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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 TRANSACTION IN RELATION TO DISPOSAL OF AN INVESTMENT, PROPOSED RESIGNATION OF A NON-EXECUTIVE DIRECTOR AND PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

The Board announces that on 11 November 2005, the Company entered into the Equity Transfer Agreement with the Purchaser, under which, the Company agreed to dispose of all of its 3% equity interests in BZIE for a consideration of RMB17,580,000 payable by the Purchaser in four installments. In accordance with 《企業國有產權轉讓管理暫行辦法》 (the Provisional Management Rules Governing the Transfer of State-owned Equity Interests of Corporations), the Company further entered into the Guarantee Agreement with the Guarantor on 11 November 2005, under which, the Guarantor provided a guarantee to the Company in relation to the Purchaser's obligation of payments (except for the first instalment) and any penalty charges under the Equity Transfer Agreement for a term of 2 years commencing from the scheduled payment date of the fourth instalment of the Consideration.

The Directors considered that the terms of the Equity Transfer Agreement are fair and reasonable and confirmed that the Consideration was reached after arm's length negotiations between the Company and the Purchaser based on normal commercial terms and the Independent Valuation Report.

The Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules as certain applicable percentage ratios for the Disposal are more than 5% but less than 25% and 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.

The Board also announces that Mr. Lu Dongtao will resign as the non-executive Director due to the need for his full devotion to his employment at Beijing Gehua Cable TV Network Co., Ltd. (北京歌華有線電視網絡有限公司), where he is the general manager, and proposes to appoint Mr. Xia Peng as a non-executive Director with effect from the conclusion of the EGM.

A circular containing, inter alia, further details of the Disposal, Proposed Resignation and the Proposed Appointment together with the notice of the EGM, the proxy form and reply slip 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 EQUITY TRANSFER AGREEMENT

- Date:** The Equity Transfer Agreement, which has been approved by the relevant government entity in the PRC in accordance with《企業國有產權轉讓管理暫行辦法》(the Provisional Management Rules Governing the Transfer of State-owned Equity Interests of Corporations), was entered into by the parties on 11 November 2005
- Parties:** Vendor: The Company
Purchaser: 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd), an Independent Third Party
- Subject of Transaction:** 3% equity interests in BZIE
- Consideration:** The consideration of RMB17,580,000 was agreed after arm's length negotiations between the Company and the Purchaser and reference was made to the Independent Valuation Report with an appraised value of BZIE of approximately RMB650,998,900 as at 31 December 2004
- Payment Terms:** Pursuant to the Equity Transfer Agreement, the Consideration payable by the Purchaser shall be deposited to the designated account of 北京產權交易所 (the China Beijing Equity Exchange) by four installments:
- 1) The first instalment of RMB5,274,000 (equivalent to 30% of the Consideration) is payable within five days from the signing of the Equity Transfer Agreement on 11 November 2005;
 - 2) The second instalment of RMB3,691,800 (equivalent to 21% of the Consideration) is payable before 30 December 2005;
 - 3) The third instalment of RMB5,274,000 (equivalent to 30% of the Consideration) is payable before 30 April 2006; and
 - 4) The fourth instalment of RMB3,340,200 (equivalent to 19% of the Consideration) is payable before 30 June 2006.

THE GUARANTEE AGREEMENT

Pursuant to the《企業國有產權轉讓管理暫行辦法》(the Provisional Management Rules Governing the Transfer of State-owned Equity Interests of Corporations), the Purchaser may settle the Consideration by instalment provided that the total term does not exceed one year and the first instalment representing not less than 30% of the Consideration is payable within 5 days from signing of the Equity Transfer Agreement. Moreover, such rule further requires that a guarantee for remaining instalments should be provided to the Company. As such, a Guarantee Agreement was entered into between the Company and the Guarantor. The Directors have confirmed that, as the Purchaser and the Guarantor are two independent legal entities with their own legal rights, the Guarantee Agreement entered into between the Company and the Guarantor is legal and valid, and is in compliance with《企業國有產權轉讓管理暫行辦法》(the Provisional Management Rules Governing the Transfer of State-owned Equity Interests of Corporations).

- Date:** The Guarantee Agreement was entered into by the parties on 11 November 2005
- Parties:** (1) 北京市地下鐵道建設公司 (Beijing Subway Construction Co., Ltd.), an Independent Third Party
- (2) The Company

Pursuant to the Guarantee Agreement, the Guarantor undertakes to provide a guarantee to the liabilities as a result of the Purchaser's default in fulfilling its obligation under the Equity Transfer Agreement. Major terms of the Guarantee Agreements are as follows:

Major Terms:

- Guarantor:** 北京市地下鐵道建設公司 (Beijing Subway Construction Co., Ltd.)
- Guarantee Amount:** RMB12,306,000, representing the second to fourth instalments of the Consideration
- Scope of guarantee:** Obligations of payments in relation to the Guarantee Amount plus any penalty charges under the Equity Transfer Agreement
- Terms:** Two years from 30 June 2006, being the scheduled payment date of the last instalment of the Consideration

REASONS FOR THE DISPOSAL

BZIE is a company established in the PRC with limited liabilities on 31 July 2000 and is principally engaged in the development of digitalization of Zhongguancun, Beijing, the PRC. The Company was one of the promoters of the BZIE during its establishment and the total amount of investment made for its 3% equity interests in BZIE was RMB15 million. According to the PRC GAAP Audited Reports, BZIE's net profit before tax and minority interests and the net profit after tax and minority interest for each of the two years ended 31 December 2004 and the six months ended 30 June 2005 amounted to approximately RMB13.2 million and RMB11.2 million, RMB19.1 million and RMB16.8 million, and RMB6.6 million and RMB4.7 million respectively. BZIE's net profit after tax and minority interest for each of the two years ended 31 December 2004 represented return on total asset value of approximately 1.4% and 1.6% respectively. The Directors considered that return on net assets of BZIE has been minimal and the Disposal represents a good opportunity to realize an immediate investment gain of RMB2,580,000. The Company's investment in BZIE is accounted as investment in securities and the Disposal will result in a profit of approximately RMB2,580,000. The Directors intend to apply the net proceeds from the Disposal as general working capital.

The Consideration is equivalent to (i) approximately 90% of the attributable appraised net asset value of BZIE, which is approximately RMB19,530,000, as at 31 December 2004 pursuant to the Independent Valuation Report; and (ii) a 10.7% premium to the attributable net asset value of approximately RMB15.9 million of BZIE as at 30 June 2005 according the PRC GAAP Audited Reports. The Directors considered that the terms of the Equity Transfer Agreement are fair and reasonable and confirmed that the Consideration was reached after arm's length negotiations between the Company and the Purchaser based on normal commercial terms and the Independent Valuation Report. The Directors have confirmed that, as BZIE is a joint stock company, the Company is not required to obtain any consent from other shareholders of BZIE for the transfer of its 3% equity interests in BZIE according to the PRC company law.

DISCLOSEABLE TRANSACTION

The Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules as certain applicable percentage ratios for the Disposal are more than 5% but less than 25% and is only 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.

II. PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR AND PROPOSED RESIGNATION OF A NON-EXECUTIVE DIRECTOR

The Board announced that Mr. Lu Dongtao will resign as a non-executive Director with effect from the conclusion of the EGM due to the need for his full devotion to his employment at Beijing Gehua Cable TV Network Co., Ltd. (北京歌華有線電視網絡有限公司), where he is the general manager. In this connection, the Company would propose to appoint Mr. Xia Peng as non-executive Directors of the Company with effect from the conclusion of the EGM.

Mr. Xia Peng, aged 40 has been the financial controller of 北京廣播影視集團 (Beijing All Media and Culture Group) since November 2004 and was the manager of the financial department of that company from June 2003 to November 2004. Mr. Xia has over 10 years of management experience in the PRC. Prior to joining 北京廣播影視集團 (Beijing All Media and Culture Group), Mr. Xia had worked at 中國對外經濟貿易會計學會 (the Accounting Society for Foreign Relations and Trade of China) as the vice-chairman and the secretary general from March 1999 to June 2003 and had served as the editor and director of the editorial department of the “Finance and Accounting for Foreign Relation and Trade” (《對外經貿財會》), a magazine published by 中國對外經濟貿易會計學會 (the Accounting Society for Foreign Relations and Trade of China) from July 1990 to March 1999. Mr. Xia graduated from the Economic Research Centre of 天津財經學院 (Tianjin University of Finance and Economics) with a master degree in Statistics in 1990.

The Proposed Appointment and the Proposed Resignation are subject to the approval by the shareholders of the Company by way of ordinary resolutions at the EGM which will be proposed at the EGM for the approval of the appointment of Mr. Xia Peng as a non-executive Director and the resignation of Mr. Lu Dongtao as a non-executive Director, all effective from the conclusion of the EGM.

The Proposed Appointment is also subject to the compliance of Rule 17.50(2) of the GEM Listing Rules and the requirements under Rule 5.02 of the GEM Listing Rules which stipulates that the appointment of a director is subject to the satisfaction of the Stock Exchange that the director has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of the Company.

Mr. Lu Dongtao has confirmed that there is no disagreement with the Company and there is no matters needed to be brought to the attention of the shareholders of the Company and the Stock Exchange in relation to the Proposed Resignation. The Directors believe that the Proposed Resignation will not have any impact on the daily operations and business of the Company.

The term of the directorship for Mr. Xia Peng will be commenced from the date of appointment to the end of the second session of the Board. Mr. Xia Peng has confirmed that he has not been a director of any companies listed on any stock exchange and is not connected to any of other Directors within the meaning of the GEM Listing Rules. Mr. Xia has further confirmed that he does not hold any shares of the Company within the meaning of the Securities and Futures Ordinance. Mr. Xia will receive nil consideration for his directorship of the Company.

DEFINITIONS

“Board”	the board of Directors
“BZIE”	北京中關村信息工程股份有限公司 (Beijing Zhongguancun Information Engineering Co., Ltd.), a company incorporated in PRC with limited liabilities on 31 July 2000, being the subject of the Equity Transfer Agreement
“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 and principally engaged in the installation of network systems, network design, consultancy and related technical services and sales of computers, related accessories and equipment in the PRC, particularly Beijing
“Consideration”	RMB17,580,000, the consideration of the Disposal
“Directors”	The directors of the Company
“Disposal”	The transaction under the Equity Transfer Agreement
“EGM”	An extraordinary general meeting to be convened and held by the Company to consider the Proposed Appointment and the Proposed Resignation, and any adjournment thereof, details of which will be contained in the notice of EGM to be despatched together with the circular as soon as practicable
“Equity Transfer Agreement”	The equity transfer agreement entered into between the Company and the Purchaser on 11 November 2005 for the transfer all of the Company’s 3% equity interests in BZIE to the Purchaser
“Guarantee Agreement”	The guarantee agreement entered into between the Company and Guarantor on 11 November 2005 in respect of the Equity Transfer Agreement
“Guarantor”	北京市地下鐵道建設公司 (Beijing Subway Construction Co., Ltd.), a wholly-owned subsidiary of the Purchaser and an Independent Third Party
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Third Party”	an independent third party (together with its 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 of BZIE prepared by the Valuer dated 31 August 2005, under which the appraised net asset value of BZIE amounted to approximately RMB650,998,900 as at 31 December 2004
“Proposed Appointment”	The proposed appointment of Mr. Xia Peng to the Board
“Proposed Resignation”	The proposed resignation of Mr. Lu Dongtao from the Board
“Purchaser”	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.), which is wholly-owned by the PRC government and managed by 北京市國有資產監督委員會 (Beijing State-owned Assets Supervision and Administration Commission) and an Independent Third Party
“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
“PRC GAAP Audited Reports”	The audited reports prepared by the 北京中威華浩會計師事務所有限公司 (Beijing Zhongwei huahao Accounting Firm Co., Ltd.) under the Generally Accepted Accounting Principles in the PRC for each of the two years ended 31 December 2004 and the six months ended 30 June 2006, where relevant
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	北京中企華資產評估有限責任公司 (Beijing Zhongqihua Enterprise Asset Appraisal Co., Ltd.), a qualified valuer in the PRC and an Independent Third Party

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

Beijing, The People’s Republic of China
15 November 2005

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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. Qi Qigong, Mr. Pan Jiaren, Mr. Ms. Tan Guoan Mr. Ye Yongdong, Mr. Lu Dongtao, Mr. Xu Zhe, Mr. Bai Liming; 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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