing to RMB40 million and making the Group and Beijing State-owned Assets Corporation hold 40% and 60% interests in it respectively. Touch Beijing made smooth progress in its core business, namely "Digital Beijing Information Kiosk." Recently, Touch Beijing has established over 300 multimedia information kiosks in important areas and along the two sides of busy streets, providing citizens with information service, such as ticket purchase, e-map, public transportation inquiry, government information and mayor's letter box. Touch Beijing is actively cooperating with other service providers in the hope of providing Beijing's citizens with richer and more reliable services.

In November of 2003, the Group made a transfer agreement with part of shareholders of Beijing Co-Create Open Source Software Co., Ltd (北京市共創開源軟件有限公司) (“Beijing Co-Create”) to acquire 30.8% stake held by them at the price of RMB3.77 million and became the largest shareholder. Beijing Co-Create is especially involved in the research and development, sales and technology and management consultation of Linux operation system and other software. Beijing Co-Create will adopt its technological advantage and management experience to continue the development of desk Linux system and the application system based on the desk Linux system.

During the year, the Group acquired 10% equity interests of Beijing Clone Century Information Engineering Technology Co., Ltd. (北京科龍新銳信息工程技術有限公司) in order to develop informatization application business in medical and healthcare sectors. After the acquisition, such company changed its name to Health Information Technology Beijing Co., Ltd. (北京首信新銳科技發展有限公司).

Research and Development

During the year under review, the Group completed the research on “urban informatization overall framework, key technology and engineering application,” the state’s “863 Project”. This task includes proposing “urban public information platform construction plan” for further improvement of the capital public information platform and forming “urban informatization overall solution” based on the capital city informatization.

The Group completed the copyright registration of Workflow Engine V2.0. The research and development and the function expansion of Workflow Engine V2.1 are underway, including integration of data exchange, information service and event information arrangement, forming the basic framework of “general platform of electronic public service.”

The Group completed “the research and development of Chinese standard cable modem security mechanism”, including the development of three modules, namely the identity authentication of EuroDOCSIS standard Cable Modem, key management protocol and data package encryption and decryption. Currently, the Group is engaged in the system testing of large volume of flow and the revision of the report of “the construction and operation of identity authentication system of Chinese standard cable modem”.

The “Multi-lingual Intelligent Information Service Network System for Olympic Games,” a major project of the Beijing’s technological plan and State’s “836 Project”, entered the stage of system integration. The Group further improved service demand analysis and system overall framework design, and performed the relevant interface technology research. The Group completed the construction of this system resources bank and created the prototype system of multi-lingual search engine and multi-lingual information processing platform, a project that has now passed the interim testing smoothly. The Group is actively promoting the establishment of multi-lingual processing international standard.

Employees

As at 31st December, 2003, the Group had a total of 547 employees, (2002: a total of 515 employees). During the year under review, the Group set up remuneration and examination board and issued “position establishment and remuneration framework management regulation” in order to make more accurate determination on the remuneration according to the comprehensive performance, qualifications and experience of employees and to enhance the efficiency of the overall operation of the Group. Discretionary bonus and additional retirement

pension schemes based on individual performance will be provided to individual employees as recognition of and reward for their contribution. Other benefits available to employees include retirement benefits and share options. Total staff costs paid during the year were approximately RMB48 million (2002: RMB29 million).

Prospect

As the Chinese Government inputs more resources in urban information, the business of the Group with a focus on e-Government will continue to keep a fast pace of growth. The Group will further increase its input in the research and development of software in respect of e-Government technology, multi-lingual intelligent information service system, urban informatization research and the key technology such as Linux in order to maintain the technological advantage of the Group. The Group will also improve its organization framework and strengthen internal management to raise the Group's operation efficiency and core competitiveness for consolidating its leading position in the industry.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

From 1st January, 2003 to 31st December, 2003

Business Objectives

Products and services launching

To launch a one-stop Internet office suite which will serve as an integral part of the e-Government solutions offered by the Group, it will establish an online service platform for the PRC Government with the adoption of Web technology, Web services technology and XML technologies for the provision of public services that are geared to the needs of enterprises (G2B), individuals (G2P) and other government departments (G2G), and such public services may include enterprise registration examinations and approval, online tax declaration, online custom declaration, immigration, examination and approval and inter-departmental cooperation of judicial systems, social security systems and cross-community services

To launch credit rating service

Actual Progress

A new version of workflow engine technology was under research and development, and more functions were being designed, including the integration of data exchange, information services and event information arrangement, which would form the basic framework of the Public Service Electronic Common Platform.

Beijing Credit started to provide corporate credit rating services in the Projects of "Small and Medium-Sized Enterprises Financial Support Project" and "Zhongguancun Credit System Establishment" (中關村信用體系建設項目). It also achieved substantial progress in data collection covering 700 thousand companies and 2.1 million individuals.

Business Objectives

To launch CRM module based on the operating environment of i-Service

To launch the i-Service 3.0 version which can be operated on the multimedia platform, and provide more security functions and personalized services

To launch a platform to perform cross sections workflow tasks

Continue to launch security systems on wireless appliances

To launch wireless CA services

To incorporate call centre functions with the integrated community systems

Sales and Marketing

To cooperate with other intermediaries such as banks and third party guarantee service institutions for the promotion and joint advertising campaign of credit rating services in the PRC

Actual Progress

The CRM module had been applied in the call centre services of the Beijing Heat Supply Hotline as provided by the Group recently. The core components of the module were the Knowledge Tree and the Customer Response Processing System. Its application had simplified the operational process and enabled analysis of customers' needs as well.

Three core modules i.e. Unified Authorized Visits Control Module, Information Exchange Platform and Workflow Engine based on the i-Service 3.0 platform were launched. These three core modules facilitated the application and marketing of the i-Service 3.0 platform.

Related research has been proceeded accordingly. The Capinfo Workflow Engine V2.0 edition has been launched and implemented in the "Beijing labour and social security bureau office automation system" and "Foshan Tax Bureau Office Platform."

Development of wireless mobile video conferencing and wireless mobile monitoring systems was completed. Certain wireless mobile IP products were launched while research and development of this kind of products was in progress.

Due to the limited calculating function of wireless portable appliances, the specific launching plan of the wireless CA services was not yet designed. With the extensive usage of 3G phones, launching plan would be designed in accordance with the prevailing market conditions.

Beijing Community Services Information Network System, which has integrated the call centre functions, was completed and accepted as scheduled.

Beijing Credit is building the "Beijing Social Credit Union" (北京社會信用聯盟) with major communications and financial institutions in Beijing. Beijing Credit completed construction of the Credit Information Platform and would launch the information inquiry service soon to realize information sharing for the Union.

Business Objectives

Continue to promote e-Commerce solutions and services to other cities in the PRC through the development of additional sales channel comprising sales agents

Continue to cooperate with major commercial corporations in Beijing for the commercialisation of the information stored in the database of CPIP

Continue to introduce the existing e-Commerce platform to other cities in the PRC through the ASP modules and sales channel comprising sales agents across the country

Continue to seek strategic partnerships with major foreign IT companies and major system integrators and traditional enterprises in the PRC

Research and Development

To research and develop wireless certificate applications

Actual Progress

Proceeded with the optimization of the entire solution and penetration of potential markets. More efforts have been made to increase sales outside Beijing through sales agents (Zhongguancun Technology Software was authorized to act as an agent for Capinfo products and participate in tendering of the project of “Construction of sales and marketing information system for Yuxi Hongta Tobacco (Group) Co. Ltd”).

Had already actively discussed with clients about digital value-added services, but due to the limited availability of information, specific commercialization plan of information was not yet designed. With the sophistication of the legal environment regulating the usage of information resources, commercialization plan would be designed in time in accordance with the changing conditions of information resources.

The Group recently launched products of Integrated e-Commercial Application Module U in various markets through sales agents. The products help in the promotion of our e-Commerce business.

The Group continued close cooperation with major foreign IT companies, major system integrators and Chinese traditional enterprises (the Group, China National Computer Software and Technology Service Corporation and other prestigious enterprises in the industry became the first batch of companies to officially enter into partnership with China-IBM Linux Solution Cooperation Centre).

Due to the limited calculating function of wireless portable appliances, the specific launching plan of the wireless CA services was not yet designed. With the extensive usage of 3G phones, launching plan would be designed in accordance with the prevailing market conditions.

Business Objectives

Actual Progress

To research and develop online legal environment and related supporting technology

The U products recently launched by the Group can link securely with the Capinfo Payment Platform and improve storage of the U machine solving the bottleneck problem of secure payment. The products were being promoted across the country.

Continue to research workflow technology application on wireless appliances

Certain wireless mobile IP products were launched to be applied in Beijing Emergencies Aid Services System.

Continue to research intelligent appliances that is based on HFC network structure

Copyright registration of the CAPINFO BroadCenter V1.0 Broadband Access Network Management System launched by the Group was completed.

USE OF PROCEEDS

	Approximate amount for intended use <i>RMB '000</i>	Approximate amount actually used up to 31st December, 2003 <i>RMB '000</i>
The expansion and maintenance of the CPIP e-Government Technology Services	31,000	31,000
– research and implementation of platform	63,000	50,854
– research on GPS integrated application service system	37,000	7,806
– research on workflow system technology	16,000	3,756
– research on one stop office core technology and solutions	21,000	6,373
e-Commerce Technology Services		
– research and implementation of platform	31,000	31,000
– development of e-commerce security application system software	19,000	5,042
– research on CSCW system	16,000	8,542
Internet Technology Services		
– research on broadband multimedia access total solutions based on HFC technology	21,000	4,793
Marketing and brand building	27,000	20,075
Settle payment to supplier	5,000	5,000

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

ANNUAL RESULTS

The Board of Directors (the “Board”) of the Company are pleased to announce that the audited consolidated results of the Group for the year ended 31st December 2003, together with the comparative figures for the corresponding period of 2002, as follows:

Consolidated Income Statement

For the year ended 31st December, 2003

	NOTES	2003 RMB'000	2002 RMB'000
Turnover	3	279,565	237,474
Cost of sales		(209,964)	(174,470)
Gross profit		69,601	63,004
Other operating income		12,348	16,135
Research and development costs		(17,015)	(19,408)
Marketing and promotional expenses		(15,481)	(9,141)
Administrative expenses		(37,606)	(36,626)
Profit from operations	4	11,847	13,964
Interest on bank borrowings wholly repayable within five years		(254)	(445)
Share of losses of associates		(2,992)	(607)
Share of loss of a jointly controlled entity		(552)	–
Profit before tax		8,049	12,912
Income tax expense	7	(2,048)	(2,410)
Profit before minority interests		6,001	10,502
Minority interests		(52)	(483)
Net profit for the year		5,949	10,019
Earnings per share – Basic	8	0.2 cents	0.3 cents

Notes:

1. General

The Company is a listed public limited company established in Beijing, the People's Republic of China (the "PRC"). Its ultimate holding company is Beijing State-owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC.

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

2. Changes in accounting policies

In the current year, the Group has adopted the following Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (SSAPs) and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income Taxes
SSAP 35	Government Grant

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) *Income Taxes*. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current and prior accounting years.

Government grants

In the current year, the Group has adopted SSAP 35 *Government Grants*. In accordance with SSAP 35, government grants are recognised as income over the periods necessary to match them with the related costs. The Group has elected to apply the requirements of SSAP 35 retrospectively, but the adoption has not had any material effect on the results for the current or prior accounting years since government grants towards costs received in prior years in respect of developing network systems have already been recognised as income.

3. Business and geographical segments

Business segments

For management purposes, the Group's operations are organised into two operating divisions namely e-Government technology services and e-Commerce technology services. These divisions are the basis on which the Group reports its primary segment information.

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

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

Business segments for the year are as follows:

	2003		2002	
	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>
e-Government technology services	212,540	44,689	159,860	43,033
e-Commerce technology services	67,025	(8,640)	77,614	(8,694)
	<u>279,565</u>	<u>36,049</u>	<u>237,474</u>	<u>34,339</u>
Other operating income		12,348		16,135
Central administrative expenses		(36,550)		(36,510)
Profit from operations		11,847		13,964
Interest on bank borrowings wholly repayable within five years		(254)		(445)
Loss from interests in associates engaged in other businesses		(2,992)		(607)
Loss from interest in a jointly controlled entity engaged in other business		(552)		–
Profit before tax		8,049		12,912
Taxation		(2,048)		(2,410)
Profit before minority interests		6,001		10,502
Minority interests		(52)		(483)
Net profit for the year		<u>5,949</u>		<u>10,019</u>

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

Geographical segments

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

4. Profit from operations

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Profit from operations has been arrived at after charging:		
Directors' and supervisors' remuneration (note 5)	1,265	1,150
Other staff costs	41,782	24,056
Other staff's retirement benefits scheme contributions	5,332	3,793
	48,379	28,999
Less: Staff costs included in research and development costs	(6,585)	(6,305)
Staff costs capitalised in contract work	(10,044)	(9,559)
	31,750	13,135
Depreciation	83,990	63,301
Less: Depreciation included in research and development costs	(2,263)	(4,953)
Depreciation capitalised in contract work	(28,385)	(27,744)
	53,342	30,604
Operating lease rentals in respect of		
– cable network	16,328	13,475
– land and buildings	10,855	12,067
	27,183	25,542
Less: Operating lease rentals included in research and development costs	(2,220)	(3,939)
Operating lease rentals capitalised in contract work	(10,355)	(1,753)
	14,608	19,850
Auditors' remuneration	711	658
Cost of goods sold	68,547	76,649
Loss on disposal of property, plant and equipment	82	302
and after crediting:		
Government grants	7,616	7,950
Interest income from		
– bank	4,791	2,887
– investment in held-to-maturity debt securities	–	4,796

5. Directors' and supervisors' emoluments

	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>
Fees for		
– independent non-executive directors	213	212
– executive directors, other non-executive directors and supervisors	–	–
Other emoluments for non-executive directors	–	–
	<u>213</u>	<u>212</u>
Other emoluments for executive directors		
– basic salaries and allowances	870	733
– bonus	–	–
– retirement benefits scheme contributions	50	49
	<u>920</u>	<u>782</u>
Other emoluments for supervisors		
– basic salaries and allowances	120	144
– bonus	–	–
– retirement benefits scheme contributions	12	12
	<u>132</u>	<u>156</u>
	<u>1,265</u>	<u>1,150</u>

For the year ended 31st December, 2003, basic salaries and allowances paid to the four executive directors were RMB251,000, RMB198,000, RMB218,000 and RMB203,000 respectively; while retirement benefits scheme contributions in respect of the four executive directors were RMB12,000, RMB12,000, RMB13,000 and RMB13,000 respectively. In addition, directors' fees paid to each of the two independent non-executive directors were RMB106,570.

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

During the year, four executive directors have waived emoluments of RMB237,000, RMB270,000, RMB218,000 and RMB235,000 respectively and a supervisor has waived emoluments of RMB68,000.

During the year ended 31st December, 2002, four executive directors have waived emoluments of RMB298,000, RMB289,000, RMB248,000 and RMB263,000 respectively and a supervisor has waived emoluments of RMB44,000.

6. Employees' emoluments

The aggregate emoluments of the five highest paid individuals included three (2002: two) executive directors of the Company, whose emoluments are included in note 5 above. The aggregate emoluments of the remaining two (2002: three) highest paid individuals are as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	631	952
Retirement benefits scheme contributions	12	12
	<u>643</u>	<u>964</u>

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

7. Income tax expense

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	2,048	2,410

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 following three years commencing 2001. The charge for the year represents PRC income tax calculated at the rate of 7.5% (2002: 7.5%) pursuant to the relevant rules and regulations in the PRC.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2003		2002	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>8,049</u>		<u>12,912</u>	
Tax at domestic income tax rate of 15% (2002: 15%)	1,208	15.0	1,936	15.0
Income tax on concessionary rate	(604)	(7.5)	(968)	(7.5)
Tax effect of net expenses that are not deductible in determining taxable profit	1,178	14.6	1,397	10.8
Tax effect of tax losses of associates and a jointly controlled entity not recognised	<u>266</u>	<u>3.3</u>	<u>45</u>	<u>0.4</u>
Tax expense and effective tax rate for the year	<u>2,048</u>	<u>25.4</u>	<u>2,410</u>	<u>18.7</u>

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

8. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year of RMB5,949,000 (2002: RMB10,019,000) and 2,898,086,091 (2002: weighted average number of 2,896,970,275) shares in issue during the year.

No diluted earnings per share has been presented in 2003 and 2002 because the exercise price of the Company's options was higher than the average market price of the Company's shares for both years.

9. Changes in equity of the Group

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory welfare fund <i>RMB'000</i>	Accumulated (losses) profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2002	286,900	243,231	–	–	(14,301)	515,830
Exercise of over-allocation options	2,909	11,902	–	–	–	14,811
Expenses incurred in connection with the issue of shares	–	(1,054)	–	–	–	(1,054)
Net profit for the year	–	–	–	–	10,019	10,019
At 31st December, 2002	289,809	254,079	–	–	(4,282)	539,606
Transfer	–	–	550	275	(825)	–
Net profit for the year	–	–	–	–	5,949	5,949
At 31st December, 2003	<u>289,809</u>	<u>254,079</u>	<u>550</u>	<u>275</u>	<u>842</u>	<u>545,555</u>

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31st December 2003 (2002: Nil).

CLOSURE OF H SHARE REGISTER

The H share register of members of the Company will be closed from 11th April, 2004 to 11th May, 2004 (both days inclusive), during which no transfer of H shares will be effected.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Beijing State-owned Assets Management Corporation Limited	Beneficial owner	1,783,631,919	61.55%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st December, 2003.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

The audit committee comprises two independent non-executive directors, Messrs. Wong Ying Ho, Kennedy and Ng Kin Fai, Francis. Mr. Wong Ying Ho, Kennedy acts as the Chairman of the audit committee. During the year, four audit committee meetings were held. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group.

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

Pursuant to the agreement dated 17th December, 2001, Core Pacific-Yamaichi Capital Limited had been retained to act as the Company’s sponsor, in return for a fee, for the period up to 31st December, 2003 and the agreement was expired on 31st December, 2003 without any renewal. 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 interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31st December, 2003.

By Order of the Board
CAPINFO COMPANY LIMITED*
Dr. CHEN Xinxiang
Chairman

Beijing, The People’s Republic of China, 19th March, 2004

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

** For identification purposes only*