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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)
(Stock Code: 8157)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2005**

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.

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.

HIGHLIGHTS

- Achieved a turnover of approximately RMB45 million for the three months ended 31st March, 2005, representing an approximately 17% decrease over the same period of the previous year;
- Sustained a loss attributable to equity holders of the parent of approximately RMB1.3 million for the three months ended 31st March, 2005 as against loss attributable to equity holders of the parent of approximately RMB5.0 million in the same period of last year;
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The board of Directors (the “Board”) of Capinfo Company Limited (the “Company”) announces that, for the three months ended 31st March, 2005, the Company and its subsidiaries (collectively the “Group”) recorded an unaudited turnover of approximately RMB45 million, representing a decrease of approximately 17% over the same period of last year, and a gross profit margin of 32%, as compared with 28% for the same period of last year. The Group has sustained an unaudited loss attributable to equity holders of the parent of approximately RMB1.3 million for the period under review as against loss attributable to equity holders of the parent of approximately RMB5.0 million in the same period of last year.

During the period under review, turnover recognised from projects which had relatively low profit margin was reduced. As a result, the turnover decreased and the gross profit margin increased.

During the period under review, the Group devoted more resources in research and development and, in turn, increased the research and development expenses. On the other hand, the Group exercised more stringent cost control and which resulted in decrease in selling and administration expenses and in turn, decreased loss attributable to equity holders of the parent for the period.

Other operating income included interest income and government grants which increased during the period under review.

As at 31 March 2005, there was a claim of approximately RMB14,000,000 from a supplier against the Group as the compensation for the cost and loss arising from the suspension of a material supply contract. Based on the advice from the Group’s legal consultant, the directors are of the opinion that the Group has strong grounds to defend against the claim and will defend the case vigorously. In addition, the directors believe that the Group will be able to recover the loss, if any, from its customer since the suspension of the material supply contract was arising from the customer’s request to suspend its contract with the Group. Therefore, the directors are of the view that the Group is not expected to suffer any significant loss in this litigation and no provision has been made.

As at 31 March 2005, there was a claim of approximately RMB28,000,000 from a contractor against the Group for the suspension of a contract of RMB8,400,000 regarding development and maintenance of intellectual properties of an e-Government information system. The remaining consideration payable by the Company for such service under the contract amounted to RMB6,300,000. On 9th December, 2004, a judgement was handed down by First Intermediate Court of Beijing of the PRC, and the judge found in favour of the contractor and the Company was ordered to pay damages of approximately RMB14,280,000. An appeal was lodged by the Company on 23rd December, 2004. Based on the advice of the Group's legal consultant, the directors are of the opinion that except for the remaining consideration mentioned above, other amount claimed is irrelevant to the contract. In addition, the directors are of the opinion that the contractor failed to perform its obligations under the contract and therefore the Group has strong grounds to defend against the claim. No provision has been made.

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

1. Core business continued to advance steadily

During the Period, the Group continued to provide a supportive environment for the Beijing private network of e-Government. Based on the e-Government network, the Group kept on providing high quality IT application services through the self-constructed and maintained Beijing Medical Insurance Information System, Beijing Municipal Community Service Information Network System and Call Centre System. During the Period, the Group's online payment business grew rapidly. Transaction amount increased sharply over the same period of last year and new businesses including mobile and telephone payment were introduced.

2. Investment

By the end of March 2005, the Group and Dongguan Shilong Industrial Corporation invested jointly and established the Dongguan Longxin Information Development Company Limited (東莞市龍信信息發展有限公司) ("Dongguan Longxin"). The Group invested RMB1,200,000 in Dongguan Longxin and owns 60% of its equity interest. Dongguan Longxin will begin constructing e-Community, e-Government public information system and develop operation and maintenance service for information system as well as e-Commerce related business in Guangdong province and pan-Pearl Delta Region.

3. Research and development

During the Period, the "Multi-lingual Intelligent Information Service Network System for Olympic Games" developed by the Group was tested and accepted by experts. The project is further supported by the state's "863 Project". Also, the Group participated in European Union's technological project SAFIR (Speech Automatic Friendly Interface Research) and achieved periodic success.

4. Future Prospects

While providing high quality information infrastructure and IT service for government bodies, the Group will strengthen its competitiveness and continue its service innovation, actively involve in market expansion and promote software which the company has intellectual property rights in order to bring even more substantial returns to our shareholders.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31ST MARCH, 2005

		(Unaudited)	
		Three months ended	
	NOTES	31.3.2005	31.3.2004
		RMB'000	RMB'000
Turnover	4	44,671	54,021
Cost of sales		<u>(30,313)</u>	<u>(38,873)</u>
Gross profit		14,358	15,148
Other operating income		3,460	2,256
Research and development costs		(5,265)	(1,904)
Marketing and promotional expenses		(1,680)	(4,080)
Administrative expenses		<u>(8,381)</u>	<u>(14,614)</u>
Profit (loss) from operations	5	2,492	(3,194)
Amortisation of goodwill		–	(26)
Interest on other loan wholly repayable within five years		(64)	(64)
Share of losses of associates		(2,696)	(1,556)
Share of losses of a jointly controlled entity		(189)	(520)
Gain on disposal of a subsidiary		<u>–</u>	<u>250</u>
Loss before taxation		(457)	(5,110)
Taxation	6	<u>(977)</u>	<u>–</u>
Loss for the period		<u><u>(1,434)</u></u>	<u><u>(5,110)</u></u>
Attributable to:			
Equity holders of the parent		(1,259)	(5,009)
Minority interests		<u>(175)</u>	<u>(101)</u>
		<u><u>(1,434)</u></u>	<u><u>(5,110)</u></u>
Loss per share attributable to equity holders of the parent			
– Basic	7	<u><u>(0.04 cents)</u></u>	<u><u>(0.17 cents)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31ST MARCH, 2005

	<i>NOTES</i>	2005 <i>RMB'000</i> (Unaudited)	2004 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	165,387	165,029
Interests in associates		23,674	26,370
Interests in a jointly controlled entity		1,768	1,957
Investments in securities		16,350	16,350
Deposits made on acquisition of property, plant and equipment		1,062	658
		<u>208,241</u>	<u>210,364</u>
Current assets			
Inventories		19,517	19,766
Amounts due from customers for contract work		19,330	17,973
Trade and other receivables		144,347	104,773
Amounts due from associates		4,670	4,670
Bank balances and cash		236,874	285,703
		<u>424,738</u>	<u>432,885</u>
Current liabilities			
Trade and other payables		55,491	61,275
Customers' deposits for contract work		19,471	22,012
Taxation payable		3,620	4,931
Current portion of other loan		4,000	4,000
		<u>82,582</u>	<u>92,218</u>
Net current assets		<u>342,156</u>	<u>340,667</u>
		<u>550,397</u>	<u>551,031</u>
Equity attributable to equity holders of the parent			
Share capital	9	289,809	289,809
Reserves		252,681	253,940
		<u>542,490</u>	<u>543,749</u>
Minority interests		1,907	1,282
Total equity		<u>544,397</u>	<u>545,031</u>
Non-current liabilities			
Other loan		6,000	6,000
		<u>550,397</u>	<u>551,031</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31ST MARCH, 2005

Attributable to equity holders of the parent

	Share capital <i>RMB'000</i> <i>(unaudited)</i>	Share premium <i>RMB'000</i> <i>(unaudited)</i>	Statutory surplus reserve <i>RMB'000</i> <i>(unaudited)</i>	Statutory welfare fund <i>RMB'000</i> <i>(unaudited)</i>	Accumulated profits (losses) <i>RMB'000</i> <i>(unaudited)</i>	Total <i>RMB'000</i> <i>(unaudited)</i>	Minority interests <i>RMB'000</i> <i>(unaudited)</i>	Total equity <i>RMB'000</i> <i>(unaudited)</i>
At 1st January, 2004	289,809	254,079	550	275	842	545,555	2,544	548,099
Disposal of a subsidiary	–	–	–	–	–	–	(644)	(644)
Net loss for the period	–	–	–	–	(5,009)	(5,009)	(101)	(5,110)
At 31st March, 2004	<u>289,809</u>	<u>254,079</u>	<u>550</u>	<u>275</u>	<u>(4,167)</u>	<u>540,546</u>	<u>1,799</u>	<u>542,345</u>
At 1st January, 2005	289,809	254,079	1,378	689	(2,206)	543,749	1,282	545,031
Capital contribution by minority shareholder of a subsidiary	–	–	–	–	–	–	800	800
Net loss for the period	–	–	–	–	(1,259)	(1,259)	(175)	(1,434)
At 31st March, 2005	<u>289,809</u>	<u>254,079</u>	<u>1,378</u>	<u>689</u>	<u>(3,465)</u>	<u>542,490</u>	<u>1,907</u>	<u>544,397</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED 31ST MARCH, 2005

	(Unaudited)	
	Three months ended	
	31.3.2005	31.3.2004
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(31,374)	(24,492)
Net cash used in investing activities	(18,191)	(11,413)
Net cash from (used in) financing activities	736	(64)
Decrease in cash and cash equivalents	(48,829)	(35,969)
Cash and cash equivalents at 1st January	285,703	259,572
Cash and cash equivalents at 31st March	<u>236,874</u>	<u>223,603</u>

NOTES TO THE QUARTERLY FINANCIAL REPORT

FOR THE THREE MONTHS ENDED 31ST MARCH, 2005

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. BASIS OF PREPARATION

The quarterly financial information has been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting".

3. ACCOUNTING POLICIES

The quarterly financial information has been prepared under the historical cost convention.

In the current period, the Group has adopted, for the first time, a number of new or revised applicable Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The impact of the changes in accounting policies are set out below.

HKFRS 2 "Share-based Payment"

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of directors' and employees' share options of the Company at grant date is amortised over the relevant vesting periods to the income statement. The Group has taken advantage of the transitional provisions set out in HKFRS 2. The Group does not recognise and expense those share options granted after 7th November, 2002 and vested before 1st January, 2005. However, in relation to share options granted after 7th November, 2002 and vested on or after 1st January, 2005, such share options should be accounted for retrospectively in accordance with HKFRS 2. The Group did not have any share options granted after 7th November, 2002 and vested on or after 1st January, 2005. The adoption of HKFRS 2 has had no material effect for the prior and current accounting periods.

HKFRS 3 “Business Combinations”

HKFRS 3 supersedes Statement of Standard Accounting Practices No. 30 “Business Combinations” and sets out the requirement of accounting for business combinations for which the agreement date is on or after 1st January, 2005. In previous years, goodwill was capitalised and amortised on a straight-line basis over its useful economic life of 20 years and was assessed for impairment when there was an indication for impairment. The adoption of HKFRS 3 from 1st January, 2005 has resulted in the Group ceasing annual amortisation of goodwill and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently).

In accordance with the transitional provision of HKFRS 3, the Group ceased amortisation of goodwill of associates from 1st January, 2005. This change in accounting policy has resulted in a decrease in the loss of approximately RMB26,000 for the current period.

HKAS 39 “Financial Instruments: Recognition and Measurement”

HKAS 39 supersedes Statement of Standard Accounting Practices No. 24 “Accounting for Investments in Securities”. HKAS 39 deals with recognition and measurement of financial instruments. Upon the adoption of HKAS 39 on 1st January, 2005, the Group’s financial instruments are categorised into appropriate categories in accordance with HKAS 39. The adoption of HKAS 39 has had no material effect for the prior and current accounting periods. The Group’s investments in securities, which represent unlisted equity investments, are measured at cost less impairment since such investments do not have a quoted market price in an active market and for which fair value cannot be reliably measured.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2004 except for the adoption of accounting standards as aforementioned.

4. 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.

Business segments for the period are as follows:

	Three months ended			
	31.3.2005		31.3.2004	
	Turnover	Results	Turnover	Results
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
e-Government technology services	40,115	8,531	49,205	7,831
e-Commerce technology services	4,556	(3,017)	4,816	(6,146)
	<u>44,671</u>	<u>5,514</u>	<u>54,021</u>	<u>1,685</u>
Other operating income		3,460		2,256
Central administrative expenses		(6,482)		(7,135)
Profit (loss) from operations		2,492		(3,194)
Amortisation of goodwill		–		(26)
Interest on other loan wholly repayable within five years		(64)		(64)
Share of losses of associates		(2,696)		(1,556)
Share of losses of a jointly controlled entity		(189)		(520)
Gain on disposal of a subsidiary		–		250
Loss before tax		(457)		(5,110)
Taxation		(977)		–
Loss for the period		<u>(1,434)</u>		<u>(5,110)</u>

5. PROFIT (LOSS) FROM OPERATIONS

	Three months ended	
	31.3.2005	31.3.2004
	RMB'000	RMB'000
Profit (loss) from operations has been arrived at after charging:		
Depreciation	17,874	17,305
Less: Depreciation included in research and development costs	(202)	(125)
Depreciation capitalised in contract work	(5,370)	(5,515)
	12,302	11,665
Cost of goods sold	1,847	541
and after crediting:		
Government grants	2,519	1,904
Interest income from bank	446	189

6. TAXATION

	Three months ended	
	31.3.2005	31.3.2004
	RMB'000	RMB'000
The charge comprises:		
Current PRC income tax	977	—

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. Year 2004 is the first year that the Company should fully pay the income tax using the rate of 15% 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.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to equity holders of the parent for the period of approximately RMB1,259,000 (2004: loss of RMB5,009,000) and 2,898,086,091 (2004: 2,898,086,091) shares in issue during the period.

No diluted loss per share has been presented as the exercise price of the Company's options was higher than the average market price of the Company's shares for the periods.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB18,416,000 (2004: RMB3,721,000) on acquisition of property, plant and equipment.

9. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Ordinary shares of RMB0.10 each			
At 1st January, 2005 and 31st March, 2005	2,123,588,091	774,498,000	289,809

10. CAPITAL COMMITMENT

	31.3.2005	31.3.2004
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of		
– property, plant and equipment	74,975	68,611
– investment	56,000	56,000
	130,975	124,611

11. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	Three months ended	
		31.3.2005	31.3.2004
		RMB'000	RMB'000
CNC Beijing Communication Corporation	Dedicated circuit leasing services paid	2,013	2,240
	Telephone related services paid	95	95
Capnet Company Limited	Comprehensive services income received	1,444	776
Beijing IC Design Park Co., Ltd.	Property rentals paid	995	995

Amount due from a fellow subsidiary as at 31st March, 2005 was approximately RMB1,225,000 (31.12.2004: RMB1,021,000). The amount is included in trade and other receivables.

Note: CNC Beijing Communication Corporation is the controlling shareholder of a promoter of the Company while Capnet Company Limited and Beijing IC Design Park Co., Ltd. are fellow subsidiaries of the Company.

12. CONTINGENT LIABILITIES

As at 31 March 2005, there was a claim of approximately RMB14,000,000 from a supplier against the Group as the compensation for the cost and loss arising from the suspension of a material supply contract. Based on the advice from the Group's legal consultant, the directors are of the opinion that the Group has strong grounds to defend against the claim and will defend the case vigorously. In addition, the directors believe that the Group will be able to recover the loss, if any, from its customer since the suspension of the material supply contract was arising from the customer's request to suspend its contract with the Group. Therefore, the directors are of the view that the Group is not expected to suffer any significant loss in this litigation and no provision has been made.

As at 31 March 2005, there was a claim of approximately RMB28,000,000 from a contractor against the Group for the suspension of a contract of RMB8,400,000 regarding development and maintenance of intellectual properties of an e-Government information system. The remaining consideration payable by the Company for such service under the contract amounted to RMB6,300,000. On 9th December, 2004, a judgement was handed down by First Intermediate Court of Beijing of the PRC, and the judge found in favour of the contractor and the Company was ordered to pay damages of approximately RMB14,280,000. An appeal was lodged by the Company on 23rd December, 2004. Based on the advice of the Group's legal consultant, the directors are of the opinion that except for the remaining consideration mentioned above, other amount claimed is irrelevant to the contract. In addition, the directors are of the opinion that the contractor failed to perform its obligations under the contract and therefore the Group has strong grounds to defend against the claim. No provision has been made.

DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31st March, 2005 (2004: Nil).

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

a. Directors and Chief Executive of the Company

Save as disclosed below, as at 31st March, 2005, none of the Directors, chief executive of the Company and their respective associates had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which would have to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Long positions in the underlying shares – options under share option scheme

Name	Number of H Shares subject to options outstanding at 31st March, 2005			Percentage to the issued H share capital
	Granted under Pre-IPO Share Option Plan	Granted under Share Option Scheme	Total	
<i>Directors</i>				
Dr. Chen Xinxiang	1,309,750	2,700,000	4,009,750	0.51%
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
Mr. Wong Ying Ho, Kennedy	1,241,550	1,466,000	2,707,550	0.35%
Mr. Ng Kin Fai, Francis	1,241,550	1,466,000	2,707,550	0.35%
	<u>10,149,400</u>	<u>12,962,000</u>	<u>23,111,400</u>	<u>2.98%</u>

All of the above-mentioned share options granted under the pre-IPO share option plan of the Company (“Pre-IPO Share Option Plan”) were granted on 6th December, 2001 at RMB1.00 per grant with an exercise price at HK\$0.48 per H Share to recognise the past and present contribution of the grants to the Group. The share options granted to the Directors of the Company are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to restrictions imposed by the relevant PRC laws and regulations:

**Proportion of
share options granted
and held by each of
the directors which
become exercisable**

Exercise period

20%	7th December, 2002 to 6th December, 2011
20%	7th December, 2003 to 6th December, 2011
20%	7th December, 2004 to 6th December, 2011
20%	7th December, 2005 to 6th December, 2011
20%	7th December, 2006 to 6th December, 2011

All of the above-mentioned share options granted under the share option scheme of the Company (“Share Option Scheme”) were granted on 17th August, 2004 at RMB1.00 for each grant with an exercise price at HK\$0.41 per H Share to recognise the past and present contribution of the grants to the Group. The share options granted to the Directors of the Company are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to restrictions imposed by the relevant PRC laws and regulations:

**Proportion of
share options granted
and held by each of
the directors which
become exercisable**

Exercise period

25%	18th August, 2005 to 17th August, 2014
25%	18th August, 2006 to 17th August, 2014
25%	18th August, 2007 to 17th August, 2014
25%	18th August, 2008 to 17th August, 2014

b. Substantial shareholders of the Company and other persons

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than a Director or chief executive of the Company) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO as at 31st March, 2005:

Name of shareholder	Number of shares	Nature of interests	Percentage to the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,783,631,919 Domestic Shares	Beneficial owner	61.55%

So far as is known to any Director or chief executive of the Company, the following companies/persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of other members of the Group which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any other members of the Group as at 31st March, 2005:

Name	Equity interests held in members of the Group (except for the Company)	Nature of interests	Approximate percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited (90% owned subsidiary of the Company)	Beneficial owner	10%

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

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

SHARE OPTIONS

(a) Pre-IPO Share Option Plan

Pursuant to the Pre-IPO Share Option Plan adopted by the Company at the extraordinary general meeting held on 6th December 2001, the Company has granted options to subscribe a total of 70,474,920 H Shares in the Company with a payment of RMB1 upon each grant of options and with an exercise price of HK\$0.48 per H Share to recognise the past and present contributions of the grantee to the Group. Such options granted are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule and subject to certain restrictions as imposed by the relevant PRC laws and regulations. A summary of these share options granted is as follows:

	At 1st January, 2005	Lapsed during the period	31st March, 2005
Directors of the Company	10,149,400	—	10,149,400
Supervisors of the Company	3,795,950	—	3,795,950
Senior management of the Company	4,836,620	—	4,836,620
Senior advisors of the Company	2,619,500	—	2,619,500
Advisors of the Company	4,309,930	—	4,309,930
Other employees of the Company and its subsidiaries	23,040,750	(380,835)	22,659,915
	<u>48,752,150</u>	<u>(380,835)</u>	<u>48,371,315</u>

(b) Share Option Scheme

Pursuant to the Share Option Scheme approved by a resolution of the shareholders of the Company dated 6th December, 2001, the Company may grant options to the directors or employees of the Company or its subsidiaries, in recognition of their contributions to the Group, to subscribe for H Shares in the Company with a payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of H Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the five trading days immediately preceding the date of grant of the option; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of H Shares of the Company in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must

not, in aggregate, exceed 10% of the number of H Shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

No option has been granted by the Company under the Share Option Scheme during the period under review. A summary of the share options granted under the Share Option Scheme is as follows:

	At 1st January, 2005	Lapsed during the period	At 31st March, 2005
Directors of the Company	12,962,000	–	12,962,000
Supervisors of the Company	4,398,000	–	4,398,000
Senior management of the Company	9,166,000	–	9,166,000
Senior advisors of the Company	11,264,000	–	11,264,000
Advisors of the Company	3,302,000	–	3,302,000
Other employees of the Company and its subsidiaries	23,822,000	(1,160,000)	22,662,000
	<u>64,914,000</u>	<u>(1,160,000)</u>	<u>63,754,000</u>

COMPETING INTEREST

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the three months ended 31st March 2005.

AUDIT COMMITTEE

An audit committee was established on 6th December, 2001 with written terms of reference in compliance with the requirements of the GEM Listing Rules. The three independent non-executive directors, Mr. Wong Ying Ho, Kennedy, Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong, 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, The People's Republic of China, 10th May, 2005

As of the date hereof, the executive directors of the Company are Dr. Chen Xinxiang, Dr. Wang Xu, Ms. Zhang Yan, Dr. Wu Bo; the non-executive directors of the Company are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Mr. Qi Qigong, Mr. Pan Jiaren, Mr. Ye Yongdong, Mr. Lu Dongtao, Ms. Tan Guoan; and the independent non-executive directors of the Company are Mr. Wong Ying Ho, Kennedy, Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong.

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*