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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 TRANSACTIONS IN RELATION TO ACQUISITION OF INTERESTS IN BEIJING ZHENG TONG AND LEASE OF OFFICE PREMISES

The Board announces that on 23rd January, 2003, the Company entered into the Conditional Acquisition Agreement with Beijing Communication, pursuant to which, the Company, subject to approval by the Independent Shareholders, will acquire from Beijing Communication 28% equity interest of Beijing Zhengtong at a consideration of RMB56,000,000.

The Board also announces that on 23rd January, 2003, the Company entered into the Conditional Lease Agreement with BICD, pursuant to which, the Company, subject to approval by the Independent Shareholders, will lease from BICD the Office Premises at the annual rent of approximately RMB4.1 million for three years from the date of the approval by the Independent Shareholders.

The Directors, including the independent non-executive Directors, consider that the Conditional Acquisition Agreement and Conditional Lease Agreement were entered into on normal commercial terms and for the Conditional Lease Agreement, it was entered into by the Company in its ordinary and usual course of business. The Directors further confirm that the terms of the Conditional Acquisition Agreement and Conditional Lease Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

As BICD is a wholly-owned subsidiary of BSAM which is a substantial shareholder, promoter and initial management shareholder of the Company, and Beijing Communication holds 80% interests in one of the promoters and initial management shareholders of the Company, Beijing Telecommunication Investments Co., Ltd., BICD and Beijing Communication are connected persons as defined under the GEM Listing Rules. Hence, the Acquisition

Transaction and the Lease Transaction will constitute a non-exempt connected transaction and a non-exempt continuing connected transaction respectively and thus will be subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. A circular containing, among other things, details of the Acquisition Transaction and Lease Transactions, the recommendation from the independent board committee of the Company and the advice of the independent financial adviser(s) to the independent board committee, and the opinion of an independent property valuer on the terms of the Conditional Lease Agreement, will be despatched to shareholders of the Company as soon as practicable together with a notice convening the Extraordinary General Meeting.

ACQUISITION TRANSACTION

The Board announces that on 23rd January, 2003, the Company entered into the Conditional Acquisition Agreement with Beijing Communication, pursuant to which, the Company, subject to approval by the Independent Shareholders and fulfillment of other conditions precedent, agreed to acquire and Beijing Communication agreed to sell 28% equity interest of Beijing Zhengtong at a consideration of RMB56,000,000.

Major terms of the Conditional Acquisition Agreement are set out below:-

<u>Date:</u>	23rd January, 2003
<u>Parties:</u>	the Company (as purchaser) and Beijing Communication (as vendor)
<u>Conditions precedent:</u>	Among others, approval by the Independent Shareholders, and approval by other shareholders of Beijing Zhengtong
<u>Interests to be acquired:</u>	28% equity interest in Beijing Zhengtong
<u>Consideration:</u>	RMB56,000,000
<u>Payment term:</u>	Within 15 days after completion of all registration formalities for the transfer of equity interest from Beijing Communication to the Company
<u>Completion:</u>	Upon payment of the consideration

Beijing Zhengtong will be principally engaged in 800M digital integration of mobile phone, phonetic, data and image businesses which will utilise Internet technologies and network solutions. The Group is an Internet technology and network solutions provider principally in

Beijing, the PRC. Its investments in Beijing Zhengtong will diversify the Group's provision of e-government technology services for government departments in Beijing as well as strategic partnership with traditional enterprises in the PRC. Accordingly, the Directors consider that the Acquisition Transaction will not involve change of business and/or business objectives of the Company as stated in the Prospectus of the Company dated 17th December, 2001.

Beijing Zhengtong was established on 30th December, 2002 with a total registered capital of RMB200,000,000 and therefore does not have any past financial records. Beijing Zhengtong is expected to commence business in or around the second quarter of 2003. No further capital commitment from the Company is required under the Conditional Acquisition Agreement other than the consideration payable pursuant to the Acquisition Transaction. Upon the completion of the Acquisition Transaction, equity interest of Beijing Zhengtong will be owned as to 51% by Beijing Communication (reduced from 79%), as to 28% by Capinfo, as to 12% by BSAM and as to the remaining balance of 9% by an independent third party. The PRC legal advisers to the Group, have confirmed that the Acquisition Transaction is not subject to approval of any PRC government authorities but is required to register with the local office of the Administration for Industry and Commerce.

Board representation:

Beijing Communication is now procuring the existing shareholders of Beijing Zhengtong to confirm that, subject to the approval of shareholders' meeting of Beijing Zhengtong, two directors will be nominated by the Company and added to the board of directors of Beijing Zhengtong; the number of directors of which will then increase from seven to nine.

Reasons for entering into the Conditional Acquisition Agreement:

The Directors believe that the Company's investment in Beijing Zhengtong will diversify and enhance the Group's provision of e-government technology services for government departments in Beijing. The consideration payable under the Conditional Acquisition Agreement is equivalent to the nominal value of the pro-rated portion of the registered capital in Beijing Zhengtong to be acquired by the Company from Beijing Communication. The source of fund for the consideration payable by the Company would be the working capital retained before listing of the H shares of the Company on GEM. The Directors advise that, barring unforeseen circumstances, the Company will have sufficient working capital for its day-to-day operations after the completion of the Acquisition Transaction.

The Directors, including the independent non-executive Directors, consider that the Conditional Acquisition Agreement is entered into on normal commercial terms and that the terms of the Conditional Acquisition Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company does not have any present

intention to enter into transactions with Beijing Zhengtong before and after the Acquisition Transaction and it will comply with the disclosure and/or shareholders' approval requirements of the GEM Listing Rules when such transactions arise in the future.

LEASE TRANSACTIONS

The Board also announces that on 23rd January, 2003, the Company entered into the Conditional Lease Agreement with BICD, pursuant to which, the Company, subject to approval by the Independent Shareholders, will lease from BICD the Office Premises at the annual rent of approximately RMB4.1 million for three years from the date of the approval granted by the Independent Shareholders

Major terms of the Conditional Lease Agreement are set out below:-

<u>Date:</u>	23rd January, 2003
<u>Landlord:</u>	BICD
Tenant:	The Company
Location of the Office Premises:	Units 1201-1214 and 1501-1508 and 7 car parks of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC
Annual rent:	Approximately RMB4.1 million
Term:	Three years from the date of the approval granted by the Independent Shareholders with a right of first refusal to renew the lease
Conditions Precedent:	Approval by the Independent Shareholders

Reasons for entering into the Conditional Lease Agreement:

The lease of an existing office in Beijing will expire on 31st March, 2003, and it will not be economical for the Company to extend the lease of such existing office. The Company will rent the Office Premises as its headquarters in Beijing, the PRC. The lease of the Office Premises under the Conditional Lease Agreement, which is determined by reference to the

lease level of office premises in the same region, will enable the Company to realise cost savings annually as compared to renewing the lease of the existing office premises.

The Directors, including the independent non-executive Directors, consider that the Conditional Lease Agreement is entered into on normal commercial terms and that the terms of the Conditional Lease Agreement 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 respective caps of RMB3.5 million, RMB4.1 million and RMB4.1 million for the Lease Transactions for the period from the Lease Commencement Date to 31st December, 2003 and each of the two financial years ending 31st December 2005. The Directors confirm that after 31st December, 2005, the Company will be subject to and comply with the relevant requirements under Chapter 20 of the GEM Listing Rules.

The caps are determined after taking into account the lease payable under the Conditional Lease Agreement.

CONNECTED PARTIES

As BICD is a wholly-owned subsidiary of BSAM which is a substantial shareholder, promoter and initial management shareholder of the Company holding 61.55% equity interests in the Company, and Beijing Communication holds 80% interests in a promoter and an initial management shareholder of the Company, Beijing Telecommunication Investments Co., Ltd., BICD and Beijing Communication are connected persons as defined in Rules 20.10(1) and 20.10(4) of the GEM Listing Rules respectively. Hence, the Acquisition Transaction will constitute a non-exempt connected transaction and the Lease Transactions with the aggregate lease payable under the Conditional Lease Agreement exceeding the de minimus threshold under Rule 20.25(3) of the GEM Listing Rules, will constitute a non-exempt continuing connected transaction. Such transactions will be subject to the reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Extraordinary General Meeting will be convened as soon as practicable at which ordinary resolutions to approve, inter alia, the Acquisition Transaction and the Lease Transactions will be proposed. BSAM, Beijing Communication and their respective associates shall abstain from voting in respect of the Acquisition Transaction and BSAM and its associates shall abstain from voting in respect of the Lease Transactions at the Extraordinary General Meeting which is expected to be held on 17th March, 2003. Save as aforesaid, no other shareholders of the Company are required to abstain from voting in respect of the Acquisition Transaction and the Lease Transactions in the Extraordinary General Meeting.

The Company will comply with the reporting, announcement and shareholders' approval requirements under Rules 20.34, 20.35 and 20.36 of the GEM Listing Rules for both of the Acquisition Transaction and the Lease Transactions, as well as the following for the Lease Transactions:

1. the aggregate fee payable by the Company pursuant to the Lease Transactions for each of the three financial years ending 31st December, 2005 will not exceed the respective cap amount of RMB3.5 million, RMB4.1 million and RMB4.1 million;
2. the independent non-executive Directors will review the Lease Transactions annually and confirm in the annual reports and accounts for each of the three financial years ending 31st December, 2005 that the Lease Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Company;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the terms of the Conditional Lease Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
3. the auditors of the Company will provide a letter (at least 10 business days prior to the bulk printing of the annual report) to the Board (with a copy to the Stock Exchange), confirming that the Lease Transactions for each of the three financial years ending 31st December, 2005:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Company if the Lease Transactions involve provision of goods or services by the Company, if applicable;
 - (iii) have been entered into in accordance with the Conditional Lease Agreement; and
 - (iv) have not exceeded the respective cap amount as stated in the above paragraph 1;
4. The Company and BSAM will undertake to the Stock Exchange to allow the auditors of the Company sufficient access to its records for the purpose of reporting on the Lease Transactions during the term of the Conditional Lease Agreement;
5. details of the Lease Transactions will be disclosed in the Company 's annual reports for each of the three financial years ending 31st December, 2005, in accordance with Rules 20.34(1) to (5) of the GEM Listing Rules;
6. The Company will promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in paragraphs (2) and/or (3) above respectively. The Company will then re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and

7. where the cap in any year is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company, the Lease Transaction(s) and the relevant cap are subject to review and re-approval by Independent Shareholders with respect to the Lease Transactions at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the Lease Transaction(s) continue(s). The independent non-executive Directors will be required to opine in the annual report whether or not the Company should continue with the agreement(s) for the Lease Transaction(s).

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 solutions to web-enable the operations of government entities, enterprises and other organisations in the PRC.

A circular containing, among other things, details of the Acquisition Transaction and Lease Transactions, the recommendation from the independent board committee of the Company and the advice of the independent financial adviser(s) to the independent board committee, and the opinion of an independent property valuer on the terms of the Conditional Lease Agreement will be despatched to the shareholders of the Company as soon as practicable together with a notice convening the Extraordinary General Meeting.

Definitions

“Acquisition Transaction”	Being the non-exempt connected transaction between the Company and Beijing Communication contemplated under the Conditional Acquisition Agreement
"associates"	as defined under the GEM Listing Rules
“Beijing Communication”	CNC Beijing Communication Corporation (中國網通集團北京市通信公司), a company incorporated in the PRC, which holds 80% interests in one of the promoters and initial management shareholders of the Company, Beijing Telecommunication Investments Co., Ltd. and is principally engaged in the provision of fixed line telecommunications services in Beijing

“Beijing Zhengtong”	Beijing Zhengtong Network Communication Co., Ltd. (北京正通網絡通訊有限公司), a company incorporated in the PRC, which will be principally engaged in 800M digital integration of mobile phone, phonetic, data and image businesses
"BICD"	Beijing IC Design Park Co., Ltd. (北京集成電路設計園有限責任公司), a company incorporated in the PRC and a wholly owned subsidiary of BSAM
“Board”	the board of directors of the Company
“BSAM”	Beijing State-owned Assets Management Corporation Limited (北京市國有資產經營有限責任公司), a company incorporated in the PRC, being wholly-owned by Beijing Municipal Government and is a promoter and an initial management shareholder (as defined in the GEM Listing Rules), the principal business activities of which is management of State-owned assets in Beijing
“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
“Conditional Acquisition Agreement”	The agreement dated 23rd January, 2003 entered into between the Company and Beijing Communication
"Conditional Lease Agreement"	the conditional lease agreement dated 23rd January 2003 entered into between the Company and BICD
"Directors"	the directors of the Company
"Extraordinary General Meeting"	an extraordinary general meeting to be convened by the Company to consider the Acquisition Transaction and the Lease Transactions

“GEM”	the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“Independent Shareholders”	shareholders of the Company other than BSAM, Beijing Communication and their respective associates in the case of the Acquisition Transaction, and shareholders of the Company other than BSAM and its associates in the case of the Lease Transactions
"Lease Commencement Date"	the date of approval of the Conditional Lease Agreement by the Independent Shareholders
"Lease End Date"	the expiration of 3 years from the Lease Commencement Date
"Lease Transactions"	being the non-exempt continuing connected transaction between the Company and BICD contemplated under the Conditional Lease Agreement
“Office Premises”	office premises located at units 1201-1214 and 1501-1508 and 7 car parks located in Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC
“PRC”	The Peoples’ Republic of China
“RMB”	renminbi, the lawful currency of the PRC

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

The PRC, 24th January, 2003

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 and the website of the Company at www.capinfo.com.cn.

** For identification purposes only*