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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capinfo Company Limited* (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 PRC with limited liability)
(Stock Code: 1075)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS,
PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION
AND PROPOSED AMENDMENTS OF
INTERNAL CORPORATE GOVERNANCE PROVISIONS**

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

 **川盟融資有限公司**
Chanceton Capital Partners Limited

A letter from the board is set out on pages 4 to 12 of this circular.

A notice convening the extraordinary general meeting (the "EGM") to be held at 10:00 a.m. on Friday, 4 May 2012 at Conference Room, 15th Floor, Quantum Silver Plaza, No. 23 Zhichun Road, Haidian District, Beijing, the PRC is set out on pages EGM-1 to EGM-2 of this circular. A reply slip and a proxy form for the EGM is also enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions set out therein to the Company's H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the terms below shall have the following meanings when used herein:

- “Articles of Association” : the Articles of Association of the Company
- “Beijing SASAC” : the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality
- “BJCS” : 北京文化體育科技有限公司 (Beijing Culture & Sports Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of the Company
- “BJCS Disposal” : the sale of 25% equity interest in BJCS by the Company to the Purchaser pursuant to the BJCS Equity Transfer Agreement
- “BJCS Equity Transfer Agreement” : the equity transfer agreement dated 19 December 2011 entered into between the Company and the Purchaser in relation to the BJCS Disposal
- “Board” : the board of directors of the Company
- “BSAM” : 北京市國有資產經營有限責任公司 (Beijing State-owned Assets Management Corporation Limited*), a company established in the PRC and wholly-owned by the Beijing Municipal Government
- “Chanceton” or “Independent Financial Adviser” : Chanceton Capital Partners Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposals
- “Company” : 首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on Main Board of the Stock Exchange of Hong Kong Limited
- “Disposals” : the BJCS Disposal and the SN Disposal

DEFINITIONS

- “EGM” : the extraordinary general meeting of the Company to be convened on 4 May 2012, at 10:00 a.m. at Conference Room, 15th Floor, Quantum Silver Plaza, No. 23 Zhichun Road, Haidian District, Beijing, the PRC and held for the purposes of considering and, if thought fit, approving the Disposals and the proposed amendments of the Articles of Association and the internal corporate governance provisions of the Company
- “Group” : the Company and its subsidiaries
- “Hong Kong” : the Hong Kong Special Administrative Region of the PRC
- “Independent Board Committee” : the independent board committee comprising all of the independent non-executive directors of the Company, namely, Mr. Chen Jing, Dr. Wang Huacheng, Mr. Zeng Xianggao and Mr. Gong Zhiqiang established to advise the Independent Shareholders in respect of the Disposals
- “Independent Shareholders” : shareholders of the Company other than BSAM and its associates
- “Latest Practicable Date” : 12 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
- “Listing Rules” : the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- “PRC” : the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
- “Purchaser” : 北京北奧集團有限責任公司, (Beijing BeiAo Group Corporation Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of BSAM
- “SFO” : Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

- “SN” : 北京水鳥票務有限公司 (Beijing Shui Niao Ticket Services Company Limited*), formerly known as 北京經信博匯諮詢有限公司 (Beijing Jing Xin Bo Hui Consulting Company Limited*), a company incorporated in PRC with limited liability
- “SN Disposal” : the sale of the entire equity interest in SN by the Company to the Purchaser pursuant to the SN Equity Transfer Agreement
- “SN Equity Transfer Agreement” : the equity transfer agreement dated 19 December 2011 entered into between the Company and the Purchaser in relation to the SN Disposal
- “Valuer” : 北京京都中新資產評估有限公司 (Beijing Jingdu Zhong Xin Asset Appraisal Company Limited*), an independent valuer
- “HK\$” : Hong Kong dollars, the lawful currency of Hong Kong
- “RMB” : Renminbi, the lawful currency of the PRC

In this circular, the English names of the PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

* For identification purpose only



CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(a joint stock limited company incorporated in the PRC with limited liability)

(Stock Code: 1075)

Executive Director:

Dr. Wang Xu, *Chief Executive*

Non-executive Directors:

Mr. Xu Zhe, *Chairman*

Ms. Zhang Kaihua

Ms. Li Zhi

Mr. Pan Jiaren

Mr. Shi Hongyin

Dr. Qi Qigong

Ms. Lu Xiaobing

Independent non-executive Directors:

Mr. Chen Jing

Dr. Wang Huacheng

Mr. Zeng Xianggao

Mr. Gong Zhiqiang

Registered office:

No. 11 Xi San Huan Zhong Road
Beijing 100036

The People's Republic of China

Principal place of business

in Hong Kong:

8th Floor, Kailey Tower

16 Stanley Street

Central

Hong Kong

Principal place of business

in the PRC:

12th Floor

Quantum Silver Plaza

No. 23 Zhi Chun Road

Haidian District

Beijing 100191

The PRC

15 March 2012

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS,
PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION
AND PROPOSED AMENDMENTS OF
INTERNAL CORPORATE GOVERNANCE PROVISIONS**

INTRODUCTION

On 19 December 2011, the Company announced that it entered into the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement with the Purchaser in respect of the BJCS Disposal and the SN Disposal, respectively.

* *For identification purpose only*

LETTER FROM THE BOARD

The Board also proposes amendments on certain Articles of Association related to the scope of business in accordance with actual needs of the business development of the Company. The Board also proposes amendments on internal corporate governance provisions relating to “Rules and Procedures for General Meetings”, “Rules and Procedures for meetings of the Board” and “Rules and Procedures for Meetings of the Supervisory Committee” in accordance with the latest amendments of Listing Rules, “Company Law of the People’s Republic of China”, relevant laws and regulations in the PRC and requirements of policy documents.

The purpose of this circular is to provide you with, among other things, details regarding (i) the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated thereunder, respectively; (ii) the recommendation from the Independent Board Committee in respect of the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated thereunder, respectively; (iii) the advice from Chanceton, the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) proposed amendments on the Articles of Association; (v) proposed amendments on the internal corporate governance provisions relating to “Rules and Procedures for General Meetings”, “Rules and Procedures for meetings of the Board” and “Rules and Procedures for Meetings of the Supervisory Committee” of the Company; (vi) a notice convening the EGM; and (vii) other information as required under the Listing Rules.

THE BJCS EQUITY TRANSFER AGREEMENT

Date

19 December 2011

Parties

- (a) The Company as the vendor.
- (b) 北京北奧集團有限責任公司 (Beijing BeiAo Group Corporation Limited*), wholly-owned subsidiary of BSAM, as the purchaser.

Subject of the disposal

25% equity interest of BJCS held by the Company.

Consideration of the BJCS Disposal

The initial cash consideration (subject to adjustment) for the BJCS Disposal of RMB11,779,620.76 (the “BJCS Consideration”) was arrived at after arm’s length negotiation between the Company and the Purchaser based on 25% of the appraised net asset value of the BJCS as at 31 August 2011 of approximately RMB11.78 million performed by the Valuer using the asset-based approach in accordance with the applicable valuation

* For identification purpose only

LETTER FROM THE BOARD

principles generally adopted in the PRC and has taken into account the recent financial performance of BJCS. As at the Latest Practicable Date, the appraised net asset value of BJCS has been approved by the Beijing SASAC and the final BJCS Consideration will be subject to the adjusting mechanism as detailed below.

The Purchaser will pay RMB6,000,000 (the "Initial Payment") to the Company within 10 working days after the BJCS Equity Transfer Agreement having become effective. The remaining balance (the "Remaining Consideration") of approximately RMB5.78 million for the initial BJCS Consideration will be adjusted based on the net profit or loss after taxation recorded by BJCS during the four months ended 31 December 2011 (calculated based on the difference between the audited net profit or loss after taxation for the year ended 31 December 2011 and the eight months ended 31 August 2011), such that in the event BJCS having recorded:

- (i) a net loss after taxation for the four months ended 31 December 2011 (the "Net Loss"), the Remaining Consideration will be adjusted downwards by 25% of the Net Loss; and
- (ii) a net profit after taxation for the four months ended 31 December 2011 (the "Net Profit"), the Remaining Consideration will be adjusted upwards by 25% of the Net Profit.

The adjusted Remaining Consideration will be payable by the Purchaser to the Company/refundable by the Company to the Purchaser within 10 working days after the issuance of the audited financial reports of BJCS for the year ended 31 December 2011. As at the Latest Practicable Date, the audited financial reports of BJCS for the year ended 31 December 2011 has not been issued yet.

Since BJCS recorded an unaudited net loss after taxation of approximately RMB8.52 million during the 4-month period 1 September to 31 December 2011, it is expected that no upward adjustment will be made to the BJCS Consideration pursuant to the BJCS Equity Transfer Agreement as mentioned above.

Conditions Precedent

The BJCS Equity Transfer Agreement will become effective after the Company having completed the required approval procedures, including the Independent Shareholders having approved the BJCS Equity Transfer Agreement (and the transactions contemplated thereunder) at the EGM and the granting of the approval by the Beijing SASAC in respect of the BJCS Disposal.

Transfer of the Company's 25% equity interest in BJCS to the Purchaser

The Company will procure BJCS to apply to the relevant PRC government bodies to complete the relevant business registration to effect the changes in the shareholding structure as a result of the BJCS Disposal within 15 working days after the Beijing SASAC having granted the approval for the BJCS Disposal.

LETTER FROM THE BOARD

Following completion of the transfer of the 25% equity interest of BJCS from the Company to the Purchaser, the Company's equity interest in BJCS will be decreased from 45% to 20%, BJCS will cease to be a subsidiary of the Company and will be accounted for as an associate in the Company's consolidated financial statements. After taking into account (i) the close proximity between the initial BJCS Consideration and the 25% of the audited net asset value of BJCS as at 31 August 2011 of approximately RMB11.64 million and (ii) the above adjustment mechanism on the BJCS Consideration, it is expected that the Company will only record immaterial loss as a result of the BJCS Disposal.

THE SN EQUITY TRANSFER AGREEMENT

Date

19 December 2011

Parties

- (a) The Company as the vendor.
- (b) Beijing BeiAo Group Corporation Limited, wholly-owned subsidiary of BSAM, as the purchaser.

Subject of the disposal

The entire equity interest of SN held by the Company.

Consideration for the SN Disposal

The cash consideration of RMB237,942.99 (the "SN Consideration") for the SN Disposal was arrived at after arm's length negotiation between the Company and the Purchaser based on the appraised net asset value of SN of approximately RMB0.24 million as at 31 August 2011 performed by the Valuer using the asset-based approach. As at the Latest Practicable Date, the net asset value of SN has been approved by the Beijing SASAC.

Conditions Precedent

The SN Equity Transfer Agreement will become effective after the Company having completed the required approval procedures, including the Independent Shareholders having approved the SN Equity Transfer Agreement (and the transactions contemplated thereunder) and the granting of the approval by the Beijing SASAC in respect of the SN Disposal.

The Purchaser will pay the SN Consideration to the Company within 10 working days after the SN Equity Transfer Agreement becoming effective.

LETTER FROM THE BOARD

Transfer of the Company's entire equity interest in SN to the Purchaser

The Company will procure SN to apply to the relevant PRC government bodies to complete the relevant business registration to effect the changes in the shareholding structure as a result of the SN Disposal within 15 working days after the Beijing SASAC Municipality having granted the approval in respect of the SN Disposal.

Following completion of the transfer of the entire equity interest of SN from the Company to the Purchaser, the Company will not have any equity interest in SN and SN will no longer be a subsidiary of the Company. Based on the consideration of RMB237,942.99 and the audited net asset value of SN as at 31 August 2011 of approximately RMB0.24 million, it is expected that the Company will only record immaterial loss as a result of the SN Disposal.

INFORMATION OF THE COMPANY

The Group is an information technology and service provider. The Group's business mainly comprises network systems integration and installation software development, technical consulting and related operation and maintenance service. The Company also participates in the construction, operation and maintenance of large-scale information application projects in Beijing and other regions in the PRC.

INFORMATION OF THE PURCHASER

The Purchaser, a wholly-owned subsidiary of BSAM (the controlling shareholder of the Company), is an investment holding company and, through its subsidiaries, is principally engaged in large-scale domestic and international culture and sports activities related creative planning, execution, resources integration and industry business promotion.

INFORMATION OF BJCS

BJCS is owned as to 45% by the Company and, is principally engaged in the provision of culture and sports ticketing agency services and the related information system development services. As disclosed in the Company's annual report for the year ended 31 December 2010 and the announcement of the Company dated 16 April 2010, since the Company is entitled to appoint majority of the board of directors of BJCS, BJCS is accounted for as a subsidiary of the Company.

According to the audited financial statements of BJCS prepared under the PRC accounting standards, for each of the two years ended 31 December 2009 and 2010, BJCS recorded (i) net profit before taxation of approximately RMB1.32 million and RMB0.11 million, respectively; (ii) net profit after taxation of approximately RMB1.32 million and RMB0.07 million, respectively. As at 31 August 2011, the audited net asset value of BJCS amounted to approximately RMB46.54 million.

LETTER FROM THE BOARD

INFORMATION OF SN

SN is a wholly-owned subsidiary of the Company and is principally engaged in the provision of ticket agency services. According to the audited financial statements of SN prepared under the PRC accounting standards, for each of the two years ended 31 December 2009 and 2010, SN recorded loss before and after taxation of approximately RMB7,400, respectively and RMB1,400, respectively. As at 31 August 2011, the audited net asset value of SN amounted to approximately RMB0.24 million.

REASONS FOR AND BENEFITS OF THE BJCS DISPOSAL AND THE SN DISPOSAL

BJCS was initially a wholly-owned subsidiary of the Company. Following the introduction of a number of strategic investors by way of cash contribution to the registered capital of BJCS (as detailed in the Company's announcement dated 16 April 2010), the Company's interest in BJCS had been decreased to 45%. The directors of the Company, after having taken into account, among other things, (i) BJCS's culture and sports ticketing agency business is still at its early stage and additional capital expenditure and resources are expected to be incurred for its future business expansion; (ii) the decline in the net profit after taxation of BJCS from RMB1.32 million for the year ended 31 December 2009 to RMB0.07 million for the year ended 31 December 2010 and to a net loss after taxation of approximately RMB4.42 million for the eight months ended 31 August 2011, and (iii) the Purchaser's business experience and platform resource in the cultural and sports industry in the PRC, have considered that the BJCS Disposal would represent an opportunity of the Group to introduce new strategic shareholder in BJCS at a consideration based on the net asset value of BJCS. Furthermore, leverage on the relevant business experience and resource of the Purchaser, it is expected the future development of BJCS can be enhanced (which in turn will benefit the Group through its remaining 20% equity interest in BJCS).

SN is a wholly-owned subsidiary of the Company with limited business operation. Given the insignificant contribution of its financial performance towards the Group and the directors of the Company have considered that the SN represents an opportunity for the Group to divest of its entire interest of SN at a consideration based on the appraised net asset value of SN as at 31 August 2011.

Based on the initial BJCS Consideration of approximately RMB11.78 million and the SN Consideration of approximately RMB0.24 million, the aggregate net proceeds (after deducting relevant costs and expenses) from the Disposals will amount to approximately RMB11.8 million. The Company intends to apply the aggregate net proceeds from the Disposals as general working capital for the Group's business development. Having considered the above, the directors of the Company (including its independent non-executive directors of the Company whose views have been set out in this circular after taken into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement are fair and reasonable and the Disposals are in the interest of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Since Mr. Xu Zhe, Ms. Zhang Kaihua and Ms. Li Zhi are the directors of the Company and the employees of BSAM, they has been abstained from voting on the meeting of the Board for resolutions relating to the BJCS Disposal and the SN Disposal.

LISTING RULES IMPLICATIONS

Since the Purchaser is a wholly-owned subsidiary of BSAM, the controlling shareholder of the Company, the Purchaser is a connected person of the Company and the Disposals will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the relevant applicable percentage ratio(s) in respect of the Disposals pursuant to Chapter 14 of the Listing Rules are greater than 5% but less than 25% and the aggregate consideration of the Disposals is larger than HK\$10 million, the Disposals also constitute a discloseable transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. BSAM and its associates shall abstain from voting on the resolution approving the Disposals.

AMENDMENT ON ARTICLES OF ASSOCIATION, RULES AND PROCEDURE FOR GENERAL MEETINGS, RULES AND PROCEDURES FOR MEETING OF THE BOARD AND RULES AND PROCEDURES FOR MEETINGS OF THE SUPERVISORY COMMITTEE

The Board also proposes amendments on certain Articles of Association related to the scope of business in accordance with actual needs of the business development of the Company. The Board also proposes amendments on internal corporate governance provisions relating to "Rules and Procedures for General Meetings", "Rules and Procedures for meetings of the Board" and "Rules and Procedures for Meetings of the Supervisory Committee" in accordance with the latest amendments of Listing Rules, "Company Law of the People's Republic of China", relevant laws and regulations in the PRC and requirements of policy documents.

Proposed amendments of Articles of Association and proposed amendments of "Rules and Procedures for General Meetings", "Rules and Procedures for meetings of the Board" and "Rules and Procedures for Meetings of the Supervisory Committee" are set out in Appendix IV and V respectively in this circular.

GENERAL

The Independent Board Committee comprising all of the independent non-executive directors of the Company has been established to advise the Independent Shareholders in relation to the Disposals. Chanceton has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, BSAM and its associates held 1,834,541,756 Shares representing approximately 63.31% of the issued share capital of the Company.

LETTER FROM THE BOARD

THE EGM

The Company will convene an EGM for the purposes of considering and, if thought fit, approving (i) the Disposals; (ii) the proposed amendments on Articles of Association and (iii) the proposed amendments on “Rules and Procedures for General Meetings”, “Rules and Procedures for Meetings of the Board” and “Rules and Procedures for Meetings of the Supervisory Committee”. All votes of the Shareholders at the EGM must be taken by way of poll in accordance with the Articles of Association and the Listing Rules.

A notice convening the EGM at 10:00 a.m. on Friday, 4 May 2012 at Conference Room, 15th Floor, Quantum Silver Plaza, No. 23 Zhichun Road, Haidian District, Beijing, the PRC is set out on pages EGM-1 to EGM-2 of this circular. A reply slip and a proxy form for the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions set out therein to the Company’s H Share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the directors of the Company’s knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date:

- (a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon BSAM and its associates, and
- (ii) there were no obligations or entitlement of BSAM and its associates, whereby BSAM and its associates had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis; and
- (b) there were no discrepancy between the beneficial shareholding interests of BSAM and its associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of shareholders of the Company will be closed from Wednesday, 4 April 2012 to Friday, 4 May 2012 (both dates inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s H Share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Shops 1712 -1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 April 2012.

LETTER FROM THE BOARD

RECOMMENDATION

Having noted and considered the reasons stated under the section headed “Reasons for and Benefits of the BJCS Disposal and the SN Disposal, the directors of the Company (including its independent non-executive directors whose views have been set out in this circular after taken into consideration the advice of the Independent Financial Adviser) consider that the terms of the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the directors of the Company (including the independent non-executive directors of the Company) recommend the Independent Shareholders to vote in favour of ordinary resolution to be proposed at the EGM in respect thereof. The directors of the Company (including the independent non-executive directors of the Company) recommend the shareholders of the Company to vote in favour of special resolution to be proposed at the EGM in respect of the proposed amendments on Articles of Association and the proposed amendments on “Rules and Procedures for General Meetings”, “Rules and Procedures for Meetings of the Board” and “Rules and Procedures for Meetings of the Supervisory Committee”.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the information set out in the appendices to this circular.

By Order of the Board
Capinfo Company Limited*
首都信息發展股份有限公司
Mr. Xu Zhe
Chairman

* For identification purpose only



CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(a joint stock limited company incorporated in the PRC with limited liability)

(Stock Code: 1075)

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 15 March 2012 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to (i) whether the terms of the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated thereunder as set out in the Circular are fair and reasonable in so far as the Independent Shareholders are concerned; (ii) whether the Disposals is in the interests of the Company and the Shareholders as a whole and; (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the respective transactions contemplated thereunder at the EGM. Chanceton Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 15 to 31 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated therein.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated therein as set out in the Circular to be fair and reasonable in so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support and to vote in favour of the ordinary resolution to approve the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement and the transactions contemplated therein.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Capinfo Company Limited*
Mr. Chen Jing
Dr. Wang Huacheng
Mr. Zeng Xianggao
Mr. Gong Zhiqiang
Independent Non-executive Directors

* *For identification purpose only*



Chanceton Capital Partners Limited
Unit A, 23/F., CMA Building
No. 64–66 Connaught Road Central
Hong Kong

15 March 2012

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

Dear Madams and Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to the Independent Board Committee of the Company and the Independent Shareholders to consider whether the BJCS Disposal and the SN Disposal, and the transaction contemplate therein are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Details of the Disposals are set out in the letter from the board (the “Board Letter”) contained in the circular dated 15 March 2012 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 19 December 2011, the Company, currently interested in 45% equity interests in BJCS, entered into the BJCS Equity Transfer Agreement with the Purchaser, a wholly-owned subsidiary of a controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 25% equity interests in BJCS at an initial consideration of RMB11,779,620.76 (equivalent to approximately HK\$14,488,933.53) (the “BJCS Consideration”). The BJCS Consideration will be satisfied in cash to the Company.

On the same day, the Company, currently interested in 100% equity interests in SN, also entered into the SN Equity Transfer Agreement with the Purchaser, pursuant to which the Company has conditionally agree to sell and the Purchaser has conditionally agreed to acquire the entire equity interests in SN at a consideration of RMB237,942.99 (equivalent to approximately HK\$292,669.88) (the “SN Consideration”). The SN Consideration will be satisfied in cash to the Company.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following the completion of the Disposals, both BJCS and SN will cease to be subsidiaries of the Company, the Company's equity interests in BJCS will decrease from 45% to 20% and BJCS will become an associate company of the Company and the Company will no longer has any equity interest in SN. Based on the initial BJCS Consideration of RMB11,779,620.76 (equivalent to approximately HK\$14,488,933.53) and the SN Consideration of RMB237,942.99 (equivalent to approximately HK\$292,669.88), the aggregate net proceeds (after deducting relevant costs and expenses) will be approximately RMB11.8 million (equivalent to approximately HK\$14.51 million). The Company intends to apply the aggregate net proceeds from the Disposals as general working capital for the Group's business development.

Pursuant to Rule 14A.25 of the Listing Rules, it was considered that the Disposals should be aggregated and treated as if they were one transaction, as the relevant applicable percentage ratio(s) in respect of the Disposals as defined in the Listing Rules exceeds 5% but less than 25%, the Disposals constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Furthermore, as the Purchaser is the wholly-owned subsidiary of BSAM, the controlling shareholder of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules. As the relevant percentage ratio(s) under Rule 14A.31 of the Listing Rules exceeds 5% but less than 25% and the aggregate consideration of the Disposals exceeds HK\$10,000,000, the Disposals constitutes a non-exempted connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in the Listing Rules. BSAM and its associates are required to abstain from voting on the resolution approving the Disposals.

An Independent Board Committee comprising Mr. Chen Jing, Dr. Wang Huacheng, Mr. Zeng Xianggao and Mr. Gong Zhiqiang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders as to whether (i) the Disposals are conducted on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into of the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement are in the interest of the Company and the Shareholders as a whole.

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BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts provided to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement; (iii) the valuation report with base date dated 31 August 2011 prepared by the Valuer, an independent valuer, in relation to the valuation of BJCS (the “BJCS Valuation Report”) as set out in Appendix I to the Circular; (iv) the valuation report with base date dated 31 August 2011 prepared by the Valuer, an independent valuer, in relation to the valuation of SN (the “SN Valuation Report”) as set out in Appendix II to the Circular; and (v) the annual report and interim report of the Company for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively (the “2010 Annual Report” and the “2011 Interim Report” respectively). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors and management of the Company that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of dispatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committees and the Independent Shareholders in relation to the Disposals, we have taken into consideration the following principal factors and reasons:

1. Background and reasons for the Disposals

Information on the Company

The Group is an information technology and service provider. The Group’s business mainly comprises network systems integration and installation software development, technical consulting and related operation and maintenance service. The Company also participates in the construction, operation and maintenance of

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large-scale information application projects in Beijing and other regions in the PRC. The Company currently owned 45% and 100% equity interests in BJCS and SN respectively.

Information on the Purchaser

The Purchaser, a wholly-owned subsidiary of BSAM (the controlling shareholder of the Company), is an investment holding company and, through its subsidiaries, is principally engaged in large-scale domestic and international culture and sports activities related creative planning, execution, resources integration and industry business promotion.

Information on BJCS and SN

BJCS is owned as to 45% by the Company and is principally engaged in the provision of culture and sports ticketing agency services and the related information system development services (the "Ticketing Business"). As disclosed in the Company's annual report for the year ended 31 December 2010 and the announcement of the Company dated 16 April 2010, since the Company is entitled to appoint majority of the board of directors of BJCS, BJCS is accounted for as a subsidiary of the Company.

Set out below is a summary of the audited financial information of BJCS for each of the two years ended 31 December 2009 and 2010 and 8 months ended 31 August 2011 prepared in accordance with PRC accounting standards:

	For the 8 months ended 31 August 2011 RMB'000	For the year ended 31 December 2010 RMB'000	For the year ended 31 December 2009 RMB'000
Attributable to shareholders of BJCS			
Net profit/(loss) before taxation	(4,363)	107	1,323
Net profit/(loss) after taxation	(4,420)	73	1,323
	As at 31 August 2011 RMB'000	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Net assets attributable to shareholders of BJCS	46,543	50,963	13,081

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The audited net profit after taxation of BJCS for each of the two years ended 31 December 2009 and 2010 amounted to approximately RMB1.32 million (equivalent to approximately HK\$1.62 million) and approximately RMB0.07 million (equivalent to approximately HK\$0.09 million) respectively, representing a decline of approximately 94.7% from year to year. For the 8 months ended 31 August 2011, BJCS recorded an audited net loss after taxation of approximately RMB4.42 million (equivalent to approximately HK\$5.44 million).

For each of the two years ended 31 December 2009 and 2010, audited net profit after taxation of BJCS was approximately RMB1.32 million (equivalent to approximately HK\$1.62 million) and RMB0.07 million (equivalent to approximately HK\$0.09 million) respectively, representing approximately 2% and 0.09% of the audited net profit after taxation of the Group for the same period respectively. Furthermore, audited revenue of BJCS for each of the two years ended 31 December 2009 and 2010 represents approximately 1.58% and 2.48% of the Group's total audited turnover for the same period respectively. The Directors are of the view that the contribution of 45% equity interest of BJCS to the Group was minimal and the audited net loss after taxation of BJCS recorded for the 8 months ended 31 August 2011 deteriorated profitability of the Group. In addition, the Company's 45% equity interest in BJCS represents a minority investment in the Ticketing Business which does not comprise of the Group's core businesses. As at 31 August 2011, the audited net assets attributable to shareholders of BJCS amounted to approximately RMB46.54 million (equivalent to approximately HK\$57.24 million).

SN is a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and is principally engaged in the provision of ticket agency services.

According to the audited financial statements of SN prepared under the PRC accounting standards for each of the two years ended 31 December 2009 and 2010 and the SN Valuation Report, SN recorded audited net loss before and after taxation of approximately RMB7,400 (equivalent to approximately HK\$9,102) and RMB1,400 (equivalent to approximately HK\$1,722) respectively. As at 31 August 2011, audited net asset value of SN was RMB237,942.99 (equivalent to approximately HK\$292,669.88) which were all bank deposits, balances and cash. SN did not have any liabilities as at 31 August 2011.

The Group's development strategy to focus on its core businesses

The Group is an information technology and service provider. The Group's core businesses comprising (i) Beijing medical insurance information system; (ii) Beijing social security card system; (iii) the e-Government network; (iv) the community service information system; (v) Beijing-China; and (vi) housing fund system etc. As referred in the 2010 Annual Report, it is the Group's development strategy to allocate more resources to focus on the construction, marketing and further development of its core businesses.

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In recent years, The Group's core businesses have achieved sustainable growth in terms of scale of operation and profitability. As stated in the 2011 Interim Report, the unaudited gross profit of the Group increased by approximately 83% from approximately RMB36.85 million (equivalent to approximately HK\$45.33 million) to approximately RMB67.37 million (equivalent to approximately HK\$82.87 million) for the six months ended 30 June 2011 compared with the same period in 2010. Such significant increase was mainly attributable to business expansion and revenue generated from the Group's core businesses.

Apart from this, as stated in the 2011 Interim Report, the unaudited turnover of the Group contributed from core businesses amounted to approximately RMB116 million (equivalent to approximately HK\$142.68 million), representing approximately 72% of the total unaudited turnover of the Group for the 6 months ended 30 June 2011. The Group had been focusing on the development of its core businesses and the results were concrete.

As such, substantial expenditure has been incurred by the Group to enhance the operating performance and advance the development progress of its core businesses, including (i) intensifying marketing works; (ii) enhancing research and development and innovative technology standards; and (iii) optimizing service quality.

For the 6 months ended 30 June 2011 and the year ended 31 December 2010, the Group's unaudited and audited aggregated marketing and promotional expenses and research and development costs amounted to approximately RMB29.90 million (equivalent to approximately HK\$36.78 million) and RMB54.34 million (equivalent to approximately HK\$66.84 million) respectively, representing an increase of approximately 51.42% and 43.90% respectively as compared with the same period in 2009.

Having considered (i) the Group's business strategy (in terms of financial and management resources) and concrete results in the development of its core businesses; (ii) a relatively large capital expenditure and resources had been incurred at BJCS Business Incubation Stage which led to loss making and more platform resources and additional capital expenditure and resources are expected to be incurred for its future business; (iii) the limited business operation of SN since its incorporation and its future principal business is inter-related to Ticketing Business which dispose of together with BJCS is reasonable; and (iv) the Disposals will provide an opportunity to introduce new strategic shareholder to BJCS at a consideration based on 25% of the appraised net asset value of BJCS and to free up its management and financial resources for further development of its core businesses; we are of the view that the Disposals is in line with the Group's overall business strategy and is in the interests of the shareholders of the Company as a whole.

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The Group's view on BJCS, SN and information on Ticketing Business

After discussed with the Directors, we note that the Ticketing Business market in the PRC has the characteristic of relatively low entry barrier which does not require high capital cost while to become leader of the industry is difficult. In order to sustain the business and remain competitive advantages requires advanced technology, platform resources in Ticketing Business as well as professional sales team and board client network (the "Ample Resources"). Moreover, according to a news report published by Remin Ribao (人民日報) on 9 August 2011, it stated that after the 2008 Olympic craze, the number of Olympic venue's visitors has decreased by approximately 40% and 30% in 2010 and 2011 respectively. This underlined the decreasing trend of visitors which, to certain extent, affect the main source of income of the Ticketing Business.

After enquired with the Directors, we note that BJCS is currently under early stage of business development which needs Ample Resources and investment to support its business development (the "Business Incubation Stage") and facing competition from competitors while SN principal business is the provision of culture and sports ticketing services with limited business operation since its incorporation. In order to foster the growth of BJCS and SN to step out the Business Incubation Stage as well as to assist BJCS and SN to quickly develop their business, the Directors are of the view that it is crucial to introduce new strategic shareholder with Ample Resources in Ticketing Business that BJCS and SN could leverage on which may benefits the performance and strengthen the development of BJCS and SN in future. The Company had indeed introduced a number of strategic investors by way of cash contribution to the registered capital of BJCS on 16 April 2010. (as detailed in the Company's announcement dated 16 April 2010).

Upon completion of Disposals, the Group not only could introduced new strategic shareholder to BJCS and SN, but also will still be able to enjoy the future business success of BJCS through its remaining 20% equity interests in BJCS.

Having considered (i) the audited net loss after taxation of approximately RMB4.42 million (equivalent to approximately HK\$5.44 million) recorded from BJCS for the 8 months ended 31 August 2011 which currently deteriorated the Group's net profit attributable to Shareholders; (ii) the Disposals might avoid the Company to further consolidate losses incur by BJCS and SN in future; (iii) the performance of BJCS and SN may benefits in future via leveraging on the Ample Resources that the Purchaser could provide to BJCS and SN; (iv) the Group will still be able to enjoy the future business success of BJCS through its remaining 20% equity interests in BJCS; and (v) the Company had indeed introduced a number of strategic investors to BJCS previously, we consider that the Disposals is consistent with the Group's development strategy and is conducted in the ordinary and usual course of the business of the Group.

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2. Principal terms and the consideration

a) *the BJCS Equity Transfer Agreement*

Completion of BJCS Disposal is conditional upon following condition being satisfied in all respects to the satisfaction of the Purchaser (or waived by the Purchaser):

The Company having completed the required approval procedures, including the Independent Shareholders having approved the BJCS Equity Transfer Agreement (and the transactions contemplated thereunder) at the EGM and the granting of the approval by the Beijing SASAC in respect of the BJCS Disposal.

As at the Latest Practicable Date, the BJCS Valuation Report has been approved by the Beijing SASAC.

As refer to the BJCS Equity Transfer Agreement, all profit or loss incurred by the 25% equity interests of BJCS as from 1 September 2011 up to and including 31 December 2011 shall still be for the account of the Company. Start from 1 January 2012, all profit or loss incurred by the 25% equity interests of BJCS shall be for the account of the Purchaser.

According to the BJCS Equity Transfer Agreement, all other shareholders of BJCS have waived their right to first refusal in respect of the 25% equity interests in BJCS.

The Company will procure BJCS to apply to the relevant PRC government bodies to complete the relevant business registration to effect the changes in the shareholding structure as a result of the BJCS Disposal within 15 working days after the Beijing SASAC having granted the approval for the BJCS Disposal.

Basis of the consideration for BJCS and payment method

According to the Board Letter, the initial BJCS Consideration was arrived at after arm's length negotiations between the Purchaser and the Company taking into account (i) equivalent to 25% of the appraised net asset value of BJCS as at 31 August 2011 of approximately RMB11.78 million (equivalent to approximately HK\$14.49 million) performed by the Valuer; (ii) the recent financial performance of BJCS; and (iii) the potential benefits of the BJCS Disposal. The final BJCS Consideration will be subject to the adjusting mechanism as set out in the paragraph headed "Consideration adjustment".

As refer to the Board Letter, the initial consideration payable by the Purchaser to the Company for the 25% of the equity interests of BJCS is RMB11,779,620.76 (equivalent to approximately HK\$14,488,933.53). The initial BJCS Consideration shall be satisfied in following manners:

- a) RMB6,000,000 (equivalent to approximately HK\$7,380,000) refundable deposit shall be payable by the Purchaser to the Company in cash within 10 working days after the BJCS Equity Transfer Agreement having become effective; and

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- b) Remaining Consideration of the BJCS Consideration of approximately RMB5.78 million (equivalent to approximately HK\$7.11 million) will be adjusted based on the differences between the audited net profit/loss after taxation recorded by BJCS for the year ended 31 December 2011 and the audited net loss after taxation of BJCS for the 8 months ended 31 August 2011 being approximately RMB4.42 million. (equivalent to approximately HK\$5.44 million), and shall be payable by the Purchaser or refunded by the Company (as the case may be) within 10 working days after the issuance of audited financial reports of BJCS for the year ended 31 December 2011 ("2011 Audited Report").

Consideration adjustment

According to the BJCS Equity Transfer Agreement, the Remaining Consideration is subject to adjustment which is determined in accordance with the following formula:

$$\text{Formula Amount} = (A-B) \times 25\%$$

where:

- A = net profit or loss after taxation of BJCS for the year ended 31 December 2011 (subject to audit)
- B = audited net loss after taxation of BJCS for the 8 months ended 31 August 2011 being approximately RMB4.42 million (equivalent to approximately HK\$5.44 million)

Both the Company and the Purchaser agree, if the Formula Amount represents a positive number, which represents a Net Profit case, the Purchaser shall pay the Formula Amount in cash to the Company in addition to the Remaining Consideration. If the Formula Amount represents a negative number which represents a Net Loss case, the Remaining Consideration shall be reduced by the Formula Amount. The adjustment amount shall be settled within 10 working days after the issuance of audited financial reports of BJCS for the year ended 31 December 2011. As at the Latest Practicable Date, the audited financial reports of BJCS for the year ended 31 December 2011 has not been issued yet. According to the unaudited financial information of BJCS, BJCS recorded an unaudited net loss after taxation of approximately RMB8.52 million (equivalent to approximately HK\$10.48 million) among the 4-month period 1 September to 31 December 2011. Under this circumstances, it is expected that there will be no upward adjustment to the initial BJCS Consideration pursuant to the BJCS Equity Transfer Agreement. According to the management of the Company, there will not be substantial changes in the daily operations and financial position of BJCS in near future. According to

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the Board Letter, after taking into account (i) the close proximity between the initial BJCS Consideration and the 25% of the audited net asset value of BJCS as at 31 August 2011 of approximately RMB11.64 million (equivalent to approximately HK\$14.32 million) and (ii) the above consideration adjustment on Consideration, it is expected that the Company will only record immaterial loss as a result of the BJCS Disposal. As the movement of the 25% net profit or loss after taxation of BJCS starting from 1 September 2011 and before the date the financial results of BJCS de-consolidated into the accounts of the Company would be adjusted for and compensated on a dollar-for-dollar basis based on actual performance of BJCS in future by way of the consideration adjustment as stated in the paragraph headed “consideration adjustment” above, we consider the consideration adjustment is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

To further assess the fairness and reasonableness of the BJCS Consideration, we have reviewed the BJCS Valuation Report and discussed with the Valuer on the basis and assumptions behind the report, which we are satisfied with, and understand that the appraised 25% net asset value of BJCS as at 31 August 2011 was determined by the asset-based approach in accordance with the applicable valuation principles generally adopted in the PRC.

According to the BJCS Valuation Report, as at 31 August 2011, the appraised 25% net asset value of BJCS was approximately 11.78 million (equivalent to approximately HK\$14.49 million), which compared to the 25% of the audited net asset value of BJCS for the same period (in accordance with PRC accounting standards) increased by approximately RMB0.14 million (equivalent to approximately HK\$0.17 million), representing a premium of approximately 1.2%. The appraised total assets of BJCS was approximately RMB55.69 million (equivalent to approximately HK\$68.50 million), which compared to the audited total assets of BJCS for the same period (in accordance with PRC accounting standards), increased by approximately RMB0.58 million (equivalent to approximately HK\$0.71 million), representing a premium of approximately 1.04%. The appraised liabilities of BJCS was approximately RMB8.58 million (equivalent to approximately HK\$10.55 million), which was the same as the audited liabilities of BJCS for the same period (in accordance with PRC accounting standards).

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Moreover, we have interviewed the Valuer as to its qualifications; expertise and independence to the Company, BJCS and their respective connected persons and reviewed their terms of engagement.

Further details of the bases and assumptions of the valuation are included in the BJCS Valuation Report as set out in Appendix I to the Circular.

Furthermore, to assess the fairness and reasonableness of the valuation of BJCS, we have, to the best of our knowledge, effort and endeavour and based on the information available from the website of the Stock Exchange, identified 7 companies (the “Comparable Companies”) which (i) are listed on the Stock Exchange; and (ii) are principally engaged in similar business to that of BJCS, i.e. information system development services. As the Comparable Companies are involved in similar business as BJCS, we are of the view that they may help to provide benchmark valuation against which BJCS can be compared with. We have adopted the price to book ratio (“P/B”), a commonly adopted benchmark in the valuation of companies, in our analysis which is set out below.

Name of company (stock code)	Principal business	Market capitalization/ valuation ¹ <i>HK\$'000</i>	Net assets attributable to shareholders ² <i>HK\$'000</i>	P/B <i>times</i>
Sino-i Technology Limited (250)	Corporate IT application services, financial information services and distance learning education services	657,179	1,985,670	0.33
Vodatel Networks Holdings Limited (8033)	Provision of network and system infrastructure and applications; customised software solutions and technical support services	165,731	187,896	0.88

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Name of company (stock code)	Principal business	Market capitalization/ valuation ¹ <i>HK\$'000</i>	Net assets attributable to shareholders ² <i>HK\$'000</i>	P/B <i>times</i>
Zheda Lande Scitech Limited (8106)	Provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services	28,031	102,431 ³	0.27
Palmpay China (Holdings) Ltd. (8047)	Provision of payment gateway services and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment	165,695	152,281	1.09
China Oriental Culture Group Limited(2371)	Sales of self-developed software, sales of third party software and hardware, system integration and maintenance, training and other services	809,483	893,275 ³	0.91
AcrossAsia Limited(8061)	Provision of cable TV, broadband network, broadband Internet access and WiMAX services	562,172	1,605,150	0.35
Prosten Technology Holdings Ltd. (8026)	Provision of wireless mobile value-added services and related business	113,453	93,939	1.21
			Maximum:	1.21
			Minimum:	0.27
			Average:	0.72

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Name of company (stock code)	Principal business	Market capitalization/ valuation ¹ <i>HK\$'000</i>	Net assets attributable to shareholders ² <i>HK\$'000</i>	P/B <i>times</i>
BJCS	provision of culture and sports ticketing agency services and the related information system development services	14,489 ³	14,312 ³	1.01

Source: <http://www.hkexnews.hk/>

Notes:

1. For the Comparable Companies, the market capitalization was calculated based on their respective closing price as at the Latest Practicable Date.
2. The net assets attributable to shareholders are derived from the latest published financial statements.
3. For illustrative purpose only, this amount has been converted at an exchange rate of RMB1=HK\$1.23.

As illustrated in the analysis above, the P/B of the Comparable Companies range from a low of approximately 0.27 times to a high of approximately 1.21 times with the average P/B being approximately 0.72 times. The P/B of BJCS of approximately 1.01 times calculated with reference to the appraised 25% net asset value of BJCS is therefore at the high end of the Comparable Companies, indicating the valuation of BJCS with reference to the appraised 25% net asset value of BJCS is at the high end of its industry peers when using net assets as a yardstick. Therefore, we are of the opinion that the P/B for the valuation of BJCS is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Based on the above and having considered (i) the BJCS Consideration was arrived at on a fair and equal basis to the valuation of the appraised 25% net asset value of BJCS as at 31 August 2011, the valuation was determined in accordance with the applicable valuation principles generally adopted in the PRC; and (ii) there was an audited net loss after taxation of BJCS for the 8 months ended 31 August 2011 which deteriorated profitability of the Company; and (iii) given that BJCS is in Business Incubation Stage and the future prospect is uncertain, facing intense competition in the industry and to develop the business requires Ample Resources, the BJCS Consideration represents approximately equivalent to the appraised 25% net asset value of BJCS as at 31 August 2011, we are of the view that the BJCS Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholder as a whole.

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b) *The SN Equity Transfer Agreement*

Completion of SN Disposal is conditional upon following condition being satisfied in all respects to the satisfaction of the Purchaser (or waived by the Purchaser):

The Company having completed the required approval procedures, including the Independent Shareholders having approved the SN Equity Transfer Agreement (and the transactions contemplated thereunder) and the granting of the approval by the Beijing SASAC in respect of the SN Disposal.

As at the Latest Practicable Date, the SN Valuation Report has been approved by the Beijing SASAC.

The Company will procure SN to apply to the relevant PRC government bodies to complete the relevant business registration to effect the changes in the shareholding structure as a result of the SN Disposal within 15 working days after the Beijing SASAC having granted the approval in respect of the SN Disposal.

Basis of the consideration for SN and payment method

According to the Board Letter, the SN Consideration for the disposal of entire equity interests in SN was arrived at after arm's length negotiations between the Purchaser and the Company taking into account (i) the appraised net asset value of SN of approximately RMB0.24 million (equivalent to approximately HK\$0.30 million) as at 31 August 2011 performed by an independent valuer; and (ii) the recent financial performance of SN. Based on the SN Consideration and the audited net asset value of SN as at 31 August 2011 of approximately RMB0.24 million (equivalent to approximately HK\$0.30 million), it is expected that the Company will only record immaterial loss as a result of the SN Disposal.

As refer to the Board Letter, the total consideration payable by the Purchaser to the Company for acquiring the entire equity interests of SN is RMB237,942.99 (equivalent to approximately HK\$292,669.88). The SN Consideration shall be satisfied in cash within 10 working days after the SN Equity Transfer Agreement having become effective.

To assess the fairness and reasonableness of SN Consideration, we have reviewed the SN Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the valuation of SN in order for us to understand the SN Valuation Report. In the course of our enquiry, the Valuer explained that it has adopted asset-based approach for the valuation. As confirmed by the Valuer, asset-based approach

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is one of the commonly adopted approaches for valuation of companies, which are not financially performing yet and the primary value of which are just their assets, and is also consistent with normal market practice. Moreover, we have interviewed the Valuer as to its qualifications, expertise and independence to the Company, SN and their respective connected persons and reviewed their terms of engagement.

Moreover, to assess the fairness and reasonableness of the valuation of SN, we have also analysis the appraised net asset value of SN by means of the P/B approach. As the principal business of SN is similar to that of BJCS, we have used the same Comparable Companies to perform our analysis. Details of which please refer to the paragraph headed "Basis of the consideration for BJCS and payment method" in this letter.

After performing our analysis, the P/B of SN of approximately 1 times calculated with reference to the appraised net asset value of SN of approximately RMB0.24 million (equivalent to approximately HK\$0.30 million) and the audited net asset value of SN of approximately RMB237,942.99 (equivalent to approximately HK\$292,669.88) as at 31 August 2011 is also at the high end of the Comparable Companies, indicating the valuation of SN with reference to the appraised net asset value of SN is at the high end of its industry peers when using net assets as a yardstick. Therefore, we are of the opinion that the P/B for the valuation of SN is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Based on the above, the SN Consideration of RMB237,942.99 (equivalent to approximately HK\$292,669.88), which represents approximately equivalent to the appraised net asset value of SN of approximately RMB0.24 million (equivalent to approximately HK\$0.30 million) as at 31 August 2011, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

3. Financial effects of the Disposals

Effect on net asset value

As no material losses are expected from the Disposals, the net asset value of the Group shall not be materially affected upon completion of the Disposals.

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The Remaining Consideration will be adjusted based on the consideration adjustment as set out in the paragraph headed "Consideration adjustment" in this letter. According to the Board Letter, the unaudited net loss after taxation from 1 September 2011 to 31 December 2011 amounted to approximately RMB8.52 million (equivalent to approximately HK\$10.48 million). As the Remaining Consideration will also be adjusted downward in accordance with the consideration adjustment (subject to audit), it is expected that the BJCS Disposal would not have material adverse impact on the net asset value of the Group.

Effect on Earnings

Start from and including 1 January 2012, BJCS will cease to be a subsidiary of the Company and financial results of BJCS will be de-consolidated from the Group's account. Given that financial performance of BJCS turnaround from audited net profit after taxation of approximately RMB0.07 million (equivalent to approximately HK\$0.09 million) for the year ended 31 December 2010 to record an audited loss after taxation of approximately RMB4.42 million (equivalent to approximately HK\$5.44 million) for the 8 months ended 31 August 2011, the BJCS Disposal might avoid the Company to further consolidate losses incur by BJCS in near future. Meanwhile, the Group may benefit from the future success of BJCS through its remaining 20% equity interests in BJCS.

The Remaining Consideration will be adjusted based on the consideration adjustment as set out in the paragraph headed "Consideration adjustment" in this letter. According to the Board Letter, the unaudited net loss after taxation from 1 September 2011 to 31 December 2011 amounted to approximately RMB8.52 million (equivalent to approximately HK\$10.48 million). As the Remaining Consideration will also be adjusted downward in accordance with the consideration adjustment (subject to audit), it is expected that the Group's earnings may not be materially affected.

Upon completion of SN Disposal, SN will also cease to be a subsidiary of the Company and financial results of SN will also be de-consolidated from the Group's account. Given the insignificant contribution of its financial performance towards the Group, the Group's earnings may not be materially affected upon completion of SN Disposal.

Effect on gearing

As at 30 June 2011, the gearing of the Group was approximately 0.25, represented by the total liabilities of approximately RMB234.01 million (equivalent to approximately HK\$287.83 million) to the total assets of approximately RMB946.07 million (equivalent to approximately HK\$1,163.67 million). Based on the net cash proceeds from the Disposals of approximately RMB11,800,000 (equivalent to approximately HK\$14,514,000) to be received by the Group upon completion of the Disposals and the net proceeds are intended to be applied for general working capital for the Group's business development, which will give a positive impact to the gearing position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Effect on working capital

Based on the 2011 Interim Report, the Group had unaudited working capital (i.e. current assets less current liabilities) and bank deposits, balances and cash as at 30 June 2011 of approximately RMB526 million (equivalent to approximately HK\$646.98 million) and RMB298 million (equivalent to approximately HK\$366.54 million) respectively. The Group intends to apply the net proceeds from the Disposals as general working capital for the Group's future development, thereby enhancing the working capital position of the Group.

CONCLUSION

We have considered the above principal factors and reasons and particularly (i) the strategic rationale of the Disposals; (ii) the terms and the fairness and reasonableness of the BJCS Consideration and SN Consideration as discussed above; and (iii) the financial effects of the Disposals. Based on the above principal factors and reasons, we consider that the Disposals are on normal commercial terms, and the entering into of the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposals and the transactions contemplated under the BJCS Equity Transfer Agreement and SN Equity Transfer Agreement.

Yours faithfully,
for and on behalf of
Chanceton Capital Partners Limited
WONG Kam Wah
Managing Director

15 March 2012

The following is the text of the asset appraisal report of BJCS, prepared from Beijing Jingdu Zhong Xin Asset Appraisal Company Limited, a qualified independent valuer in the PRC:

DISCLAIMER OF THE CERTIFIED ASSET VALUER

1. We carry out assets valuation based on the relevant laws and regulations and the standards of assets valuation on the principle of independence, objectiveness and justness. Based on the information collected in the course of our valuation, statement in the valuation report is objective, and we assume corresponding legal responsibilities for the reasonableness on the conclusion of the valuation.
2. Lists of the assets and liabilities as well as the historical business status and profit forecast in connection with the target of valuation have been provided and declared by the entity being valued with their signatures and seals. The Principal, the entity being valued and the management of the relevant parties shall be responsible for the authenticity, legality, and completeness of the data provided as well as the appropriate usage of the valuation report. All the materials related to the valuation provided by the Principal, the entity being valued, management and officers of the relevant parties as well as other personnel are the basis for the preparation of this report. As to the defective items existing in the target of valuation that may affect the conclusion of the valuation, the valuation agency and valuers will not undertake any responsibility in the event that there is no special explanation upon engagement or no explicit description given for investigation on valuation site and the valuers are generally not in a position to become aware of such defective items based on professional experience.
3. We do not have or expect to have any interests in the target of the valuation set out in the valuation report, and we do not have or expect to have any interests with or prejudices against any relevant parties.
4. We have carried out on-site investigation on the target of valuation and the related assets thereof as mentioned in the valuation report. We have paid due attention to the legal ownership of the target of valuation and the assets thereof and faithfully disclosed all findings after examining relevant documents. We have also urged the Principal and the relevant parties to fulfill their property ownership formalities so as to meet the requirements for issuing the valuation report. The certified assets valuer has no capacity to confirm the legal ownership of target of valuation or give opinions thereon, therefore we will not make any guarantee on the authenticity of legal ownership of the target of valuation in any form.
5. Analysis, judgment, and conclusions in the valuation report issued by us are restricted by the assumptions and confining conditions set out in the valuation report. Users of this report shall give due consideration to the assumptions, confining conditions, and explanations for special matters stated in the valuation report as well as their impacts on the conclusions of the valuation.
6. We have made evaluation and issued professional opinions on the value of the target of valuation, which is a kind of reference for realizing economic behavior and we do not assume any decision-making responsibility for the relevant parties. The conclusions of the valuation shall not be considered as guarantee for the realization of the value of the target of valuation.

ASSETS VALUATION REPORT ON PROPOSED TRANSFER OF 25% EQUITY OF BEIJING CULTURE & SPORTS TECHNOLOGY CO., LTD (“BJCS”) HELD BY CAPINFO COMPANY LIMITED (THE “COMPANY”)

Jingdu Zhongxin Ping Bao Zi (2011) No. 084

Capinfo Company Limited:

As engaged by the Company, according to necessary valuation procedures, Beijing Jingdu Zhong Xin Assets Appraisal Company Limited has verified, inquired about and collected materials on the ownership, obligations and operating conditions of the assets entrusted to be valued and carried out relevant on-site investigation, market research and confirmation in accordance with the relevant laws and regulations and the standards of asset valuation, and on the principle of independence, objectiveness and justness. On this basis, we have conducted valuation in relation to the market value of the entire equity in BJCS involved in the proposed transfer of the 25% equity interest of BJCS held by the Company as at August 31, 2011. The assets valuation report is as follows:

I. INFORMATION OF THE PRINCIPAL, THE SUBJECT ENTITY OF THE VALUATION AND USERS OF THE VALUATION REPORT OTHER THAN THE PRINCIPAL AS SPECIFIED IN THE BUSINESS AGREEMENT

The Principal of the Project is the Company, the Subject Entity of the valuation is BJCS. The users of the valuation report other than the Principal include other related parties involved in this economic behavior as well as users of the valuation report expressly prescribed by the laws and regulations of the PRC, such as competent authorities.

(I) Overview of the Principal

1. Company Profile

Company name:	Capinfo Company Limited
Registered address:	No. 11, Xi San Huan Zhong Road, Haidian District, Beijing City (north gate of the base of CCTV Tower)
Registered capital:	RMB289,808,609
Legal representative:	Xu Zhe
Type of enterprise:	Classified under other joint stock companies with limited liability (listed company)

2. Nature and historical evolution of enterprise

Capinfo Information Development Company, the predecessor of the Company, was established in January 1998 with joint contribution from six shareholders, namely, Beijing Stated-Owned Assets Entity (currently Beijing State-Owned Assets Management Co., Ltd.), Post and Telecom Data Network

Integration Development Centre, Beijing Telecommunication Investments Co., Ltd, Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd, Beijing Cable Broadcasting Network Center (currently Beijing Gehua Cable TV Network Co., Ltd.) and China Financial Data Network Co., Ltd. It is a high-tech company principally engaged in internet technology and service application. In July, 2000, the Company completed its shareholding reform and was renamed as Capinfo Company Limited. On December 21, 2001, the Company was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (stock code: 8157). On January 21, 2011, the Company successfully realized the transfer of listing from the Growth Enterprise Market to the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1075).

The current shareholding structure is as follows:

	Number of Shares	Percentage of Shareholding
Beijing State-Owned Assets Management Co., Ltd.	1,834,541,756	63.31%
Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd.	102,832,000	3.55%
Beijing BAMC Investment and Development Center	102,832,000	3.55%
Beijing Telecommunication Investments Co., Ltd.	52,832,000	1.82%
China Financial Computerization Corp.	30,550,335	1.05%
Public	<u>774,498,000</u>	<u>26.72%</u>
Total	<u><u>2,898,086,091</u></u>	<u><u>100.00%</u></u>

(II) Overview of the Subject Entity of the Valuation

1. *Beijing Culture & Sports Technology Co., Ltd.*

Registered address:	Room 1201, Quantum Silver Plaza, No.23 Zhichun Road, Haidian District, Beijing City
Registered capital:	RMB50,000,000
Type of enterprise:	Classified under other joint stock companies with limited liability
Legal representative:	Wang Xu
Operation period:	10 years

2. *Nature, history and development of the subject entity of the valuation*

BJCS was established by the Company by way of capital contribution in 2006 with a registered capital of RMB10 million, and it is principally engaged in the development of, and the provision of on-site support services for, integrated information system for major cultural and sports activities; development of, and the provision of support services for, emergency command technological security system for major cultural and sports activities and facilities; development and implementation of ticket information system for major cultural and sports activities and venues; sports marketing consultation and implementation services for major enterprises, and outsourcing services for software development and testing. BJCS had commenced its business transformation after the Beijing Olympics. In July 2010, Each of the Company, National Stadium Company Limited, National Aquatic Center Company Limited, Beijing Artists Management Corp., Ltd. and Beijing International Sports Co., Ltd. contributed additional capital of RMB12.5 million, RMB11 million, RMB8 million, RMB6 million and 2.5 million, respectively. The registered capital became RMB50 million after the contribution of additional capital and the shareholding of each shareholder is as follows:

	<i>Unit: RMB ten thousand</i>	
	Contribution	Percentage of Shareholding
The Company	2,250	45%
National Stadium Company Limited	1,100	22%
National Aquatic Center Company Limited	800	16%
Beijing Artists Management Corp., Ltd.	600	12%
Beijing International Sports Co., Ltd.	250	5%
	<hr/>	<hr/>
Total	<u>5,000</u>	<u>100.00%</u>

3. *Scope of Business*

Certified business: None

General business: ticket agency; conference services, undertaking of exhibitions and shows, preparing, planning and organizing sports games, evening parties, large-scale celebrations, art contests, cultural festivals, performances and exhibitions; computer system service; data processing; computer maintenance; basic software service; application software service; engineering and technological research and experimental development; technical promotion service; technical testing; sales of computers, software and ancillary equipment, communication equipment, radio and television equipment, stationary and sports products; computers leasing and communication equipment; sports events operations (excluding operation of golf course); comprehensive stadium and gymnasium; sports training base; basketball, volleyball and football stadiums; tennis, badminton, table tennis gymnasiums; market research, economic and trade consultation.

4. *The assets, liabilities and financial positions on the valuation base date and for the latest three years*

	<i>RMB ten thousand</i>			
Item	August 31 2011	December 31 2010	December 31 2009	December 31 2008
Total assets	5,511.86	5,466.28	2,063.58	2,124.61
Liabilities	<u>857.59</u>	<u>369.96</u>	<u>755.52</u>	<u>366.86</u>
Net assets	<u><u>4,654.27</u></u>	<u><u>5,096.32</u></u>	<u><u>1,308.06</u></u>	<u><u>1,757.75</u></u>
Item	January – August 2011	2010	2009	2008
Revenue for principal business	649.84	925.95	573.85	2,967.67
Cost for principal business	64.06	1,221.93	675.70	1,497.96
(Loss)/profit for principal business	<u>(606.17)</u>	<u>(295.98)</u>	<u>(101.85)</u>	<u>1,469.71</u>
Total (loss)/profit	<u><u>(436.29)</u></u>	<u><u>10.74</u></u>	<u><u>132.28</u></u>	<u><u>626.61</u></u>
Net (loss)/profit	<u><u>(442.04)</u></u>	<u><u>7.32</u></u>	<u><u>132.28</u></u>	<u><u>626.61</u></u>

The accounts of BJCS are audited by Jingdu Tinwha Certified Public Accountant. Jingdu Tinwha Certified Public Accountant has audited the financial statement as at August 31, 2011 of the Company, and issued Jingdu Tianhua Shen Zi [2011] No. 1385 auditor report with unqualified audit opinion. It considers the financial statement of the BJCS is prepared in accordance with the requirements of Accounting Standards for Business Enterprises — Basic Standards published by Ministry of Finance in 2006 which gives a fair view of the financial positions, operation results and change in the capital of the Company in all material aspects and complies with the principle of consistency in selection of accounting method.

(III) Relationship between the Principal and the Subject Entity of the Valuation

The Company, the controlling shareholder of BJCS, holds 45% equity interest of BJCS.

II. VALUATION PURPOSE

Pursuant to the resolution of the 27th meeting of the fourth session of the Board of the Company, the Company proposed to transfer 25% equity interest of BJCS, for the purpose of which, the valuation is to provide value reference for all relevant parties by appraising the market value of partial equity interest of BJCS in relation to equity transfer on the valuation base date.

III. TARGET AND SCOPE OF VALUATION

1. The target of valuation of the Project is the value of part of the equity interest of BJCS on the valuation base date.
2. The scope of valuation of the Project is current assets, non-current assets and current liabilities presented in the audited balance sheet of BJCS on valuation date, together with details list provided by BJCS:

	<i>RMB ten thousand</i>
Item	Carrying value
Current assets	3,797.73
Non-current assets	1,714.13
Fixed assets	461.47
Intangible assets	1,193.02
Long-term deferred expenses	59.64
	<hr/>
Total assets	5,511.86
	<hr/>
Current liabilities	857.59
	<hr/>
Total liabilities	857.59
	<hr/>
Net assets (Owners' equity)	4,654.27
	<hr/>

Current assets include cash, bank deposits, accounts receivable, prepayments and other receivables, inventories and other current assets.

Non-current assets include fixed assets, intangible assets and long-term deferred expenses.

All fixed assets are machinery and equipment, including gates, speed stiles, computers, printers, handheld terminals, servers, switches, audio and video equipment, which are mainly distributed in Ticket Service Center of Bird's Nest, Ticket Service Center of Water Cube, National Tennis Stadium, equipment room of CCTV Tower, Eastern Ticketing Center and the office areas of BJCS located on 5/F and 12/F of Quantum Silver Plaza, No. 23 Zhichun Road, Haidian District, Beijing.

Intangible assets refer to the projects of ticketing platform construction; database and middleware; 10 years of franchise rights of Bird's Nest and office software in oracle database enterprise edition (25 user 11g) as well as win server 2003.

Long-term deferred expenses refer to the renovation costs of offices of BJCS, the ticket office of Bird's Nest, ticket office of Water Cube and ticketing center and rental for the ticket booth of Beijing Artists Management Corp., Ltd.

Current liabilities include accounts payable, receipts in advance, salaries payable, taxes payable and other payables.

3. The target and scope of valuation under the valuation engagement are consistent with those involved in the economic behavior.
4. The accounts of BJCS are audited by Jingdu Tinwha Certified Public Accountant. Jingdu Tinwha Certified Public Accountant has audited the financial statement as at August 31, 2011 of BJCS, and issued Jingdu Tianhua Shen Zi [2011] No. 1385 auditor report without qualified audit opinion. The auditor report considers the financial statement of BJCS is prepared in accordance with the requirements of Accounting Standards for Business Enterprises — Basic Standards published by Ministry of Finance in 2006 which gives a fair view of the financial positions, operation results and change in the capital of BJCS in all material aspects and complies with the principle of consistency in selection of accounting method.

IV. TYPE AND DEFINITION OF VALUE

The type of valuation for the valuation engagement is market value.

Market value represents the estimated amount for which certain assets should be exchanged on the valuation base date between willing buyer and willing seller in an arms-length transaction after proper marketing whereby each of the parties have acted prudently, knowledgeably and without any compulsion.

“Appraisal valuation” referred to herein means the net assets value of the Company, which is derived from the replacement value of the assets recalculated based on the market price as at the valuation base date as shown in the financial statement on an ongoing operation basis, less depreciation factors and recognized amounts of liabilities. Subject to the agreed target of valuation and objectives under the assessment principle, assumptions and precedent conditions set out herein, the valuation can only be used for provision of opinions for the purpose agreed herein according to the procedures and methods as set out in this report.

V. VALUATION BASE DATE

The valuation base date for the valuation engagement is 31 August 2011.

In order to ensure that the valuation conclusion will effectively serve the purpose of valuation, the following have been taken into account when determining the valuation base date: the valuation base date shall not have material impacts on the valuation conclusion; can better reflect the latest positions of related assets and should be as close as possible to the completion date of relevant economic behavior.

Price standards applied in this valuation are prevailing prices on the valuation base date.

VI. VALUATION BASIS

(I) Basis of economic behavior

1. The resolution of the 27th meeting of the fourth session of the Board of the Company;
2. The resolution of the 4th general meeting of BJCS in 2011.

(II) Basis of laws and regulations

1. Law of the People’s Republic of China on State-Owned Assets of Enterprises (passed at the fifth conference of the Standing Committee of the Eleventh National People’s Congress on October 28, 2008);
2. Administrative Measures for the Assessment of Stated-owned Assets (Order No. 91 of the State Council in 1991);
3. Rules for the Implementation of the Administrative Measures for the Assessment of Stated-owned Assets (issued with Guo Zi Ban Fa [1992] No. 36 by the original State-owned Assets Administration Bureau);
4. Interim Regulations on Supervision and Administration of Stated-owned Assets of Enterprises (Order No. 378 of the State Council in 2003);

5. Several Issues Concerning the Administrative Measures for the Assessment of State-owned Assets (Order No. 14 issued by the Ministry of Finance on December 31, 2001);
6. Notice about Transmitting the Work Advice on the Reform of Administrative Management of the Assessment of State-owned Assets and Strengthening the Administration of Asset Assessment from the Ministry of Finance (issued by Clerical Office of the State Council with Guo Ban Fa [2001] No. 102);
7. Interim Measures for the Administration of the Transfer of the State-owned Property Right of Enterprises (Order No. 3 issued by the State-owned Assets Supervision and Administration Commission and the Ministry of Finance on December 31, 2003);
8. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 issued by the State-owned Assets Supervision and Administration Commission of the State Council on August 25, 2005);
9. Notice on Issues concerning the Administration of Assessment of State-owned Assets issued by the State-owned Assets Supervision and Administration Commission of the State Council with Guo Zi Wei Chan Quan [2006] of No. 274;
10. Notice on Matters concerning Verification of State-owned Assets Valuation Report of Enterprise issued by the State-owned Assets Supervision and Administration Commission of the State Council with Guo Zi Chan Quan [2009] of No. 941;
11. Jing Guo Zi Fa [2008] No. 5 Notice on Printing “Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises in Beijing City” issued by the State-owned Assets Supervision and Administration Commission of Beijing Municipality;
12. “Notice of the Ministry of Finance and the State Administration of Taxation on Several Issues concerning the National Value-added Tax Transformation and Reformation” (issued by the Ministry of Finance and the State Administration of Taxation with Cai Shui [2008] No. 170);
13. Enterprise Income Tax Law of the People’s Republic of China;
14. Implementation Regulations for Enterprise Income Tax Law of the People’s Republic of China;

15. Notice of the Ministry of Finance and State Administration of Taxation on Related Tax Issues of Implementation of Decision of the State Council on Strengthening Technical Innovation, High-tech Development and Industrialization (Cai Shui Zi [1999] No. 273);
16. Other laws, rules and regulations and regulatory frameworks relevant to the assessment of assets.

(III) Basis of valuation principles

1. "Principles for Assets Appraisal – Basic Principles" (Cai Qi (2004) No. 20);
2. "Ethical Norms for Assets Appraisal – Basic Norms" (Cai Qi (2004) No. 20);
3. "Principles for Assets Appraisal – Appraisal Report" (Zhong Ping Xie [2007] No. 189);
4. "Principles for Assets Appraisal – Appraisal Procedures" (Zhong Ping Xie [2007] No. 189);
5. "Assets Valuation Standards -Machinery and Equipment" (Zhong Ping Xie [2007] No. 189);
6. "Guidance on Price Model of Assets Appraisal" (Zhong Ping Xie [2007] No. 189);
7. "Guidance on Valuation of Enterprises" (Trial) (Zhong Ping Xie [2004] No. 134);
8. "Guidelines on Appraisal Reports of State-owned Assets of Enterprises" (Zhong Ping Xie [2008] No. 218);
9. "Guidance to Entitlement of Target of Valuation for Certified Assets Appraisers" (Hui Xie [2003] No. 18).

(IV) Basis of ownership

1. Property Rights Certificate of State-owned Assets;
2. Purchase agreement or credentials of major assets;
3. Other contracts, legal documents and materials in relation to acquisition and use of enterprise assets.

(V) Basis of pricing

1. Notice on Certain Issues Concerning the Value-added Tax Transformation and Reform (Cai Shui [2008] No. 170);
2. The data acquired and collected by valuers through market research;
3. Relevant information on listed peer companies issued by Wind Information;
4. The budget of BJCS in 2011 and its profit forecast for the future operation period.

(VI) Other reference materials

1. Breakdown of assets declaration provided by BJCS;
2. Commonly-Used Data and Parameter Handbook for Assets Valuation (Second Edition) (China Science and Technology Press);
3. Audit reports of BJCS for previous years and on the valuation base date;
4. Other related information.

VII. VALUATION METHODS

Basic assets valuation methods comprise market approach, income approach, and cost based approach. The valuator shall base on the difference between the target of valuation, the types of the value and the collection of data, etc. in assessing the applicability of these three approaches and choose one or more basic assets valuation methods as appropriate.

Market method is a valuation method whereby the value of the target of valuation is determined by comparing the target of valuation with reference enterprises, enterprises with market transaction records as well as equity assets such as equity interests and securities. Applicable conditions are (1) a well-developed and active assets market is available; (2) reference and its indicators and parameters comparable to the appraised assets are collectable and quantifiable.

Income method: the application of income method shall meet two preconditions: firstly, the appraised assets must be the individual or overall assets whose expected future income can be measured in currency; secondly, the risks borne by the assets owners shall also be measurable in currency.

Asset-based method is a valuation method whereby the value of the target of valuation is determined on the basis of a reasonable assessment of the value of all assets and liabilities of an enterprise. This method determines the “underlying” value of an enterprise from a view of assets replacement, mainly by assessing each and every asset, liability of the appraised entity to determine the value of each item and ultimately the overall value of the enterprise. The applicable conditions are (1) the availability of the historical information; (2) expenditure which is necessary to build the asset’s value and should be approximate to social or industry average, in other words, the value of the assets depends on the cost of the assets.

According to the actual situation of the economic behavior contemplated under the valuation engagement as well as the specific conditions of the target of valuation, we have adopted asset-based method and income method as the valuation methods for this Project.

I. Asset-based method

Asset-based method, also known as cost method, refers to the valuation method that the value of the target of valuation is determined on the basis of reasonable assessment of the value of all assets and liabilities of the enterprise. The value of all assets shall be calculated by adopting proper valuation methods in line with the actual conditions. The valuation methods of various assets and liabilities are as follows:

(I) Current Assets

1. Currency assets include cash and bank deposits.
 - (1) In respect of cash, the valuator shall examine the cash on hand to ascertain the consistency between the actual amount and book value. The appraised value of cash is determined according to the verified book value.
 - (2) In respect of bank deposits, the valutors shall check with bank statements as well as bank reconciliation statements and carry out the confirmation of bank deposits on the basis of the declaration form of valuation, so as to ascertain the consistency between the actual amount and book value. The appraised value of bank deposits is determined according to the verified book value.
2. Current assets comprising debtors: accounts receivable, prepayments and other receivables.

For accounts receivable and other receivables, valutors have been advised of the causes of debtors and age analysis, etc. by the financial department. In addition, valutors have reviewed the relevant account books and original vouchers and carried out confirmation of the accounts receivable in large amounts, so as to ascertain its authenticity

and accuracy. Valuators have analyzed the collectability of confirmation letters, the conditions of debtors, the nature of debtors and the time of the occurrence of debtors in a thorough manner. Upon the verification, valuers have taken the verified book value as the appraised value.

For prepayments, valuers have acquired relevant information from related personnel of the enterprise and verified the prepayments. There is no evidence indicating the difficulty in recovery of goods or the formation of corresponding assets or equity. Valuers have taken the verified book value as the appraised value.

3. Inventories: raw materials, revolving materials on hand, stocks of merchandise and development costs of projects.

For raw materials, revolving materials on hand and stocks of merchandise, the valuers have reviewed the original vouchers such as the purchase invoices of inventory and warehousing receipts. The book value of inventory is the market price excluding tax, and the market price is equivalent to the delivery price, which contains other fees and costs, including freight and sundry charges. The compositions of the book value are considered to be complete. The valuers have conducted random stocktaking and on-site inspection of the warehouse inventory, and acquired necessary inventory records to ascertain the quantity of inventory. Upon market inquiry, valuers are of the opinion that the booked unit price of this kind of inventory is approximate to the prevailing unit price excluding tax. Therefore, the appraised value is determined by multiplying the verified quantity by the unit price excluding tax.

For the valuation of development costs of projects, the valuers have checked account with account and account with statements, carried out spot-check of relevant original vouchers, recognition particulars of expenses, project contracts and other supporting documents. Upon verification of the development costs of projects, valuers have taken the verified book value as the appraised value.

4. Other current assets

For other current assets, the valuers have acquired general information on current assets from the financial department, checked account with account, account with statement, ascertained the consistency between actual amount and book value, and carried out spot-check of the relevant original vouchers, lease contracts and other supporting documents. Upon verification of the conditions of other current assets, amortization period and balance of other current assets, valuers have taken the verified book value as the appraised value.

(II) *Non-current assets*

1. Machinery and equipment

Cost method has been adopted to assess the value of the equipment. Firstly, a brand-new status is reconstructed for the appraised assets under the current conditions and the overall costs required by the appraised assets are deemed as the replacement costs. Then a comparison is made between the appraised assets and the brand-new status to determine the degree of freshness. The appraised value is calculated on the basis of multiplying replacement costs by the degree of freshness.

The formula is: $\text{appraised value} = \text{replacement costs} \times \text{degree of freshness}$

(1) Composition and determination of replacement costs

Replacement costs are the overall costs occurred for the appraised equipment under current status on the valuation base date.

BJCS is the ordinary taxpayer of value-added tax. According to the Order No. 538 Provisional Regulation of the People's Republic of China on Value-added Tax issued by the State Council, the input tax of value-added tax for the equipment purchase of BJCS on the valuation base date may be deducted if required conditions are met. The assessment of the replacement costs has not taken the input tax of value-added tax into account.

The equipment assets of BJCS are machinery equipment and electronic equipment, which are all ready-to-use equipment upon purchase. The sellers or the manufacturers are responsible for delivering goods, installation and testing, therefore other costs are basically negligible except the purchase price. As a result, the valuation of the replacement costs of machinery and equipment can be determined by directly deducting the value-added tax from the purchase price of equipment. In the event that the input tax of value-added tax cannot be deducted, the purchase price of equipment can be directly taken as the replacement cost.

Determination of purchase prices

Determining prevailing market prices by conducting market inquiry: directly inquiring the sellers or the manufacturers about the prices, or referring to the price lists provided by distributors and the price information published on the internet, and considering the possible floating range to determine the prevailing market prices.

For the equipment which is out of stocks and no longer in production, the second-hand price of the equipment can be directly taken as its purchase price.

(2) Determination of degree of freshness

The degree of freshness of equipment is determined by adopting useful economic life method.

The useful life of various equipment has been determined with reference to the relevant information, including Commonly-used Data and Parameter Handbook for Assets Valuation by valutors with their experience.

The formula:

$$\text{Degree of freshness} = (1 - \text{useful life consumed} / \text{useful life}) \times 100\%$$
$$\text{or} = \text{remaining useful life} / (\text{actual useful life} + \text{remaining useful life}) \times 100\%$$

2. Intangible assets: valuers have acquired the information on the main functions and features of intangible assets, and verified the purchase contracts, invoices and evidence of payment of intangible assets. As to the office software of the enterprise, the appraised value is determined according to the replacement cost of the software on the valuation base date after inquiring quotation of the software supplier; as to the general software purchased externally which is available in the market on the valuation base date but without upgraded version, its appraised value is determined according to the price of the software of the same type on the valuation base date; as to the software purchased externally which is available in the market only in the form of a upgraded version, its appraised value is determined by deducting the software upgrade cost from the prevailing market price. As to 10-year franchise rights of Bird's Nest, the valutors have verified the rationality and accuracy of its booked purchase cost, amortization period and value of the balance and taken the

verified book value as the appraised value; as to Kingdee Software V10.3 which has been replaced by the new financial software and has only been used for reviewing accounts for previous years, the valuers have verified the rationality and accuracy of its booked purchase cost, amortization period and value of the balance and taken the book value as the appraised value.

3. Long-term deferred expenses: the valuers have verified the legality, rationality and authenticity of all long-term deferred expenses, acquired the information on the expense payment and balance of expenses. Upon verification of the amortization period, the remaining months for income recognition and the procedures of amortization, the valuers have taken the verified book value as the appraised value.

(III) Liabilities

All liabilities are classified as current liabilities, mainly including the accounts payable, receipts in advance, employees' remuneration payable, taxes payable and other payables. For the liabilities, the valuers have verified the book value according to the statements of various items and relevant financial information provided by the enterprise and taken the actual liabilities that should be undertaken by the enterprise as the appraised value.

II. Income method

Income method applied in the valuation of enterprises is a valuation method whereby the value of the target of valuation is determined by capitalizing or discounting the expected revenue of the appraised enterprise. The expected revenue used in the income method can be measured through cash flow, different forms of profits or cash dividends.

The preconditions for adopting the income method are as follows: the enterprise possesses the basis and conditions for ongoing operation; there is a relatively stable correlation between operation and revenue, and that future expected revenue as well as risks can be projected and quantified. The key to use the method of discounted cash flow is the forecast of future expected cash flow, as well as the objectivity and reliability of data acquisition and processing. When the calculation of future expected cash flow is more objective and fair and the selection of discount rate is more reasonable, the valuation results will better reflect the overall value of the enterprise and thus will be easily accepted in the market.

The valuation model adopted for the income method is free cash flow model.

Free cash flow of the enterprise = operating profit after tax - net investment

Including: Operating profit after tax = profit after tax + interest expense × (1 – income tax)

Net investment = capital expenditures + increase of working capital – depreciation and amortization

The value of the partial equity interests of shareholders are determined by multiplying the market value of entire equity interest of shareholders by the percentage of the appraised equity to entire equity.

Indirect method has been adopted for assessing the entire equity of shareholders. On the basis of the actual existing operating conditions of the appraised enterprise, the entire equity of shareholders is assessed by deducting interest-bearing debts from the overall value of the appraised enterprise which is measured at the present value of cash flow before interest and after tax that is estimated in stages plus the present value of assets calculated with the approach of individual assessment. Firstly, conducting the forecast on cash flow before interest and after tax of BJCS from September 1, 2011 to 2016; Secondly, assuming that the enterprise will be subsisting after 2016, and the cash flow before interest and after tax after 2016 will be equivalent to that of 2016; then discounting the cash flow before interest and after tax of the aforesaid two phases according to the selected discount rate; using appropriate valuation methods to determine the present value of assets under individual assessment; lastly, measuring the overall value of BJCS by aggregating the said present values minus the interest-bearing debts to determine the entire equity of shareholders of BJCS.

The formula is:

$$P = \sum_{t=1}^n [R_t \times (1+r)^{-t}] + R_n \times (1+r)^{-n} - \text{Interest-bearing debts} + \text{Present value of assets under individual assessment}$$

In the formula: P represents the value of the entire equity of shareholders

R_t: represents the cash flow before interest and after tax of the year of t

r: represents the weighted average cost of capital

t: represents the year for forecast

n, n + 1: represent respectively the final year of forecast period and the first year after the forecast period

The cash flow before interest and after tax of the year of n +1 refers to the cash flow before interest and after tax of the first year after the forecast period.

In accordance with the principle of consistency in measurement between the income amount and the discount rate, the income for this valuation is measured through cash flows before interest and after tax, and the discount rate adopted for the valuation is the weighted average cost of capital (WACC), that is the return rate of investment capital, a composite return rate determined by the structure of the shareholders' equity capital and interest-bearing debt capital and return rates. It is also known as the cost of investment capital.

The formula is:

$$WACC=K_e*W_e+K_d*(1-T)*W_d$$

K_e : the cost of equity capital of shareholders

K_d : the cost of debt capital

W_e : the percentage of equity capital of shareholders in the capital structure

W_d : the percentage of interest-bearing debt capital in the capital structure

T : effective income tax rate of the enterprise

Considering the status and prospects of our country and the industry and analyzing the operating advantages and risks of BJCS, valuers have conducted necessary analysis, judgment and adjustments for the profit forecast provided by the enterprise and determined the forecast data adopted for this valuation.

Present value of assets under individual assessment refers to the sum of the appraised values of the assets that do not contribute to operating cash flows of profit forecast, assets that are not involved in operating cash flow cycle and assets which are difficult to predict future operating cash flows and can be assessed independently calculated on the valuation base date by using the valuation methods other than the model of income method. The assets under individual assessment of the Project include overage assets and non-operating assets.

Interest-bearing debts refer to the debts that provide funds for the enterprise and charges interest simultaneously.

VIII. IMPLEMENTATION COURSE AND CONDITIONS OF VALUATION PROCEDURE

This valuation includes preparatory work, site investigation, valuation and estimation, meta-analysis and report writing. The valuation process began on October 18, 2011 and was completed on December 15, 2011.

(I) Stage of engagement

Jingdu Zhong Xin Assets Appraisal Company Limited has been engaged by the Company to carry out assets valuation on the target assets. On the basis of valuation purpose, valuation date, target of valuation and range, it has prepared the valuation plan and officially signed the Asset Valuation Engagement Letter with the Principal.

(II) The preparatory stage of the valuation

After accepting the engagement, the valuers instructed BJCS to carry out inspection on assets, collect and prepare data needed by the asset valuation, and fill in and report the list of assets.

(III) The stage of valuation

According to the relevant principles and provisions of the asset valuation, the valuers carried out site investigation and valuation, and performed the following valuation procedures on the target assets:

1. Collecting the list of assets and various financial management and sales data, instructed related financial staff and asset management in the enterprise to register and report carefully and correctly on the basis of inspection of the assets and according to the Detailed Statement of Assets Valuation provided by the valuation agency and its filling requirements and list of data, and collecting the documents of title of the target assets and documents that reflect their performance, state, economic and technical indicators and so on.
2. According to the inventory of assets, the valuers performed on-site inspections, verifications and documentation of physical assets and recorded, obtained information regarding the conditions of operation and management of assets from relevant personnel. Then, the valuers acquired the details of specific appraised assets by reviewing relevant data and drawings. Then, the valuers performed inspections to examine various detailed statements assets valuation, checked whether there were any incomplete content, indefinite asset items and checked whether there were any omission in the detailed statement of assets valuation according to experience and data mastered. Complementing, modifying and perfecting the detailed statement of assets valuation, and perfecting the detailed statement of assets valuation according to the on-site inspection results, to ensure the statement was consistent with the facts.
3. Verifying documents of title.
4. Acquiring the base of valuation and data of the market price.

5. Carrying out financial analysis and adjustment according to data obtained.
6. Collecting and calculating various parameters, and estimating the appraisal valuation according to the specific valuation methods.
7. During the valuation, all valuers are required to apply consistent methods and standards, and carry out self-inspection and mutual inspection on the detailed statement of the valuation, work sheet, and the valuation explanation.

(IV) The stage of concluding the valuation

The valuers performed the following valuation procedures according to the primary valuation conclusion:

1. Comprehensively analyzing the primary valuation conclusion, adjusting, modifying and perfecting the valuation conclusion and reaching the valuation conclusion;
2. Composing the valuation explanation and the valuation report;
3. Carrying out three-tier review, and complementing and modifying the valuation report and the valuation explanation.

(V) The stage of submitting the Valuation Report

Submitting the first draft of the Asset Valuation Report to the Principal and relevant parties for discussion, and address to issues concerned. Complementing and modifying the Valuation Report again, issuing the Asset Valuation Report on the revised basis and submitting it to the Principal.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. The existing laws, regulations, the relevant policies on the related industry and regulatory measures of the PRC will not experience material changes;
2. The political, economic and market environment of the jurisdiction where the enterprise is located will not experience material changes;
3. The various taxes applicable to the enterprise will not experience material changes in aspects including the basis of collection, calculation method and tax rates;

4. The enterprise fully complies with the laws and regulations of the PRC;
5. We performed general investigations on the appraised assets in relation to their legal descriptions or legal matters (including its ownership or encumbrance restrictions) as set out in the Valuation Report according to principles. Unless otherwise revealed in the Valuation Report, we assume the appraised assets are marketable with proper ownership, lien-free and not violated nor subject to other encumbrance restrictions;
6. The valuation conclusion of the Valuation Report is based on the data provided by the Principal and the entity being valued, and we assume that data provided by the Principal and the entity being valued is objective and reasonable, authentic, legal and complete and the property right to the target assets is clear;
7. We shall not undertake any liability for any changes in market conditions, and are not obliged to modify our valuation report for matters occurring after the valuation date;
8. We assume that the entity being valued performs the obligation of the owner of the assets responsibly and carries out effective management on related assets competently;
9. We assume that all the modifications made to the relevant assets by the entity being valued complies with all the relevant legal provisions and other legal, planning and construction requirements prescribed by the competent authorities;
10. Except for special explanation, the Valuation Report does not take into account any present or future mortgage and guarantee, special mode of transactions, other informal factors that affect the appraisal valuation, the impacts on the valuation conclusion caused by any changes in the state's macroeconomic policies, natural forces or other force majeure.

(II) Special assumptions

1. We assume that the asset listed in the scope of valuation can be used continuously and are under public market conditions;
2. We assume that the entity being valued conducts operations on a going concern basis under the existing business type and asset size;
3. BJCS is a high-tech enterprise and the current income tax rate imposed is 15%. We assumed during the valuation that the tax incentive can be sustained;

4. The existing laws, regulations, policies and guidelines of the PRC will not experience material changes; the macro-economic situation of the PRC will not fluctuate greatly; the local political, economic and social environment will not experience material changes;
5. The asset and the business of the enterprise are not the subject of any legal dispute or hindrance and the property right of the asset is clear;
6. We assume that the enterprise will not encounter material problems with regard to fund recovery (i.e. bad debt). There is no change in the time and means for collecting the accounts receivable;
7. Relevant interest rate of credit facilities, the basis of tax and tax rate, foreign exchange rate and market environment will change within normal parameters or the scope as set by the government;
8. Except for matters described above, there is no significant adverse effect caused by other unpredictable and force majeure factors.

The valuation conclusion is drawn on the basis of the valuation assumptions above. In the event that the valuation assumptions above change, the Valuation Conclusion will be invalid.

X. VALUATION CONCLUSION

(I) Valuation Conclusion

1. According to the valuation performed using the asset-based method, the appraised value of the assets of BJCS' on-going operation amounted to RMB55,694,300, representing an increase of RMB575,700 or 1.04% as compared with the book value of RMB55,118,600. Both the book value and the appraised value of liabilities amounted to RMB8,575,900, The appraised value of the net assets amounted to RMB47,118,400, representing an increase of RMB575,700 or 1.24% as compared with the book value of RMB46,542,700 (set out on the table below).

Summary of the Assets Valuation Conclusion

Unit:
RMB ten
thousand

Item	Book	Appraised	Increase	Rate of
	Value	Value	or Decrease	Increase %
	A	C	D=C-B	E=(C-B)/ B×100%
Total current assets	3,797.73	3,797.73	-	-
Currency capital	1,900.59	1,900.59	-	-
Accounts receivable	528.37	528.37	-	-
Prepayment	126.21	126.21	-	-
Other accounts receivable	820.28	820.28	-	-
Inventory	328.62	328.62	-	-
Other current assets	93.67	93.67	-	-
Total non-current assets	1,714.13	1,771.70	57.57	3.36
Fixed assets	461.47	490.89	29.42	6.38
Intangible assets	1,193.02	1,221.17	28.15	2.36
Long-term deferred expenses	59.64	59.64	-	-
Total assets	<u>5,511.86</u>	<u>5,569.43</u>	<u>57.57</u>	<u>1.04</u>
Current liability	<u>857.59</u>	<u>857.59</u>	-	-
Total liabilities	<u>857.59</u>	<u>857.59</u>	-	-
Net assets (Owners' Equity)	<u>4,654.27</u>	<u>4,711.84</u>	<u>57.57</u>	<u>1.24</u>

The Company holds 25% of the equity interests of BJCS which has a market value of RMB11,779,600, (without taking into account of the discount effect of minority interests).

2. Final Valuation Conclusion

According to the profit forecast as at the end of the year 2016, BJCS is expected to experience negative free cash flow from September 1 2011 to 2016. In 2010, BJCS realized the transition of its business from IT system integration to ticket operation services. The core business of BJCS has yet to be developed after the transition and the initial investment is substantial. In view of the circumstances and taking consideration of the business transition and

uncertainties as to the time required for improvement in the business management, the results derived from the income method are not applicable. We adopted the results derived from the asset-based method as the Valuation Conclusion.

(II) Analysis of Valuation Conclusion

The appraised value of the entire equity of shareholders of BJCS amounted to RMB47,118,400, representing an increase of RMB575,700 or 1.24% as compared with the book value of RMB46,542,700. The market value of the Company's holding of 25% of the equity interest in BJCS is RMB11,779,600, (without taking into account of the discount effect of minority interests).

The main reasons for the increase in the value under this valuation engagement are as follows:

1. The increase in value of intangible assets. The reason for the increase is that the book value of intangible assets is the remaining value after amortization based on straight line method whereas the appraised value is the market value of the intangible assets, resulting in the increase in the value of intangible assets.
2. The increase in the value of machinery and equipment. One of the reasons is that the increase in costs of labor, materials and machinery in recent years has led to a rise in the purchase price of equipment; another reason is that the useful economic life of the equipment and the recovery period applied in depreciation accounting are different. The combined effect of the two reasons led to the increase in the value of the appraised equipment.

Our valuation conclusion is drawn according the valuation. As for details of the valuation conclusion, please refer to the Detailed Statement of Valuation.

XI. SPECIAL MATTERS

This Valuation Report is prepared based on all information provided by the management of BJCS or other parties. BJCS shall be fully responsible for the authenticity, legality, and completeness of the information. In the event that defective matters that may affect the valuation conclusion in relation to BJCS and such matters were not specifically explained during the engagement stage, or explicitly expressed with detailed information provided during the on-site investigation, and that the valuers were not able to acquire such information according to their professional experience, the valuation agency and valuers shall not bear any responsibilities thereof.

Matters beyond the expertise and ability of the valuer arisen during the valuation process that may have impacts on the valuation conclusions are as follows (including but not limited to):

(I) Incomplete or defective ownership

According to the Code of Practices for assets valuation industry, the purpose of asset valuation conducted by certified asset valuer is to estimate the value of the target of valuation. Giving confirmation of or advice on the legal ownership of the target of valuation are beyond the scope of certified asset valuer's practice. Principal and related parties shall provide information such as the legal ownership of the target of valuation and assume liability for the authenticity, legality and completeness of the legal ownership of the target of valuation.

According to "Guiding Opinions of Certified Asset Valuer on the Legal Ownership of the Target of Valuation", the valuer has paid due attention to the property right within the scope of the valuation of BJCS, and there is no defect in the ownership of the assets of the appraised enterprise in accordance with the information provided by the Principal and the appraised enterprise.

(II) The matters arisen during the period between the valuation base date and valuation report date that may have impacts on the valuation conclusion

After the valuation base date, in the event that any changes in the quantity of assets occurred within the term of validity of this Valuation Report, the assets shall be assessed according to the original valuation method and corresponding adjustments shall be made. In the event that the pricing standard of the assets changes due to special reasons and imposes significant impacts on the asset valuation, the Principal shall put forward its request and the valuation agency will revalue the appraised assets according to the actual conditions.

(III) Other important matters

1. This valuation takes no account of the potential tax consequences that may arise from the future economic activity.
2. This valuation takes no account of rights and obligations beyond the appraisal scope engaged by the Principal and the appraised enterprise, such as contingent income, contingent assets or contingent liabilities.
3. According to the information provided by the enterprise, BJCS did not have any mortgages or guarantees on the valuation base date. This valuation takes no account of impact of the potential mortgage, guarantees or other rights on the valuation conclusion.
4. This valuation takes no account of the effect on the future revenue of the enterprise brought by the changes of the controlling shareholder upon the future transfer of equity interests.

5. Paragraph 3 of Article 2 of “Notice of the Ministry of Finance and State Administration of Taxation on Related Tax Issues of Implementation of ‘Decision of the State Council on Strengthening Technical Innovation, High-tech Development and Industrialization’” (Cai Shui Zi [1999] No. 273) provides that entities and individuals (excluding wholly foreign-owned enterprises and foreign individuals) engaged in technology transfer and development shall be exempt from business tax provided that the written contract for the technology transfer and development had been registered with the science and technology bureau at provincial level where the taxpayer is located, and the written contract and the reviewed opinion from the science and technology bureau had been submitted to the local tax bureau at provincial level. To our knowledge, the technology development contracts of BJCS for previous years have all been registered with the Beijing Municipal Science and Technology Bureau and have been submitted to the Beijing Local Taxation Bureau, which will enjoy business tax exemption under the tax preferential policy. This valuation assumes that all of the technology development contracts of BJCS for the coming years will be registered with Beijing Municipal Science and Technology Bureau and will be submitted to the Beijing Local Taxation Bureau, so as to enjoy business tax exemption under the tax preferential policy.

The valuation conclusion on accounts receivable do not represent the guarantee of the collectability of the related amounts by the valuation agency.

The valuation conclusion has not taken into account any contingent debt or off-balance sheet debt of BJCS.

Users of the Valuation Report shall pay attention to special matters above which may have impacts on the valuation conclusion and the pricing of the transaction.

XII. NOTES ON RESTRICTION ON THE USAGE OF THIS REPORT

1. The Valuation Report shall only be used for the purpose and function specified in the Valuation Report.
2. In the event that any part or all of the contents of the Valuation Report is intended to be extracted, quoted or disclosed to the public media, the related content shall be reviewed by the valuation agency, unless otherwise stipulated under the laws and regulations or agreed by the parties.
3. The Valuation Report will become legally binding after being signed and sealed by the valuation agency and the certified asset valuer of the PRC according to relevant provisions under the laws and regulations of the PRC.

4. The term of validity of the Valuation Report is one year, from August 31, 2011 to August 30, 2012. During this period, if the valuation purpose is served, the valuation conclusion shall be used as the reference for determining the price, subject to adjustment according to post valuation events. Any usage of the valuation conclusion set out in the Valuation Report after the expiry of the one year period shall become invalid.

XIII. VALUATION REPORT DATE

The Valuation Report is formally put forward on December 15, 2011.

Asset valuation agency: Beijing Jingdu Zhong Xin Assets Appraisal Company Limited.

Legal representative of the asset valuation agency: Ma Tao

Certified asset valuer of the PRC: Li Xiao-li

Certified asset valuer of the PRC: Sun Li

The following is the text of an asset appraisal report of SN from Beijing Jingdu Zhong Xin Asset Appraisal Company Limited, a qualified independent valuer in the PRC:

DISCLAIMER OF THE CERTIFIED ASSET VALUER

1. We carry out assets valuation based on the relevant laws and regulations and the standards of asset valuation on the principle of independence, objectiveness and justness. Based on the information collected in the course of our valuation, statement in the valuation report is objective, and we assume corresponding legal responsibilities for the reasonableness on the conclusion of the valuation.
2. Lists of the assets and liabilities in connection with the target of valuation has been provided and declared by the entity being valued with their signatures and seals. The Principal, the entity being the management of the relevant related parties shall be responsible for the authenticity, legality, and completeness of the data provided as well as the appropriate usage of the valuation report. All the materials related to the valuation provided by the Principal, the entity being valued, management and officers of the relevant parties as well as other personnel are the basis for the preparation of this report. As to the defective items existing in the target of valuation that may affect the conclusion of the valuation conclusion, the valuation agency and valuers will not undertake any responsibility in the event that there is no special explanation upon engagement or no explicit description given for investigation on valuation site and the valuers are generally not in a position to become aware of such defective items based on professional experience.
3. We do not have or expect to have any interests in the target of the valuation set out in the valuation report, and we do not have or expect to have any interests with or prejudices against any relevant parties.
4. We have carried out on-site investigation on the target of valuation and the related assets thereof as mentioned in the valuation report. We have paid due attention to the legal ownership of the target of valuation and the assets thereof and faithfully disclosed all findings after examining relevant documents. We have also urged the Principal and the relevant parties to fulfill their property ownership formalities so as to meet the requirements for issuing the valuation report. The certified assets valuer has no capacity to confirm the legal ownership of target of valuation or give opinions thereon, therefore we will not make any guarantee on the authenticity of legal ownership of the target of valuation in any form.
5. Analysis, judgment, and conclusions in the valuation report issued by us are restricted by the assumptions and confining conditions set out in the valuation report. Users of this report shall give due consideration to the assumptions, confining conditions, and explanations for special matters stated in the valuation report as well as their impacts on the conclusions of the valuation.
6. We have made evaluation and issued professional opinions on the value of the target of valuation, which is a kind of reference for realizing economic behavior and we do not assume any decision-making responsibility for the relevant parties. The conclusions of the valuation shall not be considered as guarantee for the realization of the value of the target of valuation.

ASSETS VALUATION REPORT ON PROPOSED TRANSFER OF TOTAL EQUITY OF BEIJING SHUINIAO TICKET COMPANY LIMITED (“SN”) HELD BY CAPINFO COMPANY LIMITED (THE “COMPANY”)

Jingdu Zhongxin Ping Bao Zi (2011) No. 0085

Capinfo Company Limited:

As engaged by the Company, according to necessary valuation procedures, Beijing Jingdu Zhong Xin Assets Appraisal Company Limited has verified, inquired about and collected materials on the ownership, obligations and operating conditions of the assets entrusted to be valued and carried out relevant on-site investigation, market research and confirmation in accordance with the relevant laws and regulations and the standards of asset valuation, and on the principle of independence, objectiveness and justness. On this basis, we have conducted valuation in relation to the market value of the entire equity in SN involved in the proposed transfer of the total equity of SN held by the Company Limited as at August 31, 2011. The assets valuation report is as follows:

I. INFORMATION OF THE PRINCIPAL, THE SUBJECT ENTITY OF THE VALUATION AND USERS OF THE VALUATION REPORT OTHER THAN THE PRINCIPAL AS SPECIFIED IN THE BUSINESS AGREEMENT

The Principal of the Project is the Company, the Subject Entity of the valuation is SN. The users of the valuation report include other related parties involved in this economic behavior as well as users of the valuation report expressly prescribed by the laws and regulations of the PRC, such as competent authorities.

(I) Overview of the Principal

1. Company name: Capinfo Company Limited

Registered address:	No. 11, Xi San Huan Zhong Road, Haidian District, Beijing (North Gate of the Base of CCTV Tower)
Registered capital:	RMB289,808,609
Legal representative:	Xu Zhe
Type of enterprise:	Classified under other joint stock companies with limited liability (listed company)

2. *Nature, history and development of the Principal*

Capital Information Development Company, the predecessor of the Company, was established in January 1998 with joint contribution from six shareholders, namely, Beijing Stated-Owned Assets Entity (currently Beijing State-Owned Assets Management Co., Ltd.), Post and Telecom Data Network Integration Development Centre, Beijing Telecommunication Investments Co., Ltd, Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd, Beijing Cable Broadcasting Network Center (currently Beijing Gehua Cable TV Network Co., Ltd.) and China Financial Data Network Co., Ltd. It is a high-tech company principally engaged in internet technology and service application. In July 2000, the Company completed its shareholding reform and was renamed as Capinfo Company Limited. On December 21, 2001, the Company was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8157). In 2008, after adjustment of shareholding structure, the shareholding of Beijing State-Owned Assets Management Co., Ltd. was adjusted to 63.31%. On January 21, 2011, the Company successfully realized the transfer of listing from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1075).

The current shareholding structure is as follows:

	Number of Shares	Percentage of Shareholding
Beijing State-Owned Assets Management Co., Ltd.	1,834,541,756	63.31%
Beijing Sino-Sky Radio, TV & Communication Technology Co., Ltd.	102,832,000	3.55%
Beijing BAMC Investment and Development Center	102,832,000	3.55%
Beijing Telecommunication Investments Co., Ltd.	52,832,000	1.82%
China Financial Computerization Crop.	30,550,335	1.05%
Public	<u>774,498,000</u>	<u>26.72%</u>
Total	<u><u>2,898,086,091</u></u>	<u><u>100.00%</u></u>

(II) Overview of the Subject Entity of the Valuation

1. SN

Registered address:	Suit 3-7, Floor 3, Southwest Building, National Aquatics Center, No. 11 Tian Chen East Road, Chaoyang District, Beijing
Registered capital:	RMB300,000
Type of enterprise:	Classified under other joint stock companies with limited liability
Legal representative:	Wang Xu
Operation period:	10 years

2. *Nature, history and development of the subject entity of the valuation*

SN is a limited liability company established by the Company on June 26, 2006 with a capital contribution of RMB300,000. On July 15, 2011, the registered address of SN was changed to National Aquatics Center and the scope of business was changed to ticket agency. On November 2, 2011 it was officially renamed as Beijing Shuiniào Ticket Company Limited.

3. *Scope of Business*

Ticket agency; economic and trade consultation; market research; meeting and exhibition service; organization of cultural and artistic activities (excludes performance); computer system service; data processing; computer maintenance; basic software service; application software service; technical promotion service; technical testing; sales of computers, software and ancillary equipment, communication equipment, stationery, sports products; operation of sports projects (excludes chess and cards).

4. *The assets, liabilities and financial positions on the valuation base date and for the latest three years*

SN did not generate any revenue as it has not commenced business operation since its establishment in 2006.

Asset, liabilities and financial position for the latest three years and on valuation base date:

RMB ten thousand

Item	August 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Total Assets	23.79	23.98	24.12	24.94
Liabilities				0.08
Net Assets	<u>23.79</u>	<u>23.98</u>	<u>24.12</u>	<u>24.86</u>
	January – August 2011	2010	2009	2008
Revenue for principal business	-	-	-	-
Cost for principal business	-	-	-	-
Profit for principal business	-	-	-	-
Total (loss)/profit	<u>(0.18)</u>	<u>(0.14)</u>	<u>(0.74)</u>	<u>0.15</u>
Net (loss)/profit	<u>(0.18)</u>	<u>(0.14)</u>	<u>(0.74)</u>	<u>0.15</u>

The accounts of SN are audited by Jingdu Tinwha Certified Public Accountant. Jingdu Tinwha Certified Public Accountant has audited the financial statement of the company as at August 31, 2011, and issued Jingdu Tianhua Shen Zi [2011] No. 1388 auditor report with unqualified audit opinion. It considers the financial statement of SN is prepared in accordance with the requirements of Accounting Standards for Business Enterprises — Basic Standards published by Ministry of Finance in 2006 which gives a fair view of the financial positions, operation results and change in the capital of the company in all material aspects and complies with the principle of consistency in selection of accounting method.

(III) Relationship between entrusting party and entity being valued

The Company, the controlling shareholder of SN, holds the entire interest of SN.

II. VALUATION PURPOSE

Pursuant to the resolution of the 27th meeting of the fourth session of the Board of the Company, the Company proposed to transfer all equity interest of SN, for the purpose of which, the valuation is to provide reference to the market value of all equity interest of SN in relation to equity transfer on the valuation base date for all relevant parties.

III. TARGET AND SCOPE OF VALUATION

1. The target of valuation of the Project is the audited value of entire equity interest of SN on the valuation base date.
2. The scope of valuation of the Project is audited current asset presented in the balance sheet of SN on the valuation base date, together with details list provided by SN:

RMB ten thousand

Item	Carrying value
Current Assets	23.79
Total Assets	23.79
Total Liabilities	0.00
Net Assets (Owners' Equity)	<u>23.79</u>

Current assets are all currency capital, including cash and bank deposit.

3. The target and scope of valuation under the valuation engagement are consistent with those involved in the proposed transfer.
4. The accounts of SN are audited by Jingdu Tinwha Certified Public Accountant. Jingdu Tinwha Certified Public Accountant has audited the financial statement of SN as at August 31, 2011, and issued Jingdu Tianhua Shen Zi [2011] No. 1388 auditor report with unqualified audit opinion. It is of the valuation considers the financial statement of SN is prepared in accordance with the requirements of Accounting Standards for Business Enterprises — Basic Standards published by Ministry of Finance in 2006 which gives a fair view of the financial positions, operation results and change in the capital of SN in all material aspects and complies with the principle of consistency in selection of accounting method.
5. SN did not provide information on off-balance sheet intangible assets.

IV. TYPE AND DEFINITION OF VALUE

The type of the valuation for the valuation engagement is market value.

Market value represents the estimated amount for which certain assets should exchange on the valuation base date between willing buyer and willing seller in an arms-length transaction after proper marketing whereby each of the parties have acted prudently, knowledgeably and without any compulsion.

“Appraisal valuation” refers herein means the net asset value of the company, which is derived from the replacement value of the assets recalculated on the basis of the market price as at the valuation base date as shown in the financial statement on an ongoing operation basis, less depreciation factors and recognized amounts of liabilities. Subject to the agreed target of valuation and objectives under the assessment principle, assumptions and precedent conditions set out herein, the valuation can only be used for provision of opinions for the purpose agreed herein according to the procedures and methods as set out in this report.

V. VALUATION BASE DATE

The valuation base date for the valuation engagement is August 31, 2011.

In order to ensure that the valuation conclusion will effectively serve the purpose of valuation, the following have been taken into account when determining the valuation base date: the valuation base date shall not have material impacts on the valuation conclusion; can better reflect the latest positions of related assets and should be as close as possible to the completion date of relevant economic behavior.

Price standards applied in this valuation are prevailing prices on the valuation base date.

VI. VALUATION BASIS

(1) Basis of economic behavior

1. The resolution of the 27th meeting of the fourth session of the Board of the Company;
2. The second resolution by the shareholders of SN in 2011.

(2) Basis of laws and regulations

1. Law of the People’s Republic of China on State-Owned Assets of Enterprises (passed at the fifth conference of the Standing Committee of the Eleventh National People’s Congress on October 28, 2008);

2. Administrative Measures for the Assessment of Stated-owned Assets (Order No. 91 of the State Council in 1991);
3. Rules for the Implementation of the Administrative Measures for the Assessment of Stated-owned Assets (issued with Guo Zi Ban Fa [1992] No. 36 by the original State-owned Assets Administration Bureau);
4. Interim Regulation on the Supervision and Administration of Stated-owned Assets of Enterprises (Order No. 378 of the State Council in 2003);
5. Several Issues Concerning the Administrative Measures for the Assessment of State-owned Assets (Order No. 14 issued by the Ministry of Finance on December 31, 2001);
6. Notice about Transmitting the Work Advice on the Reform of Administrative Management of the Assessment of State-owned Assets and Strengthening the Administration of Asset Assessment from the Ministry of Finance (issued by the Clerical Office of the State Council with Guo Ban Fa [2001] No. 102);
7. Interim Measures for the Administration of the Transfer of the State-owned Property Right of Enterprises (Order No. 3 issued by the State-owned Assets Supervision and Administration Commission and the Ministry of Finance on December 31, 2003);
8. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 issued by the State-owned Assets Supervision and Administration Commission of the State Council on August 25, 2005);
9. Notice on Issues concerning the Administration of Assessment of State-owned Assets issued by the State-owned Assets Supervision and Administration Commission of the State Council with Guo Zi Can Quan [2006] No. 274;
10. Notice on Matters concerning Verification of State-owned Assets Valuation Report of Enterprises issued by the State-owned Assets Supervision and Administration Commission of the State Council with Guo Zi Can Quan [2009] No. 941;
11. Notice on Printing “Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises in Beijing City” issued by the State-owned Assets Supervision and Administration Commission of Beijing Municipality with Jing Guo Zi Fa [2008] No. 5;

12. "Notice of the Ministry of Finance and the State Administration of Taxation on Several Issues concerning the National Value-added Tax Transformation and Reformation" (issued by the Ministry of Finance and the State Administration of Taxation with Cai Shui [2008] No. 170);
13. Other laws, rules and regulations and regulatory frameworks relevant to the assessment of assets.

(3) Basis of valuation principles

1. "Principles for Assets Appraisal – Basic Principles" (Cai Qi (2004) No. 20);
2. "Ethical Norms for Assets Appraisal – Basic Norms" (Cai Qi (2004) No. 20);
3. "Principles for Assets Appraisal – Appraisal Report" (Zhong Ping Xie [2007] No. 189);
4. "Principles for Assets Appraisal – Appraisal Procedures" (Zhong Ping Xie [2007] No. 189);
5. "Guidance on Price Model of Assets Appraisal" (Zhong Ping Xie [2007] No.189);
6. "Guidelines on Appraisal Reports of State-owned Assets of Enterprises" (Zhong Ping Xie [2008] No. 218);
7. "Guidance to Entitlement of Target of Valuation for Certified Assets Appraisers" (Kui Xie [2003] No. 18).

(4) Other reference materials

1. Breakdown of assets checking provided by SN;
2. Audit reports of SN for the preceding years and as of the valuation date;
3. Other related information.

VII. VALUATION METHODS

Basic assets valuation methods include market approach, income approach, and asset-based approach. The valuer shall, on the basis of the difference between the target of valuation, the types of the value and the collection of data, etc., assess the applicability of these three approaches and choose one or more basic assets valuation methods as appropriate.

Market method is a valuation method whereby the value of the target of valuation is determined by comparing the target of valuation with reference enterprises, enterprises with market transaction records as well as equity assets such as equity interests and securities. The applicable conditions are as follows: (1) A well-developed and active asset market is available; (2) Reference and its indicators and parameters comparable to the appraised assets are collectable and quantifiable. Market method cannot be used in this valuation due to the fact that private enterprise value transactions are rare, and it is difficult to collect enough samples for comparison.

Income method is a valuation method whereby the value of the target of valuation is determined by capitalising or discounting the expected revenue of the appraised enterprise. The applicable basic conditions are that the enterprise possesses the basis and conditions for ongoing operation, that there is a relatively stable correlation between its operation and revenue, and that future expected revenue as well as risks can be forecasted and quantified. Since its establishment, SN has not incurred any revenue so far, thus income method is not applicable in this valuation.

Asset-based method is a valuation method whereby the value of the target of valuation is determined on the basis of a reasonable assessment of the value of all assets and liabilities of the enterprise. This method determines the “underlying” value of an enterprise from a view of asset replacement, mainly by assessing each asset and liability of the appraised entity to determine the value of each item and ultimately the overall value of the enterprise. The applicable conditions are: (1) the availability of the historical information; (2) expenditure which is necessary to build the asset’s value and should be in line with social or industrial average level, in other words, the value of the assets depends on the cost of the asset. The assets value of SN can be determined on the basis of its specific condition by using appropriate valuation method, thus asset-based method is applicable in this valuation.

For each individual asset, the corresponding valuation method was chosen based on the valuation criteria.

The target of this valuation comprises current assets, which is entirely monetary capital, including cash in hand and bank deposits.

1. In respect of cash, the valuer shall apply stocktaking on the cash to examine the accuracy of the book value. The verified book value is then recognized as the appraised value.
2. In respect of bank deposits, the valuer shall check with bank statements as well as bank reconciliation statements and verify bank deposits on the basis of the declaration form of valuation, so as to determine whether the accounts are consistent. The appraised value is determined according to the book value of bank deposits which have been checked.

VIII. IMPLEMENTATION COURSE AND CONDITIONS OF VALUATION PROCEDURE

This valuation includes preparatory work, site investigation, valuation and estimation, meta-analysis and report writing. The valuation process began on November 11, 2011 and was completed on December 15, 2011.

(I) Stage of engagement

Jingdu Zhong Xin Assets Appraisal Company Limited has been engaged by the Company to carry out assets valuation on the target assets. On the basis of valuation purpose, valuation date, target of valuation and range, it has prepared the valuation plan and officially signed the Asset Valuation Engagement Letter with the Principal.

(II) The preparatory stage of the valuation

After accepting the engagement, the valuer instructed SN to carry out inspection on assets, collect and prepare data needed by the asset valuation, and fill in and report the list of assets.

(III) The stage of valuation

According to the relevant principles and provisions of the asset valuation, the valuers carried out site investigation and valuation, and performed the following valuation procedures on the target assets:

1. Collecting the list of assets and various financial data, instructed related financial staff and asset managements in the enterprise to register and report carefully and correctly on the basis of inspection of the assets and according to the Detailed Statement of Assets Valuation provided by the valuation agency and its filling requirements and list of data, and collecting the documents of title of the target assets and documents that reflect their performance, state, economic and technical indicators and so on.
2. According to the inventory of assets, performing on-site inspections to examine various detailed statements of the asset valuation, check whether there were any incomplete content, indefinite asset items and check whether there were any omission in the detailed statement of the asset valuation according to experience and data mastered. Adding, modifying and perfecting the detailed statement of the assets valuation, and perfecting the detailed statement of the asset valuation according to the on-site inspection results, to ensure the statement was consistent with the facts.
3. Verifying documents of title.

4. Acquiring the base of valuation and data of the market price.
5. Carrying out financial analysis and adjustment according to data obtained.
6. Collecting and calculating various parameters, and estimating the appraisal valuation according to the specific valuation methods.
7. During the valuation, all valuers are required to apply consistent methods and standards, and carry out self-inspection and mutual inspection on the detailed statement of the valuation, work sheet, and the valuation explanation.

(IV) The stage of concluding the valuation

The valuer performed the following valuation procedures according to the primary valuation conclusion:

1. Comprehensively analyzing the primary valuation conclusion, adjusting, modifying and perfecting the valuation conclusion and reaching the valuation conclusion;
2. Composing the valuation explanation and the valuation report;
3. Carrying out three-tier review, and complementing and modifying the valuation report and the valuation explanation.

(V) The stage of submitting the Valuation Report

Submitting the first draft of the Asset Valuation Report to the Principal and relevant parties for discussion, and address to issues concerned. Complementing and modifying the Valuation Report again, issuing the Asset Valuation Report on the revised basis and submitting it to the Principal.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. The present laws, regulations, the relevant state policies on the related industry and regulatory measures will not experience material changes;
2. The political, economic and market environment of the home country of the enterprise will not experience material changes;
3. The enterprise fully complies with the laws and regulations of the state;

4. The valuation conclusion of the Valuation Report is based on the data provided by the Principal and the entity being valued, and we assume that the data provide by the Principal and the entity being valued is objective and reasonable, authentic, legal and complete and the property right to the target assets is clear;
5. We shall not undertake any liability for any changes in market conditions, and are not obliged to modify our valuation report for matters occurring after the valuation date;
6. We assume that the entity being valued performs the obligation of the owner of the assets responsibly and carries out effective management on related assets competently;
7. Except for special explanation, the Valuation Report does not take into account any present or future mortgage and guarantee, special mode of transactions, other informal factors that affect the appraisal valuation, the impacts on the valuation conclusion caused by any changes in the state's macroeconomic policies, natural forces or other force majeure.

(II) Special assumptions

1. We assume that the assets listed in the scope of valuation can be used continuously and are under public market conditions;
2. We assume that the entity being valued is a continuing operation;
3. The assets and the business of the enterprise are not the subject of any legal dispute or hindrance and the property right of the assets is clear;
4. Except for matters above, there's not any significant adverse effect caused by other unpredictable and force majeure factors.

The Valuation Conclusion is drawn on the basis of the valuation assumptions mentioned above. In the event that such valuation assumptions change, the Valuation Conclusion will be invalid.

X. VALUATION CONCLUSION

According to the valuation performed using the asset based method, both the book value and the appraised value of the asset of SN's on-going operation amounted to RMB237,900. Both the book value and the appraised value of its debts amounted to 0. And both the book value and the appraised value of its net asset amounted to RMB237,900 set out on the table below.

Summary of the Asset Valuation Conclusion

Unit: RMB ten thousand

Item	Book Value	Appraisal value	Increase or Decrease	Value-added Rate %
	A	C	D=C-B	$E=(C-B)/B \times 100\%$
Total Current Asset	23.79	23.79	-	-
Monetary Capital	23.79	23.79	-	-
Total Asset	23.79	23.79	-	-
Total Liabilities	0.00	0.00	-	-
Net Asset (Owners Equity)	<u>23.79</u>	<u>23.79</u>	<u>-</u>	<u>-</u>

The Company holds the entire interest of SN which has a market value of RMB237,900 under ongoing operation.

Our valuation conclusion is drawn according the valuation. As for details of the valuation conclusion, please refer to the Detailed Statement of Valuation.

XI. SPECIAL MATTERS

All data provided by the management of SN or other parties shall be the base for preparing the Report and SN shall be fully responsible for its authenticity, legality, and completeness. In the event that defective matters that may affect the valuation conclusion in SN and such matters were not specifically explained during the engagement stage, or explicitly expressed with detailed information provided during the on-site investigation, and that the valuers were not able to acquire such information according to their professional experience, the valuation agency and valuers shall not bear any responsibilities thereof.

After the valuation date, in the event that any changes in the number of assets occurred within the term of validity, the assets shall be valued according to the original valuation method and corresponding adjustments will be made. In the event that the pricing standard of the asset changes due to special reasons and imposes obvious impacts on the asset valuation, the Principal shall put forward its requirements and the valuation agency will reconfirm the appraised value according to the actual situation.

As of the report date, there was no significant post valuation event.

The valuation conclusion has not taken into account any debt or contingent debt of the entity being valued.

Users of the Valuation Report shall pay attention to special matters above which may have impacts on the valuation conclusion and the transaction pricing.

XII. NOTES ON RESTRICTION ON THE USAGE OF THIS REPORT

1. The Valuation Report shall only be used for the valuation purpose and function specified in the Valuation Report.
2. In the event that any part or all of the contents of the Valuation Report is extracted, quoted or disclosed to the public media, the valuation agency shall check and approve the related content, unless otherwise under the provisions of laws and regulations and agreed by the parties.
3. The Valuation Report will be legally effective after being signed and sealed by the valuation agency and a certified asset valuer of the PRC and being filed or approved according to related provisions under the state laws and regulations.
4. The Asset Valuation Report will become effective after being filed by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. The term of validity of the usage of the Asset Valuation Report is one year, from August 31, 2011 to August 30, 2012. During this period, if the valuation purpose is served, the valuation conclusion shall be used as the reference for fixing the price, subject to adjustment according to post valuation events. Any usage of the valuation conclusion set out in the Valuation Report after the expiry of the one year period shall become invalid.

XIII. VALUATION REPORT DATE

The Asset Valuation Report is formally put forward on December 15, 2011.

Asset valuation agency: Beijing Jingdu Zhong Xin Assets Appraisal Company Limited

Legal representative of the asset valuation agency: Ma Tao

Certified asset valuer of the PRC: Li Xian-li

Certified asset valuer of the PRC: Sun Li

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of the directors and chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest and short position in shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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 Appendix 10 of the Listing Rules.

Long positions in the underlying shares – options under share option scheme

Name	Number of H Shares under options outstanding at Latest Practicable Date	
	Granted under Share Option Scheme	Percentage to the issued H share capital
<i>Directors</i>		
Dr. Wang Xu	1,466,000	0.19%
Mr. Pan Jiaren	1,466,000	0.19%
Dr. Qi Qigong	1,466,000	0.19%
	4,398,000	0.57%

All of the above-mentioned share options (“Share Options”) granted under the share option scheme of the Company (“Share Option Scheme”) were granted on 17 August 2004 at RMB1 per grant with an exercise price of HK\$0.41 per H Share. These share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the following schedule subject to 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

(b) Substantial shareholders of the Company

Save as disclosed below, 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) as recorded in the register required to be kept under section 336 of the SFO as at Latest Practicable Date:

Name of Shareholder	Number of shares	Nature of interests	Percentage to the issued share capital
Beijing State-owned Assets Management Co., Ltd	1,834,541,756 domestic shares	Beneficial owner	63.31%

So far as is known to any Director or chief executive of the Company, the following companies/persons were interested in 10% or more of the equity interests of any other members of the Group as of Latest Practicable Date:

Name	Equity interests held in members of the Group (other than the Company)	Nature of interests	Approximate percentage
Beijing Culture & Sports Technology Co., Ltd.	National Stadium Co., Ltd.	Beneficial owner	22%
	Beijing National Aquatic Centre Co., Ltd.	Beneficial owner	16%
	Beijing Artists Management Co., Ltd.	Beneficial owner	12%

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors or expert described in paragraph 7 of Appendix I to this circular had any direct or indirect interest in any assets which had been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that as at the Latest Practicable Date, with reference to all announcements and circulars issued by the Company, there has not been any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Chanceton Capital Partners Limited	the independent financial adviser to the Independent Board Committee and the Independent Shareholders. Chanceton Capital is a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity.
北京京都中新資產評估有限公司 (Beijing Jingdu Zhong Xin Asset Appraisal Company Limited*)	a qualified independent valuer in the PRC

Chanceton Capital Partners Limited and Beijing Jingdu Zhong Xin Asset Appraisal Company Limited have given and have not withdrawn their written consents to the issue of this circular, with the inclusion of their letter as set out in this circular and references to their names in the form and context in which they appear respectively.

As at the Latest Practicable Date, Chanceton Capital Partners Limited and Beijing Jingdu Zhong Xin Asset Appraisal Company Limited were not beneficially interested in the share capital of any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

The Chinese text of this circular shall prevail over the English text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of the Company in Hongkong from the date of this circular up to and including the date of the EGM:

- (a) the letter from Chanceton Capital Partners Limited, the text of which is set out on pages 15 to 31 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (c) the BJCS Equity Transfer Agreement and the SN Equity Transfer Agreement;
- (d) the BJCS Asset Appraisal Report and the SN Asset Appraisal Report;
- (e)
 - (i) “Rules and Procedures for General Meetings”;
 - (ii) “Rules and Procedures for meetings of the Board”;
 - (iii) “Rules and Procedures for Meetings of the Supervisory Committee”;and
- (f) a copy of this circular.

In order to comply with actual development of the Company's operations, it is proposed that the articles of association of the Company be amended as follows:

Original Article 10:

"The scope of business of the Company shall be in accordance with the approval issued by the registration authority of the Company. The scope of business of the Company includes the following:

To provide information services; e-commerce services; technical development, consultancy, services and training with respect to network interconnection, computer equipment and software, as well as communication software and hardware products; information and network system integration and proxy services; sales of computers and peripheral equipment; directly trading in or acting as consignee in importation and exportation of goods and technologies (except those restricted by the State or prohibited for import and export); internet based agent services for purchasing medicine, equipment and other consumables used in hospitals (license required); agency services for tendering of medicine; medical information consultancy services; and engaging in construction engineering."

Proposed amendment:

"The scope of business of the Company shall be in accordance with the approval issued by the registration authority of the Company. The scope of business of the Company includes the following:

To provide information resources services; e-commerce services; technical development, consultancy, services and training with respect to network interconnection, computer equipment, software and hardware products as well as communication software and hardware products; information and network system integration and proxy services; sales of computers and peripheral equipment; directly trading in or acting as consignee in importation and exportation of goods and technologies (except those restricted by the State or prohibited for import and export); professional contracting."

In order to comply with the relevant laws and regulations and to standardize the Company's governance, it is proposed that the internal corporate governance provisions of the Company be amended as follows:

RULES AND PROCEDURES FOR GENERAL MEETINGS

1. Original Rule 1:

In order to enhance and standardize the meeting and decision procedures of general meetings of Capinfo Company Limited (the "Company") and to improve the efficiency of decision making, these Rules are thereby established in accordance with laws and regulations such as the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas, and the provisions of the Articles of Association of Capinfo Company Limited (hereinafter referred to as the "Articles of Association").

Proposed amendment:

In order to enhance and standardize the meeting and decision procedures of general meetings of Capinfo Company Limited (the "Company") and to enhance the efficiency of decision making, these Rules are thereby established in accordance with laws and regulations such as the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), "Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited", the "Mandatory Provisions for the Articles of Association of Companies Listed Overseas", and the provisions of the Articles of Association of Capinfo Company Limited (hereinafter referred to as the "Articles of Association").

2. Original Rule 3-(14):

To consider transactions which need to be approved by general meetings as required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;

Proposed amendment:

To consider transactions which need to be approved by general meetings as required under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited;

3. First paragraph of original Rule 6.2

Independent directors shall have the right to propose to the Board to convene an extraordinary general meeting. In respect of such proposal by the independent directors, the Board shall, in accordance with laws, administrative regulations and the Articles of Association, provide a written response whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such proposal.

Proposed amendment:

Two (2) or more independent directors shall have the right to propose together to the Board to convene an extraordinary general meeting. In respect of such proposal by the independent directors, the Board shall, in accordance with laws, administrative regulations and the Articles of Association, provide a written response whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such proposal.

4. First paragraph of original Rule 7.3:

Shareholder(s) individually or collectively holding 3% or more of the Company's shares may submit an extempore proposal to the convener in writing 10 days prior to the date of the general meeting. The convener shall issue a supplementary notice of general meeting within 2 days after receiving the extempore proposal to announce details of the extempore proposal. If the listing rules of the listed place of the Company requires otherwise, those requirements shall also be fulfilled.

Proposed amendment:

Shareholder(s) individually or collectively holding 3% or more of the Company's shares may submit an extempore proposal to the convener in writing 10 days prior to the date of the general meeting. The convener shall issue a supplementary notice of general meeting within 5 days after receiving the extempore proposal to announce details of the extempore proposal. If this notice is received less than 25 days prior to the date of the general meeting of the Company, the Company shall consider adjourning the general meeting to comply with the 14 days notice period requirement of the Rules Governing the Listing of Securities.

5. First paragraph of original Rule 8.3:

Shareholders who are attending the general meeting shall reply in writing to the Company regarding its attendance of the meeting 20 days prior to the meeting. The Board or any other convener shall inform the shareholders in the notice of general meeting that shareholders and proxies who intend to attend the general meeting shall deliver their replies to attend the general meeting in writing 20 days prior to the date of the meeting.

Proposed amendment:

The Board or any other convener shall request in the notice of general meeting issued to shareholders that shareholders and proxies who intend to attend the general meeting shall deliver their replies to attend the general meeting in writing 20 days prior to the date of the meeting.

6. Original Rule 9.13:

When a connected transaction is being considered at a general meeting, the connected shareholder(s) shall abstain from voting, and the voting shares represented by him/her shall not be counted in the total number of valid votes. The voting results of non-connected shareholder(s) shall be fully disclosed in the announcement of the resolutions of the general meeting.

Proposed amendment:

When a connected transaction is being considered at a general meeting, the connected shareholder(s) shall abstain from voting, and the voting shares represented by him/her shall not be counted in the total number of valid votes. The voting results of shareholders shall be fully disclosed in the announcement of the resolutions of the general meeting.

7. Item(1) of original Rule 14.2:

In the case of a repurchase by the Company of its own shares by way of extending repurchase offers to all shareholders *pro rata* to their shareholding or by open market dealing through a stock exchange in accordance with the provisions of Article 25 of the Articles of Association, “an interested shareholder” refers to controlling shareholders as defined under Article 52 of the Articles of Association;

Proposed amendment:

In the case of a repurchase by the Company of its own shares by way of extending repurchase offers to all shareholders *pro rata* to their shareholding or by open market dealing through a stock exchange in accordance with the provisions of Article 25 of the Articles of Association, “an interested shareholder” refers to controlling shareholders as defined under Article 49 of the Articles of Association;

8. Last paragraph of original Rule 16:

However, the affected class of shareholders shall have the right to vote at their respective shareholders’ class meeting (except for matters concerning items (1), (9) and (10) above) regardless of whether they have the right to vote at the general meetings.

Proposed amendment:

However, the affected class of shareholders shall have the right to vote at their respective shareholders’ class meeting (except for matters concerning items (2) to (8), (11) and (12) above) regardless of whether they have the right to vote at the general meetings.

RULES AND PROCEDURES FOR MEETINGS OF THE BOARD OF DIRECTORS**1. Original Rule 1:**

In order to perfect and standardize the meeting and decision-making procedures of the Board of Directors of Capinfo Company Limited (hereinafter referred to as the “Company”), to ensure that the functions and powers of Directors are exercised properly and to promote the lawful, timely and effective implementation of decision-making process of the Board of Directors, these Rules and Procedures are thereby established in accordance with laws, rules and regulations and regulatory documents including the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas as well as the relevant requirements set out in the Articles of Association of Capinfo Company Limited (hereinafter referred to as the “Articles of Association”).

Proposed amendment:

In order to perfect and standardize the meeting and decision-making procedures of the Board of Directors of Capinfo Company Limited (hereinafter referred to as the “Company”), to ensure that the functions and powers of Directors are exercised properly and to promote the lawful, timely and effective implementation of decision-making process by the Board of Directors, these Rules and Procedures are thereby established in accordance with laws, rules and regulations and regulatory documents including the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas as well as the relevant requirements set out in the Articles of Association of Capinfo Company Limited (hereinafter referred to as the “Articles of Association”).

2. Last paragraph of original Rule 5:

In the case of the chairman of the Board is unable to perform his/her duty, a director appointed by him/her may perform his/her duties on his/her behalf. When the chairman of the Board fails to perform his/her duty, a director shall be elected to perform duty by at least half of the directors.

Proposed to delete**3. First paragraph of original Rule 12:**

A Board meeting may be held on-site, by telephone conference call or by written resolutions. Resolutions to be passed at extraordinary Board meetings shall become valid without convening an on-site Board meeting if the Board of Directors has distributed the proposed resolutions to all Directors, and the number of Directors who have signed and consented to the proposed resolutions has reached the quorum for adopting a resolution as required by the Articles of Association. Written resolutions may be served by ways of facsimile or by courier.

Proposed Amendment:

A Board meeting may be held on-site, by telephone conference call or by written resolutions. Resolutions to be passed at extraordinary Board meetings (other than the matters not to be resolved by written resolution as required by the Rules Governing the Listing of Securities) shall become valid without convening an on-site Board meeting if the Board of Directors has distributed the proposed resolutions to all Directors, and the number of Directors who have signed and consented to the proposed resolutions has reached the quorum for adopting a resolution as required by the Articles of Association. Written resolutions may be delivered by facsimile or courier.

4. Second paragraph of original Rule 14:

A majority of Directors, including authorised Directors, shall form the quorum of Board meetings. Where a Director is unable to attend a meeting for any reason, he may appoint another Director to attend the meeting and exercise his voting rights on his behalf or appoint a proxy to attend the meeting. Where a Director appoints another Director to attend the meeting, he shall indicate expressly on the written authorisation the subject proposals for authorization and his own opinions thereof. The attorney shall produce the signed or sealed authorisation when attending the meeting and exercise his rights within the scope of authorisation.

Proposed amendment:

A majority of Directors, including authorised Directors, shall form the quorum of Board meetings. Where a Director is unable to attend a meeting for any reason, he may appoint another Director to attend the meeting and exercise his voting rights on his behalf. Where a Director appoints another Director to attend the meeting, he shall indicate expressly on the written authorisation the subject proposals for authorization and his own opinions thereof. The attorney shall produce the signed or sealed authorisation when attending the meeting and exercise his rights within the scope of authorisation.

5. Third paragraph of original Rule 16:

With consent by a simple majority of all Directors, the 14 days advance notice requirement of an extraordinary Board meeting may be waived, and such Board meeting can be convened promptly as necessary or resolutions can be directly adopted in writing.

Proposed amendment:

With consent by a simple majority of all Directors, the 14 days advance notice requirement of an extraordinary Board meeting may be waived, and such Board meeting can be convened promptly as necessary or resolutions can be directly adopted in writing (other than the matters not to be resolved by written resolution as required by the Rules Governing the Listing of Securities).

6. Original Rule 17:

Eligibility for attending the Board meetings

A Board meeting should be attended by Directors of the Company. Supervisors, secretary of the Board of Directors and representative of Director(s) may also attend a Board meeting. Where necessary, senior officers of the Company as well as persons relating to a proposal may attend Board meetings. Attendees have the right to express their opinions in respect of the relevant proposals for Directors' consideration, but they do not have voting rights.

Members of the Board of Directors and attendees shall not divulge the contents of Board meetings to any outsiders.

Proposed amendment:

Eligibility for attending the Board meetings

A Board meeting should be attended by Directors of the Company. Supervisors, secretary of the Board of Directors may also attend a Board meeting. Where necessary, senior officers of the Company as well as persons relating to a proposal may attend Board meetings. Attendees have the right to express their opinions in respect of the relevant proposals for Directors' consideration, but they do not have voting rights. Members of the Board of Directors of the Company and attendees shall not divulge the contents of Board meetings to any outsiders.

7. Original item(2) of Rule 20:

the names of the Directors present at the meeting and the names of Directors (representative) appointed to attend (be present at) the Board meetings by others;

Proposed amendment:

the names of the Directors present at the meeting and the names of Directors appointed to attend (be present at) the Board meetings by others;

8. Original Rule 22:

The Company has established the Strategic Committee, the Audit Committee, and the Remuneration and Appraisal Committee under the Board of Directors.

The Strategic Committee is responsible for conducting research on the strategic planning of long-term development and material strategic investment decisions of the Company, and carrying out other tasks assigned by the Board of Directors. The Strategic Committee comprises of three to five Directors, with a chief committee member being the chairman of the Board of Directors of the Company, who is responsible for convening and leading committee works.

The Audit Committee shall assist the Board of Directors in the independent review of the financial reporting procedures, the effectiveness of internal control and the risk control of the Company, the supervision of auditing procedures, the communication between internal and external auditors, and carrying out other tasks assigned by the Board of Directors. The Audit Committee shall comprise of three to five Directors, all being non-executive Directors and the majority of whom (including the chairman thereof) shall be independent persons, of which at least one member shall be an independent non-executive Director who possesses appropriate accounting or relevant financial management expertise. The Audit Committee shall have one chief committee member, who shall be responsible for convening and presiding over committee meetings.

The Remuneration and Appraisal Committee shall be responsible for formulating relevant appraisal standards and conducting appraisals for the Directors (excluding independent non-executive Directors) and senior management of the Company, formulating and reviewing remuneration policies and proposal of Directors and senior management, and carrying out such other tasks assigned by the Board of Directors. The Remuneration Committee shall comprise of three to five Directors, the majority of whom shall be independent Directors. The Remuneration Committee shall have one chief committee member, who shall be an independent Director and responsible for convening and presiding over committee meetings.

Members of the aforementioned committees under the Board shall be elected by the Board of Directors, and the resolutions of the committees shall become valid once approved by a simple majority of all the members thereof.

The respective work and duties of the aforementioned committees under the Board shall be subject to their respective rules.

Proposed amendment:

The Company has established the Strategic Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee under the Board of Directors.

Members of the committees under the Board shall be elected by the Board of Directors, and the resolutions of the committees shall become valid once approved by a simple majority of all the members thereof.

The respective work and duties of the committees under the Board shall be subject to their respective rules.

RULES AND PROCEDURES FOR MEETINGS OF THE SUPERVISORY COMMITTEE

1. Original Rule 1:

These Rules and Procedures are established in accordance with the laws, regulations and other regulatory documents, such as the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas as well as the Articles of Association of Capinfo Company Limited (hereinafter referred to as the "Articles of Association") for the purpose of further defining the terms of reference and the rules and procedures of the Supervisory Committee of Capinfo Company Limited (hereinafter referred to as the "Company"), ensuring the fair, impartial and highly efficient operation of the Supervisory Committee and the consistent performance of its supervisory duties.

Proposed amendment:

These Rules and Procedures are established in accordance with the laws, regulations and other regulatory documents, such as the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the Mandatory Provisions for the Articles of Association of Companies Listed Overseas as well as the Articles of Association of Capinfo Company Limited (hereinafter referred to as the "Articles of Association") for the purpose of further defining the terms of reference and the rules and procedures of the Supervisory Committee of Capinfo Company Limited (hereinafter referred to as the "Company"), ensuring the fair, impartial and highly efficient operation of the Supervisory Committee and the consistent performance of its supervisory duties.

2. Proposed additional of item(10) of Rule 13:

To verify the financial information to be submitted by the Board to the general meeting, such as financial reports, business reports and profit distribution plans, and if any problem is found, to appoint certified public accountants and qualified accountants for a re-examination in the name of the company;

3. Proposed change of item (10) of Rule 13 to item (11).

NOTICE OF EGM

CAPINFO

CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(a joint stock limited company incorporated in the PRC with limited liability)

(Stock Code: 1075)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Capinfo Company Limited (the “Company”) will be held at Conference Room, 15th Floor, Quantum Silver Plaza, No. 23 Zhichun Road, Haidian District, Beijing, the People’s Republic of China (the “PRC”) on Friday, 4 May 2012 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

- (1) To consider and approve the disposal of 25% equity interest of 北京文化體育科技有限公司(Beijing Culture & Sports Technology Co., Ltd.*), a non wholly-owned subsidiary of the Company.
- (2) To consider and approve the disposal of the entire equity interest of 北京水鳥票務有限公司(Beijing Shui Niao Ticket Services Company Limited*), a wholly-owned subsidiary of the Company.
- (3) To consider and approve the amendments of “Rules and Procedures for General Meetings”.
- (4) To consider and approve the amendments of “Rules and Procedures for meetings of the Board of Directors”.
- (5) To consider and approve the amendments of “Rules and Procedures for Meetings of the Supervisory Committee”.

SPECIAL RESOLUTIONS

- (1) To consider and approve the amendments of the Company’s Articles of Association.

By Order of the Board of Directors
Capinfo Company Limited*
Mr. Xu Zhe
Chairman

Beijing, the PRC,
15 March 2012

* *For identification purpose only*

NOTICE OF EGM

Notes:

1. The register of shareholders of the Company will be closed from Wednesday, 4 April 2012 to Friday, 4 May 2012 (both dates inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 April 2012.
2. Any shareholder entitled to attend and vote at the EGM mentioned above is entitled to appoint one or more proxies to attend and vote at the EGM on his/her/its behalf. A proxy need not be a shareholder of the Company.
3. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM or any adjournment thereof.
4. Shareholders and their proxies should produce identity proof when attending the EGM.
5. Shareholders who intend to attend the EGM shall complete and return the reply slip for attending the meeting by hand or by post (for holders of H shares of the Company) to the Company's H share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or (for holders of domestic shares of the Company) to the Company's registered office at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC on or before Friday, 13 April 2012.
6. The EGM is not expected to last for more than half a day. Shareholders and their proxies shall be responsible for their own traveling and accommodation expenses.