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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)

DISCLOSEABLE TRANSACTIONS IN RELATION TO THE DISPOSAL OF A BUSINESS AND RELATED ASSETS

The Board announces that on 30 December 2005, the Company entered into the Assets Transfer Agreement with the Purchasers, whereby the Company agreed to sell the Online Payment Assets to the Purchasers at a cash consideration of USD2,500,000 (approximately RMB20,280,000). Moreover, pursuant to the terms of the Assets Transfer Agreement, the Company entered into an Exclusive Technical Services Agreement with PayEase PRC on the same day, whereby PayEase PRC is entitled to an exclusive right to provide Technical Services to the Company in regard of the continuous provision of all services to be provided by the Company to its customers under the Non-transferring Contracts.

The Directors confirmed that the consideration of USD2,500,000 (approximately RMB20,280,000) under the Assets Transfer Agreement has been determined after arm's length negotiations between the Company and the Purchasers and with reference to the appraised value of the Online Payment Assets of RMB16,320,000 as at 30 September 2005 according to the Independent Valuation Report. The Directors consider that the terms of the Assets Transfer Agreement and the Exclusive Technical Services Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The disposal of the Online Payment Assets constitutes a discloseable transaction of the Company under the GEM Listing Rules as certain applicable percentage ratios for the transaction are more than 5% but less than 25% and the transaction is subject to the reporting and publication of announcement and circular requirements in accordance with Rules 19.34 and 19.38 of the GEM Listing Rules.

A circular containing further details of the disposal of Online Payment Assets will be dispatched to the shareholders of the Company in accordance with the requirements under the GEM Listing Rules as soon as possible.

* For identification purpose only

I. THE ASSETS TRANSFER AGREEMENT

THE ASSETS TRANSFER AGREEMENT

Date: The Assets Transfer Agreement was entered into by the parties on 30 December 2005

Parties: the Company, as vendor; and

PayEase Corp. and PayEase PRC, as purchasers, being Independent Third Parties

Terms: In accordance with the Assets Transfer Agreement, the Company agreed to sell and the Purchasers agreed to purchase the Online Payment Assets

CONDITIONS

Conditions precedent to the effectiveness of the Assets Transfer Agreement

1. The passing of a resolution by the respective boards of directors of the Company and the Purchasers to approve the transfer of Online Payment Assets and accept all the terms of the Assets Transfer Agreement together with all attachments thereto;
2. Approval of the transfer of Online Payment Assets by the relevant government authorities of the PRC.

The Directors confirmed that the above conditions have been fulfilled as at the date of this announcement.

Subsequent events after Assets Transfer Effective Date

The following events must be completed or satisfied within three months from the Assets Transfer Effective Date:

1. All the contracts, agreements or documents set out in the attachments to the Assets Transfer Agreement have been signed or written confirmation has been obtained from the Company and the Purchasers, and/or any other relevant parties, to confirm it effectiveness;
2. The Online Payment Assets and Online Payment Business remain in good condition, which shall mean the Online Payment Business remain in normal operation without material disruption as agreed by both parties, and there is an absence of material abnormal event that would consequently affect the appraised value of the Online Payment Assets;

In the event that the above events could not be completed within three months from the Assets Transfer Effective Date due to any circumstances under the control of the Company, the Company shall be responsible for any indemnity to be given to the Purchasers.

CONSIDERATION

The Directors have confirmed that the consideration of USD2,500,000 (approximately RMB20,280,000) under the Assets Transfer Agreement was determined after arm's length negotiations between the Company and the Purchasers and with reference to the appraised value of the Online Payment Assets of RMB16,320,000 as at 30 September 2005 according to the Independent Valuation Report. The consideration of USD2,500,000 (approximately RMB20,280,000) under the Assets Transfer Agreement shall be settled by two equal instalments payable within 5 working days and 10 working days from the Assets Transfer Effective Date respectively. The consideration of USD2,500,000 (approximately RMB20,280,000) is equivalent to (i) approximately 24% premium to the appraised value of the Online Payment Assets according to the Independent Valuation Report; and (ii) over 5 times of the net asset value of the Online Payment Assets of approximately RMB4,030,000 as at 30 September 2005 according to the unaudited management account prepared under the PRC GAAP by the management of the Group.

MAJOR TERMS OF THE ASSETS TRANSFER AGREEMENT

General

Pursuant to the Assets Transfer Agreements, the Online Payment Assets, being the subject of the transfer, include all relevant account receivable and accounts payable, tangible assets (mainly includes network and computer equipment), intellectual properties (mainly includes system software and trade mark), business contracts and staff of the Online Payment Business. However, the Online Payment Assets does not include any development fund grant applied by the Company from the relevant government authorities in the PRC.

Transfer of Business Contracts

Moreover, upon the Assets Transfer Effective Date, the Company shall notify all of its contracted parties in relation to the Online Payment Business, such as customers, point of sales, sales agents, suppliers and banks, about the Transferring Contracts contemplated under the Assets Transfer Agreement and shall enter into an agreement with each of the respective parties to the Transferring Contracts or to obtain written consent from the respective parties to the Transferring Contracts. PayEase PRC shall be entitled to all revenues to be generated from the Transferring Contracts commencing from the Assets Transfer Effective Date. As the process of the execution of the Transferring Contracts may take some time, PayEase PRC has agreed to reimburse the Company for the relevant costs and expenses to be incurred from the Online Transfer Assets and Business during the three months period from the Assets Transfer Effective Date to the completion of the transfer of Transferring Contracts.

The Company shall use its best endeavours to procure, and PayEase PRC shall also use its best endeavours to assist the Company in the completion of the execution of the Transferring Contracts. However, in the event that any of such business contracts fails to be transferred to the Purchasers within three months from the Assets Transfer Effective Date, the Company shall, together with the Purchasers, continue to discuss with each of such contracted parties to procure that they enter into an agreement with the Company and the Purchasers whereby the Company and the Purchasers shall jointly fulfill the responsibilities contemplate under the Non-transferring Contracts. Accordingly, the Company shall provide a list of Non-transferring Contracts to the Purchasers upon completion of subsequent events within three months from the Assets Transfer Effective Date mentioned above. The Directors confirm that there is no compensation to be paid by the Company to the Purchaser for those Non-transferring contracts.

Exclusive Technology Service Agreement

Pursuant to the Assets Transfer Agreements, all the operating assets and business contracts shall be transferred to the Purchasers. However, the Company shall continue its responsibilities contemplated under the Non-transferring Contracts and shall provide the services in relation to the Online Payment Business to its customers under the Non-transferring Contracts. Accordingly, the Company and PayEase PRC have entered into an Exclusive Technical Services Agreement on 30 December 2005 for continuous provision of all Technical Services from PayEase PRC to the Company customers under the Non-transferring Contracts.

According to the Exclusive Technical Services Agreement, the PayEase PRC is entitled to an exclusive right to provide Technical Services to the Company in respect of services which the Company provides to its customers under the Non-transferring Contracts. The Company shall pay to the PayEase PRC the total amount of payment to be received from the customers under the Non-transferring Contracts net of any necessary expenses to be incurred by the Company. PayEase PRC shall issue an invoice to the Company for the Technical Services provided during the previous quarter within 30 days from the commencement of each quarter unless any change of payment schedule due to other arrangements in accordance with any of the Non-transferring Contracts. The Company shall pay the service fees, which is equivalent to the amount receivable from the customers under the Non-transferring contract net of any necessary expenses to be incurred by the Company, for the Technical Services of the previous quarter to PayEase PRC's within 30 working days from receipt of the invoice from PayEase PRC.

The Exclusive Technical Services Agreement shall become effective on the Assets Transfer Effective Date and shall be valid until the latest expiry date of the respective Non-transferring Contracts, including any renewal contracts, and any business contracts in relation to Online Payment Business to be potentially entered into by the Company and its customers with the permission of the Purchasers within 10 years from the Assets Transfer Effective Date.

INFORMAITON ABOUT ONLINE PAYMENT ASSETS AND BUSINESS

The Online Payment Business is one of the application services under the Group's e-commerce technology services business. The Company has developed an online B2C payment platform hosted through the Group's equipment facilities. This platform provides the Company's customers and online consumers with a secured transaction environment 24 hours a day and 365 days a year. The functions of this platform include encryption, CA service and payment process supervision. Consumers are able to make C2B transactions utilising the Company's online payment platform. The online payment software was developed by the Company by utilising PKI and advanced encryption technology. The revenue and operating income

derived from the Company's online payment platform for each of the two years ended 31 December 2004 and the nine months ended 30 September 2005, according to the unaudited management account prepared under the PRC GAAP by the management of the Group, are as follows:

	Year ended 31 December		Nine months ended
	2003	2004	30 September 2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover			
Membership fee	800	1,408	729
Processing fee	563	2,727	2,280
Others	1,377	114	261
	<u>2,740</u>	<u>4,249</u>	<u>3,270</u>
Cost of sales	(1,212)	(1,985)	(1,642)
Gross Profit	1,528	2,264	1,628
Operating Cost	(3,526)	(3,345)	(2,067)
Operating income/(Loss)	(1,998)	(1,081)	(439)

The Directors have confirmed that as at the Latest Practicable Date, the Group's online payment services have been provided to over 20 banks in the PRC and supporting the online payments for 4 international credit cards (namely VISA, MasterCard, American Express and JCB), for approximately 800 corporations, governmental departments and social communities in the PRC and overseas, such as PICC Property and Casualty Company Limited, Lenovo Group Limited, sina.com.cn, DongDong Online Bookshop, Peking University and Tsinghua University. As at 30 September 2005, there were over 100,000 registered members for online payment services with transaction amounts close to about RMB200 million for the nine months ended 30 September 2005.

As at 31 December 2004 and 2005, the total asset value of Online Payment Assets accounted to approximately RMB4,093,000 and RMB2,187,000 respectively, representing approximately 0.62% and 0.34% of the Group's total assets value respectively; net asset value of Online Payment Assets were approximately RMB4,015,000 and RMB1,870,000 respectively, representing approximately 0.01% and 0.06% of the Group's net asset value before minority interests respectively.

REASON FOR AND BENEFITS OF THE DISPOSAL OF THE ONLINE PAYMENT ASSETS AND BUSINESS

PayEase Corp is a company incorporated in the United States principally engaged in the research and development of electronic payment services includes payment via mobile phone and internet in the PRC as well as Hong Kong and the United States. With a view to expand its electronic payment operation in the PRC, the management of PayEase Corp. approached the Company for the transfer of the Online Payment Assets whilst the Company is a well-known network systems, network design, consultancy and related technical services provider based in Beijing with an established online payment platform.

The Online Payment Business was one of the application services under the Group's e-commerce technology services business. Revenue generated from the Online Payment Business represented approximately 1.0%, 1.8% and 2.1% of the Group's turnover for the two years ended 31 December 2004 and the nine months ended 30 September 2005 respectively. However, the Online Payment Business generated operating losses of approximately RMB1,998,000, RMB1,081,000 and RMB439,000 for each of the two years ended 31 December 2004 and the nine months ended 30 September 2005 respectively. The Online Payment Business has recorded an operating loss each year since its inception in 1999 and commencement of operations in 2000 despite increasing transaction volume. Hence, the Directors considered that the disposal of Online Payment Assets would enable the Company to avoid incurring further future losses from the Online Payment Business, which should in turn enhance the Group's future profitability. Upon the completion of the disposal of the Online Payment Assets, the Company will recognize a gain of approximately RMB16,250,000 and the net assets of the Company will also be increased by approximately RMB16,250,000, representing the difference between the consideration receivables of approximately RMB20,280,000 and the net assets value of the Online Payment Assets of approximately RMB4,030,000 as at 30 September 2005 according to the unaudited management account prepared under the PRC GAAP by the management of the Company. The financial impact mentioned above does not include the impact of related expenses, provisions and taxes. The Directors intends to apply the proceeds from the disposal of Online Payment Assets as general working capital.

Furthermore, the Directors consider that the terms of the Assets Transfer Agreement and the Exclusive Technical Services Agreement are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

POTENTIAL COOPERATION WITH THE PURCHASERS

The Board also advised that although the Company would no longer be engaged in the Online Payment Business after the disposal of Online Payment Assets to the Purchasers, it may leverage on its existing market and business network to assist PayEase Corp. to develop the Online Payment Business by referring business development opportunities to PayEase PRC.

In order to secure such cooperation relationship with the Company, PayEase Corp and PayEase PRC propose to enter into an equity participation agreement with the Company and Capinfo HK, whereby PayEase Corp agrees to issue new shares to Capinfo HK for nil consideration. After the completion of the issuance of shares of PayEase Corp, to Capinfo HK, Capinfo HK will hold as to 25% of the enlarged share capital of PayEase Corp. Capinfo HK will also be entitled to nominate one director to the board of directors of each of the PayEase Corp and PayEase PRC respectively. The Board advised that the Company is still in preliminary discussions with PayEase Corp and the terms of the Equity Participation Agreements are expected to be finalised soon. The Directors have undertaken to take necessary actions, including but not limited to the publication of further announcement, to comply with the GEM Listing Rules when the Equity Participation Agreement is signed.

II. DISCLOSEABLE TRANSACTIONS

The disposal of the Online Payment Assets constitutes a discloseable transaction of the Company under the GEM Listing Rules as certain applicable percentage ratios for the transaction are more than 5% but less than 25% and the transaction is subject to the reporting and publication of announcement and circular requirements in accordance with Rules 19.34 and 19.38 of the GEM Listing Rules.

III. INFORMATION ABOUT THE GROUP

The Company is a joint stock limited company incorporated in the PRC and principally engaged in the installation of network systems, network design, consultancy and related technical services in the PRC, particularly Beijing.

The audited turnover to the Group for each of the two years ended 31 December 2004 amounted to approximately RMB279,565,000 and 241,455,000 respectively.

The audited net profit before tax and net profit after tax and minority interest of the Group for the year ended 31 December 2003 amounted to approximately RMB8,049,000 and RMB5,949,000 respectively, and the audited net profit before tax and net loss after tax and minority interest of the Group for the year ended 31 December 2004 amounted to approximately RMB2,378,000 and RMB1,806,000 respectively.

The audited net asset value of the Group before minority interest and after minority interest for the year ended 31 December 2003 amounted to RMB556,099,000 and RMB553,555,000 respectively, and for the year ended 31 December 2004 amounted to RMB551,031,000 and RMB549,749,000 respectively.

DEFINITIONS

“Assets Transfer Agreement”	the agreement entered into by the Company and the Purchasers on 30 December 2005 for the transfer the Online Payment Assets
“Assets Transfer Effective Date”	the date upon fulfillment of all conditions precedent to the effectiveness of the Assets Transfer Agreement
“B2C”	an e-commerce model whereby business organizations transact with consumers online
“Board”	the board of Directors
“C2B”	an e-commerce model whereby consumers transact with business organizations online
“CA”	certificate of authority, a system employed in electronic transactions which supports the issuance of digital certificate of authority and digital signature for identity verification
“Capinfo HK”	Capinfo (Hong Kong) Company Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong with limited liabilities in March 2003
“Company”	Capinfo Company Limited* (首都信息發展股份有限公司), a joint stock limited company incorporated in the PRC
“Directors”	the directors of the Company

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“Exclusive Technical Services Contract”	the technical service contract dated 30 December 2005 entered into between the Company and PayEase PRC for the provision of Technical Services.
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	an independent third party (together with its ultimate beneficiary shareholder) not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the GEM Listing Rules
“Independent Valuation Report”	an asset valuation report in respect of Online Payment Assets prepared by 北京德威評估有限責任公司 (Beijing Deiwei Appraisal Co., Ltd.), a qualified valuer in the PRC and an Independent Third Party, dated 8 November 2005, under which the appraised net asset value of Online Payment Assets amounted to approximately RMB16,320,000 as at 30 September 2005 based on a cost method which take into consideration the total tangible and intangible investment cost of the Online Payment Assets
“Non-transferring Contracts”	business contract entered into between the Company and its customers as listed in the attachment of the Exclusive Technical Support Agreement which are not able to successfully transfer to the Purchasers within three months from the Effective Date
“Online Payment Assets”	all assets and business as listed in the attachment of the Assets Transfer Agreement including all account receivables and account payables, tangible assets, intellectual properties, business contracts and certain staff in relation to the Online Payment Business
“Online Payment Business”	the business in relation to the provision of online payment services such as online payment, bills management, transfer and settlements for B2C or C2B transactions as well as relevant staff and business contract in relation to such business
“PayEase Corp.”	PayEase Corp, formerly know as W-Phone Inc., is a company incorporated in the United States with limited liabilities in September 1997 principally engaged in the research and development of electronic payment services includes payment services via mobile phone and internet, an Independent Third Party

“PayEase PRC”	PayEase (Beijing) Technology Ltd (易智付科技(北京)有限公司), a wholly-owned subsidiary of PayEase Corp incorporated in the PRC with limited liabilities in December 2005 principally engaged in the research, services and sales of internet oriented data, products, services and technology system especially payment related services, an Independent Third Party
“PKI”	public key infrastructure, a system of digital certificates, certificate authorities and other registration authorities that verify authenticate the validity of each party involved in an Internet transaction
“Purchaser”	PayEase PRC and PayEase Corp.
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include The Special Administrative Region of Hong Kong, The Special Administrative Region of Macau and Taiwan
“U.S.” or “United States”	United States of America
“USD”	United States dollar, the lawful currency of the U.S.
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Technical Services”	technical services to be provided by PayEase PRC to the Company under the Exclusive Technical Services Agreement including, but not limited to, the provision of services in relation to encryption, CA, online settlement, search engine services as well as relevant consultation, installation, research and development and technical support services, , which are also the services to be provided by the Company to its customers of Non-transferring Contracts in relation to the Online Payment Business
“Transferring Contracts”	business contract entered into between the Company and its customers, point of sales, sales agents, suppliers and banks, which were included in the Online Payment Assets and being the subject of transfer according to the Assets Transfer Agreement
“%”	Percentage

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In respect of this announcement, translation of USD into RMB is based on the exchange rate of approximately RMB8.11 to USD1.00 for information purpose only. Such translation should not be constructed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.

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

Beijing, The People's Republic of China
5 January 2006

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (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.

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

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