



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

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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.

HIGHLIGHTS

- Achieved a turnover of approximately RMB241million for the year ended 31st December, 2004, representing an approximately 14% decrease over the same period of the previous year;
- Sustained a net loss of approximately RMB1.8million for the year ended 31st December, 2004;
- The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2004.

CHAIRMAN'S STATEMENT

2004 was a challenging and innovative year for Capinfo Company Limited (“Company” or “Capinfo”). During the period, the Company and its subsidiaries (collectively the “Group”) proactively responded to market competition. This was demonstrated, on the one hand, by optimising the Group’s business structure in support of its core businesses and on the other hand, boosting its research and development capabilities and reinforced internal management and its image as a “digital urban developer”. These initiatives provided substantial assurance to the Group’s leading position in e-Government, e-Commerce and network infrastructure services.

The Group had sustained development across its core businesses. Steady progress was made in the Group’s construction of the e-Government network in Beijing. The Group also continued to upgrade the stability of operation and applications of the Beijing Medical Insurance Information System. Building on the efficiency in ensuring the operation and maintenance of the Beijing Community Services Information Network System, the Group was actively driving the informatisation of the communities of the nation’s cities. Except electronic payment, the e-Government business was scaled down by the Group due to its lower gross profit margin.

The Group has made significant progress in research and development (“R&D”) in various subjects such as the “Multilingual Intelligent Information Service Network System for the Olympic Games”. The Group took advantage of undertaking the State’s 863 Project and made use of the array of opportunities arising from the Olympics and its brand to rationalize its resources for international cooperation. The Group took a market-oriented approach in its active participation in the informatization development for the 2008 Olympic Games in Beijing.

Currently, urban informatisation is rapidly penetrating all sectors of the society and is generally accepted. As the markets for e-Government, e-Commerce and network infrastructure services are expanding, the Group will take advantage of all kinds of integrated benefits, strengthen its R&D capability, grasp the Olympics opportunities, promote the Group’s business development and with an aim to generate substantial reward to shareholders.

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

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, 2004, the Company and its subsidiaries (collectively the “Group”) recorded an audited turnover of approximately RMB241 million, representing a decrease of approximately 14% over the same period of last year, and a gross profit margin of 28%, as compared with 25% for last year. The Group has sustained an audited net loss of approximately RMB1.8 million for the year under review as against net profit of approximately RMB5.9 million last year.

During the year under review, the Group reduced the e-Commerce business which had a relatively low profit margin. As a result, the turnover, selling expenses and gross profit decreased and the gross profit margin increased.

Losses sustained by an associate and a jointly controlled entity carrying out information kiosk business and emergency aid system business respectively plus the decrease in turnover and gross profit mentioned above were attributable to the net loss sustained for the year under review.

Other operating income included interest income and government grants which decreased in the year under review.

The Group’s current ratio, defined as total current assets over total current liabilities, increased from 3.7 to 4.7 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, 2004, the Group had unsecured borrowings of RMB10 million, at an annual interest rate of 2.25% out of which, RMB4 million will become mature within 1 year and RMB6 million will mature within 2 - 5 years from 31st December, 2004. Cash and bank deposits of the Group were RMB286 million as at 31st December, 2004 which mainly came from shareholders’ contribution and working capital generated from operations.

As at 31st December, 2004, the Group had no assets pledged and had capital commitment of approximately RMB125 million.

During the year, 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. 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 in the financial statements.

During the year, 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 in the financial statements.

During the year 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-Commerce and e-Government with ultimate objectives of increasing profit and customer satisfaction.

Capital Public Information Platform

During the year under review, the Group made smooth progress in the business of e-Government private network. As at the end of 2004, more than 1,200 kilometers of e-Government private network optical cable were built, with 500 kilometers as city optical cable and the remaining 700 kilometers as country optical cable. These cables are connecting to 240 households, covering 18 counties, units formed by the municipal government of Beijing, Commission of Beijing Municipality, People's Government of Beijing Municipality, Political Commission of Beijing Municipality and the General Union. To date, the e-Government intranet platform has linked up with the Beijing municipal government's communication system, the Beijing municipal government's paperless office system, Beijing municipal's order inspection and surveillance system and the Beijing municipal's organizations and unions system. The launch of the government's outranet platform has opened up the connection with Beijing municipal investment approval platform, avian flu information transfer system and other cross-departmental horizontal systems, Beijing municipal planning commission's office website, Beijing municipal statistical computer business private website and ten other vertical business websites. The e-Government private network has provided quality services for individual business units and has increased system automation, computerisation, network efficiency and the overall computerisation process of these governmental departments.

Medical Insurance System and Citizen Card Business

During the year under review, based on the pledge to provide a stable and steady operation of the Beijing medical insurance information system, the Group has improved and renewed several subsidiary systems. The medical insurance approval and audited system, medical insurance sub-system of the administrative and management department, the rural new cooperative medical insurance information system for Chaoyang district of Beijing city finally went online and the medical insurance wide area network has also passed the business

tests. As at the end of 2004, nearly five million people are insured. The system is progressing stably and efficiently. The Group kept on conducting Hospital Information System (“HIS”) technical development certification work. Currently, more than 30 HIS developers are awarded with technological certifications.

The real name medical card system has been running steadily on the online systems of certain hospitals with accumulated cardholders of nearly 200,000. In concordance with the Beijing City Health Department, the system will gradually be promoted to other hospitals. The citizen card exchange system developed by the Group is connected to Beijing citizen card data center and medical insurance center. After testing, it is sharing data between the two centers and takes about 10 hours to exchange more than 1.5 million record changes of citizen’s health reports.

e-Community Business

During the year under review, Beijing City’s community service network system is fully operational. The whole city is accessible to the data center through the Internet, with volume of message sent reaching eight million. The using volume of 96,165 saw steady growth, with daily calls amounting to more than a thousand. The Group’s e-community business is supported by the e-business and urban informatization of the State’s Technological Department (國家科技部). It has better branding effects and is currently promoted in Wuhan and Dongguan. The prototype data switching system for multiple applications of Beijing citizen card and the citizen card testing platform based on multi-applications have passed the comprehensive testing provided by Beijing software products quality testing and examination center.

Electronic Payment Business

During the year under review, the online payment business saw continuous growth and successful transactions on hefty rise. The total number of users participated in online trading reached more than 1.4 million, making successful transactions amounted to more than one hundred million dollars in the year. In October 2004, all research students in Beijing registered their first installment of school fees through the Internet. Co-operating with Peking University, Tsinghua University, University of Political Science and Law and other organizations, PhD students also paid their school fees through the Group’s online platform.

Call Center Business

Based on the completion of traditional businesses such as black-listed medical enquiries business, the self-operated Call Center (96102) has become a telephone hotline on behalf of Beijing City for local citizens to enquire on winter sheltering arrangements. The hotline has received more than 30,000 telephone enquiries during the year under review, doubled from that of the previous year. Service level is highly recognized by the leadership and is on the way to be included under the hotline service systems. The plan is yet to be confirmed.

GPS System

The first stage of the installation of the highly autonomous border security troop controlling system developed by the Company in the border of Jilin Province and Public Security Marine Police High School has been completed. The Group has participated in the satellite navigation application system initiated by the State Intellectual Property Office (國家信息產業部) in the formulation of satellite positioning navigating application standard and standards for several electronic industries. Those works are going smoothly.

Expanding Overseas Market

With headquarter in Beijing, the Group has business interests in the whole nation. It actively promotes the informatisation of community in the capital and across the cities of the state, aiming to become one the most concerned technology providers and offer quality digitized community solution for cities. Having tasted the success of business in Central China, the Group will continue to expand production in the national market. To date, the Group has accomplished the computer system consultation project in Dongguan.

Research and Development

The Group has basically completed the national “863” project and the research of Beijing City’s technological plan on the “multi-lingual intelligent information service network system for the Olympic Games”. Moreover, demonstration project of the Olympic multi-language official web-site, multi-language information kiosk and multi-language mobile end prototype system is accomplished. Citizens and tourists can now log-on to the information kiosk system and enjoy its multi-lingual voice-message and multi-media services on tourist and weather information. To date, the second phase of the “multi-lingual intelligent information service network system” has been included in the “863” project and has further support from Beijing city.

Employees

Professionals are the Group’s precious assets. As at 31st December 2004, the Group had 422 employees as against 547 employees at the end of 2003. Remuneration is determined in accordance with government policies and by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include retirement benefits and share options. During the year under review, total staff cost paid was approximately RMB40 million (2003: RMB48 million). The Company had adopted a Pre-IPO Share Option Plan and Share Option Scheme on 6th December 2001. Options had been granted to certain Directors and employees of the Group under the Share Option Scheme during the year under review.

Future Prospects

In 2005, the Group will endeavor to expand business growth, reduce business risks and to “maximize shareholders’ profit value. The Group will further consolidate its competitive edge as a digitized city application service provider and to expand market presence in the national market. With our enriched experience and operations in city digitalization, we strive to tap into the national digitized city market with state-of-the-art solution, project implementation and consultation services.

ANNUAL RESULTS

The Board of Directors (the “Board”) of the Company announces that the audited consolidated results of the Group for the year ended 31st December 2004, together with the comparative figures for the corresponding period of 2003, as follows:

Consolidated Income Statement

For the year ended 31st December, 2004

	<i>NOTES</i>	2004 RMB'000	2003 RMB'000
Turnover	3	241,455	279,565
Cost of sales		(174,370)	(209,964)
Gross profit		67,085	69,601
Other operating income		11,499	12,348
Research and development costs		(17,188)	(17,015)
Marketing and promotional expenses		(13,820)	(15,481)
Administrative expenses		(39,527)	(37,606)
Profit from operations	4	8,049	11,847
Amortisation of goodwill		(104)	–
Interest on other loan wholly repayable within five years		(289)	(254)
Share of losses of associates		(4,037)	(2,992)
Share of loss of a jointly controlled entity		(1,491)	(552)
Gain on disposal of a subsidiary		250	–
Profit before tax		2,378	8,049
Income tax expense	7	(4,782)	(2,048)
(Loss) profit before minority interests		(2,404)	6,001
Minority interests		598	(52)
Net (loss) profit for the year		<u>(1,806)</u>	<u>5,949</u>
(Loss) earnings per share – Basic	8	<u>(0.06 cents)</u>	<u>0.20 cents</u>

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 and its subsidiaries are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment.

2. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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:

	2004		2003	
	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>	Turnover <i>RMB'000</i>	Results <i>RMB'000</i>
e-Government technology services	217,161	44,252	212,540	44,689
e-Commerce technology services	24,294	(15,044)	67,025	(8,640)
	<u>241,455</u>	<u>29,208</u>	<u>279,565</u>	<u>36,049</u>
Other operating income		11,499		12,348
Central administrative expenses		(32,658)		(36,550)
Profit from operations		8,049		11,847
Amortisation of goodwill		(104)		–
Interest on bank borrowings wholly repayable within five years		(289)		(254)
Loss from interest in associates engaged in other businesses		(4,037)		(2,992)
Loss from interest in a jointly controlled entity engaged in other business		(1,491)		(552)
Gain on disposal of a subsidiary		250		–
Profit before tax		2,378		8,049
Income tax expense		(4,782)		(2,048)
(Loss) profit before minority interests		(2,404)		6,001
Minority interests		598		(52)
Net (loss) profit for the year		<u>(1,806)</u>		<u>5,949</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 Mainland China in the PRC in which its revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

4. Profit from operations

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Profit from operations has been arrived at after charging:		
Directors' and supervisors' remuneration (note 6)	1,568	1,265
Other staff costs	35,914	41,782
Other staff's retirement benefits scheme contributions	2,929	5,332
	<u>40,411</u>	<u>48,379</u>
Less: Staff costs included in research and development costs	(6,103)	(6,585)
Staff costs capitalised in contract work	(6,941)	(10,044)
	<u>27,367</u>	<u>31,750</u>
Depreciation	73,523	83,990
Less: Depreciation included in research and development costs	(771)	(2,263)
Depreciation capitalised in contract work	(25,667)	(28,385)
	<u>47,085</u>	<u>53,342</u>
Operating lease rentals in respect of		
– cable network	11,137	16,328
– land and buildings	11,770	10,855
	<u>22,907</u>	<u>27,183</u>
Less: Operating lease rentals included in research and development costs	(1,354)	(2,220)
Operating lease rentals capitalised in contract work	(5,564)	(10,355)
	<u>15,989</u>	<u>14,608</u>
Auditors' remuneration	647	711
Cost of goods sold	30,011	68,547
Loss on disposal of property, plant and equipment	251	82
and after crediting:		
Government grants	8,959	7,616
Interest income from bank deposits	1,776	4,791
	<u><u>1,776</u></u>	<u><u>4,791</u></u>

5. Directors' and supervisors' emoluments

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Fees for		
– independent non-executive directors	262	213
– executive directors, other non-executive directors and supervisors	–	–
Other emoluments for non-executive directors	–	–
	<u>262</u>	<u>213</u>
Other emoluments for executive directors		
– basic salaries and allowances	1,167	870
– retirement benefits scheme contributions	8	50
	<u>1,175</u>	<u>920</u>
Other emoluments for supervisors		
– basic salaries and allowances	129	120
– retirement benefits scheme contributions	2	12
	<u>131</u>	<u>132</u>
	<u>1,568</u>	<u>1,265</u>

For the year ended 31st December, 2004, basic salaries and allowances paid to the four executive directors were RMB378,000, RMB250,000, RMB289,000 and RMB250,000 respectively; while retirement benefits scheme contributions in respect of the four executive directors were RMB2,000, RMB2,000, RMB2,000 and RMB2,000 respectively. In addition, directors' fees paid to the independent non-executive directors were RMB106,000, RMB106,000 and RMB50,000 respectively.

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 RMB106,000.

During the year ended 31st December 2003, 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. No directors and supervisors waived emoluments during the year.

6. Employees' emoluments

The aggregate emoluments of the five highest paid individuals included two (2003: three) executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining three (2003: two) highest paid individuals are as follows:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Basic salaries and allowances	1,763	631
Retirement benefits scheme contributions	–	12
	<u>1,763</u>	<u>643</u>

The emoluments of each of the three (2003: two) individuals were within HK\$1,000,000 for both years.

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

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Current tax	<u>4,782</u>	<u>2,048</u>

The Company is recognised as a high-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 15% (2003: 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:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Profit before tax	<u>2,378</u>	<u>8,049</u>
Tax at domestic income tax rate of 15% (2003: 15%)	357	1,208
Income tax on concessionary rate	–	(604)
Tax effect of net expenses that are not deductible in determining taxable profit	2,698	1,178
Tax effect of tax losses of a subsidiary not recognised	898	–
Tax effect of tax losses of associates and a jointly controlled entity not recognised	<u>829</u>	<u>266</u>
Tax expense and effective tax rate for the year	<u>4,782</u>	<u>2,048</u>

No provision for deferred taxation has been recognised in the financial statements as the amount involved is not significant.

8. (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the net loss for the year of RMB1,806,000 (2003: profit of RMB5,949,000) and 2,898,086,091 (2003: 2,898,086,091) shares in issue during the year.

No diluted (loss) earnings per share has been presented in 2004 and 2003 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, 2003	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	289,809	254,079	550	275	842	545,555
Transfer	–	–	828	414	(1,242)	–
Net loss for the year	–	–	–	–	(1,806)	(1,806)
At 31st December 2004	<u>289,809</u>	<u>254,079</u>	<u>1,378</u>	<u>689</u>	<u>(2,206)</u>	<u>543,749</u>

DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31st December, 2004 (2003: Nil).

DISCLOSURE OF INTERESTS

a. Directors and Chief Executive of the Company

Save as disclosed below, as at 31st December, 2004, none of the Directors, and chief executive of the Company and their respective associates had any interest and short position in the 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”), 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 Rule 5.46 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 December, 2004			Percentage to the issued H share capital
	Granted under the Pre-IPO Share Option Plan	Granted under the 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 were granted on 6th December, 2001 at initial consideration of RMB1.00 for each grant with exercise price at HK\$0.48 per H Share to recognise the past and present contributions of the grantee 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 were granted on 17th August, 2004 at initial consideration of RMB1.00 for each grant with exercise price at HK\$0.41 per H Share to recognise the past and present contributions of the grantee 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 (other than Directors or chief executives of the Company)

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) as recorded in the register required to be kept under section 336 of the SFO as at 31st December, 2004:

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, the holding company, or any of its fellow subsidiaries or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTOR'S 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.

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.

CORPORATE GOVERNANCE

The Company has established an audit committee with written terms of reference as set out in Rules 5.28 and 5.29 of the GEM Listing Rules.

The audit committee comprises three independent non-executive directors, Messrs. Wong Ying Ho, Kennedy, Ng Kin Fai, Francis and Liu Dongdong. Mr. Wong Ying Ho, Kennedy is 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.

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with 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.

The Company has complied throughout the period under review with the provisions on board practices and procedures in the GEM Listing Rules, which was substantially revised with effect from 1 January 2005. Subject to the transitional arrangements, the Company will comply with the revised GEM Listing Rules, in particular, the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, from the financial year commencing on 1 January 2005.

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

Beijing, The People's Republic of China, 21st March, 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 Tongtao, 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 purpose only