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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)

(Stock Code: 8157)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LEASE AGREEMENTS IN RESPECT OF OFFICE PREMISES

Reference is made to the circular issued by the Company on 10 February 2003 (the "Circular").

As disclosed in the Circular, the Approved 2005 Cap in respect of the Old Lease Agreement entered into between the Company and BICD was RMB4.1 million, which was duly approved by Independent Shareholders of the Company on the extraordinary general meeting of the Company dated 28 March 2003.

In March 2005, the Company acquired an additional 25.16% equity interest in Beijing Co-Creat, the then associate of the Company, from four other shareholders of Beijing Co-Creat. Upon the completion of such equity acquisition on 5 April 2005, the Company's equity interest held in Beijing Co-Creat increased from 30.81% to 55.97% and Beijing Co-Creat became a non-wholly owned subsidiary of the Company.

As a result of the above-mentioned acquisition of equity interest in Beijing Co-Creat, the transaction contemplated under the Co-Creat Lease Agreement between Beijing Co-Creat and BICD and the transaction contemplated under the Old Lease Agreement between the Company and BICD should be aggregated as they are of the same nature and was entered into with the same connected party, namely BICD. The aggregate rental paid by the Group to BICD during the year ended 31 December 2005 was approximately RMB4,976,000, which exceeded the Approved 2005 Cap of RMB4.1 million.

Pursuant to Rule 20.36 of the GEM Listing Rules, the Company should re-comply with Rules 20.35(3) and (4), where applicable, of the GEM Listing Rules in the event that the Approved 2005 Cap is exceeded. The failure of the Company to comply with Rule 20.36 of the GEM Listing Rules upon the completion of the acquisition of additional equity interest in Beijing Co-Creat in April 2005 constituted a breach of Rule 20.36 of the GEM Listing Rules.

In addition, the Board announces that on 14 March 2006, the Company entered into the New Lease Agreement with BICD, pursuant to which the Company will lease from BICD the 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.

The aggregate rent payable by the Group to BICD in respect of the Co-Create Lease Agreement and the New Lease Agreement for each of the three years ending 31 December 2008 is approximately RMB5.8 million, RMB5.0 million and RMB1.1 million respectively. The Directors propose respective caps of RMB6.0 million, RMB5.2 million and RMB1.2 million for the Transactions for the each of the three years ended 31 December 2008.

As 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 and the Transactions under the Co-Create Lease Agreement and New Lease Agreement therefore constitute continuing connected transactions of the Group, as respectively defined under the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profit ratio) for the Transactions are on an annual basis less than 2.5%, the Transactions are only subject to the reporting and announcement requirements in accordance with Rules 20.45 to 20.47 of the GEM Listing Rules and are exempt from independent Shareholders' approval requirements under Rule 20.34 of the GEM Listing Rules.

I. TRANSACTION VALUE OF CONTINUING CONNECTED TRANSACTION IN RELATION TO LEASE OF OFFICE PREMISES EXCEEDED THE APPROVED 2005 CAP

Old Lease Agreement between the Company and BICD

Reference is made to the circular issued by the Company on 10 February 2003 (the "Circular")

As disclosed in the Circular, the Company has entered into the Old Lease Agreement with BICD on 23 January 2003 whereby the Company will lease from BICD certain office premises for three years from the Lease Commencement Date and the Old Lease Agreement will be expired in the end of March 2006. The respective caps approved by the Independent Shareholders during the extraordinary general meeting on 28 March 2003 for the Old Lease Agreement was RMB3.5 million, RMB4.1 million and RMB4.1 million for the period from the Lease Commencement Date to 31 December 2003 and each of the two years ended 31 December 2005 respectively.

Co-Create Lease Agreement between a subsidiary of the Company and BICD

On 14 March 2005 and 18 March 2005, the Company entered into several equity transfer agreements with four other than shareholders of Beijing Co-Create, the then associate of the Company and 30.81% of its equity interest was owned by the Company immediately before entering such agreements. Pursuant to such equity transfer agreements, the Company acquired an additional equity interest of 25.16% in Beijing Co-Create at a total consideration of RMB2,849,000. Upon the completion of such equity transfer, the Company effectively owns as to 55.97% equity interest in Beijing Co-Create and Beijing Co-Create became a non-wholly owned subsidiary of the Company.

On 24 June 2003, Beijing Co-Create has entered into a lease agreement with BICD whereby Beijing Co-Create has rented certain office premises from BICD for a term of two years from 9 July 2003 to 8 July 2005 and the monthly rent payable by Beijing Co-Create to BICD was approximately RMB110,000. Subsequently on 8 June 2005, Beijing Co-Create and BICD has entered into a renewal lease agreement to extend the lease term to 7 June 2007 at the same rental.

As a result of the above-mentioned acquisition of equity interest in Beijing Co-Create by the Company, the transaction contemplated under the Co-Create Lease Agreement between Beijing Co-Create and BICD and the transaction contemplated under the Old Lease Agreement between the Company and BICD should be aggregated as they are of the same nature and was entered into with the same connected party, namely BICD. The rent paid by the Company to BICD pursuant to the Old Lease Agreement was approximately RMB3,981,000 for the year ended 31 December 2005. After the completion of the acquisition of equity interest in Beijing Co-Create by the Company, the rent paid by Beijing Co-Create pursuant to the Co-Create Lease Agreement was approximately RMB995,000 during the period from April 2005 to December 2005. Therefore, the aggregate rent paid by the Group to BICD during the year ended 31 December 2005 was approximately RMB4,976,000, which exceeded the Approved 2005 Cap of RMB4.1 million.

Pursuant to Rule 20.36 of the GEM Listing Rules, the Company should re-comply with Rules 20.35(3) and (4), where applicable, of the GEM Listing Rules in the event that the Approved 2005 Cap is exceeded. The failure of the Company to comply with Rule 20.36 of the GEM Listing Rules upon the completion of the acquisition of additional equity interest in Beijing Co-Create in April 2005 constituted a breach of Rule 20.36 of the GEM Listing Rules.

Notwithstanding the above, as each of the applicable percentage ratios (except for the profits ratio) for the aggregate rent paid by the Group to BICD of approximately RMB4,976,000 for the year ended 31 December 2005 was on an annual basis less than 2.5%, the continuing connected transactions under the Old Lease Agreement and the Co-Create Lease Agreement were only subject to the reporting and announcement requirements in accordance with Rules 20.45 to 20.47 of the GEM Listing Rules and were exempt from the Independent Shareholders' approval requirements under Rule 20.34 of the GEM Listing Rules.

II. RENEWAL OF THE LEASE AGREEMENTS

The Co-Create Lease Agreement

As mentioned in section I above, Beijing Co-Create, the then associate of the Group, has entered into a lease agreement with BICD on 24 June 2003, whereby Beijing Co-Create has leased from BICD certain office premises at an annual rent of approximately RMB1.3 million for a term of two years from 9 July 2003 to 8 July 2005. Subsequently on 8 June 2005, Beijing Co-Create and BICD has entered into a renewal lease agreement to extend the rental term to 7 June 2007.

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

Date:	The lease agreement on 24 June 2003 and the renewal lease agreement on 8 June 2005
Landlord:	BICD
Tenant:	Beijing Co-Create, a 55.98% owned subsidiary of the Company
Location of office premises:	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 2005 to 7 June 2007 with a first right of refusal to renew the lease
Rent:	Daily rent of RMB3.7 per square meter (translates to an annual rent of approximately RMB1,326,907) Rent payable at the beginning of each month.

The New Lease Agreement

Pursuant to the terms of the Old Lease Agreement, the Old Lease Agreement will be expired in the end of March 2006. Therefore, the Board announces that on 14 March 2006, the Company entered into the New Lease Agreement with BICD, pursuant to which the Company will lease from BICD the 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.

Major terms of the New Lease Agreement are set out below:

Date:	14 March 2006
Landlord:	BICD
Tenant:	The Company
Location of Office Premises:	Units 907, 1202-1214, 1407 and 1501-1508 of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC (with an aggregate floor area of 3,204 square meter)
Terms:	Two years from 1 April 2006 to 31 March 2008 with a first right of refusal to renew the lease by giving BICD three months written notice prior to expiry
Rent:	<p><u>For the year from 1 April 2006 to 31 March 2007:</u></p> <p>Daily rent of RMB3.98 per square meter (<i>translates to an annual rent of approximately RMB4,654,451</i>)</p> <p><u>For the year from 1 April 2007 to 31 March 2008:</u></p> <p>Daily rent of RMB3.7 per square meter (<i>translates to an annual rent of approximately RMB4,327,002</i>)</p> <p>Rent payable in every three months and shall be paid within 15 days from the beginning of each quarter.</p>

Reason for Entering into the New Lease Agreement

The Company leased the Office Premises as its headquarters in Beijing since March 2003. The Directors consider that it will not be economical for the Company to relocate its headquarters to other location as it will incur additional relocation expenses. The Directors confirmed that the terms under the New Lease Agreement was determined after arm's length negotiations between the Company 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 terms of the New Lease Agreement is entered into on normal commercial terms in the ordinary course of business and that the terms of the New Lease Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

III. BASIS OF DETERMINING THE ANNUAL CAP

The Directors propose respective caps of RMB6.0 million, RMB5.2 million and RMB1.2 million for the Transactions for each of the three years ended 31 December 2008. The Directors confirm that the caps are determined after taking into account the rent payable for the Co-Create Lease Agreement and the New Lease Agreement. The Directors further confirm that the Group will be subject to and comply with the relevant requirements under Chapter 20 of the GEM Listing Rules prior to enter into any renewal agreement with BICD and after 31 March 2008, where applicable. Details of the caps is calculated as follow:

	Year ending 31 December		
	2006	2007	2008
Rent payable under the Co-Create Lease Agreement	RMB1,326,907 ⁽¹⁾	RMB574,387 ⁽¹⁾	–
Rent payable under the Old Lease Agreement and the New Lease Agreement	RMB4,490,175 ⁽²⁾	RMB4,407,743 ⁽³⁾	RMB1,066,932 ⁽⁴⁾
Total rent payable by the Group to BICD	RMB5,817,082	RMB4,982,130	RMB1,066,932
Propose caps	RMB6,000,000	RMB5,200,000	RMB1,200,000

Notes: (1) based on the daily rent of RMB3.7 per square meter under the Co-Create Lease Agreement for the period from 1 January 2006 to 7 June 2007.

(2) based on (i) the daily rent of RMB3.7 per square meter for the aggregated leased floor area of 2,947.6 square meters under the Old Lease Agreement for the period from 1 January 2006 to 31 March 2006; and (ii) the daily rent of RMB3.98 per square meter for the period from 1 April 2006 to 31 December 2006 under the New Lease Agreement.

(3) based on (i) the daily rent of RMB3.98 per square meter for the period from 1 January 2007 to 31 March 2007; and (ii) the daily rent of RMB3.7 per square meter for the period from 1 April 2007 to 31 December 2007 under the New Lease Agreement.

(4) based on the daily rent of RMB3.7 per square meter for the period from 1 January 2008 to 31 March 2008 under the New Lease Agreement.

IV. CONNECTED PARTIES

As BICD is a wholly-owned subsidiary of BSAM, which is a substantial shareholder, a promoter and an initial management shareholder of the Company holding approximately 61.55% equity interests in the Company as at the date of this announcement, BICD is a connected person of the Company and the Transactions under the Co-Create Lease Agreement and the New Lease Agreement therefore constitute continuing connected transactions of the Group, as respectively defined under the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profit ratio) for the Transactions are on an annual basis less than 2.5%, the Transactions are only subject to the reporting and announcement requirements in accordance with Rules 20.45 to 20.47 of the GEM Listing Rules and are exempt from independent Shareholders' approval pursuant to Rule 20.34 of the GEM Listing Rules.

V. ANNUAL REVIEW OF THE 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.

DEFINITIONS

“Approved 2005 Cap”	the maximum annual rental fee of RMB4.1 million contemplated under the Old Lease Agreement for the year ended 31 December 2005 approved by the Independent Shareholders in the extraordinary general meeting on 28 March 2003
“Beijing Co-Create”	Beijing Co-Create Software Company Limited (北京共創開源軟件有限公司), a company established in the PRC in March 2001 with limited liability. Beijing Co-Create became a non-wholly owned subsidiary of the Company in April 2005 and in which the Company currently has 55.97% equity interest
“BICD”	Beijing IC Design Park Co., Ltd. (北京集成電路設計園有限責任公司), a company incorporate in the PRC with limited liability principally engaged in the establishment and management of Beijing IC (integrated circuit) Design Park, is a wholly-owned subsidiary of BSAM
“Board”	the board of Directors
“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 and wholly-owned by the Beijing Municipal Government, 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 the 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
“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 principally engaged in the installation of network systems, network design, consultancy and related technical services in the PRC, particularly in Beijing.
“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
“Independent Shareholders”	shareholders of the Company, other than BSAM and its associate(s), in the case of the transactions contemplated under the Old Lease Agreement, Co-Create Lease Agreement and New Lease Agreement
“Lease Commencement Date”	28 March 2003, being the date of approval of the Old Lease Agreement by the Independent Shareholders
“New Lease Agreement”	The lease agreement dated 14 March 2006 entered into between the Company and BICD in respect of the lease of Office Premises from BICD
“Office Premises”	office premises located at units 907, 1202-1214, 1407 and 1501-1508 of Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC (with an aggregate floor area of 3,204 square meter)
“Old Lease Agreement”	The conditional lease agreement dated 23 January 2003 entered into between the Company and BICD and was approved by Independent Shareholders in the extraordinary general meeting on 28 March 2003 in respect of the lease of certain office premises from BICD for a term of three years from the Lease Commencement Date to the end of March 2006
“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” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Shareholder(s) of the Company
“Transactions”	The continuing connected transaction between the Company and BICD contemplated under the New Lease Agreement and the continuing connected transaction between Beijing Co-Create and BICD contemplated under the Co-Create Lease Agreement

“%”

Per cent. or percentage

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

Beijing, The People's Republic of China

14 March 2006

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, Dr. Wu Bo; the non-executive Directors are Mr. Li Minji, Mr. Xing Dehui, Mr. Xu Zhe, Mr. Bai Liming, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Tan Guoan, Mr. Ye Yongdong, Mr. Lu Dongtao; and the independent non-executive Directors are Mr. Wong Ying Ho, Kennedy and Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong.

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* For identification purposes only