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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)*

### **CONTINUING CONNECTED TRANSACTION AND POSSIBLE BREACH OF THE GEM LISTING RULES**

Pursuant to the Original Agreement, BB-BTC had been providing the Service to the Company, and the Stock Exchange had granted a waiver from strict compliance with the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules for the transactions carried on under the Original Agreement. The waiver granted had expired on 31 December, 2001. The term of the Original Agreement was extended for one year to 31 December 2002 by the Renewal Agreement.

From 1 January 2002 to the date of this announcement, the fee paid for the Transactions amounts to around RMB0.9 million which is below the de minimus threshold as stipulated in Rule 20.25 of the GEM Listing Rules, i.e. HK\$1 million. Accordingly, the Company is still exempted from the reporting, announcement and shareholders' approval requirements as stipulated in the GEM Listing Rules. However, the Directors anticipate that the aggregate fee payable for the Transactions during the term of the Renewal Agreement will exceed the said de minimus threshold and will then be subject to reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. The Transactions will continue in the normal course of business of the Company. An extraordinary general meeting will be convened to approve the Transactions under the Renewal Agreement. The Directors propose to convene the extraordinary general meeting in or about May 2002.

**According to this timetable, there will be possible breach of the GEM Listing Rules if the fee paid for the Transactions under the Renewal Agreement exceeds the de minimus threshold of Rule 20.25 of the GEM Listing Rules before approval by the independent shareholders of the Company. Should this happen without prior approval by the independent shareholders, an announcement will be made. The Stock Exchange is looking into the timing of the convening of the extraordinary general meeting and reserves its position in relation to this possible breach of the GEM Listing Rules should this happen without prior approval by the independent shareholders.**

A circular containing, among other things, details of the Transactions, the recommendation from the independent board committee of the Company and the advice of the independent financial adviser to the independent board committee will be forwarded to the shareholders of the Company within 21 days after publication of this announcement together with a notice convening an extraordinary general meeting of the Company. Details of the Transactions will also be incorporated in the Company's next published annual report.

## **BACKGROUND**

As disclosed in the prospectus of the Company dated 17 December 2001, China Telecom Beijing Corporation has, through its business department, BB-BTC, provided the Service to the Company. As China Telecom Beijing Corporation, is holding 80% interest in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd., China Telecom Beijing Corporation is therefore a connected person of the Company and the Transactions constitute non-exempt continuing connected transactions of the Company.

The Company and BB-BTC entered into the Original Agreement for the provision of the Service with an expiry date on 31 December 2001. The Stock Exchange granted a waiver to the Company from strict compliance with the reporting, announcement and shareholders' approval requirements of the GEM Listing Rules in relation to the Original Agreement till 31 December 2001.

The Company and BB-BTC entered into the Renewal Agreement dated 14 December 2001 to extend the term of the Original Agreement to 31 December 2002. As at the date of this announcement, the fee payable under the Renewal Agreement amounts to around RMB900,000 is below the de minimus threshold of HK\$1,000,000 as stipulated in Rule 20.25 of the GEM Listing Rules. Accordingly, the Company is still exempted from the reporting, announcement and shareholders' approval requirements as stipulated in the GEM Listing Rules. However, the Directors anticipate that the aggregate fee payable for the Transactions during the term of the Renewal Agreement will exceed the said de minimus threshold. Accordingly, the Transactions under the Renewal Agreement will be subject to the Company's reporting, announcement and shareholders' approval according to the GEM Listing Rules. An extraordinary general meeting will be convened to approve the Transactions under the Renewal Agreement. The Directors propose to convene the extraordinary general meeting in or about May 2002.

**According to this timetable, there will be possible breach of the GEM Listing Rules if the fee paid for the Transactions under the Renewal Agreement exceeds the de minimus threshold of Rule 20.25 of the GEM Listing Rules before approval by the independent shareholders of the Company. Should this happen without prior approval by the independent shareholders, an announcement will be made. The Stock Exchange is looking into the timing of the convening of the extraordinary general meeting and reserves its position in relation to this possible breach of the GEM Listing Rules should this happen without prior approval by the independent shareholders.**

## **RENEWAL AGREEMENT**

**Date:** 14 December 2001

**Parties to the transaction:**

**Leaser:** BB-BTC

**Lessee:** the Company

**Major terms:**

The Company and BB-BTC agreed to extend the term of the Original Agreement to 31 December 2002, which may further be extended by the parties before 31 December 2002 by entering into another renewal agreement.

All the terms and conditions of the Original Agreement remain applicable. The Renewal Agreement forms an integral part of the Original Agreement.

## **ORIGINAL AGREEMENT**

**Date:** 4 April 2001

### **Parties to the transaction:**

**Leaser:** BB-BTC

**Lessee:** the Company

### **Major Terms:**

BB-BTC provides the Service to the Company and a fee is payable by the Company based on the estimated number of leased lines and 80% of the Standard Fees for such leased lines.

The aforementioned preferential discount is granted to the Company by BB-BTC on the condition that the Company will lease its circuits on a long term basis.

If BB-BTC encounters any force majeure event (an event possibly affecting the contract and that is completely outside the parties' control) or has any fee adjustment requirement, it may terminate the agreement by giving thirty days' advance notice to the Company.

If there is any adjustment in the fee standards stipulated by the PRC government, this agreement shall be terminated and the terms of the transactions between both parties shall be governed by the Agreement for Lease of Dedicated Circuits (專綫租用協議書).

## **CONNECTED PARTIES**

The Renewal Agreement was entered into between the Company and BB-BTC. BB-BTC is the business department of China Telecom Beijing Corporation, which owns 80% interest in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. Accordingly, China Telecom Beijing Corporation is an associate, as defined in the GEM Listing Rules, of a promoter of the Company and, therefore, a connected person, as defined in the GEM Listing Rules 20.10(4) and the Transactions constitute connected transactions. The Transactions under the Renewal Agreement will be subject to reporting, announcement and independent shareholders' approval requirements when the fee payable thereunder exceeds the de minimus threshold of Rule 20.25(3) of the GEM Listing Rules.

## **REASON FOR ENTERING INTO THE RENEWAL AGREEMENT**

The Directors confirm that local dedicated circuits are key components for the operation of the Community Services Project and the development of the Social Security Project. The Directors also confirm that BB-BTC is the largest operator of the local dedicated circuit in Beijing and facilitates the completion of the Social Security Project which aims to serve 6 million number of users in 2005. Therefore, the Company continues the Transactions by entering into the Renewal Agreement.

The Directors, including the independent non-executive Directors, and the Sponsor consider that the Transactions are entered into on normal commercial terms, 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 shareholders of the Company as a whole.

## **BASIS OF DETERMINING THE CAP**

The Directors propose a cap of RMB 12 million, being an approximately 100% increment of the relevant cap approved by the Stock Exchange on the waiver granted on 17 December 2001, for the service fee incurred and to be incurred for the year of 2002.

The cap is determined after taking into account of the fee paid under the Original Agreement previously and the expected growth rate in the use of local dedicated circuits. The Social Security Project aims to serve 6 million numbers of users in Beijing. The Directors consider the proposed cap of RMB 12 million for 2002 is in line with the development progress of the Social Security Project which the numbers of users and the respective dedicated circuits applied will grow after each phrase of completion. The Directors expect the Social Security Project will be completed in 2005.

## **GENERAL**

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 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.

A circular containing, among other things, details of the Transactions, the recommendation from the independent board committee of the Company and the advice of the independent financial adviser to the independent board committee will be forwarded to the shareholders of the Company as soon as practicable together with a notice convening an extraordinary general meeting of the Company. Details of the Transactions will also be incorporated in the Company's next published annual report and accounts.

As announced by the Company on 11 February 2002, an extraordinary general meeting was proposed to be convened on or about 18 April 2002 to resolve certain amendments to the articles of the Company. The Directors confirm that no extraordinary general meeting will be convened on or about 18 April 2002 and the proposed amendments to the articles of the Company will be deferred and incorporated into the agenda of the extraordinary general meeting to be convened to approve the Transactions.

## DEFINITIONS

“BB-BTC”	the business department of Beijing Telecom Group Beijing Corporation (北京市電信公司營業局)
“China Telecom Beijing Corporation”	China Telecom Group Beijing Corporation (中國電信集團北京市電信公司), a company incorporated in the PRC and engages principally in the provision of fixed line telecommunications services to Beijing
“China Telecom Corporation”	China Telecommunications Corporation (中國電信集團公司), a wholly state-owned enterprise engaging in the provision of telecommunications services in China
“Company”	Capinfo Company Limited, a joint stock limited company incorporated in the PRC
“Community Services Project”	the Beijing Municipal Community Services Information Network Systems. In August 2000, the Beijing Civil Affairs Bureau appointed the Company to construct and operate this system.
“Directors”	the directors of the Company
“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
“Original Agreement”	an agreement dated 4 April 2001 between the Company and BB-BTC for the leasing of local dedicated circuits in relation to the Social Security Project and the Community Services Project
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus of the Company dated 17 December 2001
“Renewal Agreement”	an agreement dated 14 December 2001 between the Company and BB-BTC to extend the term of the Original Agreement to 31 December 2002
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Service”	being the provision of dedicated circuit leasing service by BB-BTC to the Company pursuant to the Original Agreement and the Renewal Agreement

“Social Security Project”	the Beijing social security information system - medical insurance information sub-system. On 16 August 2000, the Beijing Municipal Labour and Social Security Bureau appointed the Company to construct and operate this system.
“Standard Fees”	the standard fees charged by BB-BTC to its clients on the leasing of local dedicated circuit lines
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Transactions”	being the non-exempt continuing connected transactions between the Company and the BB-BTC in relation to the Service

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

PRC, 1 March 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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*