

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcements, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcements.



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 TRANSACTIONS IN RELATION TO
DEDICATED CIRCUIT LEASING SERVICE AND INFORMATION PORT
CONNECTION SERVICE**

BB-BCC provided DCLS to the Company pursuant to DCLS Original Agreement (as extended by DCLS Renewal Agreement I), the term of which will expire on 31 December 2002. The Company proposes to enter into the DCLS Renewal Agreement II, pursuant to which the term of the DCLS Original Agreement would be extended to 30 June 2004.

BB-BCC also provided the Information Port Connection Service to the Company pursuant to the IPCS Original Agreement (as extended by IPCS Renewal Agreement I), the term of which expired on 26 November 2002. The Company proposes to enter into the IPCS Renewal Agreement II with BB-BCC, by which BB-BCC will continue to provide the Information Port Connection Service to the Company up to 30 June 2004.

BB-BCC is a business bureau of CNC Beijing Communication Corporation which holds 80% interest in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd.; therefore, the DCLS Transactions under the DCLS Renewal Agreement II and the IPCS Transactions under IPCS Renewal Agreement II will constitute non-exempt continuing connected transactions under the GEM Listing Rules, and 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 Transactions, the recommendations from the independent board committee of the Company and the advice of the independent financial adviser to the independent board committee will be despatched

to the shareholders of the Company as soon as practicable together with a notice convening the Extraordinary General Meeting.

DCLS TRANSACTIONS

The Company and BB-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 was entered into on 14 December 2001 to extend the term of the DCLS Original Agreement to 31 December 2002, and the continuing connected transactions thereunder were approved by the shareholders of the Company in an extraordinary general meeting on 10 May 2002.

The Company proposes to enter into the DCLS Renewal Agreement II with BB-BCC to further extend the term of the DCLS Original Agreement to 30 June 2004.

Major terms of the DCLS Original Agreement:

BB-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 BB-BCC on the understanding that the Company intends to lease its circuits on a long term basis.

If BB-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.

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 (專綫租用協議書) entered into between the Company and BB-BCC in respect of the Social Security Project and the Community Services Project.

For the year ended 31 December 2001 and ten months ended 31 October 2002, the fee incurred under the DCLS Original Agreement and the DCLS Renewal Agreement I were approximately RMB5.9 million and approximately RMB4.6 million respectively.

The DCLS RENEWAL AGREEMENT II

Parties:

BB-BCC and the Company

Major terms:

The Company and BB-BCC will extend the term of the DCLS Original Agreement to 30 June 2004, which may further be extended by the parties before expiration by entering into another renewal agreement.

The DCLS Renewal Agreement II forms an integral part of the DCLS Original Agreement. BB-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 for such leased lines (or at a greater discount that may be negotiated by the Company). The term of this preferential discount will be extended to 30 June 2004 upon the entering into the DCLS Renewal Agreement II, which is expected to be entered into by the parties on or about 24 January 2003 (or such later date when the Extraordinary General Meeting will be held). All other terms and conditions of the DCLS Original Agreement will remain applicable.

REASON FOR ENTERING INTO THE DCLS RENEWAL AGREEMENT II

The Directors confirm 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 BB-BCC is the largest operator of the local dedicated circuit in Beijing and the entering of the DCLS Renewal Agreement II will facilitate the completion of the Community Services Project and the Social Security Project.

The Directors, including the independent non-executive Directors, consider that the DCLS Transactions are 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 shareholders of the Company as a whole.

BASIS OF DETERMINING THE CAP

The Directors propose respective cap of RMB9.7 million and RMB8 million, representing approximately 81%, and 67% of the relevant cap approved by the shareholders of the Company in an extraordinary general meeting on 10 May 2002, for the service fee to be incurred in relation to the DCLS Transactions for the year of 2003 and six months ending 30 June 2004.

The cap is determined after taking into account the historical fee paid for the DCLS and the expected growth rate in the use of local dedicated circuits. The Directors consider the proposed caps of RMB9.7 million for the year of 2003 and RMB8 million for the six months ending 30 June 2004 are in line with the development progress of the Community Services Project and the Social Security Project which the numbers of users and the respective dedicated circuits applied will grow after each phase of completion. The Directors expect the Social Security Project, which aims to serve 6 million users in Beijing, will be completed in 2005.

IPCS TRANSACTIONS

As disclosed in the Prospectus, the Company and BB-BCC entered into the IPCS Original Agreement on 27 November 2000 for the provision of the Information Port Connection Service and the IPCS Renewal Agreement I on 30 November 2001 to extend the term of the IPCS Original Agreement to 26 November 2002. The Stock Exchange previously 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 IPCS Renewal Agreement I.

The Company proposes to enter into the IPCS Renewal Agreement II with BB-BCC, pursuant to which BB-BCC will continue to provide the Information Port Connection Service to the Company up to 30 June 2004. The IPCS Renewal Agreement II is expected to be entered into on or about 24 January 2003 (or such later date when the Extraordinary General Meeting will be held). Based on the monthly port rental fee of RMB487,000 per month and the terminal occupation and maintenance fee of RMB20,000 per month respectively, the fee incurred and to be incurred for the IPCS Transactions from 27 November 2002 to 24 January 2003 is expected to be approximately HK\$0.9 million.

Major terms of the IPCS Original Agreement:

BB-BCC was responsible for all investment in the engineering project to be undertaken as required in relation to the project. In consideration for the services to be provided by BB-BCC, the Company paid BB-BCC a fee of RMB100 for opening an Ethernet account and a monthly port rental fee of RMB487,000 per month. The Directors confirmed that the said fee and monthly port rental fee are payable by the Company based on the prevailing market price. The occupation fee related to the lot occupied by the original information terminal of the Company and the fee for any maintenance conducted on behalf of the Company will be levied with reference to the original standard of RMB20,000 per month.

For the year ended 31 December 2001 and the ten months ended 31 October 2002, the fee incurred under the IPCS Original Agreement and the IPCS Renewal Agreement I were approximately RMB6.0 million and approximately RMB5.0 million respectively.

The IPCS RENEWAL AGREEMENT II

Parties:

BB-BCC and the Company

Major terms:

BB-BCC will continue to provide the Information Port Connection Service to the Company up to 30 June 2004, which may further be extended by the parties before expiration by entering into another renewal agreement.

The Company will pay to BB-BCC a fee of RMB100 for opening each additional Ethernet account and a monthly port rental fee of RMB487,000 per month (or such lower fee that may be negotiated by the Company) and the terminal occupation and maintenance fee of RMB20,000 per month respectively. All other terms and conditions of the IPCS Original Agreement will remain applicable.

REASON FOR ENTERING INTO THE IPCS RENEWAL AGREEMENT II

The Directors confirm that the connection of the CPIP to the 100M line of the 163 Network is the key components of the business. The Directors also confirm that BB-BCC is the largest provider offering reasonable price for the connection service in

Beijing. The Company, therefore, proposes to continue the IPCS Transactions by entering into the IPCS Renewal Agreement II.

The Directors, including the independent non-executive Directors, consider that the IPCS 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 respective cap of RMB0.6 million, RMB6.4 million and RMB3.4 million, representing approximately 9%, 98% and 52% of the relevant cap for the year of 2002 approved by the Stock Exchange on the waiver granted on 17 December 2001, for the service fee to be incurred in relation to the IPCS Transactions for the period from 27 November 2002 to 31 December 2002 (the “Interim Period”), the full year of 2003 and the six months ending 30 June 2004.

The caps are determined after taking into account the historical transaction amount, the fee prescribed in the agreement and the bandwidth necessary for carrying out the business of the Company.

CONNECTED PARTIES

The Directors propose to enter into the DCLS Renewal Agreement II and the IPCS Renewal Agreement II with BB-BCC. BB-BCC is the business bureau of CNC Beijing Communication Corporation, which owns 80% interest in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. Accordingly, CNC Beijing Communication 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 Rule 20.10(4) of the GEM Listing Rules and the Transactions constitute non-exempt continuing connected transactions. The Transactions contemplated under the DCLS Renewal Agreement II and the IPCS Renewal Agreement II 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.

The Renewal Agreements involve future fees payable for the Transactions which will constitute continuing connected transactions for the Company under the GEM Listing Rules and will be subject to full disclosure and /or the approval of the Independent Shareholders as required by the GEM Listing Rules. In view of the cost and

impracticality of seeking Independent Shareholders approval or making public disclosure every time the Transactions arise, the Directors would like to seek pre-approval from the Independent Shareholders in respect of the Transactions.

The Extraordinary General Meeting will be convened as soon as practicable at which ordinary resolutions to approve, inter alia, the DCLS Renewal Agreement II and the IPCS Renewal Agreement II will be proposed. Beijing Telecommunication Investments Co., Ltd. and its associates shall abstain from voting in respect of the Transactions at the Extraordinary General Meeting. The Directors expect that the DCLS Renewal Agreement II and the IPCS Renewal Agreement II will be entered into by the parties on the same day when they shall have been approved in the Extraordinary General Meeting, which is expected to be held on 24 January 2003 (or such later date that it is practicable to convene the Extraordinary General Meeting).

The Company will also comply with the reporting, announcement and shareholders' approval requirements under Rules 20.34, 20.35 and 20.36 of the GEM Listing Rules, as well as the following:

1. (i) the aggregate fee payable by the Company pursuant to the IPCS Transactions for the Interim Period will not exceed RMB0.6 million; and (ii) the aggregate fees payable by the Company pursuant to the DCLS Transactions and the IPCS Transactions for the financial year ending 31 December 2003 shall not exceed the respective cap amount of RMB9.7 million and RMB6.4 million and for the six months ending 30 June 2004 shall not exceed the respective cap amount of RMB8.0 million and RMB3.4 million;
2. the independent non-executive Directors will review the Transactions annually and confirm in the annual reports and accounts for the financial year ending 31 December 2003 and 2004 that the 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 Original Agreements and the Renewal Agreements 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 Transactions for the Interim Period, the financial year ending 31 December 2003 and the six months ending 30 June 2004:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company, if applicable;
 - (iii) have been entered into in accordance with the Original Agreements and the Renewal Agreements; and
 - (iv) have not exceeded the respective cap amount as stated in the above paragraph 1;
4. the Company and BB-BCC 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 Transactions for the Interim Period, the financial year ending 31 December 2003 and the six months ending 30 June 2004;
5. details of the Transactions will be disclosed in the Company's annual report for the two financial years ending 31 December 2004, in accordance with Rule 20.34(1) to Rule 20.34(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 Transaction(s) and the cap are subject to review and re-approval by Independent Shareholders at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the 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 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 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.

A circular containing, among other things, details of the Transactions, the recommendations 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.

As announced by the Company on 8 November 2002, the notice to shareholders for an extraordinary general meeting to be convened to resolve certain amendments to the articles of the Company which was expected to be issued on or above 29 November 2002. The Directors consider that it will be desirable to consider the proposed amendments to the articles of association of the Company in the Extraordinary General Meeting and advise that the notice for the Extraordinary General Meeting will be issued as soon as practicable.

DEFINITIONS

“BB-BCC”	CNC Beijing Communication Corporation Business Bureau (中國網通集團北京市通信公司營業局)(formerly known as China Telecom Group Beijing Corporation Business Bureau (中國電信集團北京市電信公司營業局))
“Board”	the board of directors of the Company
“Community Service 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
“Company”	Capinfo Company Limited, 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 the Beijing Municipality, the PRC
“Dedicated Circuit Leasing Service” or “DCLS”	being the provision of dedicated circuit leasing service by BB-BCC to the Company
“DCLS Original Agreement”	the agreement dated 4 April 2001 between the Company and BB-BCC for provision of the Dedicated Circuit Leasing Service
“DCLS Renewal Agreement I”	the agreement dated 14 December 2001

between the Company and BB-BCC to extend the term of the DCLS Original Agreement to 31 December 2002

“DCLS Renewal Agreement II”	the agreement proposed to be entered into between the Company and BB-BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2004
“DCLS Transactions”	being the non-exempt continuing connected transactions between the Company and BB-BCC contemplated under the DCLS Renewal Agreement II
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held to consider, among other things, the DCLS Renewal Agreement II and IPCS Renewal Agreement II
“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 Shareholders”	shareholders of the Company other than Beijing Telecommunication Investments Co., Ltd. and its associates
“Information Port Connection Service” or “IPCS”	being the provision of information port connection service by BB-BCC to the Company
“IPCS Original Agreement”	the agreement dated 27 November 2000 between the Company and BB-BCC for Information Port Connection Service
“IPCS Renewal Agreement I”	the agreement dated 30 November 2001 between the Company and BB-BCC to extend the term of the IPCS Original Agreement to 26 November 2002
“IPCS Renewal Agreement II”	the agreement proposed to be entered into between the Company and BB-BCC, pursuant to which BB-BCC will continue to provide the Information Port Connection Service to the Company up to 30 June 2004
“IPCS Transactions”	being the non-exempt continuing connected transactions between the Company and BB-BCC contemplated under the IPCS Renewal Agreement II
“Original Agreements”	being the DCLS Original Agreement and the IPCS Original Agreement
“PRC”	The People's Republic of China and for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated 17

December 2001

“Renewal Agreements”	being the DCLS Renewal Agreement II and the IPCS Renewal Agreement II
“RMB” or “Renminbi”	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 charged by BB-BCC to its clients on the leasing of local dedicated circuit lines
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	being the DCLS Transactions and the IPCS Transactions

By Order of the Board

CHEN Xinxiang

Chairman

Beijing, The People’s Republic of China

5 December 2002

This announcement, for which the Directors collectively and individually accept full responsibility, includes particular 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.