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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)

CONNECTED TRANSACTION

The Board announces that on 28th October, 2002, Capinfo entered into the Agreement with BSAM, under which, Capinfo and BSAM agreed to set up the Invested Company and to contribute RMB4,000,000 and RMB6,000,000 respectively, representing 40% and 60% of the registered capital of the Invested Company.

The Directors, including the independent non-executive Directors, consider that the Agreement was entered into on normal commercial terms and that the terms of the Agreement are fair and reasonable and in the interests of the Capinfo Group so far as the Independent Shareholders are concerned.

As BSAM is the substantial shareholder of Capinfo, BSAM is a connected person as defined under the GEM Listing Rules. Hence, the signing of the Agreement constitutes a connected transaction of Capinfo under Chapter 20 of the GEM Listing Rules. However, as the consideration to be paid by Capinfo is less than HK\$10,000,000, no Independent Shareholders' approval is required. Details of the Agreement will be disclosed in the next published annual report of Capinfo.

The Board announces that on 28th October, 2002, Capinfo entered into the Agreement with BSAM, under which, Capinfo and BSAM agreed, among other things, to set up the Invested Company and to contribute RMB4,000,000 and RMB6,000,000 respectively, representing 40% and 60% of the registered capital of the Invested Company.

Details of material terms of the Agreement are set out below:–

AGREEMENT

Date: 28th October, 2002

Parties: Capinfo and BSAM

The Invested Company:

Scope of the business activities: Including the provision of Information Kiosk service and related business

Total registered capital: RMB10,000,000

Contributions by Capinfo and BSAM:

Amount to be contributed in cash and equity interests in the Invested Company to be held by Capinfo: RMB4,000,000 and 40%

Amount to be contributed in cash and equity interests in the Invested Company to be held by BSAM: RMB6,000,000 and 60%

No further capital commitment and other financing commitment from Capinfo is required under the Agreement other than the amount mentioned above.

Each of BSAM and Capinfo has to contribute their respective agreed amount within 30 days from the effective date of the Agreement, i.e. around 27th November, 2002.

As advised by Capinfo's PRC lawyers, the formation of the Invested Company will require approval from the relevant PRC authorities for setting up a new company and the Invested Company will proceed to complete the formalities for such approval. In the event that the Invested Company is engaged in Information Kiosk service and related business, it will have to comply with the approval requirements of the PRC laws and regulations.

Board representation:

It was proposed that the Invested Company will have five directors. Subject to the approval of shareholders' meeting of the Invested Company, two directors will be nominated by Capinfo and the remaining three directors will be nominated by BSAM.

Reason for entering into the Agreement:

The formation of the Invested Company under the Agreement will facilitate the development of the existing businesses of Capinfo Group including the application of e-commerce platform which is in line with the overall strategy of the Capinfo Group. There is no change in the business objectives and use of proceeds as disclosed in the Prospectus. The percentage of equity interests held in the Invested Company is in proportion to the percentage of capital paid by Capinfo. The source of fund to be contributed by Capinfo comes from the proceeds from placing of H shares pursuant to the Prospectus, which was allocated for the implementation of e-commerce platform.

The Directors, including the independent non-executive Directors, consider that the Agreement is entered into on normal commercial terms and that the terms of the Agreement are fair and reasonable and in the interests of the Capinfo Group so far as the Independent Shareholders are concerned.

Connected transaction

As BSAM is the substantial shareholder, holding 61.55% equity interests, of Capinfo, BSAM is a connected person as defined under the GEM Listing Rules. Hence, the signing of the Agreement constitutes a connected transaction of Capinfo under Chapter 20 of the GEM Listing Rules. However, as the consideration to be paid by Capinfo is less than HK\$10,000,000, no independent shareholders'

approval is required. Details of the Agreement will be disclosed in the next published annual report of Capinfo.

The Directors confirm that as of the date hereof, Capinfo Group has not made any decision to enter into any transaction with BSAM and Invested Company in relation to the operations and business of Invested Company after the formation of the Invested Company.

General

Capinfo Group is an internet technology and network solutions provider with its principal place of business located in the Beijing Municipality, the PRC. Currently, Capinfo Group provides an integrated and focused portfolio of internet based solutions to web-enable the operations of government entities, enterprises and other organizations 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.

Definitions

“Agreement”	The agreement dated 28th October, 2002 entered into between BSAM and Capinfo who, under this agreement, agree to contribute RMB6,000,000 and RMB4,000,000 respectively to set up the Invested Company.
“Board”	the board of directors of Capinfo
“BSAM”	Beijing State-owned Assets Management Corporation Limited (北京市國有資產經營有限責任公司), a company incorporated in the PRC, being wholly-owned by Beijing Municipal Government and is one of the promoters (as defined in the GEM Listing Rules)
“Capinfo”	Capinfo Company Limited*, a joint stock limited company incorporated in PRC
“Capinfo Group”	Capinfo and its subsidiaries
“Directors”	the directors of Capinfo
“GEM”	the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“Independent Shareholders”	Shareholders of Capinfo other than BSAM
“Information Kiosk”	terminal that integrates the applications of touch-screen, networking, multi-media, gathers and shares information from various sources

“Invested Company”	the company to be established under the Agreement
“PRC”	The Peoples’ Republic of China
“Prospectus”	The prospectus dated 17th December, 2001 of Capinfo
“RMB”	renminbi, the lawful currency of the PRC

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

PRC, 28th October, 2002

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.

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*