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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(A joint stock limited company established in the People's Republic of China with limited liability)

(Stock Code: 8157)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LEASE OF OFFICE PREMISES

SUMMARY

As disclosed in the Announcement, the Company entered into the New Lease Agreement with BICD, pursuant to which the Company would lease from BICD certain office premises at an annual rent of approximately RMB4.7 million for the period from 1 April 2006 to 31 March 2007 and approximately RMB4.3 million for the period from 1 April 2007 to 31 March 2008. Beijing Co-Create, a 55.97% owned subsidiary of the Company, entered into the Co-Create Lease Agreement with BICD, pursuant to which Beijing Co-Create would lease from BICD certain office premises at an annual rent of approximately RMB1.3 million for the period from 9 July 2003 to 7 June 2007.

As the Co-Create Lease Agreement has expired on 7 June 2007, Beijing Co-Create entered into the Co-Create New Lease Agreement with BICD on 7 June 2007 to lease certain office premises for a period from 8 June 2007 to 7 June 2009. Thus, the Directors proposed to revise the annual caps for the rent payable by the Group to BICD to RMB6 million and RMB2.7 million for 2007 and 2008 respectively.

Since BICD is a wholly-owned subsidiary of BSAM, which is a substantial shareholder, a promoter and an initial management shareholder of the Company, BICD is a connected person of the Company. Hence, the transactions contemplated under the Co-Create New Lease Agreement constitute continuing connected transactions of the Group as defined under the GEM Listing Rules. As mentioned in the Announcement, the transactions contemplated under the New Lease Agreement also constitute continuing connected transactions of the Group as defined under the GEM Listing Rules.

The transactions contemplated under the New Lease Agreement and the Co-Create New Lease Agreement have been aggregated given they were both entered with BICD of the same nature. As the applicable percentage ratios (other than the profit ratio) for the rent payable by the Group to BICD under the Co-Create New Lease Agreement and the New Lease Agreement are on an annual basis less than 2.5%, the Co-Create New Lease Agreement is only subject to reporting and announcement requirements in accordance with Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the Announcement.

As disclosed in the Announcement, the Company entered into the New Lease Agreement with BICD, pursuant to which the Company would lease from BICD certain office premises at an annual rent of approximately RMB4.7 million for the period from 1 April 2006 to 31 March 2007 and approximately RMB4.3 million for the period from 1 April 2007 to 31 March 2008. Beijing Co-Create, a 55.97% owned subsidiary of the Company, entered into the Co-Create Lease Agreement with BICD, pursuant to which Beijing Co-Create would lease from BICD certain office premises at an annual rent of approximately RMB1.3 million for the period from 9 July 2003 to 7 June 2007. As the Co-Create Lease Agreement has expired on 7 June 2007, Beijing Co-Create entered into the Co-Create New Lease Agreement with BICD on 7 June 2007 to lease certain office premises for a period from 8 June 2007 to 7 June 2009.

I. THE CO-CREATE NEW LEASE AGREEMENT

The major terms of the Co-Create New Lease Agreement are as below:

Date:	7 June 2007
Landlord:	BICD
Tenant:	Beijing Co-Create, a 55.97% owned subsidiary of the Company
Location:	Units 609-614 of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC (with an aggregate floor area of 982.53 square meters)
Terms:	Two years from 8 June 2007 to 7 June 2009 with a first right of refusal to renew the lease
Rent:	Monthly rent of RMB105,793.91, including daily rent of RMB3.54 per square meter, management fee and water and air-conditioning fees Rent payable at the beginning of each month.

Reasons for entering into the Co-Create New Lease Agreement:

As Beijing Co-Create has leased the office premises since June 2003, it will not be economical for Beijing Co-Create to relocate its premises to other location as it will incur additional relocation expenses. The Directors confirmed that the terms under the Co-Create New Lease Agreement were determined after arm's length negotiations between Beijing Co-Create and BICD and by reference to the market rental rate of office premises of comparable quality in the same region. The Directors (including the independent non-executive Directors) consider that the Co-Create New Lease Agreement is entered into on normal commercial terms and in the ordinary and usual course of business and that the terms contemplated under the Co-Create New Lease Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

II. BASIS OF DETERMINING THE ANNUAL CAPS

As Beijing Co-Create has entered into the Beijing Co-Create New Lease Agreement to lease certain office premises with BICD for two years from 8 June 2007 to 7 June 2009. The Directors proposed to revise the annual caps for the rent payable by the Group to BICD to RMB6 million and RMB2.7 million for 2007 and 2008 respectively. As the applicable percentage ratios (other than the profits ratio) is less than 0.1% for the rent payable under the Co-Create New Lease Agreement for the financial year ending 2009, which falls within the de minimis transaction under Rule 20.31, the rent payable under the Co-Create New Lease Agreement is therefore exempt from the independent shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules. Hence, no proposed cap is required for the rent payable for the financial year ending 2009. The above caps are determined after taking into account of the rent payable under the New Lease Agreement and the Co-Create New Lease Agreement. The transactions contemplated under the New Lease Agreement and the Co-Create New Lease Agreement have been aggregated given they were both entered with BICD of the same nature. Details of the caps are calculated as follow:

	Year ending 31 December		
	2007 RMB	2008 RMB	2009 RMB
Rent payable under the Co-Create Lease Agreement from 1 January 2007 to 7 June 2007	578,679 ⁽¹⁾	—	—
Rent payable under the Co-Create New Lease Agreement from 8 June 2007 to 7 June 2009	715,872 ⁽²⁾	1,269,527 ⁽²⁾	553,655 ⁽²⁾
Rent payable under the New Lease Agreement	4,408,864 ⁽³⁾	1,081,751 ⁽³⁾	—
Total rent payable by the Group to BICD	<u>5,703,415</u>	<u>2,351,278</u>	<u>553,655</u>

Notes:

- (1) Based on the monthly rent of RMB110,575.56 (including daily rent of RMB3.7 per square meter, management fee and water and air-conditioning fees) under the Co-Create Lease Agreement for the period from 1 January 2006 to 7 June 2007.
- (2) Based on the monthly rent of RMB105,793.91 (including daily rent of RMB3.54 per square meter, management fee and water and air-conditioning fees) under the Co-Create New Lease Agreement for the period from 8 June 2007 to 7 June 2009.
- (3) Based on the monthly rent of RMB387,870.90 (including daily rent of RMB3.98 per square meter, management fee and air-conditioning fees) under the New Lease Agreement for the period from 1 January 2007 to 31 March 2007 and the monthly rent of RMB360,583.50 (including daily rent of RMB3.7 per square meter, management fee and air-conditioning fees) for the period from 1 April 2007 to 31 March 2008 under the New Lease Agreement.

III. CONNECTED PARTIES

Since BICD is a wholly owned subsidiary of BSAM, which is a substantial shareholder, a promoter and an initial management shareholder of the Company, BICD is a connected person of the Company. Hence, the transactions contemplated under the Co-Creat e New Lease Agreement constitute continuing connected transactions of the Group as defined under the GEM Listing Rules. As mentioned in the Announcement, the transactions contemplated under the New Lease Agreement also constitute continuing connected transactions of the Group as defined under the GEM Listing Rules.

As the applicable percentage ratios (other than the profit ratio) for the rent payable by the Group to BICD under the Co-Creat e New Lease Agreement and the New Lease Agreement are on an annual basis less than 2.5%, the Co-Creat e New Lease Agreement is only subject to reporting and announcement requirements in accordance with Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

IV. ANNUAL REVIEW OF THE CO-CREAT E NEW LEASE AGREEMENT

In addition, the Company will comply with the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules in respect of the transactions contemplated under the Co-Creat e New Lease Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Announcement”	an announcement of the Company dated 14 March 2006 in relation to the New Lease Agreement and the Co-Creat e Lease Agreement
“Beijing Co-Creat e “	北京共創開源軟件有限公司(Beijing Co-Creat e Software Company Limited), a company established in the PRC in March 2001 with limited liability and a 55.97% owned subsidiary of the Company, with principal activities include the development, sales and management consultation of operation systems and related businesses
“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 the PRC with limited liability principally engaged in the establishment and management of Beijing IC (integrated circuit) Design Park and a wholly-owned subsidiary of BSAM

“Board”	the board of Directors
“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 the PRC and wholly-owned by the Beijing Municipal Government and is a substantial shareholder, a promoter and an initial management shareholder of the Company as defined under the GEM Listing Rules
“Co-Create Lease Agreement”	the lease agreement dated 24 June 2003 and the renewal agreement dated 8 June 2005 entered into between Beijing Co-Create and BICD in respect of the lease of certain office premises from BICD for the use of Beijing Co-Create as its office
“Co-Create New Lease Agreement”	an agreement dated 7 June 2007 entered into between Beijing Co-Create and BICD to lease certain office premises for a period from 8 June 2007 to 7 June 2009
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited), a joint stock limited company incorporated in the PRC principally engaged in the installation of network systems, network design, consultancy and related technical services in the PRC
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise 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
“New Lease Agreement”	the lease agreement dated 14 March 2006 entered into between the Company and BICD in respect of the lease of certain office premises from BICD
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include The Special Administrative Region of Hong Kong, The Special Administrative Region of Macau and Taiwan
“RMB”	Renminbi, the lawful currency in the PRC

“Shareholders” shareholder(s) of the Company

“%” Per cent. or percentage

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

Beijing, the People’s Republic of China
12 June 2007

In this announcement, the English names of the PRC entities are translation of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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 are Dr. Chen Xinxiang, Dr. Wang Xu, Ms. Zhang Yan; the non-executive Directors are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Dr. Wu Bo, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Tan Guoan, Mr. Xia Peng, Mr. Liu Zhiyong and the independent non-executive Directors are Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong.

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* For identification purposes only