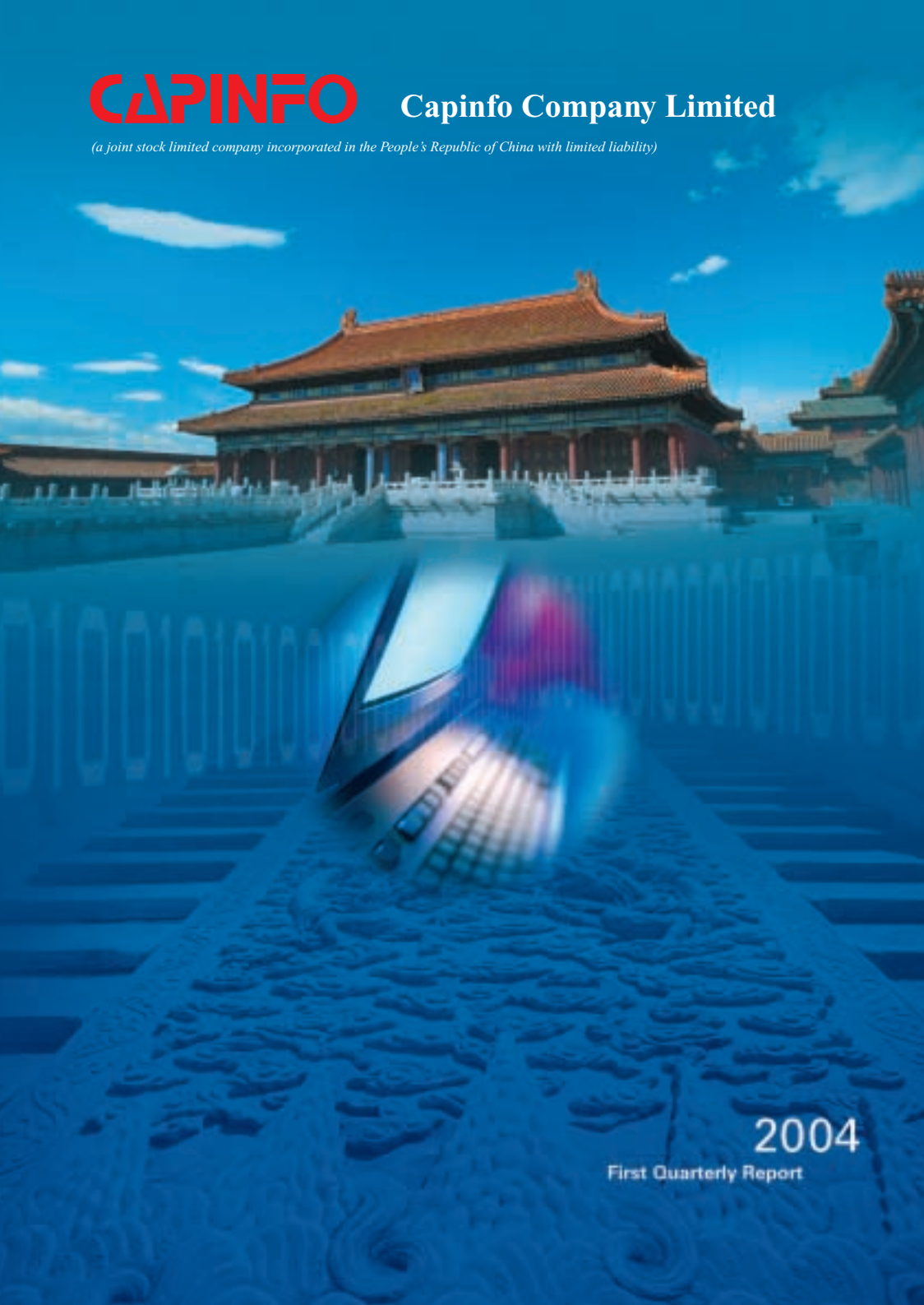


The logo for Capinfo, featuring the word "CAPINFO" in a bold, red, sans-serif font. The letter "A" is stylized with a white triangle cutout.

Capinfo Company Limited

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



2004

First Quarterly Report



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.

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

This report, for which the directors 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 report 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 report misleading; and (iii) all opinions expressed in this report 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 RMB54 million for the three months ended 31st March, 2004, representing an approximately 6% increase over the same period of the previous year;
- Sustained a net loss of approximately RMB5 million for the three months ended 31st March, 2004;
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2004.

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, 2004, the Company and its subsidiaries (collectively the "Group") recorded an unaudited turnover of approximately RMB54 million, representing an increase of approximately 6% over the same period of last year, and a gross profit margin of 28%, as compared with 27% for the same period of last year. The Group has sustained an unaudited net loss of approximately RMB5 million for the period under review as against net profit of approximately RMB1.7 million in the same period of last year.

During the period under review, the Group devoted much resources to marketing to cope with business development and, in turn, increased the selling and marketing expenses. Increase in operating expenses for the period was also attributable to the increase in general provision on receivables.

The businesses including credit rating, information kiosk and emergency aid system which were carried out by the Group's associates and a jointly controlled entity incorporated in recent years were still at the development stage. Losses sustained by such associates and jointly controlled entity plus the increase in operating expenses mentioned above were attributable to the net loss sustained for the period under review.



The Group's current ratio, defined as total current assets over total current liabilities, increased to 4.3 while the gearing ratio, defined as total borrowing over net assets, maintained at a relatively low level of less than 2%. Both ratios reflected the sufficiency in financial resources of the Group.

Business Review

Our Group's businesses saw continuous development during the period. In order to augment the business development on digital certificate, the Group continued to increase its investment in the Beijing Certificate Authority Center Company Limited ("BJCA"), and the cooperation between BJCA and the relevant government authorities through the introduction of new shareholders. The Group continued with its practical and effective cooperation with internationally renowned enterprises in the areas of product marketing and software research and development ("R&D"). The market development and R&D works of the Group were also progressing continuously.

1. Continuous development of all businesses

During the period, the private network business of e-Government of the Group progressed smoothly. As of the end of March of this year, we have completed the implementation of e-Government access service in nearly 20 organizations such as Beijing Archives Bureau. The medical insurance statistical enquiry and decision-making support system based on the Beijing municipality medical insurance system had been put into on-line operation, and the real name medical card system developed by the Group was also launched formally in Beijing's grade A hospitals. The development of "Beijing avian flu preventive information system", which would have significant impact on disease control in Beijing, has been recently completed by the Group. The Group's on-line payment platform also demonstrated a good trend of development and the total monetary amount of successful transactions for the first quarter of the year were 2.5 times of the level of the same period of last year. At the same time, the on-line card purchase system of Xuexin Card (學信卡) has recently been launched.



The Group had completed the equipment and software integration for the GPS auxiliary control system for the Guangdong customs and marine police and had developed the GPS mobile unit system based on the ultra short wave digital radio channel which was applicable on the dynamic activity monitoring of vehicles and vessels.

The Group had also passed the specialists' appraisal on the construction project for the website (www.beijing-olympic.org.cn) of Beijing Organizing Committee for the Games of the XXIX Olympic, the completion of which will further help strengthening our Group's cooperation with the Beijing Olympic Games Organizing Committee.

2. Investment and development of new business

During the period, the Group entered into an equity transfer agreement with the Beijing State-owned Assets Management Corporation Limited ("BSAM") for the transfer of BJCA's registered capital of RMB2,500,000 held by the Group to BSAM at a consideration of RMB2,750,000. At the same time, the Group entered into a capital increase agreement with BSAM and the Shanghai Electronic Certificate Authority Center Co., Ltd. ("SHECA"), whereby the 3 parties increased their investment in BJCA by RMB7,340,000, RMB7,500,000 and RMB160,000 respectively. Accordingly, the registered capital of BJCA increased from RMB5,000,000 to RMB20,000,000. The respective shareholding of the Group, BSAM and SHECA on BJCA changed from 90%, 0% and 10% to approximately 46.7%, 50.0% and 3.3% respectively. As BSAM, an entity wholly owned by the Beijing municipal government, became the major shareholder of BJCA, it will facilitate the cooperation with relevant government authorities and the development of new business opportunities.

During the period, the "Secure Resilient CA System – 863 Project" jointly held by BJCA and the National Information Security Prime Laboratory of the Chinese Academy of Sciences had passed the test and acceptance procedures of the project team of the Chinese Academy of Sciences. The Secure Resilient CA Technology will enhance the security and reliability of the CA System. At the same time, BJCA had developed a digital certificate application sub-system for the System to ensure users the reliability, data confidentiality and completeness in the reporting process of the "avian flu information report system".



The research and development work of U-Soft Company Limited (“U-Soft”), a subsidiary of the Group, on its commercial version of educational game software progressed smoothly. U-Soft had continuously improved and achieved good results on the development model of the software. As of the end of February of this year, U-Soft had completed according to project plan the development of controlled software and analysis platform in the realm of polarized business intelligence products.


The Touch Beijing IT Development Co Ltd, one of the Group’s associates, had launched 15 items on the Digital Beijing Information Kiosk, which involved consolidated information enquiry, convenient payment, ticket purchase, electronic map-based service, etc. as well as continuous perfection on government services and information on daily lives.

Another associate of the Group, Beijing Credit Bureau Co Ltd (“Beijing Credit”), entered into a strategic cooperation agreement with Jincheng Credit Bureau Co Ltd (金誠信用管理有限公司), an agent for joint credit data exchange center, and officially activated the “Joint demonstration project on 5 municipalities’ credit services system”. Beijing Credit had also taken up the project of “Pilot project for credit services for 5 municipalities’ small businesses” of state authority in the setting up works on the “credit bridge” website and the credit information system for small and medium-sized enterprises.

The China BPS Information Technology Co Ltd, the jointly controlled entity of the Group, completed the joint software testing of the Beijing Emergency Response System. The design plan of the technical system had passed the study of the specialist team, which ascertained the feasibility, technical advancement and strong adaptability of the system design. It proved itself a significant technological achievement for the municipal operations and management.

3. Research and development

The Group activated the research and development of intellectual archive management system and continued to develop an unified information centre in order to improve solutions on electronic public services. Intellectual archive management system will provide users services on the document storage, document access permission control, document search etc.. Unified information



centre can provide users instant information service, convenient dissemination of information to others, delivery and transfer of document, document sharing, short phone messages, combination of office automation system with business information service as a media in the integration of office and business information services.

The Group continued to push forward the research on the “Multi-lingual Intelligent Information Service Network System for Olympic Games” the significant task of the state’s “863 Project” and the Beijing Science and Technology Program, to further improve the multi-lingual information processing platform prototype system. It had achieved preliminary results in the three demonstration projects of the official multi-lingual website of the Olympic Organizing Committee, multi-lingual information kiosk and original multi-lingual mobile terminal prototype system, and also successfully demonstrated its capability in the digital Olympic Games area in the “China International Television Broadcast Network Exhibition” held in Beijing in March of this year.

4. Employees

Professionals are the Group’s precious assets. As at 31st March, 2004, the Group had 473 employees as against 498 employees as at 31st March, 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.

Future Prospect

The Group will sustain development in its related business areas through the introduction of new products and services based on e-commerce and community services and it will also help to strengthen the establishment of the Group’s marketing network. At the same time, the Group will continue to put its resources to increase its research in the areas of the 2008 Olympic Games, Linux and city informatization.



INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF CAPINFO COMPANY LIMITED

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**Deloitte
Touche
Tohmatsu**

Introduction

We have been instructed by the directors of the Company to review the quarterly financial report for the three months ended 31st March, 2004 set out on pages 8 to 11.

Directors' Responsibilities

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

It is our responsibility to form an independent conclusion, based on our review, on the quarterly financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

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

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the quarterly financial report for the three months ended 31st March, 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants

11th May, 2004



CONDENSED CONSOLIDATED INCOME STATEMENT

for the three months ended 31st March, 2004

	NOTES	(Unaudited)	
		Three months ended	
		31st March, 2004 RMB'000	31st March, 2003 RMB'000
Turnover	4	54,021	50,814
Cost of sales		(38,873)	(37,162)
Gross profit		15,148	13,652
Other operating income		2,256	4,759
Research and development costs		(1,904)	(4,155)
Marketing and promotional expenses		(4,080)	(2,488)
Administrative expenses		(14,640)	(9,566)
(Loss) profit from operations		(3,220)	2,202
Interest on bank borrowings wholly repayable within five years		(64)	(95)
Share of losses of associates		(1,556)	(209)
Share of losses of a jointly controlled entity		(520)	–
Gain on disposal of a subsidiary		250	–
(Loss) profit before taxation		(5,110)	1,898
Taxation	5	–	(200)
(Loss) profit before minority interests		(5,110)	1,698
Minority interests		101	55
Net (loss) profit for the period		(5,009)	1,753
(Loss) earnings per share			
– Basic	6	(0.17 cents)	0.06 cents



NOTES TO THE QUARTERLY FINANCIAL REPORT

for the three months ended 31st March, 2004

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 the paragraph 79 of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

3. Accounting Policies

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

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2003.

4. Turnover

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the provision of e-Government technology services and e-Commerce technology services. An analysis of the Group's turnover is as follows:

	Three months ended	
	31.3.2004	31.3.2003
	RMB'000	RMB'000
e-Government technology services	49,205	38,342
e-Commerce technology services	4,816	12,472
	54,021	50,814



5. Taxation

Three months ended	
31.3.2004	31.3.2003
RMB'000	RMB'000

The charge comprises:

Current PRC income tax	-	200
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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.

6. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share is based on the net loss for the period of RMB5,009,000 (2003: profit of RMB1,753,000) and 2,898,086,091 (2003: 2,898,086,091) shares in issue during the period.

No diluted earnings 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.

7. Share Capital

	Number of shares		Registered, issued and fully paid
	Domestic shares	H shares	RMB'000
Ordinary shares of RMB0.10 each			
At 1st January, 2004 and 31st March, 2004	2,123,588,091	774,498,000	289,809



8. Reserves

	Share premium	Statutory surplus reserve	Statutory welfare fund	Accumulated profits (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2003	254,079	–	–	(4,282)	249,797
Net profit for the period	–	–	–	1,753	1,753
At 31st March, 2003	254,079	–	–	(2,529)	251,550
At 1st January, 2004	254,079	550	275	842	255,746
Net loss for the period	–	–	–	(5,009)	(5,009)
At 31st March, 2004	254,079	550	275	(4,167)	250,737



DIVIDEND

The Board does not recommend the payment of interim dividend for the three months ended 31st March, 2004 (2003: 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, 2004, none of the Directors, and chief executive of the Company 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"), 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 1st January, 2004 and 31st March, 2004	Percentage to the issued share capital	Percentage to the issued H share capital
<i>Directors</i>			
Dr. Chen Xinxiang	1,309,750	0.04519%	0.1691%
Dr. Wang Xu	1,297,350	0.04477%	0.1675%
Ms. Zhang Yan	1,308,200	0.04514%	0.1689%
Dr. Wu Bo	1,261,700	0.04354%	0.1629%
Mr. Fan Dazhi	1,244,650	0.04295%	0.1607%
Mr. Qi Qigong	1,244,650	0.04295%	0.1607%
Mr. Pan Jiaren	1,244,650	0.04295%	0.1607%
Mr. Wong Ying Ho, Kennedy	1,241,550	0.04284%	0.1603%
Mr. Ng Kin Fai, Francis	1,241,550	0.04284%	0.1603%
	<hr/> 11,394,050 <hr/>		



All of the above-mentioned share options were granted on 6th December, 2001 at nil consideration with exercise price at HK\$0.48 per H Share. 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

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 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.

Name of shareholder	Number of shares	Nature of interests	Percentage to the issued share capital	Percentage to the issued domestic share capital
Beijing State-owned Assets Management Corporation Limited	1,783,631,919 domestic shares	Beneficial owner	61.55%	83.99%

So far as is known to any Director or chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 31st March, 2004:

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	U-Soft Company Limited	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

Under the Company's pre-IPO share option plan, share options (the "Pre-IPO Options") had been granted in prior years at an exercise price of HK\$0.48 per H Share, which is the placing price upon the listing of the Company's H Shares, exercisable within a period of ten years from the date of grant subject to restrictions imposed by the relevant PRC laws and regulations. These options were to recognise the past and present contributions of the grantee to the Group. A summary of these share options granted is as follows:

	At 1st January, 2004	Lapsed during the period	At 31st March, 2004
Directors of the Company	11,394,050	–	11,394,050
Supervisors of the Company	3,795,950	–	3,795,950
Senior management of the Company	5,607,590	–	5,607,590
Senior advisors of the Company	3,929,250	–	3,929,250
Advisors of the Company	5,083,690	–	5,083,690
Other employees of the Company and its subsidiaries	26,228,015	(1,917,195)	24,310,820
	56,038,545	(1,917,195)	54,121,350



(b) Share Option Scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 6th December, 2001, (the "Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with initial 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 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 for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the number of shares to be issued by the Scheme and other option scheme and the number of issued H Shares of the Company from time to time and no employee shall be granted an option which, if all the options granted to the employee (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 was granted by the Company under the Scheme since its adoption up to 31st March, 2004.



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.

CORPORATE GOVERNANCE

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period of review.

An audit committee was established on 6th December, 2001 with written terms of reference in compliance with Rules 5.34 to 5.45 of the GEM Listing Rules. The two independent non-executive directors, Mr. Wong Ying Ho, Kennedy and Mr. Ng Kin Fai, Francis, have been appointed to the audit committee. Mr. Wong Ying Ho, Kennedy was appointed as the Chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

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

Beijing, The People's Republic of China, 11th May, 2004

* *For identification purposes only*