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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 China with limited liability)*

**(Stock Code: 8157)**

**CONTINUING CONNECTED TRANSACTIONS  
RELATING TO TELEPHONE SERVICES,  
LEASING OF AN OFFICE PREMISES  
AND SOFTWARE DEVELOPMENT SERVICES;  
REVISION OF ANNUAL CAPS  
AND  
TERMINATION OF THE AGREEMENTS RELATING TO  
THE PROVISION OF RESEARCH AND DEVELOPMENT SERVICES**

**THE 2010 TELEPHONE SERVICES AGREEMENT**

On 22 April 2010, the Company entered into the 2010 Telephone Services Agreement with BCC to subscribe for the telephone lines and the telephone related services provided by BCC for a term of three years from 22 April 2010 to 21 April 2013.

**THE BEIJING CULTURE & SPORTS OFFICE LEASE AGREEMENT AND REVISION OF ANNUAL CAPS IN RESPECT OF THE LEASE OF OFFICE PREMISES**

On 31 March 2009, the Company and BICD entered into the Existing Office Lease Agreement, pursuant to which the Company would lease the Existing Office Premises from BICD for a term of three years from 1 April 2009 to 31 March 2012 at an annual rent of RMB3,970,740. On 28 February 2010, Beijing Culture & Sports, a wholly-owned subsidiary of the Company, and BICD entered into the Beijing Culture & Sports Office Lease Agreement, pursuant to which Beijing Culture & Sports would lease the Additional Office Premises from BICD for a term of three years from 1 March 2010 to 28 February 2013 at an annual rent of RMB627,792.

## **IMPLICATIONS OF THE GEM LISTING RULES**

Since BCC, the sole shareholder of Beijing Telecommunication Investments Co., Ltd., a promoter of the Company, and BICD, a wholly-owned subsidiary of BSAM, a substantial shareholder, a promoter and an initial management shareholder of the Company, are connected persons (as defined under the GEM Listing Rules) of the Company, the transactions contemplated under the 2010 Telephone Services Agreement and the Beijing Culture & Sports Office Lease Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Telephone Services Annual Caps and the New Office Lease Annual Caps are more than 0.1% but less than 2.5%, the transactions contemplated under the 2010 Telephone Services Agreement and the Beijing Culture & Sports Office Lease Agreement are subject to the reporting and announcement requirements only under the GEM Listing Rules.

## **CONTINUING CONNECTED TRANSACTION RELATING TO SOFTWARE DEVELOPMENT SERVICES**

Beijing Certificate, a company owned as to 47.71% by the Company and as to 50% by BSAM and thus a connected person of the Company under the GEM Listing Rules, provides software development and related technical services to the Group. Based on the accounting treatment adopted by the Company's auditors on the amount of the transactions between the Group and Beijing Certificate in relation to the above-mentioned services for the year ended 31 December 2009, such transaction amounted to RMB947,000 (equivalent to approximately HK\$1.08 million) in aggregate and slightly exceeded the relevant threshold of HK\$1 million under the GEM Listing Rules. In addition, as the applicable percentage ratios (as defined under the GEM Listing Rules) are more than 0.1% but less than 2.5%, such continuing connected transaction is subject to the reporting and announcement requirements under the GEM Listing Rules. Accordingly, the Company publishes this announcement for compliance with the GEM Listing Rules.

## **TERMINATION OF THE AGREEMENTS RELATING TO THE GROUP'S PROVISION OF RESEARCH AND DEVELOPMENT SERVICES**

On 22 April 2010, Capinfo Technology, a wholly-owned subsidiary of the Company, entered into the R&D Termination Agreement with Capnet to terminate two research and development agreements entered into between them on 14 November 2008 for the provision of relevant research and development services by Capinfo Technology to Capnet regarding regional wireless broadband network and community geographical information system information technological solutions.

## **THE 2010 TELEPHONE SERVICES AGREEMENT**

### **Background**

As disclosed in the Company's announcement dated 5 July 2007, the Group has been subscribing for telephone lines and the telephone related services on normal commercial terms and at prescribed market rates provided by BCC during the Group's ordinary and usual course of business. The then annual caps in respect of the 2007 Telephone Services Agreement for each of the three years ended 31 December 2009 were RMB1.8 million, RMB2.7 million and RMB4 million, respectively. Based on the audited financial information of the Company, the relevant telephone fees paid by the Group to BCC under the 2007 Telephone Services Agreement amounted to approximately RMB0.88 million, RMB0.55 million and RMB0.79 million for each of the three years ended 31 December 2009, respectively. On 22 April 2010, the Company and BCC entered into the 2010 Telephone Services Agreement.

### **Date**

22 April 2010

### **Parties**

BCC and the Company

### **Major Terms**

BCC will provide telephone lines and telephone related services to the Group for a term of three years from 22 April 2010 to 21 April 2013 and the relevant telephone fees payable are based on the standard fees that apply to all users of the telephone lines at the prescribed market rates.

## **THE BEIJING CULTURE & SPORTS OFFICE LEASE AGREEMENT**

### **Date**

28 February 2010

### **Parties**

- (i) BICD as the lessor
- (ii) Beijing Culture & Sports as the lessee

## **Term**

Beijing Culture & Sports will lease the Additional Office Premises from BICD for a term of 3 years from 1 March 2010 to 28 February 2013.

## **Rent Payable**

The monthly rent of the Additional Office Premises is RMB52,316 per month (or RMB627,792 per annum). Beijing Culture & Sport is entitled to have a rent-free period of two months from 1 March 2010 to 30 April 2010.

## **BASES OF DETERMINING THE TELEPHONE SERVICES ANNUAL CAPS AND THE NEW OFFICE LEASE ANNUAL CAPS**

### **The Telephone Services Annual Caps**

The Company has been subscribing telephone lines and telephone related services provided by BCC on normal commercial terms at prescribed market rates. The directors of the Company consider that the telephone fees payable are proportional to the duration of usage of the telephone lines, which in turn correlate to the number of staff of the Group. Having considered (i) the historical telephone fees paid for the telephone lines and the related telephone services and (ii) the expected increase in the usage of the telephone lines and the related telephone services for reasons including the continuous business expansion of the Group and the increase in the number of staff, the Company has determined the Telephone Services Annual Caps for each of the three years ending 31 December 2012 to be RMB1.5 million.

### **The New Office Lease Annual Caps**

On 31 March 2009, the Company announced that it had entered into the Existing Office Lease Agreement with BICD, pursuant to which the Company would lease the Existing Office Premises from BICD for a term of three years from 1 April 2009 to 31 March 2012 at an annual rent of RMB3,970,740. Since BICD is the lessor for both the Existing Office Premises and the Addition Office Premises, the rents payable under the Beijing Culture & Sports Office Lease Agreement are required to be aggregated with those under the Existing Office Lease Agreement pursuant to Rule 20.27 of the GEM Listing Rules. As the annual aggregate rents payable to BICD for the Existing Office Premises and the Additional Office Premises for each of the three years ending 31 December 2012 will exceed the Existing Office Lease Annual Caps, the Company has revised the Existing Office Lease Annual Caps to the New Office Lease Annual Caps as follows:

	<b>For the year ending 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>
<b>Rent payable</b>			
– under the Existing Office Lease Agreement	3,971	3,971	993
– under the Beijing Culture & Sports Office Lease Agreement	<u>419</u>	<u>628</u>	<u>628</u>
<b>Total rent payable to BICD</b>	<b><u><u>4,390</u></u></b>	<b><u><u>4,599</u></u></b>	<b><u><u>1,621</u></u></b>
 The Existing Office Lease Annual Caps	 4,000	 4,000	 1,000
 The New Office Lease Annual Caps	 5,000	 5,000	 2,000

*Notes*

1. balances are based on the monthly rent of RMB330,895 and RMB52,316 under the Existing Office Lease Agreement for the year ending 31 December 2010 and the Beijing Culture & Sports Office Lease Agreement for the 8 months ending 31 December 2010 (excluding the rent-free period), respectively.
2. balances are based on the monthly rent of RMB330,895 and RMB52,316 under the Existing Office Lease Agreement and the Beijing Culture & Sports Office Lease Agreement for the year ending 31 December 2011, respectively.
3. balances are based on the monthly rent of RMB330,895 and RMB52,316 under the Existing Office Lease Agreement for the year ending 31 December 2012 and the Beijing Culture & Sports Office Lease Agreement for the year ending 31 December 2012.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE 2010 TELEPHONE SERVICES AGREEMENT AND THE BEIJING CULTURE & SPORTS OFFICE LEASE AGREEMENT**

**The 2010 Telephone Services Agreement**

BCC is the principal telephone network provider in Beijing, where the Group is headquartered. Given that usage of telephone lines is essential for the Group's daily business operations, and the telephone fees payable under the 2010 Telephone Services Agreements are based on prescribed market rates which apply to all telephone line users, the directors (including the independent non-executive directors) of the Company consider that (i) the transactions contemplated under the 2010 Telephone Services Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the 2010 Telephone Services Agreement are fair and reasonable; and (iii) the entering into of the 2010 Telephone Services Agreement is in the interests of the Company and its shareholders as a whole.

## **The Beijing Culture & Sports Office Lease Agreement**

As disclosed in the Company's announcement dated 16 April 2010, Beijing Culture & Sports has been expanding into the business of ticketing and related information technology services, it leases the Additional Office Premises to accommodate its ticketing business development need.

The rents payable under the Beijing Culture & Sports Office Lease Agreement are arrived at arm's length negotiation between the Group and BICD, and with reference to, among other things, the location of the Additional Office Premises and the market rental rate of other premises of comparable quality and locations. Based on the above, the directors (including the independent non-executive directors) of the Company consider that (i) the transactions contemplated under the Beijing Culture & Sports Office Lease Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the Beijing Culture & Sports Office Lease Agreement are fair and reasonable; and (iii) the entering into of the Beijing Culture & Sports Office Lease Agreement is in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE GEM LISTING RULES**

Since BCC, the sole shareholder of Beijing Telecommunication Investments Co., Ltd., a promoter of the Company, and BICD, a wholly-owned subsidiary of BSAM, a substantial shareholder, a promoter and an initial management shareholder of the Company, are connected persons (as defined under the GEM Listing Rules) of the Company, the transactions contemplated under the 2010 Telephone Services Agreement and the Beijing Culture & Sports Office Lease Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Telephone Services Annual Caps and the New Office Lease Annual Caps are more than 0.1% but less than 2.5%, the transactions contemplated under the 2010 Telephone Services Agreement and the Beijing Culture & Sports Office Lease Agreement are subject to only the reporting and announcement requirements under the GEM Listing Rules.

## **CONTINUING CONNECTED TRANSACTION RELATING TO SOFTWARE DEVELOPMENT SERVICES**

Beijing Certificate, a company owned as to 47.71% by the Company and as to 50% by BSAM and thus a connected person of the Company under the GEM Listing Rules, provides software development and related technical services to the Group. Based on the accounting treatment adopted by the Company's auditors on the amount of the transactions between the Group and Beijing Certificate in relation to the above-mentioned services for the year ended 31 December 2009, such transaction amounted to RMB947,000 (equivalent to approximately HK\$1.08 million) in aggregate and slightly exceeded the relevant threshold of HK\$1 million under the GEM Listing Rules. In addition, as the applicable percentage ratios (as defined under the GEM Listing Rules) are more than 0.1% but less than 2.5%,

such continuing connected transaction is subject to the reporting and announcement requirements under the GEM Listing Rules. Accordingly, the Company publishes this announcement for compliance with the GEM Listing Rules. The directors of the Company confirm that this continuing connected transaction has been and will continue to be conducted on normal commercial terms that are fair and reasonable (including the fees for the software development and related technical services which have been determined with reference to the prevailing market fee rates) and in the ordinary and usual course of business of the Group, and consider it in the interests of the Company and its shareholders as a whole to carry out this continuing connected transaction. As the management of the Company does not expect the annual monetary amount of this continuing connected transaction to exceed HK\$1 million in the foreseeable future, no annual caps will be set.

## **TERMINATION OF THE AGREEMENTS IN RELATION TO THE GROUP'S PROVISION OF RESEARCH AND DEVELOPMENT SERVICES**

Reference is also made to the announcement of the Company dated 14 November 2008 in relation to, among other things, the entering into of two agreements between Capinfo Technology, a wholly-owned subsidiary of the Company, and Capnet on 14 November 2008 for the provision of research and development services in respect of regional wireless broadband network and the community geographical information system technological solutions by Capinfo Technology to Capnet. Due to the change in the political environment and market condition, on 22 April 2010, Capinfo Technology and Capnet entered into the Termination Agreement to terminate the said research and development agreements, and none of the Group or Capnet shall have any claim against or liability or obligation to the other parties after the signing of the Termination Agreement.

As the Group has not commenced the relevant research and development work regarding the aforesaid research and development projects, the directors of the Company consider the termination of the said research and development agreements will not have any material adverse impact on the existing business or financial position of the Group.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Group is an information technology service provider. The Group has taken and completed a number of tasks of construction, operation and maintenance for sizable informatization application works in Beijing and other regions in China and has initially established an information technology service network with extensive coverage and distinguishing characteristics.

### **Beijing Culture & Sports**

Beijing Culture & Sports, a company incorporated in China with limited liability and established and wholly-owned by the Company, is principally engaged in the provision of sports related information service system and development of sports related equipment and engineering projects, and is expanding into the business of ticketing and related information technology services.

## **Beijing Certificate**

Beijing Certificate, a company incorporated in China and 47.71%-owned by the Company, is principally engaged in software development and related technical services.

## **BCC**

BCC, a company incorporated in China, is principally engaged in providing telecommunication, data transmission, internet and other related services.

## **BICD**

BICD, a company incorporated in China and wholly-owned by BSAM, is principally engaged in the research and development of integrated circuits.

## **Capnet**

Capnet, a company incorporated in China, is principally engaged in the provision of information technology services, network engineering, technical development of hardware and software for computers and network equipments, etc..

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the terms below shall have the following meanings when used herein:

“2010 Telephone Services Agreement”	the agreement dated 22 April 2010 entered into between the Company and BCC in respect of the telephone lines and the related telephone services by BCC to the Company
“2007 Telephone Services Agreement”	the agreement dated 2 July 2007 entered into between the Company and BCC in respect of the telephone lines and the related telephone services provided by BCC to the Company up to 31 December 2009
“Additional Office Premises”	the office premises which has an aggregate floor area of 215 sq.m., and is located at the lobby of the 1st floor of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, China

“BCC”	中國聯合網絡通信有限公司北京市分公司(前稱中國網通(集團)有限公司北京市分公司) China United Network Communications Corporation Limited Beijing Branch* (formerly known as China Netcom (Group) Company Limited Beijing Branch)
“Beijing Certificate”	北京數字證書認證中心有限公司 (Beijing Certificate of Authority Center Company Limited), a company incorporated in China with limited liability and an associate of the Company
“Beijing Culture & Sports”	北京文化體育科技有限公司 (Beijing Culture & Sports Technology Co., Ltd.*), a company incorporated in China with limited liability and wholly-owned by the Company
“Beijing Culture & Sports Office Lease Agreement”	the lease agreement dated 28 February 2010 entered into between Beijing Culture & Sports and BICD in respect of the lease of the Additional Office Premises by the Beijing Culture & Sports
“BICD”	北京集成電路設計園有限責任公司 (Beijing IC Design Park Co., Ltd*), a company incorporated in China with limited liability and is a wholly-owned subsidiary of BSAM, principally engaged in the research and development of integrated circuits
“BSAM”	北京市國有資產經營有限責任公司 (Beijing State-owned Assets Management Corporation Limited*), a company incorporated in China with limited liability and wholly-owned by the Beijing Municipal Government
“Capinfo Technology”	首都信息科技發展有限公司 (Capinfo Technology Development Co., Ltd*), a company incorporated in China with limited liability and wholly-owned by the Company
“Capnet”	北京首信網創網絡信息服務有限責任公司 (Capnet Company Limited*), a company incorporated in China with limited liability and is owned as to 95% by BSAM
“China”	the People’s Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company incorporated in China, of which the overseas listed foreign share(s) of RMB0.10 each in its share capital are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

“Existing Office Lease Agreement”	the lease agreement dated 31 March 2009 entered into between the Company and BICD in respect of the lease of the Existing Office Premises by the Company till 31 March 2012
“Existing Office Lease Annual Caps”	the maximum aggregate annual value for the transactions contemplated under the Existing Office Lease Agreement for the each three years ending 31 December 2012
“Existing Office Premises”	the office premises which has an aggregate floor area of 2,940 sq.m. and is located at units 1202-1214 and 1501-1508 of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, China
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“New Office Lease Annual Caps”	the maximum aggregate annual monetary value for the transactions contemplated under the Existing Office Lease Agreement and the Beijing Culture & Sports Office Lease Agreement for each of the three years ending 31 December 2012
“R&D Termination Agreement”	the termination agreement dated 22 April 2010 entered into between Capinfo Technology and Capnet to terminate the two agreements entered into between Capinfo Technology and Capnet on 14 November 2008 in connection with the provision of research and development services by Capinfo Technology to Capnet regarding the community geographical information system technological solutions and regional wireless broadband network
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of China
“RMB”	Renminbi, the lawful currency of China

“sq.m.” square meters

“%” percent

*All amounts in RMB in this announcement have been translated in HK\$ at a rate of RMB1.000 = HK\$1.137 for illustration purpose only.*

*\* for identification purposes only*

By Order of the Board of Directors  
**Capinfo Company Limited\***  
**Dr. Li Minji**  
Chairman

Beijing, China, 23 April 2010

*This announcement, for which the directors of the Company 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 at the date hereof, the executive directors of the Company are Dr. Wang Xu; the non-executive directors of the Company are Dr. Li Minji, Ms. Sun Jing, Ms. Li Zhi, Mr. Pan Jiaren, Mr. Cao Jun, Mr. Qi Qigong, Ms. Lu Xiaobing and the independent non-executive directors of the Company are Mr. Chen Jing, Dr. Wang Huacheng and Mr. Gong Zhiqiang.*

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