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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 16 January 2004, the Company entered into the Equity Transfer Agreement with BSAM under which, the Company agreed to transfer RMB2,500,000 registered capital of BJCA to BSAM at a consideration of RMB2,750,000. The Board also announces that on 16 January 2004, the Company entered into the Capital Increase Agreement with BSAM and SHECA under which, the Company, BSAM and SHECA agreed to contribute RMB7,340,000, RMB7,500,000 and RMB160,000 respectively to the registered capital of BJCA. After the Arrangement, the registered capital of BJCA will be increased from RMB5,000,000 to RMB20,000,000 and the percentage of equity interests in BJCA held by the Company, BSAM and SHECA will change from 90%, 0% and 10% to approximately 46.7%, 50.0% and 3.3% respectively.

The Directors, including the independent non-executive Directors, consider that the Equity Transfer Agreement and the Capital Increase Agreement were entered into after arm's length negotiations based on normal commercial terms and that the terms of the Equity Transfer Agreement and 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.

As BSAM is a substantial shareholder, holding approximately 61.55% equity interests, of the Company, it is a connected person as defined under the GEM Listing Rules. Hence, the Arrangement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the unaudited net tangible assets value of BJCA as at 30 September 2003 and the value of consideration to be received and paid by the Company under the Equity Transfer Agreement and the Capital Increase Agreement are less than 3% of the unaudited net tangible assets of the Company as at 30 September 2003 (based on the audited net tangible assets of the Group as at 31 December 2002 adjusted by the unaudited net profit for the nine months ended 30 September 2003), no Independent Shareholders' approval is required. Details of the Equity Transfer Agreement and the Capital Increase Agreement will be disclosed in the next published annual report and accounts of the Company.

THE EQUITY TRANSFER AGREEMENT

Date:	16 January 2004
Transferor:	the Company
Transferee:	BSAM
Interest to be transferred:	registered capital of RMB2,500,000 in BJCA
Consideration:	RMB2,750,000
Conditions:	Unconditional
Term of payment:	to be fully settled by a one-off payment within 7 days from the date of the Equity Transfer Agreement (i.e. on or before 23 January 2004)

THE CAPITAL INCREASE AGREEMENT

Date:	16 January 2004
Issuer of capital:	BJCA
Contributors of capital:	the Company, BSAM and SHECA
Increase in registered capital:	from RMB5,000,000 to RMB20,000,000
Capital to be contributed:	RMB7,340,000, RMB7,500,000 and RMB160,000 to be contributed by the Company, BSAM and SHECA respectively
Conditions:	Unconditional
Term of payment:	within 7 days from the date of the Capital Increase Agreement (i.e. on or before 23 January 2004)

The Equity Transfer Agreement and the Capital Increase Agreement are not inter-conditional. The holders of equity interest in BJCA and their respective percentage of equity interests in BJCA before and after the Equity Transfer and Capital Increase are as follows:

	Before the Arrangement		After the Arrangement	
	Contribution to registered capital of BJCA RMB	Percentage of equity interest %	Contribution to registered capital of BJCA RMB	Percentage of equity interest %
the Company	4,500,000	90.0	9,340,000	46.7
BSAM	—	0.0	10,000,000	50.0
SHECA	500,000	10.0	660,000	3.3
	<u>5,000,000</u>	<u>100.0</u>	<u>20,000,000</u>	<u>100.0</u>

REASON FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND THE CAPITAL INCREASE AGREEMENT

The development of the principal business of BJCA, i.e. issue of digital certificates, largely depends on the cooperation with the Governmental departments in the PRC, such as 北京市地方稅務局 (Beijing Local Taxation Bureau). The Directors believes that the introduction of BSAM, being wholly owned by the Beijing Municipal Government, as a controlling holder of equity interest in BJCA will facilitate the cooperation between BJCA and such Governmental departments, which in turn, will increase the business opportunities of BJCA, and thus will improve its performance. The Directors have confirmed that as of the date of this announcement, the Group has not entered and has not made any decision to enter into any transaction with BSAM, BJCA or SHECA in relation to the operations and business of BJCA after completion of the Arrangement.

The consideration of the Equity Transfer was determined by reference to the historical performance of BJCA. The principal business of BJCA is the issuance of digital certificates included mainly but not limited to corporations in Beijing. The unaudited net loss of BJCA for the year ended 31 December 2001 amounted to approximately RMB743,000 and the unaudited net profit of BJCA for the year ended 31 December 2002 amounted to approximately RMB665,000. The unaudited net tangible assets of BJCA as at 30 September 2003 amounted to approximately RMB6,508,000 and the proforma net tangible assets and the proforma net assets value of BJCA after the Arrangement are both estimated to be approximately RMB21,508,000, with a gain on

transfer estimated to be approximately RMB250,000. The gain accrued to the Company upon the Arrangement, estimated to be approximately RMB250,000, is calculated by reference to the carrying value of the interest to be transferred of RMB2,500,000 as published in the Company's 2002 annual report.

The fund to be contributed by the Company pursuant to the Capital Increase Agreement will be sourced from proceeds from the Equity Transfer and the working capital from operations. No further capital commitment from the Company is required under the Equity Transfer Agreement and the Capital Increase Agreement other than the amount mentioned above. There is no change in the business objectives and use of proceeds as disclosed in the Prospectus.

As advised by the Company's PRC legal advisers, according to the existing laws and regulations in the PRC, the increase of registered capital of BJCA pursuant to the Capital Increase Agreement does not require prior approval from the relevant PRC authorities if the Company, BSAM and SHECA settle their capital contributions in cash. BJCA should make appropriate registration with the relevant Administration for Industry and Commerce (工商行政管理局) in the PRC in relation to the increase of capital.

The Directors, including the independent non-executive Directors, consider that both the Equity Transfer Agreement and the Capital Increase Agreement are entered into after arm's length negotiations based on normal commercial terms and that the terms of the Equity Transfer Agreement and 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

As BSAM is a substantial shareholder, holding approximately 61.55% equity interests, of the Company, it is a connected person as defined under the GEM Listing Rules. Hence, the Arrangement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the unaudited net tangible assets value of BJCA as at 30 September 2003 and the value of consideration to be received and paid by the Company under the Equity Transfer Agreement and Capital Increase Agreement are less than 3% of the unaudited net tangible assets of the Company as at 30 September 2003 (based on the audited net tangible assets of the Group as at 31 December 2002 adjusted by the unaudited net profit for the nine months ended 30 September 2003), no independent shareholders' approval is required. Details of the Equity Transfer Agreement and the Capital Increase Agreement will be disclosed in the next published annual report and accounts of the Company.

BOARD AND SUPERVISORY COMMITTEE REPRESENTATION IN BJCA

The number of members of the board of directors of BJCA will change from three to six. Prior to the Arrangement, the Company and SHECA were entitled to nominate two and one director to the board of directors of BJCA respectively. After the Arrangement, the number of directors to be nominated by the Company, BSAM and SHECA will be two, three and one respectively.

The number of members of the supervisory committee of BJCA will change from one to two. Prior to the Arrangement, the supervisor was nominated by the Company. After the Arrangement, each of the Company and BSAM will be entitled to nominate one supervisor.

Prior to the Arrangement, results of BJCA were included in the Group's account by consolidation. After the Arrangement, results of BJCA will be accounted in the Group's account by using the equity method.

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 the 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 the 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.

DEFINITIONS

“Arrangement”	the arrangement involving the Equity Transfer and the Capital Increase
“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 the Beijing Municipal Government. It is one of the promoters and initial management shareholders (as defined in the GEM Listing Rules) of the Company
“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
“Group”	the Company and its subsidiaries
“Capital Increase”	the contribution of RMB7,340,000, RMB7,500,000 and RMB160,000 into the 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 16 January 2004 entered into between the Company, BSAM and SHECA which, under this agreement, agreed to contribute RMB7,340,000, RMB7,500,000 and RMB160,000 respectively to the capital of BJCA
“Directors”	the directors of the Company
“Equity Transfer”	the transfer of RMB2,500,000 registered capital of BJCA from the Company to BSAM at a consideration of RMB2,750,000 in cash pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the agreement dated 16 January 2004 entered into between the Company and BSAM under which the Company agreed to transfer RMB2,500,000 registered capital of BJCA to BSAM at a consideration of RMB2,750,000
“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
“Independent Shareholders”	shareholders of the Company other than BSAM
“PRC”	the Peoples’ Republic of China
“Prospectus”	the prospectus of the Company dated 17 December 2001
“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 Certificate Authority Center Co., Ltd.), a state-owned company with limited liability which was established in the PRC in 1998. It engages mainly in provision of online services, and is an independent third party
“%”	per cent

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

Beijing, the People’s Republic of China, 16 January 2004

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*