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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)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
DEDICATED CIRCUIT LEASING SERVICE**

BCC provided DCLS to the Company pursuant to DCLS Original Agreement (as extended by DCLS Renewal Agreement I, DCLS Renewal Agreement II and DCLS Renewal Agreement III), the term of which will expire on 30 June 2005. The Company has entered into the DCLS Renewal Agreement IV dated 21 April 2005 with BCC, pursuant to which the term of the DCLS Original Agreement will be extended to 30 June 2006.

The DCLS Renewal Agreement IV is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholder at the Extraordinary General Meeting approving the terms of the DCLS Renewal Agreement IV and the proposed caps of the DCLS Transaction.

BCC holds 80% interest in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. thus a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transaction under the DCLS Renewal Agreement IV will constitute a continuing connected transaction under the GEM Listing Rules. As the relevant percentage ratio(s) (defined under Chapter 20 of the GEM Listing Rules) of the proposed caps of the DCLS Transaction in aggregate is on an annual basis more than 2.5% and the annual consideration is more than HK\$10,000,000, it will be subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

A circular containing, among other things, details of the DCLS Transaction, the recommendations from the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee together with a notice convening the Extraordinary General Meeting will be dispatched to the shareholders of the Company as soon as practicable and in any event within 21 days after publication of this announcement.

**TRANSACTIONS**

The Company and BCC entered into the DCLS Original Agreement on 4 April 2001 for the provision of the Dedicated Circuit Leasing Service and a waiver from strict compliance with the reporting, announcement and shareholders' approval requirements of the GEM Listing Rules had been granted by the Stock Exchange to the Company in respect of the DCLS Original Agreement. The DCLS Renewal Agreement I, DCLS Renewal Agreement II and DCLS Renewal Agreement III, were entered into on 14 December 2001, 20 June 2003 and 9 July 2004 respectively to extend the term of the DCLS Original Agreement to 30 June 2005.

The Company has entered into the DCLS Renewal Agreement IV dated 21 April 2005 with BCC, pursuant to which the term of the DCLS Original Agreement will be extended to 30 June 2006.

The DCLS Renewal Agreement IV is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholder at the Extraordinary General Meeting approving the terms of the DCLS Renewal Agreement IV and the proposed caps of the DCLS Transaction.

**MAJOR TERMS OF THE DCLS ORIGINAL AGREEMENT (AS AMENDED BY THE DCLS RENEWAL AGREEMENT I, DCLS RENEWAL AGREEMENT II AND DCLS RENEWAL AGREEMENT III):**

BCC provided the Dedicated Circuit Leasing Service to the Company and a fee was payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% off the Standard Fees for such leased lines.

The aforementioned preferential discount was granted to the Company by BCC on the understanding that the Company intends to lease its circuits on a long-term basis.

In the event that (i) either BCC or the Company wishes to terminate the agreement prior to the agreement; or (ii) BCC encountered any force majeure event (an event possibly affecting the contract and that is completely outside the parties' control) or had any fee adjustment requirement, it might terminate the agreement by giving thirty days' advance notice to the Company. In any event that the monthly fee has been overdue for any two consecutive months, the agreement will be terminated automatically.

If there was any adjustment in the fee standards stipulated by the PRC government, the agreement will be terminated and the terms of the transactions between both parties shall be governed by the agreement for lease of dedicated circuits (專線租用協議書), a standard agreement of BCC with standard term for the provision of dedicated circuit leasing services which was entered into between the Company and BCC in August 2000, prior to the entering into of the DCLS Original Agreement.

For the four years ended 31 December 2004, the fees incurred under the DCLS Original Agreement the DCLS Renewal Agreement I, the DCLS Renewal Agreement II and the DCLS Renewal Agreement III were approximately RMB5.9 million, RMB6.6 million RMB 7.8 million and RMB9.7 million respectively. The Directors have confirmed that the fees incurred under the above agreements have never exceeded their respective caps in previous years. The Directors have further confirmed that if the cap amount is exceeded in future, the Company will promptly comply with all applicable requirements in relation to connected transactions under the GEM Listing Rules.

## **THE DCLS RENEWAL AGREEMENT IV**

### **Parties:**

BCC and the Company

### **Major terms:**

The Company and BCC will extend the term of the DCLS Original Agreement to 30 June 2006, which may further be extended by the parties before expiration by entering into a further renewal agreement.

The DCLS Renewal Agreement IV forms an integral part of the DCLS Original Agreement. BCC will provide the Dedicated Circuit Leasing Service to the Company and a fee will be payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% off the Standard Fees. Different DCLS Standard Fees will be charged according to the speed capacities of the circuit line as measured by kbps or Mbps. There is no minimum purchase requirement specified in the agreement in relation to the DCLS Transaction. Save as aforesaid, all other terms and conditions of the DCLS Original Agreement will remain applicable.

The DCLS Renewal Agreement IV is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholder at the Extraordinary General Meeting for the approval of the terms of the DCLS Renewal Agreement IV and the proposed caps for the DCLS Transaction.

## **REASONS FOR ENTERING INTO THE DCLS RENEWAL AGREEMENT IV**

The Directors have confirmed that local dedicated circuits are major components for the operation of the Community Services Project and the development of the Social Security Project. The Directors also confirm that BCC is the largest operator of the local dedicated circuit in Beijing and the entering of the DCLS Renewal Agreement IV will facilitate the completion of the Community Services Project, the Social Security Project and the Private Network Project.

The Directors (excluding the independent non-executive Directors who are members of the Independent Board Committee and whose recommendations will be contained in the circular (as detailed below)) consider that the terms of the DCLS Renewal Agreement IV were arrived at after arms' length negotiation between the parties. Having considered (i) the above mentioned terms and reasons of entering into the DCLS Renewal Agreement IV; and (ii) the terms of the DCLS Original Agreement (as amended by the DCLS Renewal Agreement I, DCLS Renewal Agreement II and DCLS Renewal Agreement III), the Directors (excluding the independent non-executive Directors who are members of the Independent Board Committee and whose recommendations will be contained in the circular (as detailed below)) consider that the DCLS Transaction stipulated under the DCLS Renewal Agreement IV is on normal commercial terms, and will be entered into in the ordinary and usual course of business of the Company and that the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **BASIS OF DETERMINATING THE CAPS**

Under Chapter 20 of the GEM Listing Rules, the Board is required to obtain a confirmation from the auditors of the Company to confirm that the DCLS Transaction has not exceeded the proposed caps and the Company is required to disclose such confirmation in its annual report. As such, the Directors propose two caps of RMB12.3 million (approximately HK\$11.6 million) and RMB16.5 million (approximately HK\$15.6 million) for the anticipated service fee to be incurred in relation to the DCLS Transaction for the six months ending 31 December 2005 and the six months ending 30 June 2006 respectively in order to facilitate the preparation of the aforesaid confirmation by the auditors of the Company for each of the year ending 31 December 2004 and 2005 respectively.

The respective caps of RMB12.3 million and RMB16.5 million represent an increase of 105% and 70% from the caps of RMB6 million and RMB9.7 million proposed by the Directors for the service fee to be incurred in relation to the DCLS Transaction for the six months ended December 2004 and the six months ended June 2005 respectively, details of which have been set out in the Company's announcement dated 13 July 2004. The increase in cap amount is the result of an estimated increase of approximately 67% in the number of dedicated circuits leased by the Company for the 12 months ending June 2006 as compared to the estimated figure for the 12 months ending June 2005. Further, the Directors have confirmed that the estimated increase in the number of dedicated circuits was based on information provided by the Company's customers and the Board's assessment on the progress of the Community Services Project, the Private Network Project and the Social Security Project.

The caps are determined after taking into consideration of (i) the historical fee paid for the DCLS; (ii) the number of existing locations (government departments, hospitals and clinics) and the targeted number of additional locations to be connected in each of the year 2005 and 2006 and (iii) the monthly fee equal to 20% off the Standard Fees charged for different types of lines (measured by the speed and capacity of data transmission). The Directors consider the proposed caps of RMB12.3 million (approximately HK\$11.6 million) and RMB16.5 million (approximately HK\$15.6 million) for the six months ending 31 December 2005 and the six months ending 30 June 2006 respectively are in line with the development progress of the Community Services Project, the Private Network Project and the Social Security Project.

The Community Services Project, the Social Security Project and the Private Network Project are under the Company's e-Government technology service, which is one of the core businesses of the Company. The contents of each of the projects and their latest developments are summarised as follows:

- The Community Services Project is focused on the construction of equipment facilities, a website system and hotline call centre system as well as the construction of the street level offices network centers administered under the 18 districts/counties of Beijing. As at the end of March 2005, hotline call centre system has been established and upgrading of services to broadband network is under development.
- The Social Security Project is aimed at centralising and providing online management of patients' data including real-time debit of expenditure on the outpatients' personal accounts as well as establishment of a disaster prevention centre to ensure a 365 days, 24 hours up time for the system. As at the end of March 2005, the Company has improved and renewed several sub-systems.
- The Private Network Project is aimed to establish a unified high-speed broadband information network between various government departments based on the CPIP to accomplish the digitalisation and networking of the activities of the government departments. As at the end of March 2005, various government departments located over the 18 districts/counties of Beijing has been connected to the network.

## **CONNECTED PERSON**

BCC owns 80% equity interest in Beijing Telecommunication Investments Co., Ltd., a promoter of the Company holding approximately 1.82% interests in the Company as at the date of this announcement. Accordingly, BCC is an associate of a promoter of the Company as defined in the GEM Listing Rules, and therefore, a connected person pursuant to Rule 20.11(4) of the GEM Listing Rules. The relevant percentage ratio, as defined under Chapter 20 of the GEM Listing Rules, of the proposed caps of the DCLS Transaction for each of the six months ending 31 December 2005 and 30 June 2006 of RMB12.3 million (approximately HK\$11.6 million) and RMB16.5 million (approximately HK\$15.6 million) respectively in aggregate (which is RMB28.8 million (approximately HK\$27.2 million)) is on an annual basis more than 2.5 % and the annual consideration is more than HK\$10,000,000. Accordingly, the DCLS Transaction will, pursuant to Chapter 20.35 to 20.41 of the GEM Listing Rules, constitute a non-exempt continuing connected transaction and will be subject to reporting, announcement and independent shareholders' approval requirements of the GEM Listing Rules.

In the event that the DCLS Original Agreement (as amended by the DCLS Renewal Agreement I, DCLS Renewal Agreement II, DCLS Renewal Agreement III and DCLS Renewal Agreement IV) is terminated due to any adjustment in the fee standards stipulated by the PRC government and the standard agreement for lease of dedicated circuits (專線租用協議書) comes into force, the Company shall promptly comply with all applicable requirements of the GEM Listing Rules in relation to connecting transactions.

## **GENERAL**

The Extraordinary General Meeting will be convened, at which an ordinary resolution to consider, and if appropriate, approve the terms of the DCLS Renewal Agreement IV and the proposed caps, will be proposed. Beijing Telecommunication Investment Co., Ltd. and its associates shall abstain from voting in respect of the DCLS Transaction at the Extraordinary General Meeting. Pursuant to the GEM Listing Rules, voting on the resolution relating to the terms of the DCLS Renewal Agreement IV at the Extraordinary General Meeting shall be conducted by way of a poll.

A circular containing, among other things, details of the DCLS Transaction, the recommendation from the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee together with the notice convening the Extraordinary General Meeting will be despatched to the shareholders of the Company as soon as practicable and in any event within 21 days after publication of this announcement.

The Group is an Internet technology and network solutions provider with its principal place of business located in Beijing, 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 organizations in the PRC. In addition, the Group also deploys a scalable and secure information exchange platform in Beijing for the delivery of its solutions to its clients.

BCC is a company established in the PRC and is principally engaged in providing telecommunication service, data transmission service, internet service and other related services.

## DEFINITIONS

“BCC”	CNC Beijing Communication Corporation (中國網通集團北京市通信公司) (formerly known as China Telecom Group Beijing Telecommunication Corporation (中國電信集團北京市電信公司))
“Board”	the board of Directors
“Community Services Project”	the Beijing Municipal Community Services Information Network Systems, which the Beijing Civil Affairs Bureau appointed the Company to construct and operate in August 2000
“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
“CPIP”	Capital Public Information Platform, an electronic information exchange platform established and operated by the Company, comprising two high speed nodes providing connection to various public, government and special networks, and information resources in Beijing, the PRC
“Dedicated Circuit Leasing Service” or “DCLS”	being the provision of dedicated circuit leasing service by BCC to the Company
“DCLS Original Agreement”	an agreement dated 4 April 2001 between the Company and BCC for provision of the Dedicated Circuit Leasing Service
“DCLS Renewal Agreement I”	an agreement dated 14 December 2001 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 31 December 2002
“DCLS Renewal Agreement II”	an agreement dated 20 June 2003 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2004
“DCLS Renewal Agreement III”	an agreement dated 9 July 2004 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2005
“DCLS Renewal Agreement IV”	the conditional agreement dated 21 April 2005 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2006
“DCLS Transaction”	being the continuing connected transaction between the Company and BCC contemplated under the DCLS Renewal Agreement IV

“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the terms of the DCLS Renewal Agreement IV and the proposed caps for the DCLS Transaction
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of the Hong Kong Special Administrative Region
“Independent Board Committee”	the independent board committee of the Company comprising the 3 independent non-executive Directors, namely Mr. Wong Ying Ho, Kennedy, Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong constituted to advise the Independent Shareholders in respect of the DCLS Transaction
“Independent Shareholder”	Shareholder(s) other than Beijing Telecommunication Investment Co., Ltd. and its associates
Internet	an electronic communications network that connects computer networks and organisation computer facilities around the world
“kbps”	kilobits per second (or thousands of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Mbps”	megabits per second (or millions of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Private Network Project”	the Beijing e-Government Private Network, the establishment and operation of which was commissioned by the Beijing Municipal Government
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Social Security Project”	the Beijing social security information system-medical insurance information sub-system, the construction and operation of which was assigned to the Company by the Beijing Municipal Labour and Social Security Bureau on 16 August 2000
“Standard Fees”	the standard fees published on the official website of BCC and are the fees offered by BCC to its ordinary customers in relation to the dedicated circuit leasing services announced by BCC from time to time and different standard fees will be charged according to the speed capacities of the circuit line (as measured by kbps or Mbps)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*For the purpose of this announcement, translations of RMB into Hong Kong dollars is made for illustration purposes only at the exchange rate of HK\$1 to RMB1.06.*

By Order of the Board  
**Dr. CHEN Xinxinag**  
*Chairman*

Beijing, The People’s Republic of China  
26 April 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. Qi Qigong, Mr. Pan Jiaren, Mr. Ye Yongdong, Mr. Lu Dongtao, Ms. Tan Guoan, Mr. Xu Zhe, Mr. Bai Liming; and the independent non-executive 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.*

\* *For identification purpose only*