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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)

CONNECTED TRANSACTION IN RELATION TO THE ESTABLISHMENT OF A JOINT VENTURE COMPANY

SUMMARY

On 11 July 2007, the Company and the JV Parties entered into the JV Agreement for the establishment of the JV Company, which will be principally engaged in (i) the provision of technical development, consultancy and services related to computers and Internet and their respective ancillary products; (ii) provision of information and network system integration and agency services; and (iii) sale of computer ancillary products.

According to the JV Agreement, the total investment amount and the registered capital of the JV Company is RMB5 million, and the JV Company is owned by the Company of 61%; Mr. Sun and Mr. Leng of 9.5% each, and the remaining 20% are contributed by each of Mr. Yang, Mr. Wang, Mr. Pan, Mr. Wu and Mr. Xu of 4%. The capital contribution by the Company of RMB3.05 million shall be payable at once within thirty days from the date of the JV Agreement. The JV Parties are required to pay their capital contribution by deposit of 20% within thirty days from the date of the JV Agreement and the remaining sum in two installments of 40% each within a year and twenty-two months from the date of the JV Agreement in respective of their shareholdings of the JV Company.

Mr. Sun is a connected person of the Company by reason of him being the chief executive officer of 北京城市之窗科技發展有限公司 (Beijing City Technology Development Company Limited) and a director of 首都信息科技發展有限公司 (Capinfo Technology Development Company Limited), both of which are wholly-owned subsidiaries of the Company.

As the relevant percentage ratios (other than the profits ratio) for the Company's capital contribution contemplated under the JV Agreement is less than 2.5%, the entering into the JV Agreement by the Company constitutes a connected transaction under Rule 20.32 and is only subject to the reporting and announcement requirements set out in Rules 20.45 and 20.47 and is exempt from the independent shareholders' approval requirements.

INTRODUCTION

On 11 July 2007, the Company and the JV Parties entered into the JV Agreement for the establishment of the JV Company, which will be principally engaged in (i) the provision of technical development, consultancy and services related to computers and Internet and their respective ancillary products; (ii) provision of information and network system integration and agency services; and (iii) sale of computer ancillary products.

THE JV AGREEMENT

The principal terms of the JV Agreement are as follows:

Date: 11 July 2007

Parties: The Company and the JV Parties

The total investment amount and the registered capital: The total investment amount and the registered capital of the JV Company is RMB5 million, which will be contributed as follows:

JV Parties

	%	<i>RMB million</i>
Mr. Sun	9.5	0.475
Mr. Leng	9.5	0.475
Mr. Yang	4.0	0.20
Mr. Wang	4.0	0.20
Mr. Pan	4.0	0.20
Mr. Wu	4.0	0.20
Mr. Xu	4.0	0.20
The Company	61.0	3.05
Total:	<u>100.0</u>	<u>5.00</u>

Payment terms: The capital contribution by the Company of RMB3.05 million shall be payable at once within thirty days from the date of the JV Agreement. The JV Parties are required to pay their capital contribution by deposit of 20% within thirty days from the date of the JV Agreement and the remaining sum in two installments of 40% each within a year and twenty-two months from the date of the JV Agreement in respective of their shareholdings of the JV Company. The Company is not obliged to make further capital commitment pursuant to the JV Agreement. Since the profit sharing of the JV Company will be in accordance with the actual capital contributed by each shareholder of the JV Company, the Directors are of the view that the payment terms of the JV Agreement are on normal commercial terms and fair and reasonable and in the interests of the shareholders of the Company as a whole.

Duration: 20 years from the date of issue of the business license of the JV Company.

Board representation: The board of directors of the JV Company shall comprise five directors, with a term of three years, and is eligible for re-election upon completion of its current term. The directors of the JV Company will be nominated by the shareholders of the JV Company in a shareholder's meeting. There is no minimum number of representatives from the Company to the board of directors of the JV Company.

Profit distribution: Profits will be distributed to the Company and the JV Parties in proportion to their respective capital contributions to the registered capital of the JV Company

Termination of the JV Agreement: The JV Agreement will be terminated and the JV Company will be dissolved, if the JV Company operates at a loss for two consecutive years within the first four years upon its establishment

Voting rights: The JV Company shall convene the shareholder's meeting in the form as mentioned in its articles of association which is in accordance to the PRC Company Law. Based on the articles of association of the JV Company, the voting rights of the shareholders of the JV Company shall be based on their respective actual capital contributions to the JV Company before the JV Parties contribute 33% of the investment amount of the JV Company. Thereafter, the Company and the JV Parties shall have the voting rights allocated in the proportion of 67:33 respectively. If the JV Parties could not reach a consensus, each JV Party shall vote, based on the 33% voting rights allowed among the JV Parties, in accordance to its respective pro-rata shareholding of the JV Company.

REASONS AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY

The Directors are of the view that the JV Company may facilitate the development of e-Government business of the Group in the Liaoning Province and may provide incentives for the JV Parties to increase their role and participation in the management of the Company given their shareholdings in the JV Company. The JV Parties are currently the senior management of the Company.

The Directors (including the independent non-executive Directors) considered that the terms of the JV Agreement were arrived at after arm's length negotiation between the parties. Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the terms (including the payment terms) of the JV Agreement are on normal commercial terms, and will be entered in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

The Group is engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment. The Group's operations are organised into two operating divisions, namely e-Government technology services and e-Commerce technology services.

Mr. Sun is a connected person of the Company by reason of him being the chief executive officer of 北京城市之窗科技發展有限公司 (Beijing City Technology Development Company Limited) and a director of 首都信息科技發展有限公司 (Capinfo Technology Development Company Limited), both of which are wholly-owned subsidiaries of the Company.

As the relevant percentage ratios (other than the profits ratio) for the Company's capital contribution contemplated under the JV Agreement is less than 2.5%, the entering into the JV Agreement by the Company constitutes a connected transaction under Rule 20.32 and is only subject to the reporting and announcement requirements set out in Rules 20.45 and 20.47 and is exempt from the independent shareholders' approval requirements.

DEFINITIONS

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

“Company” 首都信息發展股份有限公司 (Capinfo Company Limited), a joint stock limited company established in the PRC

“connected person(s)” has the same meanings ascribed under the GEM Listing Rules

“Director(s)”	director(s) of the Company
“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
“Internet”	an electronic communications network that connects computer networks and organisation computer facilities around the world
“JV Agreement”	an agreement entered into between the Company and the JV Parties on 11 July 2007 for the establishment of the JV Company
“JV Company”	遼寧衆信同行軟件開發有限公司 (Liaoning Zhongxin Tonghang Software Development Company Limited), the joint venture company to be established pursuant to the JV Agreement
“JV Parties”	Mr. Sun, Mr. Leng, Mr. Yang, Mr. Wang, Mr. Pan, Mr. Wu and Mr. Xu, all of whom are third parties independent of and not connected with the Company and connected persons of the Company and with each other
“Mr. Leng”	冷志林 (Leng Zhilin), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company
“Mr. Pan”	潘劍華 (Pan Jianhua), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company
“Mr. Sun”	孫子系 (Sun Zixi) is the chief executive officer of 北京城市之窗科技發展有限公司 (Beijing City Technology Development Company Limited) and a director of 首都信息科技發展有限公司 (Capinfo Technology Development Company Limited), both of which are wholly-owned subsidiaries of the Company.
“Mr. Wang”	王鑫 (Wang Xin), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company
“Mr. Wu”	吳剛 (Wu Gang), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company
“Mr. Xu”	徐寧 (Xu Ning), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company

“Mr. Yang”	楊炳玉 (Yang Bingyu), a senior management of the Company and is a third party independent of and not connected with the Company and connected persons of the Company
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Dr. CHEN Xinxiang
Chairman

Beijing, the People’s Republic of China
16 July 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, Mr. Xia Peng, Mr. Liu Zhiyong and Ms. Lu Xiaobing; 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*