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CAPINFO
CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

(a joint stock limited company established in the People's Republic of China with limited liability)
(Stock code: 1075)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED DISPOSAL OF EQUITY INTEREST IN BEIJING
CERTIFICATE AUTHORITY CO., LTD.***

PROPOSED DISPOSAL

In support of the Proposed Listing, on 21 March 2014, the Company provided the Conditional Undertaking to BJCA in relation to the Proposed Disposal, which is subject to the Independent Shareholders' approval. Accordingly, the Company will seek an advance mandate from the Shareholders for the Proposed Disposal with the Disposal Price ranged from RMB17.01 to RMB60.

LISTING RULES IMPLICATION

As the applicable possible percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but are less than 25%, the Proposed Disposal, if materialise, will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

BJCA is owned as to 34.98% by the Company and as to 36.66% by BSAM, the controlling shareholder of the Company which is interested in approximately 63.31% of the issued share capital of the Company. Pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules, the Proposed Disposal, if materialise, will constitute a connected transaction for the Company and be subject to the reporting, announcement and independent shareholders' approval requirements. Accordingly, the Board is seeking the Independent Shareholders' approval for the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate at the EGM.

GENERAL

The EGM will be convened at which resolution will be proposed to seek the Independent Shareholders' approval of, among other things, the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder. BSAM and its associates who are Shareholders will abstain from voting on the relevant resolution to approve the transactions contemplated under the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate at the EGM.

A circular containing details regarding, among others, (i) the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee in respect to the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information required under the Listing Rules, will be despatched to the Shareholders as soon as possible, which is expected to be on or before 11 April 2014.

Shareholders and potential investors should note that the Proposed Disposal is conditional upon, among others, the approval of the Proposed Disposal having been obtained from the Shareholders and the approval of the Proposed Listing having been obtained from the relevant PRC government authorities (including the CSRC), and hence may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

BACKGROUND

As at the date of this announcement, the Company and BSAM are interested in 20,988,414 Existing BJCA Shares and 21,994,308 Existing BJCA Shares, representing approximately 34.98% and approximately 36.66% of the total issued share capital of BJCA, respectively.

BJCA had submitted the listing application for the proposed listing of its shares on the ChiNext (創業板) of Shenzhen Stock Exchange (the “**Proposed Listing**”) to CSRC in October 2012. BJCA had also submitted supplemental information to CSRC pursuant to the revised listing policies of CSRC for approval. The listing date of BJCA is yet to be determined.

Pursuant to relevant requirements regarding the public offering of existing shares under the 《首次公開發行股票時公司股東公開發售股份暫行規定》 (Interim Regulations on the Public Sale of Shares by Shareholders in the Initial Public Offering) (the “**Interim Regulations**”), the Company and BSAM are required to sell part of their Existing BJCA Shares to the public at the Proposed Listing under certain conditions.

Should the gross proceeds to be raised under the Proposed Listing, based on the final BJCA IPO Price, exceed the sum of the intended net proceeds to be raised by BJCA (i.e. RMB310 million) and the fees and expenses with respect of the Proposed Listing (including the underwriting commission for the underwriting of both New BJCA Shares to be issued and the Existing BJCA Shares to be sold by the Company and BSAM (if any)) (the “**Proposed Listing Cost**”), (i) BJCA will adjust downward the number of New BJCA Shares to be issued; and (ii) the Company and BSAM will sell part of their exiting BJCA Shares to the public at the Proposed Listing in the proportion of 1:1 to make up the shortfall in order to maintain the required public float of 25% of the then issued share capital of BJCA according to the number of New BJCA Shares to be issued.

In support of the Proposed Listing, on 21 March 2014, the Company provided the Conditional Undertaking to BJCA in relation to the Proposed Disposal, which is subject to the Independent Shareholders’ approval.

PROPOSED DISPOSAL

Price range and maximum number of BJCA Shares to be disposed of

As at the date of the announcement, there are 60,000,000 Existing BJCA Shares in issue. Under the Proposed Listing, BJCA intends to offer not more than 20,000,000 BJCA Shares (including the New BJCA Shares to be issued by BJCA and the Existing BJCA Shares to be sold by the Company and BSAM) to the public such that the total number of BJCA Shares to be issued to and/or sold the public shall not be less than 25% of the then issued share capital of BJCA following the Proposed Listing (the “**Proposed Offering Structure**”).

With reference to the requirements under the Interim Regulations, the Proposed Offering Structure was arrived after arm’s length negotiation among all the shareholders of BJCA, such that:

- i. should the gross proceeds to be raised by issuing 20,000,000 New BJCA Shares under the Proposed Listing, based on the final BJCA IPO Price, fall below the sum of the intended net proceeds to be raised by BJCA (i.e. RMB310 million) and the Proposed Listing Cost, only BJCA will issue New BJCA Shares and no existing shareholders of BJCA would dispose of any of their Existing BJCA Shares;
- ii. should the gross proceeds to be raised under the Proposed Listing, based on the final BJCA IPO Price, exceed the sum of the intended net proceeds to be raised by BJCA (i.e. RMB310 million) and the Proposed Listing Cost, (i) BJCA will adjust downward the number of New BJCA Shares to be issued; and (ii) the Company and BSAM will sell part of their Existing BJCA Shares to the public at the Proposed Listing in the proportion of 1:1 to make up the shortfall in order to maintain the required public float of 25% of the then issued share capital of BJCA in accordance with the Proposed Offering Structure; and

- iii. in order to continue to maintain control over BJCA and for BSAM and the Company to remain as substantial shareholders of BJCA, the Company and BSAM will sell not more than 12,000,000 Existing BJCA Shares in aggregate at the Proposed Listing.

The final number of Existing BJCA Shares to be disposed of by the Company and BSAM at the Proposed Listing might be adjusted by the final offering structure which is subject to the approval of CSRC.

Pursuant to the Conditional Undertaking, the Company and BSAM will sell at the Proposed Listing in aggregate not more than 12,000,000 Existing BJCA Shares in the proportion of 1:1.

The Disposal Price will be identical to the BJCA IPO Price per New BJCA Shares to be issued under the Proposed Listing. As at the date of this announcement, neither the Disposal Price nor the BJCA IPO Price has been determined. Accordingly, the Company will seek an advance mandate from the Shareholders for the Proposed Disposal with the Disposal Price ranged from RMB17.01 to RMB60.

After publication of the draft prospectus and an announcement on the Shenzhen Stock Exchange regarding the Proposed Listing, the sponsor and the main underwriter of the Proposed Listing will seek investors' quotation on the BJCA IPO Price. Subsequently, the sponsor and the main underwriter will determine the BJCA IPO Price according to the investors' quotation. The progress of the price asking, price quotation and price determination will be monitored by CSRC and will be disclosed to the public on the website of the Shenzhen Stock Exchange. According to the Proposed Offering Structure, should the Disposal Price fall at or below RMB17, the Proposed Disposal will not proceed and only BJCA will issue New BJCA Shares under the Proposed Listing.

Having taking into account the Proposed Offering Structure, the Company is seeking the Independents Shareholders' approval for the grant of the Proposed Mandate to proceed with the Proposed Disposal at the Disposal Price range from RMB17.01 to RMB60. The Disposal Price range between RMB17.01 to RMB60 was estimated by the Board based on the amount of net proceeds BJCA intend to raise in the Proposed Listing (i.e. RMB310 million), the Proposed Listing Cost, the Proposed Offering Structure (including the number of BJCA Shares to be issued by BJCA and the number of Existing BJCA Shares that may be sold by the Company and BSAM), the recent average price to earnings ratio of comparable companies operating in the same industry of BJCA and the buffer for the possible fluctuation of the PRC stock markets.

Set out below is the maximum and minimum number of Existing BJCA Shares that may be sold by the Company based on the corresponding BJCA IPO Price:

BJCA IPO Price (RMB)	New BJCA Shares to be issued in the Proposed Listing	Existing BJCA Shares to be sold to the public	Existing BJCA Shares proposed to be sold by the Company	Consideration for the Proposed Disposal (RMB)
At or below 17	20,000,000	Nil	Nil	Nil
60	6,432,570	10,175,574	5,087,787	305,267,220

Given the above, the maximum consideration for the Proposed Disposal would be approximately RMB305.27 million.

Conditions precedent

The completion of the Proposed Disposal is subject to, among others, the fulfillment of the following conditions:

- a. the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate having been approved by the Independent Shareholders at the EGM; and
- b. the Proposed Listing having been approved by the CSRC.

The Transfer

Pursuant to 《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》 (Measures for the Transfer of Certain State-owned Shares from the Domestic Securities Market to the National Social Security Fund*), should the Proposed Listing materialise, the state-owned shareholders of BJCA, being the Company, BSAM and Shanghai ECACC, are required to transfer 10% of the total number of BJCA Shares to be offered to the public (including both Existing BJCA Shares and New BJCA Shares) under the Proposed Listing to 全國社會保障基金理事會 (the National Council for Social Security Fund) (the “**Transfer**”). The number of BJCA Shares under the Transfer shall be determined based on the corresponding shareholdings of the BJCA state-owned shareholders in BJCA. The Transfer can be satisfied by the transfer of BJCA Shares or cash in an amount equivalent to the value of applicable number of BJCA Shares calculated based on the BJCA IPO Price (the “**Cash Transfer**”). In this regard, the state-owned shareholders of the Company (including BSAM) have undertaken to assume the obligation of the Company under the Transfer, by way of Cash Transfer.

Shareholding structure of BJCA

Set out below are the shareholding structure of BJCA (i) as at the date of this announcement; (ii) immediately after the Proposed Listing and the Transfer (without taking into account the Proposed Disposal); and (iii) immediately after the completion of the Proposed Listing, the Transfer and the Proposed Disposal, assuming the maximum Disposal Price of RMB60 under the Proposed Disposal:

	As at the date of this announcement		Immediately after the Proposed Listing and the Transfer (without taking into account the Proposed Disposal) <i>(Notes 1 & 2)</i>		Immediately after the Proposed Listing, the Transfer and the Proposed Disposal <i>(Note 2)</i>	
	<i>Number of BJCA Shares</i>	<i>%</i>	<i>Number of BJCA Shares</i>	<i>%</i>	<i>Number of BJCA Shares</i>	<i>%</i>
BSAM	21,994,308	36.66	21,163,901	31.86	16,076,114	24.20
The Company	20,988,414	34.98	20,988,414	31.59	15,900,627	23.93
Shanghai ECACC	1,005,894	1.68	967,916	1.46	967,916	1.46
Other existing shareholders (including employees of BJCA)	16,011,384	26.68	16,011,384	24.10	16,011,384	24.10
Public	–	–	6,432,570	9.68	16,608,144	25.00
National Social Security Fund	–	–	868,385	1.31	868,385	1.31
	<u>60,000,000</u>	<u>100</u>	<u>66,432,570</u>	<u>100</u>	<u>66,432,570</u>	<u>100</u>

Notes:

1. This scenario is for illustration purpose only since the Proposed Listing involves the Proposed Disposal.
2. The state-owned shareholders of the Company (including BSAM) have undertaken to assume the obligation of the Company under the Transfer, by way of Cash Transfer.

REASONS FOR THE PROPOSED DISPOSAL

The principal activities of the Group consist of the provision of information technologies and services supply including system integration, software development, IT planning and consultancy, IT operation and maintenance, etc.

As aforementioned, pursuant to relevant requirements regarding public offer of existing shares under the Interim Regulations, the Company and BSAM are required to sell part of their Existing BJCA Shares to the public in the process of the Proposed Listing under certain conditions.

Since the number of Existing BJCA Shares to be disposed of by the Company and the Disposal Price can only be ascertained at the final price determination stage of the Proposed Listing, the expected gain on disposal cannot be determined as at the date of this announcement. However, based on the Disposal Price range of RMB17.01 to RMB60, the estimated maximum gain from the Proposed Disposal (not considering the impact from sharing of the newly raised public offering proceed after the Proposed Listing) would be approximately RMB290.95 million (as derived with reference to (i) the maximum consideration of the Proposed Disposal; and (ii) the portion of the carrying value of the Existing BJCA Shares to be disposed, under equity method). Any net proceeds from the Proposed Disposal would be used as general working capital of the Company.

In addition to the financial gain (if any) from the Proposed Disposal, the Proposed Disposal would facilitate the completion of the Proposed Listing which in turn would allow the Company to (i) dispose of its interests in BJCA Shares more easily in the future (should the Board consider appropriate), as BJCA Shares would become freely tradable on a recognized stock exchange upon completion of the Proposed Listing; (ii) enjoy the continued growth and expansion of BJCA, in particular, BJCA would be able to further expand its business and operations through funds to be raised from the public at the Proposed Listing; (iii) have certainty over the percentage of dividend (if any) to be distributed by BJCA, as companies listed on the Shenzhen Stock Exchange are required to adhere to prescribed dividend distribution policy; and (iv) further enhance the reputation and marketability of the Company, as the Company would become a substantial shareholder of a listed company. Accordingly, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into account the advice from the independent financial adviser) are of the view that the Proposed Listing would be in the long term interests of the Company and the Shareholders as a whole and the terms of the Proposed Disposal are fair and reasonable and on normal commercial terms.

Save and except for Mr. Xu Zhe, Mr. Lu Lei and Ms. Zhang Kaihua, all being non-executive Directors and hold offices at BSAM, none of the Directors had any material interest in the Proposed Disposal. Accordingly, Mr. Xu Zhe, Mr. Lu Lei and Ms. Zhang Kaihua had abstained from voting on the Board resolutions on approving the Proposed Disposal.

INFORMATION ON BJCA

BJCA was established in the PRC on 28 February 2001. BJCA is a leading IT security solutions providers in the PRC which is principally engaged in the provision of certificate authority services and products and information security services. Following the continuous development since the establishment of BJCA, BJCA has already developed the ability to provide total solutions on certificate authority and has established a national wide certificate authority service network and product line.. As at the date of this announcement, the registered capital of BJCA is RMB60 million and is beneficially owned as to approximately 36.66% by BSAM, the controlling shareholder of the Company, and approximately 34.98% by the Company. BJCA has achieved steady growth in its operating results, revenue and net profit for the three financial years ended 31 December 2013.

Set out below is the audited consolidated financial information of BJCA for the two years ended 31 December 2013 prepared in accordance with the PRC Accounting Standard:

	For the year ended 31 December 2012	For the year ended 31 December 2013
	<i>RMB 'million</i>	<i>RMB 'million</i>
Net profit before taxation	37.29	56.33
Net profit after taxation	30.39	45.86
	As at 31 December 2012	As at 31 December 2013
	<i>RMB 'million</i>	<i>RMB 'million</i>
Net assets	151.22	186.88

LISTING RULES IMPLICATION

As the applicable possible percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but are less than 25%, the Proposed Disposal, if materialise, will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

BJCA is owned as to 34.98% by the Company and as to 36.66% by BSAM, the controlling shareholder of the Company which is interested in approximately 63.31% of the issued share capital of the Company. Pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules, the Proposed Disposal, if materialise, will constitute a connected transaction for the Company and be subject to the reporting, announcement and independent shareholders' approval requirements. Accordingly, the Board is seeking the Independent Shareholders' approval for the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate at the EGM.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect to the Conditional Undertaking, Proposed Disposal and the Proposed Mandate. BSAM and its associates will be required to abstain from voting at the EGM in respect to the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate.

The EGM will be convened at which resolution will be proposed to seek the Independent Shareholders' approval of, among other things, the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder. BSAM and its associates who

are Shareholders will abstain from voting on the relevant resolution to approve the transactions contemplated under the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate at the EGM.

The register of members of the Company will be closed from Wednesday, 9 April 2014 to Friday, 9 May 2014 (both days inclusive), during which no transfer of shares will be effected for the purpose of ascertaining the shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged by the shareholders with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (applicable to H shares); or the Company, at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, PRC (applicable to domestic shares) on or before 4:30 p.m. on Tuesday, 8 April 2014.

A circular containing details regarding, among others, (i) the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee in respect to the Conditional Undertaking, the Proposed Disposal and the Proposed Mandate; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information required under the Listing Rules, will be despatched to the Shareholders as soon as possible, which is expected to be on or before 11 April 2014.

Shareholders and potential investors should note that the Proposed Disposal is conditional upon, among others, the approval of the Proposed Disposal having been obtained from the Shareholders and the approval of the Proposed Listing having been obtained from the relevant PRC government authorities (including the CSRC), and hence may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“BJCA”	北京數字認證股份有限公司 (Beijing Certificate Authority Co., Ltd.*)
“BJCA Share(s)”	the Existing BJCA Shares and the New BJCA Shares
“BJCA IPO Price”	the offer price for each of the New BJCA Share under the Proposed Offering

“Board”	the board of the directors of the Company
“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 established in the PRC and is wholly-owned by the Beijing Municipal Government, being the controlling shareholder of the Company
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company established in the PRC, the overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company are listed on the Main Board of the Stock Exchange (Stock code: 1075)
“Conditional Undertaking”	the conditional undertaking provided by the Company to BJCA in relation to the Proposed Disposal, which is subject to the Independent Shareholders’ approval.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Directors”	the directors of the Company
“Disposal Price”	the proposed disposal price for each of the Existing BJCA Share under the Proposed Disposal
“EGM”	the extraordinary general meeting to be convened and held on Friday, 9 May 2014 for the purposes of considering and, if thought fit, approving the Conditional Undertaking, the Proposed Disposal, the Proposed Mandate and the transactions contemplated thereunder
“Existing BJCA Share(s)”	the existing share(s) of BJCA in issue
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board which comprises Mr. Chen Jing, Ms. Zhou Liye, Mr. Zeng Xianggao and Mr. Gong Zhiqiang

“Independent Shareholders”	Shareholders other than BSAM and its associates
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New BJCA Share(s)”	new share(s) of BJCA to be issued pursuant to the Proposed Listing, if materialise
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of the Existing BJCA Shares by the Company under the Proposed Listing, if materialise
“Proposed Mandate”	the mandate to be granted to the Directors to enter into and complete the Proposed Disposal by the Independent Shareholders at the EGM
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai ECACC”	上海市數字證書認證中心有限公司 (Shanghai Electronic Certificate Authority Center Company Limited*)
“Shares”	ordinary share(s) of RMB0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
CAPINFO COMPANY LIMITED*
Mr. Xu Zhe
Chairman

Beijing, the PRC, 21 March 2014

As of the date hereof, the executive Director is Dr. Wang Xu; the non-executive Directors are Mr. Xu Zhe, Ms. Zhang Kaihua, Mr. Lu Lei, Mr. Pan Jiaren, Mr. Shi Hongyin, Ms. Hu Sha and Mr. Wang Zhuo, and the independent non-executive Directors are Mr. Chen Jing, Ms. Zhou Liye, Mr. Zeng Xianggao and Mr. Gong Zhiqiang.

This announcement is published on the website of the Company (www.capinfo.com.cn) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).

In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

** For identification purposes only*