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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 TRANSACTION IN RELATION TO PROVISION OF
NETWORK SYSTEM AND MAINTENANCE SERVICE**

Financial adviser to the Company

AmCap

Ample Capital Limited
豐盛融資有限公司

On 20 December 2006, the Company and Capnet entered into the Agreement under which the Company is to provide the Network System and the related maintenance services to Capnet. Under the provisions of the Agreement, Capnet is obligated to pay the Company RMB670,000 (approximately HK\$666,000) per month for the Company's provision of the Network System and the related maintenance services to Capnet.

The Directors confirm that the terms of the Agreement were reached after arm's length negotiation between the parties thereto and are on normal commercial terms. As such, the Directors are of the view that the terms of the Agreement are fair and reasonable and the Agreement is in the interests of the Shareholders as a whole.

As (i) each of the percentage ratios (other than the profit ratio) is on an annual basis less than 2.5% or (ii) each of the percentage ratios (other than the profit ratio) is on an annual basis equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the transaction contemplated under the Agreement is a continuing connected transaction of the Company subject to the reporting and announcement requirements of Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

THE AGREEMENT

Date:

20 December 2006

Parties:

The Company and Capnet

Principal terms:

Under the terms of the Agreement, the Company is to provide the Network System and the related maintenance services to Capnet for its own use during a term of 3 years. Furthermore, the Company undertakes that it has to ensure that the Network System will function normally within the term of the Agreement. To protect the interests of the Group, Capnet will have to bear the responsibility of restoring the Network System back to working order including any repairs and/or replacement if Capnet's improper use of the Network System causes any malfunction. In case of any malfunction, datum can be extracted from the Network System and analyzed to find out the cause of malfunction and the responsible person.

The Company shall commence the provision of the Network System and the related maintenance services to Capnet on 1 January 2007 and the term of the Agreement shall be 3 years unless terminated by either party according to the provisions of the Agreement. The Agreement further provides that the term of the Agreement can be extended subject to further negotiations between the parties thereto.

Fee:

Under the provisions of the Agreement, Capnet is obligated to pay the Company RMB670,000 (approximately HK\$666,000) per month for the Company's provision of the Network System and the related maintenance services to Capnet. The rate chargeable to Capnet was determined based on the Group's operating costs of the Network System with the addition of a mark-up on top of the operating costs. The Directors confirm that the mark-up charged to Capnet is no more favourable than those offered to the Group's 3rd party customers.

REASONS OF ENTERING INTO THE AGREEMENT

The Group is an Internet technology and network solutions provider. Similar network system and maintenance services are provided to the Group's other customers. Accordingly, the Directors are of the view that the Agreement was entered into in the Company's ordinary and usual course of business. In view that the transaction contemplated under the Agreement would generate additional revenue for the

Group, the Directors consider that the entering of the Agreement is beneficial to the Group's overall operations.

The Directors confirm that the terms of the Agreement were reached after arm's length negotiation between the parties thereto and are on normal commercial terms. As such, the Directors are of the view that the terms of the Agreement are fair and reasonable and the Agreement is in the interests of the Company and the Shareholders as a whole.

ANNUAL CAP

There is no historical transaction involving the provision of the Network System by the Company to Capnet. Based on the terms of the Agreement, the Directors propose the following annual caps of RMB8,100,000 (approximately HK\$8,056,000) for each of the three years ending 31 December 2009. The aforesaid annual caps were determined with reference to the annual fee payable under the Agreement of RMB8,040,000 (approximately HK\$7,997,000). Having taken in to account of the above, the Directors are of the view that the annual caps are in the interest of the Company and fair and reasonable to the Company and the Shareholders as a whole.

CONNECTED TRANSACTION

Capnet is a company incorporated in the PRC and is held as to 95% by BSAM. As at the date of this announcement, BSAM holds 1,783,631,919 Domestic Shares, representing approximately 61.55% of the Company's issued share capital and is one of the promoters of the Company. By virtue of its interest in the Company and it being one of the promoters of the Company, BSAM is a connected person of the Company under Rules 20.11(1) and (3) of the GEM Listing Rules. As BSAM holds a 95% interest in Capnet, Capnet is also deemed to be a connected person of the Company pursuant to Rule 20.11(4) of the GEM Listing Rules.

As mentioned earlier, Capnet is obligated to pay the Company RMB670,000 (approximately HK\$666,000) per month under the Agreement. As such, the annual fee payable under the Agreement is RMB8,040,000 (approximately HK\$7,997,000). As a result, (i) each of the percentage ratios (other than the profit ratio) is on an annual basis less than 2.5% or (ii) each of the percentage ratios (other than the profit ratio) is on an annual basis equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000 as stipulated under Rule 20.34 of the GEM Listing Rules. Accordingly, the transaction contemplated under the Agreement is a continuing connected transaction of the Company subject to the reporting and announcement requirements of Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the independent Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

INFORMATION OF THE GROUP AND CAPNET

The Group is an Internet technology and network solutions provider with its principal place of business located in Beijing, 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.

Capnet is a company incorporated in the PRC with limited liability and is principally engaged in the provision of information technology services, network engineering, technical development of hardware and software for computers and network equipment, etc.

DEFINITIONS

“Agreement”	the agreement dated 20 December 2006 regarding the provision of the Network System and the related maintenance services by the Company to Capnet
“BSAM”	北京市國有資產經營有限責任公司 (Beijing State-owned Asset Management Corporation Limited), a company incorporated in the PRC, being wholly owned by the Beijing Municipal Government and is the controlling Shareholder and one of the promoters of 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 the PRC with limited liability and is principally engaged in the provision of information technology services, network engineering, technical development of hardware and software for computers and network equipment, etc.
“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 whose H Shares are listed on the GEM
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares of the Company which are subscribed for and credited as paid up in RMB
“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
“H Shares”	overseas-listed foreign shares of the Company which are traded and subscribed for in HK\$ and are listed on GEM
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Internet”	an electronic communication network that connects computer networks, facilities and organizations around the world
“Network System”	a system, facilitating connection between end users and internet, to be provided by the Company to Capnet under the terms of the Agreement
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of this announcement and for illustration purposes only, translations of RMB into HK\$ is made at the exchange rate of HK\$1.00 to RMB1.0054.

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

Beijing, the PRC
20 December 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 the 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, Dr. Xia Peng, Mr. Liu Zhiyong and the independent non-executive Directors are Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong.

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.

** For identification purposes only*