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CAPINFO

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 SERVICE
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Hantec Capital Limited

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 20 of this circular.

Notice of the EGM to be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhi Chun Road, Haidian District, PRC on Friday, 20 June 2008 at 10:00 a.m. is set out on pages 27 to 29 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM or any adjourned meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1806-7, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares) or to the Company's principal place of business in PRC (in respect of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM. Completion of the form of proxy will not preclude you from attending and voting in the EGM or any adjourned meeting should you so desire.

This circular 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

5 May 2008

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 22 April 2008 in respect of the DCLS Transactions
“Articles”	the articles of association of the Company
“Beijing Telecommunication Investments”	北京電信投資有限公司 (Beijing Telecommunication Investments Co., Ltd.*), a company established in PRC and is a promoter and an initial management shareholder (as defined under the GEM Listing Rules) of the Company
“BSAM”	北京市國有資產經營有限責任公司 (Beijing Stated-owned Assets Management Corporation Limited*), a company established in PRC and is wholly-owned by the Beijing Municipal Government, and is a substantial shareholder, a promoter and an initial management shareholder (as defined under the GEM Listing Rules) of the Company
“BCC”	中國網通(集團)有限公司北京市分公司 (China Netcom (Group) Company Limited Beijing Branch (formerly known as CNC Beijing Communication Corporation (中國網通集團北京市通信公司)))
“Board”	the board of Directors
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company incorporated in PRC, the H Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“CTC”	中國電信集團公司 (China Telecom Corporation*), a company incorporated in PRC
“DCLS”	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 DCLS

* For identification purposes only

DEFINITIONS

“DCLS Renewal Agreements”	include (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; (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; (v) an agreement dated 30 April 2006 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2007; and (vi) the DCLS Renewal Agreement VI
“DCLS Renewal Agreement VI”	the conditional agreement dated 29 June 2007 entered into between the Company and BCC to further extend the terms of the DCLS to 30 June 2008
“DCLS Renewal Agreement VII”	the conditional agreement dated 22 April 2008 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 31 December 2009
“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 Transactions”	being the continuing connected transactions between the Company and BCC contemplated under the DCLS Renewal Agreement VII
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of nominal value of RMB0.10 each in the share capital of the Company, which are paid up in RMB

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held on 20 June 2008 to consider and approve, among other things, the terms of the DCLS Renewal Agreement VII and the Proposed Caps as well as the proposed amendments to the Articles
“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
“Hong Kong”	The Hong Kong Special Administrative Region of PRC
“H Share(s)”	overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company which are listed on GEM
“Independent Board Committee”	The independent board committee of the Company comprising the three independent non-executive Directors, namely Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong established to advise the Independent Shareholders in respect of the DCLS Transactions and the Proposed Caps
“Independent Financial Advisor” or “Hantec”	Hantec Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the DCLS Transactions and the Proposed Cap, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholders other than BCC and its associates, who are entitled to vote at the EGM to approve the terms of the DCLS Renewal Agreement VII and the Proposed Caps pursuant to the GEM Listing Rules
“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
“Latest Practicable Date”	2 May 2008, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“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

DEFINITIONS

“Pre-IPO Share Option Plan”	the share option plan adopted on 6 December 2001
“PRC”	The People’s Republic of China and for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Caps”	the maximum aggregate annual value for the DCLS Transactions for the periods from 1 July to 31 December 2008 and from 1 January 2009 to 31 December 2009 of RMB9.0 million and RMB20.0 million, respectively
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	The share option scheme adopted and amended by the Company on 6 December 2001 and 17 August 2004 respectively
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	share(s) of RMB0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent

All amounts in RMB have been translated in HK\$ at a rate of RMB1 = HK\$1.09 in this circular for illustration purpose only.

LETTER FROM THE BOARD



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)

Directors:

Mr. Li Minji, *Chairman*[#]
Dr. Wang Xu, *Chief Executive*[†]
Ms. Zhang Yan[†]
Mr. Xing Dehai[#]
Mr. Xu Zhe[#]
Mr. Bai Liming[#]
Dr. Wu Bo[#]
Mr. Qi Qigong[#]
Mr. Pan Jiaren[#]
Dr. Xia Peng[#]
Ms. Lu Xiaobing[#]
Mr. Chen Jing^{##}
Mr. Ye Lu^{##}
Mr. Liu Dongdong^{##}

[†] *Executive Director*

[#] *Non-executive Director*

^{##} *Independent non-executive Director*

Registered office:

No. 11 Xi San Huan Zhong Road
Beijing 100036
PRC

*Principal place of business
in Hong Kong:*

Room 1902
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

*Principal place of business
in PRC:*

12th Floor
Quantum Silver Plaza
No. 23 Zhi Chun Road
Haidian District
Beijing 100083
PRC

5 May 2008

To the Shareholder(s),

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO DEDICATED CIRCUIT LEASING SERVICE
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

INTRODUCTION

On 5 July 2007, the Company announced that it had entered into the DCLS Renewal Agreement VI for the continuous subscription of the DCLS provided by BCC pursuant to the DCLS Original Agreement (as extended by the DCLS Renewal Agreements). Since the DCLS subscribed by the Company under the DCLS Renewal Agreement VI will expire on 30 June 2008, the Company and BCC entered into the DCLS Renewal Agreement VII on 22

* *For identification purposes only*

LETTER FROM THE BOARD

April 2008, pursuant to which, (i) the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) will be extended for a further 18-month period from 1 July 2008 to 31 December 2009 and (ii) the proposed annual caps for the DCLS Transactions are RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million) for the 6-month period from 1 July to 31 December 2008 and for the year ending 31 December 2009, respectively.

The Company has been acknowledged by CTC, the Shareholder, that it had recently entered into a sale and purchase agreement with BSAM in relation to disposal of the 50,909,837 Shares (representing approximately 1.76% issued share capital of the Company) owned by it to BSAM. Since article numbered 16 of the Articles has contained details of the shareholding structure of the Company, the Company has proposed to amend the Articles to reflect such changes in the shareholding structure of the Company as a result of the aforesaid disposal. In addition, the Company has also proposed to change the number of Directors as stated in article numbered 87 of the Articles from sixteen to fourteen resulting from (i) CTC had ceased to be a Shareholder with the non-executive Director nominated by CTC resigned in 2008 and (ii) Dr. Chen Xinxiang had resigned as an executive Director.

The purpose of this circular is to provide you with, inter alia, further information on (i) the DCLS Renewal Agreement VII; (ii) the DCLS Transactions; (iii) the Proposed Caps; and (iv) the proposed amendments to the Articles; as well as (v) the recommendation from the Independent Board Committee in relation to the DCLS Transaction and the Proposed Caps; (vi) the letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps and (vii) the notice convening the EGM.

THE DCLS RENEWAL AGREEMENT VII

Date:

22 April 2008

Parties to the DCLS Renewal Agreement VII:

BCC and the Company

Major terms:

On 5 July 2007, the Company announced that it had entered into the DCLS Renewal Agreement VI for the continuous subscription of the DCLS provided by BCC pursuant to the DCLS Original Agreement (as extended by the DCLS Renewal Agreements), and the annual caps in respect of the transactions contemplated under the DCLS Renewal Agreement VI were determined at RMB12 million (equivalent to approximately HK\$13.1 million) and RMB22 million (equivalent to approximately HK\$24.0 million) for the period from 1 July to 31 December 2007 and from 1 January 2008 to 30 June 2008, respectively. Since the DCLS subscribed by the Company under the DCLS Renewal Agreement VI will expire on 30 June

LETTER FROM THE BOARD

2008, the Company and entered into the DCLS Renewal Agreement VII with BCC to extend the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) for a further 18-month period from 1 July 2008 to 31 December 2009.

The DCLS Renewal Agreement VII forms an integral part of the DCLS Original Agreement. BCC will provide DCLS 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% discount to the DCLS Standard Fees, of which such discount is subject to adjustments based on the prevailing market situation to be agreed between BCC and the Company from time to time. 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 Transactions. Save as the extension of the term of the DCLS Original Agreement and the possible variation on the 20% discount, all other terms and conditions of the DCLS Original Agreement, as amended by the DCLS Renewal Agreements, will remain applicable.

BASIS OF DETERMINING THE PROPOSED CAPS

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 have proposed the annual caps for the DCLS Transactions of RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million) for the 6-month period from 1 July to 31 December 2008 and for the year ending 31 December 2009, respectively.

For each of the three years ended 31 December 2007, the transactions contemplated under the DCLS Renewal Agreements amounted to approximately RMB7.1 million (equivalent to approximately HK\$7.7 million), RMB7.1 million (equivalent to approximately HK\$7.7 million) and RMB6.7 million (equivalent to approximately HK\$7.3 million) respectively.

The Proposed Caps are determined after taking into consideration of, among other things, (i) the expected DCLS Standard Fees to be paid for the usage of each type of lines (measured by the speed and capacity of data transmission) and (ii) the expected scopes of projects in relation to e-Government technology services and e-Commerce technology services to be provided by the Group. The Directors consider the Proposed Caps are in line with the development progress of the existing projects held by the Group which uses DCLS.

REASONS FOR ENTERING THE DCLS RENEWAL AGREEMENT VII

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

The Directors have confirmed that local dedicated circuits are major components for the operation of the business in e-Government technology services and e-Commerce technology services of the Group. The Directors also confirmed that BCC is the largest

LETTER FROM THE BOARD

operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required under the projects carried out by the Group in relation to the e-Government technology services and e-Commerce technology services business and to the best knowledge, information and belief of the Directors, BCC is the only dedicated circuit leasing service provider capable of providing the full range of services and network coverage required by the Group to render its e-Government technology services and e-Commerce technology services. Accordingly, the entering of the DCLS Renewal Agreement VII will facilitate the operation and the completion of the above-mentioned business of the Company.

The Directors considered that the terms of the DCLS Renewal Agreement VII were of normal commercial terms and arrived at after arm's length negotiation between the parties. Having considered the above-mentioned terms and reasons of entering into the DCLS Renewal Agreement VII, the Directors consider that the DCLS Transactions will be conducted in the ordinary and usual course of business of the Company and that the terms of the DCLS Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED AMENDMENTS TO THE ARTICLES

Set out below is a summary of the proposed amendments to the Articles and details of which are set out in the notice of EGM as contained in pages 27 to 29 of this circular.

Amendments relating to the change in the shareholding structure of the Company.

The Company has been acknowledged by CTC, the Shareholder, that it had entered into a sale and purchase agreement with BSAM in relation to the disposal of the 50,909,837 Shares (representing approximately 1.76% issued share capital of the Company) owned by it to BSAM. As at the Latest Practicable Date, there are 2,898,086,091 Shares in issue. Immediately after the said disposal, CTC had ceased to become a Shareholder and the shareholding of BSAM in the Company would be increased from 1,783,631,919 Shares (representing approximately 61.55% of the existing issued share capital of the Company) to 1,834,541,756 Shares (representing approximately 63.31% of the existing issued share capital of the Company). Since article numbered 16 of the Articles has contained details of the shareholding structure of the Company, the Company has proposed to amend the Articles

LETTER FROM THE BOARD

to reflect such changes in the shareholding structure of the Company due to the aforesaid disposal. Set out below is a summary of the shareholding structure of the Company as stipulated/to be stipulated in the Articles immediately before and after the proposed change:

	Shareholding Structure as stipulated in the Articles before the proposed changes		Shareholding Structure to be stipulated in the Articles after the proposed changes	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
BSAM	1,783,631,919	61.55	1,834,541,756	63.31
CTC	50,909,837	1.76	–	–
Other Shareholders of Domestic Shares	<u>289,046,335</u>	<u>9.97</u>	<u>289,046,335</u>	<u>9.97</u>
Shareholders of Domestic Shares	2,123,588,091	73.28	2,123,588,091	73.28
Shareholders of H Shares	<u>774,498,000</u>	<u>26.72</u>	<u>774,498,000</u>	<u>26.72</u>
Total	<u><u>2,898,086,091</u></u>	<u><u>100.00</u></u>	<u><u>2,898,086,091</u></u>	<u><u>100.00</u></u>

Amendments relating to the reduction on the number of Directors

The Company has also proposed to change the number of Directors as stated in article numbered 87 of the Articles from sixteen to fourteen resulting from (i) CTC had ceased to be a Shareholder with the non-executive Director nominated by CTC resigned in 2008; (ii) Dr. Chen Xinxiang had resigned as an executive Director.

GENERAL

BCC is a company established in PRC and is principally engaged in providing telecommunication service, data transmission service, Internet service and other related services. BCC holds 80% interests in one of the promoters of the Company, being Beijing Telecommunication Investments and thus is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute continuing connected transactions under the GEM Listing Rules.

As the applicable percentage ratios (as defined under the GEM Listing Rules) for the Proposed Caps are more than 2.5%, the DCLS Transactions are therefore subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

LETTER FROM THE BOARD

ANNUAL REVIEW OF THE DCLS TRANSACTIONS

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.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps. Hantec has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps.

EGM

Set out on pages 27 to 29 of this circular is a notice convening the EGM to be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, PRC. The EGM will be held for the purpose of considering and, if thought fit, approving the DCLS Renewal Agreement VII and the transactions contemplated thereunder, the Proposed Caps and the proposed amendments to the Articles. BCC, by virtue of its 80% interests in Beijing Telecommunication Investment, one of the promoters of the Company, is a connected person (as defined under the GEM Listing Rules) of the Company. As such, BCC and its associates (including Beijing Telecommunication Investment) shall abstain from voting in respect of the DCLS Transactions and the Proposed Caps at the EGM. To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, none of BCC and its associates (other than Beijing Telecommunication Investment) are interested in the Shares as at the Latest Practicable Date. Since no Shareholders have any material interests in the proposed amendments to the Articles, none of them are required to abstain from voting in this regard.

As at the Latest Practicable Date, Beijing Telecommunication Investment is interested in 52,832,000 Shares representing approximately 1.82% of the issue share capital of the Company. To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, none of the associates (as defined under the GEM Listing Rules) of Beijing Telecommunication Investment are interested in the Shares as at the Latest Practicable Date.

Assuming BCC and Beijing Telecommunication Investment, and their respective associates (as defined under the GEM Listing Rules) will not acquire or dispose further Share from the Latest Practicable Date to the date of the EGM, there is no discrepancy between the beneficial shareholding interest in the Company held by BCC and Beijing Telecommunication Investment as disclosed above and the number of Shares in respect of which they will control or will be entitled to exercise control over the voting right at the EGM.

Voting on the resolutions relating to the DCLS Renewal Agreement VII, the Proposed Caps and the proposed amendments to the Articles at the EGM shall be conducted by way of a poll.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM or any adjourned meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1806–7, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares) or to the Company's principal place of business in PRC (in respect of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM. Completion of the form of proxy will not preclude you from attending and voting in the EGM or any adjourned meeting should you so desire.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM. Your attention is also drawn to the letter from Hantec for incorporation into this circular, which contains its advice to the Independent Board Committee in relation to the DCLS Transactions and the Proposed Caps. The text of the letter from Hantec to the Independent Board Committee is set out on pages 14 to 20 of this circular.

The Independent Board Committee, having taken into account the advice and recommendation of Hantec, are of the view that the DCLS Renewal Agreement VII is in the interests of the Company and the Shareholders as a whole, and that the terms of the DCLS Renewal Agreement VII and the Proposed Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, it recommends that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed to approve the DCLS Renewal Agreement VII and the Proposed Caps. The Directors (including the independent non-executive Directors) also recommend that the Shareholders should vote in favour of the special resolution to be proposed to approve the proposed amendments to the Articles.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
CAPINFO COMPANY LIMITED*
Mr. Li Minji
Chairman



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)

5 May 2008

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO DEDICATED CIRCUIT LEASING SERVICE**

INTRODUCTION

We refer to the circular dated 5 May 2008 (the "Circular") of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Under the GEM Listing Rules, the DCLS Renewal Agreement VII dated 22 April 2008 is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholders at the EGM of the Company approving the terms of the DCLS Renewal Agreement VII and the Proposed Caps. We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as an Independent Shareholder whether in the views of the Independent Board Committee the terms of the DCLS Renewal Agreement VII and the Proposed Caps are fair and reasonable and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 11 of the Circular and the letter from Hantec as set out on pages 14 to 20 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the DCLS Renewal Agreement VII and the Proposed Caps with the principal factors and reasons for its advice and recommendation.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendation of Hantec, we are of the view that the DCLS Renewal Agreement VII and the Proposed Caps are in the interests of the Company and the Shareholders as a whole, and that the terms of the DCLS Renewal Agreement VII and the Proposed Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution to be proposed to approve the DCLS Renewal Agreement VII and the Proposed Caps.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Ye Lu

Independent non-executive Directors

Chen Jing

Liu Dongdong

LETTER FROM HANTEC

The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps, which has been prepared for the purpose of inclusion in this circular:



Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

5 May 2008

*To Independent Board Committee and the Independent Shareholders of
Capinfo Company Limited*

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DEDICATED CIRCUIT LEASING SERVICE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the DCLS Transactions and the Proposed Caps, details of which are set out in the circular (the “**Circular**”) of the Company dated 5 May 2008 of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Circular.

BCC holds 80% equity interests in Beijing Telecommunication Investments, one of the promoters of the Company, and thus is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute continuing connected transactions of the Company under the GEM Listing Rules. As the applicable percentage ratios (as defined under the GEM Listing Rules) for the Proposed Caps are more than 2.5%, the DCLS Transactions are subject to the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. The Company is also required to comply with the annual review requirements under Rules 20.37 to 20.38 of the GEM Listing Rules in respect of the DCLS Transactions. As at the Latest Practicable Date, Beijing Telecommunication Investments is interested in 52,832,000 Shares, representing approximately 1.82% of the issued share capital of the Company. To the best knowledge, information and behalf of the Directors, after making all reasonable enquiries, none of the associates (as defined under the GEM Listing Rules) of Beijing Telecommunication Investments, and none of BCC and its associates are interested in the Shares as at the Latest Practicable Date. BCC and its associates (as defined under the

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GEM Listing Rules) will be required to abstain from voting at the EGM in respect of the relevant resolution(s) approving the DCLS Renewal Agreement VII, the DCLS Transactions and the Proposed Caps.

An Independent Board Committee, comprising Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong, has been established to advise the Independent Shareholders on the terms of DCLS Renewal Agreement VII and the Proposed Caps.

BASIS OF OUR ADVICE

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular, and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reasons to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

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PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the DCLS Transactions, the entering into of the DCLS Agreement VII and the Proposed Caps, we have considered the following principal factors and reasons:

1. Background

(a) Information on the Group and BCC

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

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. BCC is currently providing DCLS to the Company under the DCLS Agreements and a fee is payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% discount to the DCLS Standard Fees, of which such discount is subject to adjustments based on the prevailing market situation to be agreed between BCC and the Company from time to time.

(b) Background and reasons for the DCLS Agreements and the DCLS 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 DCLS 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 2008. Based on the foregoing and since the DCLS Agreement VI will expire on 30 June 2008, the Company entered into the DCLS Renewal Agreement VII with BCC on 22 April 2008 to extend the subscription for DCLS from 1 July 2008 to 31 December 2009, a further 18-month period. As confirmed by the Directors, the transactions under the DCLS Agreements for the three years ended 31 December 2007 amounted to approximately RMB7.1 million (equivalent to approximately HK\$7.7 million), RMB7.1 million (equivalent to approximately HK\$7.7 million) and RMB6.7 million (equivalent to approximately HK\$7.3 million) respectively.

As confirmed by the Directors, the local dedicated circuits are major components for the operation of the business in e-Government technology services and e-Commerce technology services of the Group. The turnover of the Group generated from e-Government technology services and e-Commerce technology services amounted to approximately RMB275.6 million (equivalent to

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approximately HK\$300.4 million) and RMB12.7 million (equivalent to approximately HK\$13.8 million), representing approximately 95.6% and 4.4% of the Group's turnover respectively for the year ended 31 December 2007. 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 projects carried out by the Group in relation to the e-Government technology services and e-Commerce technology services business and the entering into of the DCLS Renewal Agreement VII will facilitate the operation and the completion of the above-mentioned business.

Taking into account that (i) the local dedicated circuits are major components for the operation of the business in e-Government technology services and e-Commerce technology services of the Group; (ii) BCC is the largest operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required under the projects carried out by the Group in relation to the e-Government technology services and e-Commerce technology services business; (iii) the entering into of the DCLS Renewal Agreement VII will facilitate the operation and the completion of the Group's business services; and (iv) the DCLS Transactions are in line with the Group's business and are entered into in an usual and ordinary course of business of the Group considering the business nature of each of the Group and BCC, we consider that the entering into of the DCLS Renewal Agreement VII and the DCLS Transactions are in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the DCLS Transactions

(a) Pricing

Pursuant to the DCLS Renewal Agreement VII, BCC will provide DCLS 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% discount to the DCLS Standard Fees, of which such discount is subject to adjustments based on the prevailing market situation to be agreed between BCC and the Company from time to time. 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 Transactions. The aforementioned preferential discount is granted to the Company by BCC on the understanding that the Company intends to lease its circuits on a long-term basis. Having taken into account the services and network coverage provided by BCC, and (ii) the 20% discount to the DCLS Standard Fees granted to the Company, and (iii) to the best knowledge, information and belief of the Directors, only BCC can provide full ranges of the DCLS as required under the Company's projects, the Directors consider that the pricing under the DCLS Agreement VII is fair and reasonable. We have been, on our best effort, to identify comparable companies which currently offer similar ranges of dedicated circuit leasing service as provided by BCC to the Company, but no suitable comparable company is identified. In view of the above and having considered (i) BCC is the largest operator with the broadest coverage of the local dedicated

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circuit in Beijing, (ii) generally speaking, the largest operator can offer the services with highest stability and quality, (iii) the long term business relationship between the BCC and the Company, and (iv) the 20% discount to the DCLS Standard Fees granted to the Company, we therefore concur with the Directors' view that the pricing under the DCLS Agreement VII is fair and reasonable.

In order to assess the reasonableness of the pricing under the DCLS Renewal Agreement VII, we have reviewed a list of (i) the DCLS Standard Fees charged by BCC to its ordinary customers and (ii) the monthly fees payable by the Group to BCC in relation to the DCLS Agreements in 2007. We note that BCC has generally provided DCLS to the Company at a monthly fee equal to 20% discount to the DCLS Standard Fees as stipulated under the DCLS Renewal Agreement VI.

On the basis that the pricing for the provision of DCLS by BCC under the DCLS Renewal Agreement VII is beneficial to the Group in view of the 20% discount to the DCLS Standard Fees offered to the Group, we consider that the pricing of the DCLS Transactions is fair and reasonable to the Company and the Independent Shareholders as a whole.

(b) Terms of the Renewal Agreement VII

Under the Renewal Agreement VII, the Company and BCC will extend the terms of the DCLS Original Agreement to 31 December 2009, which may further be extended by the parties before expiration of the term by entering into a further renewal agreement.

We consider that extension of the DCLS Original Agreement by entering into the DCLS Renewal Agreements and DCLS Renewal Agreement VII is beneficial to the Group in view that such arrangement (i) could provide flexibility to the management of the Group in reviewing terms of agreement with reference to the updated and prevailing market conditions upon each extension; and (ii) could give the Independent Shareholders adequate opportunities to review the terms of the agreement to be entered and to vote for or against the ordinary resolution at the Shareholder's meeting. In view of the above, we are of the view that the terms of the DCLS Renewal Agreement VII are fair and reasonable to the Company and the Independent Shareholders as a whole.

3. Caps of the DCLS Transaction

The Directors have proposed the annual caps for the DCLS Transactions of RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million) for the 6-month period from 1 July to 31 December 2008 and the year ending 31 December 2009, respectively.

As set out in the Letter from the Board, the Proposed Caps are determined after taking into consideration, among other things, (i) the expected DCLS Standard Fees to be paid for the usage of each type of lines (measured by the speed and capacity of data transmission); and (ii) the expected scopes of projects in relation to e-Government

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technology services and e-Commerce technology services to be provided by the Group. The Directors consider the Proposed Caps of RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million) for the period from 1 July 2008 to 31 December 2008 and from 1 January 2009 to 31 December 2009 respectively are in line with the development progress of the existing projects held by the Group which uses DCLS.

To assess the fairness and reasonableness of the Proposed Caps, we have reviewed the schedule of forecasted usage of DCLS prepared by the Company for the period from 1 July 2008 to 31 December 2009. Pursuant to the forecasted schedule for the DCLS usage, the forecasted fee payable for the DCLS to BCC is estimated to be approximately RMB8.9 million (equivalent to approximately HK\$9.7 million) and RMB19.3 million (equivalent to approximately HK\$21.0 million) respectively for the 6-month period from 1 July to 31 December 2008 and the year ending 31 December 2009, which is commensurate with the caps proposed by the Directors for the respective period with some buffer for the DCLS Transactions. Having discussed with the management of the Company, we are given to understand that the schedule of forecasted usage of DCLS has been determined by the Company based on (i) the current DCLS usage of the Group's customers, (ii) the expected increase in DCLS usage resulted from new type of line to be connected to the Group's customers and increase in number of connections derived from the Group's discussion with its customers and the indicative information provided by its customers. The forecasted fee to be payable by the Company for DCLS for the six months ending 31 December 2008 amounts to approximately RMB 8.9 million (equivalent to approximately HK\$9.7 million) which equals to approximately 1.8 times the transactions under the DCLS Agreements for the six months ended 31 December 2007 of approximately RMB4.9 million (equivalent to approximately HK\$5.3 million). As advised by the Directors, the expected increase in the DCLS usage is mainly attributable to a new type of line to be connected to the Group's customers, namely ADSL, which expected to amount to approximately RMB4.0 million (equivalent to approximately HK\$4.4 million) for the six months ending 31 December 2008, representing approximately 44.7% of the total forecasted fee for DCLS for the respective period. The number of connections of such new type of line is estimated based on the Group's discussion with the customers and the indicative information provided by its customers. As advised by the Directors, the ADSL connection has already been commenced in early April 2008. The forecasted fee to be payable by the Company for DCLS for the year ending 31 December 2009 represents approximately 1.09 times of the annualized forecasted fee for the six months ending 31 December 2008. As advised by the Directors, such increase in 2009 is mainly resulted from the expected increase in number of connections with its customers, estimated based on the Group's discussion with its customers. In view that the forecasted usage of DCLS has been prepared by the Group based on (i) existing DCLS usage of the Group's customers; (ii) the expected increase in DCLS usage resulted from new type of line to be connected to the Group's customers and increase in number of connections derived from the Group's discussion with its customers and the indicative information provided by its customers, we are of the view that the Directors have used fair and reasonable basis to determine the forecasted schedule.

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Having considered that (i) the schedules of forecasted usage of DCLS has been prepared by the Company using fair and reasonable basis, and (ii) the Proposed Caps for the period from 1 July 2008 to 31 December 2009 can provide flexibility for the Group's future business development as the dedicated circuits are major components for the operation of the Group's businesses, we are of the view that the Proposed Caps are fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the entering into the DCLS Renewal Agreement VII and the DCLS Transactions contemplated thereunder and the Proposed Caps are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Company and the Shareholders are concerned, and are entered into in the usual and ordinary course of business of the Group. We also consider that the terms of DCLS Renewal Agreement VII is on normal commercial terms. We therefore advise the Independent Shareholders and advise Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the DCLS Renewal Agreement VII and the Proposed Caps at the EGM.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Kinson Li
Director

1. RESPONSIBILITY STATEMENT

This document, 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:

- (a) the information contained in this document is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this document misleading; and
- (c) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(i) Directors and Chief Executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, chief executive of the Company and their respective associates had any interest and short position in the shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Long positions in the underlying shares – H Shares options outstanding under share option schemes

Name	Granted under the Pre-IPO Share Option Plan	Granted under the Share Option Scheme	Total	Percentage to the issued H Share capital
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
	<u>6,356,550</u>	<u>7,330,000</u>	<u>13,686,550</u>	<u>1.77%</u>

All of the abovementioned share options granted under the Pre-IPO Share Option Plan were granted on 6 December 2001 at a payment of RMB1.00 for each grant with exercise price at HK\$0.48 per H Share to recognise the past and present contributions of the grantee to the Group. The share options granted to the Directors are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule and subject to certain restrictions imposed by the relevant PRC laws and regulations:

Proportion of share options granted and held by each of the Directors which become exercisable	Exercise period
20%	7 December 2002 to 6 December 2011
20%	7 December 2003 to 6 December 2011
20%	7 December 2004 to 6 December 2011
20%	7 December 2005 to 6 December 2011
20%	7 December 2006 to 6 December 2011

All of the abovementioned share options granted under the Share Option Scheme were granted on 17 August 2004 at a payment of RMB1.00 for each grant with exercise price at HK\$0.41 per H Share to recognise the past and present contributions of the grantee to the Group. The share options granted to the Directors of the Company are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule and subject to certain restrictions imposed by the relevant PRC laws and regulations:

Proportion of share options granted and held by each of the directors which become exercisable	Exercise period
25%	18 August 2005 to 17 August 2014
25%	18 August 2006 to 17 August 2014
25%	18 August 2007 to 17 August 2014
25%	18 August 2008 to 17 August 2014

(ii) Substantial Shareholders and other persons

Save as disclosed below, as at the Latest Practicable Date, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than a Director or chief executive of the Company) would have to be notified by the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Number of shares held	Capacity	Percentage of the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,834,541,756 Domestic Shares	Beneficial owner	63.31%

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following companies/persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of other members of the Group which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings.

Name	Equity interests held in members of the Group (except for the Company)	Nature or interests	Approximate Percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited (90% owned subsidiary of the Company)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮工業總公司)	Dongguan City Longxin Digital Technology Company Limited (東莞市龍信數碼科技有限公司) (60% owned subsidiary of the Company)	Beneficial owner	40%
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限責任公司) (60% owned indirectly held subsidiary of the Company)	Beneficial owner	40%

Name	Equity interests held in members of the Group (except for the Company)	Nature or interests	Approximate Percentage
China Association of Mayors (中國市長協會)	Beijing City Technology Development Company Limited (北京城市之窗科技發展有限公司) (85% owned subsidiary of the Company)	Beneficial owner	15%

3. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Subject to the requirements under the GEM Listing Rules, pursuant to article numbered 67 of the Articles, at any general meeting, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (i) the chairman of the meeting; or
- (ii) at least two Shareholders entitled to vote at the meeting present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy; or
- (iii) one or more Shareholder(s) present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing one-tenth or more of the all shares carrying the right to vote at the meeting.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading positions of the Group since 31 December 2007, the date to which the latest audited financial statements of the Group were made up.

5. SERVICE CONTRACTS

All executive Directors of the Company have entered into service contracts with the Company on 6 December 2001. The terms and conditions of such service contracts are similar in all material aspects and are briefly summarised as follows:

- (a) each service contract is for a term of three years;
- (b) each service contract is subject to renewal by agreement for one or more consecutive terms of three years;

- (c) either party of the service contracts may terminate the relevant service contract at any time by giving to the other party not less than 3 month prior written notice unless compensation of remuneration is given to the other party instead of notice period.

In accordance with the provisions of the Articles, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the Companies Law in PRC, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

Remuneration of the Directors and Supervisors are fixed during the annual general meeting held by the Company each year. For the year ended 31 December 2007, the aggregate basic salaries and allowances paid to the existing executive Directors and Supervisor were RMB1,308,000, and RMB173,000 respectively.

Save as disclosed above, none of the Directors and supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company.

7. DIRECTORS INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2007 (the date to which the latest published audited consolidated accounts of the Company were made up) and up to the Latest Practicable Date.

8. DIRECTORS INTEREST IN CONTRACT

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

9. QUALIFICATION OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualifications
Hantec	a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO

Hantec, a licensed corporation under the SFO, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Hantec:

- (a) does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 December 2007, being the date to which the latest published audit accounts of the Company were made up.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 1902, Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong up to and including 20 June 2008:

- (a) the Articles;
- (b) the DCLS Renewal Agreement VII;
- (c) the DCLS Original Agreement and the DCLS Renewal Agreements;
- (d) the letter from Hantec the text of which is set out on pages 14 to 20 of this circular;
- (e) the written consent of Hantec referred to in paragraph 9 of this appendix; and
- (f) the service contracts referred to in paragraph 5 of this appendix.



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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("Extraordinary General Meeting") of Capinfo Company Limited (the "Company") will be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China on 20 June 2008 at 10:00 a.m. for the following purposes:

"THAT:

ORDINARY RESOLUTION

- (1) (a) the non-exempt continuing connected transactions (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) in relation to the provision of dedicated circuit leasing service by CNC Beijing Communication Corporation (中國網通集團北京市通信公司) ("BCC") to the Company pursuant to the renewal agreement (the "DCLS Renewal Agreement VII") entered into between the Company and BCC dated 22 April 2008 to further extend the term of the agreement dated 4 April 2001 (the "DCLS Original Agreement") entered into between the same parties in relation to dedicated circuit leasing service to 31 December 2009 (copies of the DCLS Renewal Agreement VII and DCLS Original Agreement have been produced to this meeting marked "A" and "B" respectively and signed by the chairman of the meeting for identification purpose), with the fee payable thereunder subject to respective cap of RMB9 million and RMB20 million, for the six months ending 31 December 2008 and the year ending 31 December 2009 be and are hereby approved;
- (b) the Directors be and are hereby authorised to take all steps necessary or expedient to implement and/or give effect to the DCLS Renewal Agreement VII."

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

SPECIAL RESOLUTION

(2) The Articles of Association of the Company be altered in the following manner:

(a) Article numbered 16 as set out follows:

“After the issued share capital of the Company has been enlarged as set out in article numbered 15, the shareholding structure of the Company is as follow: 2,898,086,091 ordinary shares, comprising 2,123,588,091 domestic shares and 774,498,000 overseas listed foreign shares, representing approximately 73.28% and 26.72% of the total issued share capital of the Company, respectively. After the transfer of the domestic shares owned by the three promoters of the Company, namely, 北京歌華有線電視網絡股份有限公司 (Beijing Gehua Cable TV Network Co., Ltd.*), 郵電數據網絡集成開發中心 (Post and Telecom Data Network Integration Development Centre*) and 中元金融數據網絡有限責任公司 (China Financial Data Network Co., Ltd.*), the 2,123,588,091 domestic shares are owned as to 1,783,631,919 shares by 北京市國有資產經營有限責任公司 (Beijing Stated-owned Assets Management Corporation Limited*), as to 102,832,000 shares by 北京中天廣電通信技術有限公司 (Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd.*), as to 102,832,000 shares by 北京北廣傳媒投資發展中心 (Beijing Beiguang Media Investment Development Center*), as to 50,909,837 shares by 中國電信集團公司 (China Telecom Corporation*), as to 52,832,000 shares by 北京電信投資有限公司 (Beijing Telecommunication Investments Co., Ltd.*) and as to 30,550,335 shares by 中國金融電子化公司 (China Financial Computerization Corporation*); all of the overseas listed foreign shares are owned by overseas investors.”

shall be amended into:

“The shareholding structure of the Company is as follow: 2,898,086,091 ordinary shares, comprising 2,123,588,091 domestic shares and 774,498,000 overseas listed foreign shares, representing approximately 73.28% and 26.72% of the total issued share capital of the Company, respectively. The 2,123,588,091 domestic shares of the Company are owned as to 1,834,541,756 shares by 北京市國有資產經營有限責任公司 (Beijing Stated-owned Assets Management Corporation Limited*) (a promoter), as to 102,832,000 shares by 北京中天廣電通信技術有限公司 (Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd.*) (a promoter), as to 52,832,000 shares by 北京電信投資有限公司 (Beijing Telecommunication Investments Co., Ltd.*) (a promoter) and as to the remaining 133,382,335 shares by other holders of the domestic shares; all of the overseas listed foreign shares are owned by overseas investors.”

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

(b) Article numbered 87 as set out follows:

“The Company has set up a board of directors comprising sixteen (16) directors, comprising at least three independent directors and one of whom should possess the relevant professional qualifications pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, or possess the relevant accounting or related financial management expertise. Independent directors in this context refer to the non-executive directors who are independent from the shareholders of the Company and are not internally employed by the Company. The board of directors should comprise one (1) chairman and fifteen (15) directors.”

shall be amended into:

“The Company has set up a board of directors comprising fourteen (14) directors, among which at least three should be independent directors and one of whom should possess the relevant professional qualifications pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, or possess the relevant accounting or related financial management skills. Independent directors refer to the non-executive directors who are independent from the shareholders of the Company and are not internally employed by the Company. The board of directors should comprise one (1) chairman and thirteen (13) directors.”

By order of the Board
CAPINFO COMPANY LIMITED*
Mr. Li Minji
Chairman

Beijing, the People’s Republic of China, 5 May 2008

Notes:

1. The register of shareholders of the Company will be closed from Tuesday 20 May 2008 to Thursday 19 June 2008 (both days inclusive), during which no transfer of shares of the Company will be effected. The holders of Shares whose names appear on the register of shareholders of the Company at 4:30 p.m. on Monday 19 May 2008 will be entitled to attend and vote at the EGM.
2. Any holder of Shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint in written form one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company.
3. A voting proxy form for the EGM is enclosed. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a legal person, it shall be under seal or under the hand of a director of the appointor or an attorney duly authorised. Voting of the ordinary resolution set out in this notice will be by poll.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. The instrument appointing a proxy shall be deposited to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, of Rooms 1806-7, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), and to the Company's principal place of business in PRC (in respect of Domestic Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Holders of Shares who intend to attend the EGM should complete the enclosed reply slip for the EGM and return it to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, of Rooms 1806-7, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), and to the Company's principal place of business in PRC (in respect of Domestic Shares) on or before Monday 2 June 2008. The reply slip may be delivered by hand or by post.