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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 DEDICATED CIRCUIT LEASING SERVICES

BCC provided DCLS to the Company pursuant to DCLS Original Agreement (as extended by DCLS Renewal Agreements), the term of which will expire on 30 June 2006. The Company has entered into the DCLS Renewal Agreement V dated 30 April 2006 with BCC, pursuant to which the term of the DCLS Original Agreement will be extended to 30 June 2007.

The DCLS Renewal Agreement V is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholders at the Extraordinary General Meeting approving the terms of the DCLS Renewal Agreement V and the proposed caps of the DCLS Transaction.

BCC holds 80% interests in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. and thus is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transaction under the DCLS Renewal Agreement V will constitute a continuing connected transaction under the GEM Listing Rules. As the relevant percentage ratio(s) (defined under Chapter 20 of the GEM Listing Rules) of the proposed caps of the DCLS Transaction in aggregate is on an annual basis more than 2.5% and the annual consideration is more than HK\$10,000,000, it will be subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

A circular containing, among other things, details of the DCLS Transaction, the recommendations from the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee together with a notice convening the Extraordinary General Meeting will be dispatched to the shareholders of the Company as soon as practicable and in any event within 21 days after publication of this announcement.

TRANSACTIONS

The Company and BCC entered into the DCLS Original Agreement on 4 April 2001 for a fixed term of one year for the provision of the Dedicated Circuit Leasing Service and a waiver from strict compliance with the reporting, announcement and shareholders' approval requirements of the GEM Listing Rules had been granted by the Stock Exchange to the Company in respect of the DCLS Original Agreement. The Company and BCC have further entered into the DCLS Renewal Agreements to extend the term of the DCLS Original Agreement up to 30 June 2005. Details of the DCLS Transaction were disclosed in the Prospectus.

The Company entered into the DCLS Renewal Agreement V with BCC on 30 April 2006, pursuant to which the term of the DCLS Original Agreement will be extended to 30 June 2007.

MAJOR TERMS OF THE DCLS ORIGINAL AGREEMENT (AS AMENDED BY THE DCLS RENEWAL AGREEMENTS)

BCC provided the Dedicated Circuit Leasing Service to the Company at a fee payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% off the DCLS Standard Fees for such lease lines.

The aforementioned preferential discount was granted to the Company by BCC on the understanding that the Company intends to lease its circuits on a long-term basis.

In the event that i) either BCC or the Company wishes to terminate the DCLS Agreement prior to the expiry of the agreement; or ii) BCC encounters any force majeure event (an event possibly affecting the contract and that is completely outside the parties' control) or has any fee adjustment requirement, it might terminate the agreement by giving thirty days' notice to the Company. In any event that the monthly fee has been overdue for any two consecutive months, the DCLS Agreement will be terminated automatically.

If there is any adjustment in the fee standards stipulated by the PRC government, the DCLS Original Agreement will be terminated and the parties shall continue with the leasing of dedicated circuits pursuant to the terms of the agreement for lease of dedicated circuits (專線租用協議書), a standard agreement of BCC with standard terms for the provision of dedicated circuit leasing services and entered into between the Company and BCC in August 2000, prior to the entering into of the DCLS Original Agreement.

For each of the three years ended 31 December 2005, the fees incurred by the Group under the DCLS Original Agreement and the DCLS Renewal Agreements were approximately RMB7.8 million, RMB9.7 million and RMB7.1 million respectively. The Directors have confirmed that the fees incurred under the above agreements have never exceeded their respective caps in previous years. The Directors have further confirmed that if the cap amount is exceeded in the future, the Company will promptly comply with all applicable requirements in relation to connected transactions under the GEM Listing Rules.

THE DCLS RENEWAL AGREEMENT V

Date:

The DCLS Renewal Agreement V was entered into by the parties on 30 April 2006.

Parties:

BCC and the Company

Major terms:

The Company and BCC will extend the term of the DCLS Original Agreement to 30 June 2007, which may further be extended by the parties before expiration of the term by entering into a further renewal agreement.

The DCLS Renewal Agreement V forms an integral part of the DCLS Original Agreement. BCC will provide the Dedicated Circuit Leasing Service to the Company and a fee will be payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% off the DCLS Standard Fees. Different DCLS Standard Fees will be charged according to the speed capacities of the circuit line as measured by kbps or Mbps. There is no minimum purchase requirement specified in the agreement in relation to the DCLS Transaction. Save as the extension of the term of the DCLS Original Agreement, all other terms and conditions of the DCLS Original Agreement, as amended by the DCLS Renewal Agreements, will remain applicable.

REASONS FOR ENTERING INTO THE DCLS RENEWAL AGREEMENT V

The Directors have confirmed that local dedicated circuits are major components for the operation of the Community Services Project and the development of the Social Security Project and the Private Network Project. The Directors also confirmed that BCC is the largest operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required under the above-mentioned projects carried out by the Group and the entering of the DCLS Renewal Agreement V will facilitate the operation and the completion of the above-mentioned projects.

The Directors (excluding the independent non-executive Directors who are members of the Independent Board Committee and whose recommendations will be contained in the circular (as detailed below)) consider that the terms of the DCLS Renewal Agreement V were arrived at after arm's length negotiation between the parties. Having considered (i) the above-mentioned terms and reasons of entering into the DCLS Renewal Agreement V; and (ii) the terms of the DCLS Original Agreement (as amended by the DCLS Renewal Agreements), the Directors (excluding the independent non-executive Directors who are members of the Independent Board Committee and whose recommendations will be contained in the circular (as detailed below)) consider that the DCLS Transaction stipulated under the DCLS Renewal Agreement V is on normal commercial terms, and will be entered into in the ordinary and usual course of business of the Company and that the terms of the DCLS Transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

BASIS OF DETERMINATING THE CAP

In order to facilitate the annual review of the DCLS Transactions by the independent non-executive Directors and the auditors of the Company as required under Rule 20.37 to 20.38 of the GEM Listing Rules, the Directors propose two caps of RMB17.8 million (approximately HK\$17.1 million) and RMB17.8 million (approximately HK\$17.1 million) for the anticipated service fee to be incurred in relation to the DCLS Transaction for the six months ending 31 December 2006 and the six months ending 30 June 2007 respectively.

The respective caps of RMB17.8 million and RMB17.8 million represent an increase of approximately 7.9% and 7.9% from the caps of RMB16.5 million proposed by the Directors for the service fee to be incurred in relation to the DCLS Transaction for the six months ending 30 June 2006, details of which have been set out in the Company's announcement 26 April 2005. The Directors confirm that the estimated numbers of dedicated circuits required by the Group for each of the six months ending 31 December 2006 and 30 June 2007 are comparable to that for the six months ending 31 December 2006, and estimated based on the information provided by the Company's customers and the Company's assessment on the progress of the Community Services Project, the Private Network Project and the Social Securities Project.

The caps are determined after taking into consideration of (i) the historical fee paid for the DCLS; (ii) the number of existing locations (government departments, hospitals and clinics) and the targeted number of locations to be connected in each of the years 2006 and 2007; and (iii) the monthly fee equal to 20% off the DCLS Standard Fees charged for different types of lines (measured by the speed and capacity of data transmission). The Directors consider the proposed caps of RMB17.8 million and RMB17.8 for the six months ending 31 December 2006 and the six months ending 30 June 2007 respectively are in line with the development progress of the Community Services Project, the Private Network Project and the Social Security Project.

The Community Services Project, the Private Network Project and the Social Security Project are under the Company's e-Government technology service, which is the core business of the Company. Contents of each of the projects are summarized as follows:

- The Community Services Project is focused on the construction of equipment facilities, a website system and hotline call centre system as well as the construction of the street level offices network centers administered under the 18 districts/counties of Beijing. As at the end of March 2006, the Group continued to refine the construction of its system, enhanced its function. The Group and the Population Division (人口處) of Beijing City Public Security Bureau jointly launched a test run of the first phase of the Community Prevention and Control Network (社區防控網), which exchanging and comparing data in relation to the community population and the public security work force.
- The Social Security Project is aimed at digitalising and providing online management of patient's data including real-time debit of expenditure on the outpatient's personal account as well as establishment of a disaster prevention centre to ensure a 365 days, 24 hours up time for the system. As at the end of March 2006, the system passed various tests and assessment conducted by the Beijing City Office of Informatisation Works (北京市訊息化工作辦公室) and the Beijing City Finance Bureau with outstanding performance.
- The Private Network Project is aimed to establish a unified high-speed broadband information network between various government departments based on the CPIP to accomplish the digitalisation and networking of the activities of the government departments. The expansion of this project is dependent on the number of government department to be connected to the network and the Company will continuously upgrade the system as required. As at the end of March 2006, various government departments located over the 18 district/counties of Beijing has been connected to the network.

CONNECTED PERSONS

BCC owns 80% equity interests in Beijing Telecommunication Investments Co., Ltd., one of the promoters of the Company which holds 1.82% shareholding in the Company as at the date of this announcement. Accordingly, BCC is an associate of a promoter of the Company as defined in the GEM Listing Rules, and, therefore, a connected person pursuant to Rule 20.11(4) of the GEM Listing Rules. As each of the percentage ratios (other than the profit ratio) for the aggregate proposed caps of the DCLS Transaction for each of the six months ended 31 December 2005 and ending 30 June 2006 of RMB35.6 million (equivalent to approximately HK\$34.2 million) is on an annual basis more than 2.5% and the annual consideration is more than HK\$10,000,000, the DCLS Transaction will, pursuant to Rules 20.35 to 20.41 of the GEM Listing Rules, constitute a non-exempt continuing connected transaction and will be subject to reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

ANNUAL REVIEW OF THE DCLS TRANSACTION

The Company is required to comply with the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules in respect of the DCLS Transactions.

GENERAL

The Extraordinary General Meeting will be convened, at which an ordinary resolution to consider, and if appropriate, approve the terms of the DCLS Renewal Agreement V and the proposed caps, will be proposed. Beijing Telecommunication Investment Co., Ltd. and its associates shall abstain from voting in respect of the DCLS Transaction at the Extraordinary General Meeting. Pursuant to the GEM Listing Rules, voting on the resolution relating to the terms of the DCLS Renewal Agreement V at the Extraordinary General Meeting shall be conducted by way of a poll.

A circular containing, among other things, details of the DCLS Transaction, the recommendation from the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee together with the notice convening the Extraordinary General Meeting will be despatched to the shareholders of the Company as soon as practicable and in any event within 21 days after publication of this announcement.

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.

BCC is a company established in the PRC and is principally engaged in providing telecommunication service, data transmission service, internet service and other related services.

DEFINITIONS

“BCC”	CNC Beijing Communication Corporation (中國網通集團北京市通信公司)
“Board”	the board of Directors
“Community Service Project”	the Beijing Municipal Community Services Information Network Systems, which the Beijing Civil Affairs Bureau appointed the Company to construct and operate in August 2000
“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
“CPIP”	Capital Public Information Platform, an electronic information exchange platform established and operated by the Company, comprising two high speed nodes providing connection to various public, government and special networks, and information resources in Beijing, the PRC

“Dedicated Circuit Leasing Service” or “DCLS”	being the provision of dedicated circuit leasing service by BCC to the Company
“DCLS Agreements”	including the DCLS Original Agreement and the DCLS Renewal Agreements
“DCLS Original Agreement”	an agreement dated 4 April 2001 between the Company and BCC for provision of the Dedicated Circuit Leasing Service
“DCLS Renewal Agreements”	includes (i) an agreement dated 14 December 2001 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 31 December 2002; (ii) an agreement dated 20 June 2003 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2004; (iii) an agreement dated 9 July 2004 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2005; and (iv) an agreement dated 21 April 2005 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2006
“DCLS Renewal Agreement V”	the conditional agreement dated 30 April 2006 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 30 June 2007
“DCLS Standard Fees”	the standard fees published on the official website of BCC and are the fees offered by BCC to its ordinary customers in relation to the dedicated circuit leasing services announced by BCC from time to time and different standard fees will be charged according to the speed capacities of the circuit line (as measured by kbps or Mbps)
“DCLS Transaction”	being the continuing connected transaction between the Company and BCC contemplated under the DCLS Renewal Agreement V
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the terms of the DCLS Renewal Agreement V and the proposed caps for the DCLS Transaction
“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
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of the Hong Kong Special Administrative Region

“Independent Board Committee”	The independent board committee of the Company comprising the 3 independent non-executive Directors, namely Mr. Wong Ying Ho, Kennedy, Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong constituted to advise the Independent Shareholders in respect of the DCLS Transaction
“Independent Shareholder”	Shareholder(s) other than Beijing Telecommunication Investment Co., Ltd. and its associate
“Internet”	an electronic communications network that connects computer networks and organisation computer facilities around the world
“kbps”	kilobits per second (or thousands of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Mbps”	megabits per second (or millions of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Private Network Project”	the Beijing e-Government Private Network, the establishment and operation of which was commissioned by the Beijing Municipal Government
“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
“Prospectus”	the prospectus of the Company dated 17 December 2001
“RMB”	Renminbi, the lawful currency of the PRC
“Social Security Project”	the Beijing social security information system – medical insurance information sub-system, the construction and operation of which was assigned to the Company by the Beijing Municipal Labour and Social Security Bureau on 16 August 2000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For the purpose of this announcement, translations of RMB into Hong Kong dollars is made for illustration purposes only at the exchange rate of HK\$1 to RMB1.04.

By Order of the Board
Dr. CHEN Xinxiang
Chairman

Beijing, The People’s Republic of China
2 May 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 of the Company are Dr. Chen Xinxiang, Dr. Wang Xu, Ms. Zhang Yan, Dr. Wu Bo; the non-executive directors of the Company are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Mr. Qi Qigong, Mr. Pan Jiaren, Mr. Ye Yongdong, Ms. Tan Guoan, Mr. Xia Peng and the independent non-executive directors of the Company are Mr. Wong Ying Ho, Kennedy, Mr. Ng Kin Fai, Francis and Mr. Liu Dongdong.

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** For identification purposes only*