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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8157)

**CONNECTED TRANSACTION
IN RELATION TO
PROVISION OF RESEARCH AND DEVELOPMENT SERVICES**

The Company announced that Capinfo Technology, a wholly-owned subsidiary of the Company, entered into of the Agreements with Capnet on 14 November 2008. Pursuant to the Agreements, Capinfo Technology will conduct research and development projects for Capnet in relation to the regional wireless broadband network and the community GIS technological solutions. The total consideration for the services pursuant to the Agreements shall be RMB10.10 million (equivalent to approximately HK\$11.41 million).

The Group is an information technologies and services supplier. It participated in the construction, operation and maintenance of large-scale information application projects in Beijing and other regions across the PRC, and has established a widespread and exclusive information technology service network. Similar research and development projects have been provided by the Group to other customers from time to time. Accordingly, the Directors are of the view that the entering into of the Agreements is in the Company's ordinary and usual course of business. In view that the transactions contemplated under the Agreements will generate additional revenue for the Group, the Directors consider that the entering into of the Agreements is beneficial to the Group.

Capnet is a company incorporated in the PRC and is held as to 95% by BSAM. As at the date of this announcement, BSAM holds 1,834,541,756 Shares, representing approximately 63.31% of the Company's issued share capital and is one of the promoters of the Company. By virtue of its interest in the Company, BSAM is a connected person of the Company pursuant to the GEM Listing Rules. As BSAM holds a 95% interest in Capnet, Capnet is also a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the entering into of the Agreements constitutes a connected transaction of the Company pursuant to the GEM Listing Rules. Based on the relevant percentage ratios under Rule 19.07 of the GEM Listing Rules and the aggregate consideration for the transactions contemplated under the Agreements of RMB10.10 million (equivalent to approximately HK\$11.41 million), the entering into of the Agreements is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

A circular containing, among other things, further information on the Agreements and the transactions contemplated thereunder, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, the notice convening the EGM and a proxy form will be despatched to the Shareholders in accordance with the GEM Listing Rules.

The Company announced that Capinfo Technology, a wholly-owned subsidiary of the Company, entered into of the Wireless Broadband Agreement and the GIS Agreement with Capnet on 14 November 2008.

THE WIRELESS BROADBAND AGREEMENT

Date:

14 November 2008

Parties:

- (i) Capinfo Technology, a wholly-owned subsidiary of the Company
- (ii) Capnet

Principal terms:

Capinfo Technology agrees to conduct a research and development project for Capnet in relation to the regional wireless broadband network which covers (i) designing and developing a wireless broadband city network model; and (ii) building an assessment model for analysis of impact of magnetic field generated by the wireless broadband network on residents.

Capinfo Technology shall submit a research and development plan within fourteen days upon the Wireless Broadband Agreement becoming effective. The project shall be in three stages: (i) to conduct demand analysis, survey and to design key technical requirements; (ii) to provide a summary design and complete a model; and (iii) to conduct practical testing in conjunction with Capnet and to assist Capnet in completing the inspection and acceptance procedures of the system.

The project shall commence in January 2009 and shall be completed by December 2009.

Fee:

The consideration for the services under the Wireless Broadband Agreement shall be RMB6.50 million (equivalent to approximately HK\$7.35 million) in cash. The consideration was determined based on the estimated costs to be incurred for the project plus a mark-up. The Directors confirm that the mark-up charged to Capnet is no less favourable than those offered to independent third parties.

An initial sum of RMB3.90 million (equivalent to approximately HK\$4.41 million), being 60% of the consideration, will be payable by Capnet to Capinfo Technology within five working days upon entering into of the Wireless Broadband Agreement. The remaining balance of RMB2.60 million (equivalent to approximately HK\$2.94 million), being 40% of the consideration, will be payable by Capnet to Capinfo Technology within seven days upon the completion of the inspection and acceptance procedures of the system by Capnet.

Condition precedent:

The Wireless Broadband Agreement is conditional on obtaining the approval of the Independent Shareholders of the Company at the EGM.

THE GIS AGREEMENT

Date:

14 November 2008

Parties:

- (i) Capinfo Technology
- (ii) Capnet

Principal terms:

Capinfo Technology agrees to conduct a research and development project for Capnet in relation to the community GIS technological solutions which cover (i) consolidating the management, service and geographical information on the community of Beijing municipal; and (ii) developing a geographical information system for the municipal management of Beijing municipal.

Capinfo Technology shall submit a research and development plan within fourteen days upon the GIS Agreement becoming effective. The project shall be in four stages: (i) to analyses user demand; (ii) to carry out project design and develop prototype system; (iii) to develop and test the system; and (iv) to conduct practical testing in conjunction with Capnet and to assist Capnet in completing the inspection and acceptance procedures of the system.

The project shall commence in February 2009 and shall be completed by November 2009.

Fee:

The consideration for the services under the GIS Agreement shall be RMB3.60 million (equivalent to approximately HK\$4.07 million) in cash. The consideration was determined based on the estimated costs to be incurred for the project plus a mark-up. The Directors confirm that the mark-up charged to Capnet is no less favourable than those offered to independent third parties.

An initial sum of RMB2.16 million (equivalent to approximately HK\$2.44 million), being 60% of the consideration, will be payable by Capnet to Capinfo Technology within five working days upon entering into of the GIS Agreement. The remaining balance of RMB1.44 million (equivalent to approximately HK\$1.63 million), being 40% of the consideration, will be payable by Capnet to Capinfo Technology within seven days upon the completion of the inspection and acceptance procedures of the system by Capnet.

Condition precedent:

The GIS Agreement is conditional on obtaining the approval of the Independent Shareholders of the Company at the EGM.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Group is an information technologies and services supplier. It participated in the construction, operation and maintenance of large-scale information application projects in Beijing and other regions across the PRC, and has established a widespread and exclusive information technology service network. Similar research and development projects have been provided by the Group to other customers from time to time. Accordingly, the Directors are of the view that the entering into of the Agreements is in the Company's ordinary and usual course of business. In view that the transactions contemplated under the Agreements will generate additional revenue for the Group, the Directors consider that the entering into of the Agreements is beneficial to the Group.

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

GEM LISTING RULES IMPLICATIONS

Capnet is a company incorporated in the PRC and is held as to 95% by BSAM. As at the date of this announcement, BSAM holds 1,834,541,756 Shares, representing approximately 63.31% of the Company's issued share capital and is one of the promoters of the Company. By virtue of its interest in the Company, BSAM is a connected person of the Company pursuant to the GEM Listing Rules. As BSAM holds a 95% interest in Capnet, Capnet is also a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the entering into of the Agreements constitutes a connected transaction of the Company pursuant to the GEM Listing Rules.

Based on the relevant percentage ratios under Rule 19.07 of the GEM Listing Rules and the aggregate consideration for the transactions contemplated under the Agreements of RMB10.10 million (equivalent to approximately HK\$11.41 million), the entering into of the Agreements is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

INFORMATION ON CAPNET

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

GENERAL

The Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the independent committee of the Board and the Independent Shareholders in the same regard. A circular containing, among other things, further information on the Agreements and the transactions contemplated thereunder, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, the notice convening the EGM and a proxy form will be despatched to the Shareholders in accordance with the GEM Listing Rules.

BSAM and its associates, being the connected persons of the Company materially interested in the above transactions, will abstain from voting at the EGM. The votes of the Independent Shareholders regarding the resolution for approval of the Agreements will be taken by way of a poll at the EGM.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context otherwise requires:

“Agreements”	the GIS Agreement and the Wireless Broadband Agreement
“BSAM”	北京市國有資產經營有限責任公司 (Beijing State-owned Asset Management Corporation Limited*), a company incorporated in the PRC, being wholly owned by the Beijing Municipal Government and is the controlling Shareholder and one of the promoters of the Company
“Board”	the board of Directors
“Capinfo Technology”	首都信息科技发展有限公司 (Capinfo Technology Development Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Capnet”	北京首信網創網絡信息服務有限責任公司 (Capnet Company Limited*), a company incorporated in the PRC with limited liability

“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company incorporated in the PRC whose overseas listed foreign Share(s) are listed on the GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, if thought fit, approving the Agreements and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GIS”	geographical information system
“GIS Agreement”	the agreement entered into on 14 November 2008 between Capinfo Technology and Capnet to conduct a research and development project in relation to the community GIS technological solutions
“Group”	the Company and its subsidiaries
“Hong Kong”	the Special Administrative Region of Hong Kong of the PRC
“Independent Board Committee”	an independent committee of the Board to be formed for the purpose of advising the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	share(s) of RMB0.10 each on the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wireless Broadband Agreement”	the agreement entered into on 14 November 2008 between Capinfo Technology and Capnet to conduct a research and development project in relation to the regional wireless broadband network

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement and for illustration purpose only, translation of RMB into HK\$ is made at the exchange rate of RMB1.00 to HK\$1.13.

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

Beijing, the PRC, 14 November 2008

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of the knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As of the date hereof, the executive Directors are Dr. Wang Xu, Ms. Zhang Yan; the non-executive Directors are Mr. Li Minji, Mr. Xu Zhe, Mr. Qi Qigong, Mr. Pan Jiaren, Ms. Lu Xiaobing, Dr. Xia Peng and the independent non-executive Directors are Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

* *For identification purpose only*