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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)

### **CONNECTED TRANSACTION IN RELATION TO CAPITAL INCREASE**

Reference is made to the announcement of the Company dated 31 August 2005. The Board announces that on 2 September 2005, the Company entered into the Capital Increase Agreement with BSAM and SHECA under which, the Company, BSAM and SHECA agreed to contribute RMB4,974,000, RMB5,000,000, and RMB26,000 respectively to the registered capital of BJCA. After the Capital Increase, the registered capital of BJCA will be increased from RMB20,000,000 to RMB30,000,000 and the percentage of equity interests in BJCA held by the Company, BSAM and SHECA will change from approximately 46.7%, 50.0% and 3.3% to approximately 47.7%, 50.0% and 2.3% respectively.

The Directors, including the independent non-executive Directors, consider that the Capital Increase Agreement was entered into after arm's length negotiations based on normal commercial terms and that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole so far as the Independent Shareholders are concerned.

Given that BSAM is a substantial shareholder holding approximately 61.55% equity interests of the Company and that BJCA is an associate of the Company and BSAM, both BSAM and BJCA are connected persons of the Company under the GEM Listing Rules. Hence, the Capital Increase constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As each of the applicable percentage ratios for the Capital Increase is less than 2.5%, it is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **THE CAPITAL INCREASE AGREEMENT**

Date: 2 September 2005

Parties:

- (i) The Company
- (ii) BSAM, a substantial shareholder of the Company
- (iii) SHECA, which together with its ultimate beneficial owner, are third parties independent of and not connected persons to the Company

\* For identification purposes only

Company to increase its registered capital:	BJCA
Current registered capital of BJCA:	RMB20,000,000
Registered capital of BJCA after the Capital Increase:	RMB30,000,000
Capital to be contributed:	(i) RMB4,974,000 to be contributed by the Company by way of cash; (ii) RMB5,000,000 to be contributed by BSAM by way of cash; and (iii) RMB26,000 to be contributed by SHECA by way of cash
Conditions:	Unconditional
Term of payment:	Within seven days from the date of the Capital Increase Agreement
Special terms:	The total profit of BJCA for the year ending 31 December 2005 will be divided in 12 equal monthly profit, of which the first eight months of profit will be distributed to the Company, BSAM and SHECA pursuant to their respective percentage of equity interests in BJCA prior to the Capital Increase; and the remaining four months of profit will be distributed to the Company, BSAM and SHECA pursuant to their respective percentage of equity interests in BJCA after the Capital Increase
Board composition of BJCA:	There will be no change in the board composition of BJCA after the Capital Increase
Relationship between BJCA and the Company:	BJCA will remain an associate of the Company after the Capital Increase

The holders of equity interests in BJCA and their respective percentage of equity interests in BJCA before and after the Capital Increase are as follows:

	Before the Capital Increase		After the Capital Increase	
	Contribution to registered capital of BJCA <i>RMB</i>	Approximate Percentage of equity interest <i>%</i>	Contribution to registered capital of BJCA <i>RMB</i>	Approximate Percentage of equity interest <i>%</i>
the Company	9,340,000	46.7	14,314,000	47.7
BSAM	10,000,000	50.0	15,000,000	50.0
SHECA	660,000	3.3	686,000	2.3
	<u>20,000,000</u>	<u>100.0%</u>	<u>30,000,000</u>	<u>100.0%</u>

## **REASON FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

Pursuant to the recent amendments to 電子認證服務管理辦法 (Methods to the Management of the Digital Certificate Authority Service) issued by 中華人民共和國信息產業部 (Ministry of Information Industry of the PRC), a company engaged in the provision of services relating to digital certificate is required to have a registered capital of not less than RMB30,000,000. Accordingly, in order to ensure the continuing operation and development of the digital certificate business for BJCA, the Company, BSAM and SHECA decided to increase the registered capital of BJCA.

The amount of capital contribution to be made by the Company was determined by reference to the additional capital that needs to be contributed by the Company in order to obtain an equity interests of approximately 47.7% in BJCA with a registered capital of RMB30,000,000. Apart from the Capital Increase, the Company has not made any other capital contribution to BJCA in the previous 12 months.

The fund to be contributed by the Company pursuant to the Capital Increase Agreement will be sourced from internal resources of the Company. No further capital commitment from the Company is required under the Capital Increase Agreement other than the amount mentioned above.

The audited net assets of BJCA as at 31 December 2004 amounted to approximately RMB20,945,000 based on the generally accepted accounting principles of the PRC. The audited net profit of BJCA before taxation and extraordinary items for the year ended 31 December 2003 and 31 December 2004 amounted to approximately RMB1,715,000 and RMB1,039,000 respectively based on the generally accepted accounting principles of the PRC. The audited net profit of BJCA after taxation and extraordinary items for the year ended 31 December 2003 and 31 December 2004 amounted to approximately RMB1,715,000 and RMB930,000 respectively based on the generally accepted accounting principles of the PRC.

The Directors, including the independent non-executive Directors, consider that the Capital Increase Agreement is entered into after arm's length negotiations based on normal commercial terms and that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole so far as the Independent Shareholders are concerned.

## **CONNECTED TRANSACTION**

Given that BSAM is a substantial shareholder holding approximately 61.55% equity interests of the Company and that BJCA is an associate of the Company and BSAM, both BSAM and BJCA are connected persons of the Company under the GEM Listing Rules. Hence, the Capital Increase constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As each of the applicable percentage ratios for the Capital Increase is less than 2.5%, it is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **GENERAL**

### **The Group**

The Group is an Internet technology and network solutions provider with its principal place of business located in the Beijing Municipality, the PRC. Currently, the Group provides an integrated and focused portfolio of Internet based solutions to web-enable operations of government entities, enterprises and other organisations in the PRC. In addition, the Group also deploys a scalable and secure information exchange platform in the Beijing Municipality for the delivery of its solutions to its clients.

## **BSAM**

BSAM is a company established in the PRC and is wholly-owned by Beijing Municipal Government. The principal business of BSAM is investment, management and operation of State-owned assets in Beijing.

## **SHECA**

SHECA is a state-owned limited liability company established in the PRC by the Shanghai Municipal Government. Its principal business includes provision of online services, in particular, information security certification, issuance and management of digital certificates.

## **DEFINITIONS**

“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“BJCA”	北京數字證書認證中心有限公司(Beijing Certificate Authority Center Company Limited), a company established in the PRC and principally engaged in the provision of services related to digital certificates
“BSAM”	北京市國有資產經營有限責任公司 (Beijing State-owned Assets Management Corporation Limited), a company incorporated in the PRC and is wholly-owned by Beijing Municipal Government. It is one of the promoters and initial management shareholders (as defined in the GEM Listing Rules) of the Company
“Capital Increase”	the contribution of RMB4,974,000, RMB5,000,000 and RMB26,000 into the registered capital of BJCA to be made by the Company, BSAM and SHECA respectively pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the agreement dated 2 September 2005 entered into between the Company, BSAM and SHECA, pursuant to which the Company, BSAM and SHECA have agreed to contribute RMB4,974,000, RMB5,000,000 and RMB26,000 respectively to the registered capital of BJCA
“Company”	首都信息發展股份有限公司(Capinfo Company Limited*), a joint stock limited company incorporated in the PRC
“Directors”	the directors of the Company
“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 Shareholders”	shareholders of the Company other than BSAM
“PRC”	the Peoples’ Republic of China
“RMB”	renminbi, the lawful currency of the PRC
“SHECA”	上海市電子商務安全證書管理中心有限公司(Shanghai Electronic Commerce Security Certificate Management Centre Company Limited), a state-owned company with limited liability which was established in the PRC in 1998. It engages mainly in provision of online services, in particular, information security certification, issuance and management of digital certificates and is an independent third party
“%”	per cent

By Order of the Board  
**CAPINFO COMPANY LIMITED\***  
 首都信息發展股份有限公司  
**Dr. CHEN Xinxiang**  
*Chairman*

Beijing, the People’s Republic of China, 5 September 2005

*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 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 nonexecutive 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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

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