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## THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your 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, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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# CAPINFO

## CAPINFO COMPANY LIMITED\*

### 首都信息發展股份有限公司

(A joint stock limited company incorporated in The People's Republic of China with limited liability)  
(Stock Code: 8157)

#### CONNECTED TRANSACTION IN RELATION TO PROVISION OF RESEARCH AND DEVELOPMENT SERVICES PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR AND PROPOSED RESIGNATION OF A NON-EXECUTIVE DIRECTOR

Financial adviser to Capinfo Company Limited



Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders

**BZR Capital Limited**

**BM INTELLIGENCE**

Member of BM Intelligence Group

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 11 of this circular. A letter from BZR containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 17 of this circular.

A notice convening an extraordinary general meeting of Capinfo Company Limited to be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhi Chun Road, Haidian District, Beijing 100191, PRC at 10:00 a.m. on Thursday, 15 January 2009 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at Hong Kong Registrars Limited, the H Shares registrar in Hong Kong of Capinfo Company Limited, at Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	4
The Wireless Broadband Agreement .....	5
The GIS Agreement .....	7
Reasons for and the benefits of entering into the Agreements .....	8
Information on Capnet .....	8
GEM Listing Rules implications .....	8
EGM .....	9
Recommendation .....	9
Proposed appointment of a non-executive Director and resignation of a non-executive Director .....	9
Additional information .....	10
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from BZR</b> .....	12
<b>Appendix – General information</b> .....	I-1
<b>Notice of the EGM</b> .....	EGM-1

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Agreements”	the GIS Agreement and the Wireless Broadband Agreement
“Articles”	articles of association of the Company
“BZR”	BZR Capital Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, and appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder
“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
“Director(s)”	director(s) 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

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## DEFINITIONS

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“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 and the supplemental agreement entered into on 14 November 2008 and 21 November 2008 respectively 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
“H Share(s)”	overseas-listed foreign share(s) of the Company which are traded and subscribed for in HK\$ and are listed on GEM
“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution in respect of the Agreements and the transaction contemplated thereunder at the EGM
“Latest Practicable Date”	26 November 2008, being the latest practicable date prior to printing of this circular, for ascertaining certain information contained in this circular
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Appointment”	proposal in relation to the appointment of Mr. Cao Jun as the non-executive Director
“Proposed Resignation”	proposal in relation to the resignation of Mr. Xia Peng as the non-executive Director
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“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 and the supplemental agreement entered into on 14 November 2008 and 21 November 2008 respectively, 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 circular and for illustration purpose only, translation of RMB into HK\$ is made at the exchange rate of RMB1.00 to HK\$1.13. This does not constitute a representation that any amount have been, could have been or may be exchanged.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Dr. Wang Xu, *Chief Executive*

Ms. Zhang Yan

*Non-executive Directors:*

Mr. Li Minjin, *Chairman*

Mr. Xu Zhe

Mr. Qi Qigong

Mr. Pan Jiaren

Ms. Lu Xiaobing

Dr. Xia Peng

*Independent non-executive Directors:*

Mr. Chen Jing

Mr. Ye Lu

Mr. Liu Dongdong

*Registered office:*

No. 11 Xi San Huan Zhong Road

Beijing 100036

PRC

*Principal place of business*

*in Hong Kong:*

Room 1902

Mass Mutual Tower

38 Gloucester Road

Wanchai

Hong Kong

*Principal place of business*

*in PRC:*

12th Floor

Quantum Silver Plaza

No. 23 Zhi Chun Road

Haidian District

Beijing 100191

PRC

28 November 2008

*To the Shareholders*

Dear Sirs,

**CONNECTED TRANSACTION  
IN RELATION TO  
PROVISION OF RESEARCH AND DEVELOPMENT SERVICES  
PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR  
AND  
PROPOSED RESIGNATION OF A NON-EXECUTIVE DIRECTOR**

**INTRODUCTION**

On 14 November 2008, the Company announced that on the same day, Capinfo Technology, a wholly-owned subsidiary of the Company, entered into of the Agreements with Capnet. Pursuant to the Agreements, Capinfo Technology will conduct research and

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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development projects for Capnet in relation to the regional wireless broadband network and the community GIS technological solutions. The total consideration for the services rendered by the Group pursuant to the Agreements is RMB10.10 million (equivalent to approximately HK\$11.41 million).

As at the Latest Practicable Date, 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 Independent Shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules.

Reference is also made to the Company's announcement dated 28 November 2008. The Company proposed to appoint Mr. Cao Jun as a non-executive Director. Further information on Mr. Cao has been set out in the aforesaid announcement separately, Mr. Xia Peng has proposed to resign as the non-executive Director due to job arrangement.

This circular provides you with, among other things, (i) further information on the Agreements; (ii) recommendation of the Independent Board Committee and advice of BZR regarding the terms of the Agreements and the transactions contemplated thereunder; (iii) further information on the aforesaid proposed appointment and resignation of Directors; and (iv) a notice of the EGM.

### **THE WIRELESS BROADBAND AGREEMENT**

**Date:**

14 November 2008 (as supplemented on 21 November 2008)

**Parties:**

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

**Principal terms:**

Capinfo Technology agreed 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.



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## LETTER FROM THE BOARD

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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 the Wireless Broadband Agreement becoming effective. 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.

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## LETTER FROM THE BOARD

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### THE GIS AGREEMENT

**Date:**

14 November 2008 (as supplemented on 21 November 2008)

**Parties:**

- (i) Capinfo Technology
- (ii) Capnet

**Principal terms:**

Capinfo Technology agreed 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 the GIS Agreement becoming effective. 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.

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## LETTER FROM THE BOARD

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### 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.

### 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..

### GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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. Save as disclosed herein, as at the Latest Practicable Date, the associates of BSAM do not have any interest in the Shares.

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 Independent Shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules.

BSAM, which controls 63.31% of the voting rights of the Company and being the connected person 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. As at the Latest Practicable Date, no control over the exercise of the voting right in respect of BSAM's Shares has been passed to any third party, either generally or on a case-by-case basis. In addition, there is no discrepancy between BSAM's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which BSAM will control or will be entitled to exercise control over the voting right at the EGM.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM, at which an ordinary resolution will be proposed to the Shareholders to approve, among other things, the Agreements and the transactions contemplated thereunder, is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is accompanied with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited, the H Shares registrar in Hong Kong of the Company, at Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### RECOMMENDATIONS

The Directors are of the opinion that the terms of the Agreements are on normal commercial terms and fair and reasonable and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

The Independent Board Committee, comprising all of the three independent non-executive Directors, was established to advise the Independent Shareholders on the terms of the Agreements and the transactions contemplated thereunder. Your attention is drawn to its letter of recommendation set out on page 11 of this circular.

BZR was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to its letter of advice set out from pages 12 to 17 of this circular.

### **PROPOSED APPOINTMENT OF A NON-EXECUTIVE DIRECTOR AND PROPOSED RESIGNATION OF A NON-EXECUTIVE DIRECTOR**

A summary of the proposed appointment of a non-executive Director and resignation of a non-executive Director is set out below, details of which are set out in the notice of the EGM on page EGM – 1 to EGM – 3 of this circular.

Mr. Xia Peng has proposed to resign as the non-executive Director due to job arrangement. Mr. Xia Peng confirms that there is no disagreement between him and the Board and the Company and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

The Company proposed to appoint Mr. Cao Jun as a non-executive Director. Further information on Mr. Cao has been set out in the announcement of the Company dated 28 November 2008.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board of  
**CAPINFO COMPANY LIMITED\***  
**Mr. Li Minjin**  
*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 People's Republic of China with limited liability)*  
**(Stock Code: 8157)**

28 November 2008

*To the Independent Shareholders*

Dear Sirs,

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

We refer to the circular of the Company dated 28 November 2008 (the "Circular"), of which this letter forms a part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Agreements and the transactions contemplated thereunder. BZR has been appointed as the independent financial adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out from pages 12 to 17 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Agreements and the transactions contemplated thereunder and taking into account of the independent advice of BZR, in particular the principal factors, reasons and recommendation as set out in its letter from pages 12 to 17 of the Circular, we consider that the terms of the Agreements are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

Yours faithfully,  
the Independent Board Committee  
**Chen Jing Ye Lu Liu Dongdong**  
*Independent non-executive Directors*

\* For identification purpose only

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## LETTER FROM BZR

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*Set out below is the text of the letter of advice from BZR Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, prepared for inclusion in this circular.*

### **BZR Capital Limited**

### **BM INTELLIGENCE**

Member of BM Intelligence Group

Suites 06-12  
33/F., Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

28 November 2008

To the Independent Board Committee and  
the Independent Shareholders

Dear Sirs and Madams,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed connected transaction in relation to provision of research and development services, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular dated 28 November 2008 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 14 November 2008, the Company announced that Capinfo Technology, a wholly-owned subsidiary of the Company, has entered into of the Wireless Broadband Agreement and the GIS Agreement with Capnet on 14 November 2008. The total consideration for the services rendered by the Group pursuant to the Agreements shall be RMB 10.10 million (equivalent to approximately HK\$11.41 million).

As stated in the Letter, Capnet is a company incorporated in the PRC and is held as to 95% by BSAM. As at the Latest Practicable Date, 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 the Agreements constitutes a connected transaction of

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## LETTER FROM BZR

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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 of 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. Each of BSAM and its respective associates, being the connected persons of the Company materially interested in the above transaction, 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.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong, has been established to consider the terms of the Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

We, BZR Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Agreements are fair and reasonable and are in the interests of the Independent Shareholders and the Company so far as the Independent Shareholders are concerned.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Company, its Directors and/or the management of the Company and have assumed that all such information, financial information, facts, statements of belief, opinion and intention and any representation made to us, or referred to in the Circular, in all material aspect, are true, accurate and complete as at the time they were made and as at the date of the Circular and shall continue to be true, accurate and complete at the date of the EGM, and has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Company and/or the management of the Company, and are based on honestly-held opinions. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided to us and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.



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## LETTER FROM BZR

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In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transaction and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Agreements. Relevant information and documents included, among other things, the Agreements, the annual report of the Company for the year ended 31 December 2007, the interim report of the Company for the six months ended 30 June 2008, the budgets prepared by the management in relation to the provision of the research and development services contemplated under the Agreements and comparable contracts associated with the Agreements. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the Agreements. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company or their respective subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all the legal aspects of, and procedural aspects for, the Agreements and the transactions contemplated thereunder.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Agreements are fair and reasonable and are in the interests of the Independent Shareholders and the Company so far as the Independent Shareholders are concerned, we have taken the following principal factors and reasons into consideration:

#### **1. Reasons for and benefits of the Agreements**

As set out in the Letter, 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 Agreements to be entered into are in the Company's ordinary and usual course of business.

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## LETTER FROM BZR

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As advised by the Directors, the estimated gross profit margin of the provision of the research and development services contemplated under the Agreements would be in line with the overall gross profit margin of the company's operations. According to the annual report 2007 of the Company, we noted that the Company has maintained an average gross profit margin of over 30% for the financial years 2006 and 2007. We have reviewed the budgets prepared by the management in relation to the provision of the research and development services contemplated under the Agreements and noted that the estimated gross profit margin of the provision of the research and development services contemplated under the Agreements would be over 30% and therefore in line with the overall gross profit margin of the company's operations. We have also inquired the management of the Company and they have confirmed that the key management expected to participate in the provision of services contemplated under the Agreements have extensive experience in the industry and that no material additional capital investment is required for the Company to complete the services contemplated under the Agreements. Accordingly, we concur with the view of the Directors that additional revenue would be generated for the provision of services contemplated under the Agreements and the entering into of the Agreements is beneficial to the Group.

Based on the above, we concur with the view of the Directors that the Agreements entered into are in the Company's ordinary and usual course of business and the transactions contemplated under the Agreements will generate additional revenue for the Group. Therefore, we are of the view that the Agreements is in the interest of the Company and the Independent Shareholders as a whole.

### **2. Principal terms of the Agreements**

The major terms and conditions of the Agreements have been summarised under the sections headed "The Wireless Broadband Agreement" and "The GIS Agreement" in the Letter. As stated in the Letter, under the Wireless Broadband Agreement, 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. The project shall commence in January 2009 and shall be completed by December 2009. Under the GIS Agreement, 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 of the community of Beijing municipal; and (ii) developing a geographical information system for the municipal management of Beijing municipal. The project shall commence in February 2009 and shall be completed by November 2009.

As stated in the Letter, the consideration for the services rendered under the Wireless Broadband Agreement shall be RMB6.50 million (equivalent to approximately HK\$7.35 million). 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 the independent third parties. For assessing the fairness and reasonableness of the terms of the Wireless

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## LETTER FROM BZR

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Broadband Agreement, we have reviewed other similar agreements in respect of the services provided to other independent parties. We noted that the gross profit margin of the provision of services pursuant to the Wireless Broadband Agreement is over 30% which is in line with the overall gross profit margin of the company's operations.

As stated in the Letter, the consideration for the services rendered under the GIS Agreement shall be RMB3.60 million (equivalent to approximately HK\$4.07 million). 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 the independent third parties. For assessing the fairness and reasonableness of the terms of the GIS Agreement, we have reviewed other agreements in respect of the similar services provided to other independent parties. We noted that the gross profit margin of the provision of services pursuant to the GIS Agreement is over 30% which is in line with the overall gross profit margin of the company's operations.

Regarding the payment terms of the Agreements, an initial sum of 60% of the consideration, will be payable by Capnet to Capinfo Technology within five working days upon each of the Wireless Broadband Agreement and the GIS Agreement becoming effective. The remaining balance of 40% of the consideration of each of the Wireless Broadband Agreement and the GIS Agreement, 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 under the Agreements. We have reviewed various contracts between the Group and other independent third parties in respect of provision of similar services provided to these independent third parties, and we have noted that the payment terms of the Agreement is consistent with normal commercial practices of the Group and is in line with its ordinary and normal course of business.

We are therefore of the opinion that the terms of the Agreements are on normal commercial terms and in the ordinary and normal course of business of the Company and thus it is in the interests of the Company and Independent Shareholders as a whole.

### **3. Financial effects on the Group**

We are of the view that, the entering into the Agreements would provide an opportunity to the Company to generate additional revenues and earnings should the provision of research and development services contemplated under the Agreements be carried out as planned by the management of the Company. Accordingly, the Agreements would also have positive impact to the net assets and working capital of the Company.

### **RECOMMENDATION**

Having considered the above principal factors and reasons, in particular regarding (1) the Agreements entered into are in the Company's ordinary and usual course of business; (2) the gross profit margin of the provision of services pursuant to the Agreements is over 30%

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## LETTER FROM BZR

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which is in line with the overall gross profit margin of the company's operations; (3) payment terms of the Agreement is consistent with normal commercial practices of the Group and is in line with its ordinary and normal course of business; and (4) the entering into the Agreements would provide an opportunity to the Company to generate additional revenues, earnings and have positive impact to the net assets and working capital of the Company should the provision of research and development services contemplated under the Agreements be carried out as planned by the management of the Company, we consider that the terms of the Agreements are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**BZR Capital Limited**  
**Johnny Wong**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

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

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, chief executive of the Company had any interest and short position in the shares, debentures or underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which was required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

Name	Granted under the pre-IPO share option plan	Granted under the share option scheme	Total	Percentage to the issued H Share capital
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
	<u>5,094,850</u>	<u>5,864,000</u>	<u>10,958,850</u>	<u>1.42%</u>

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

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

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

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

**(ii) Substantial Shareholders and other persons**

Save as disclosed below, as at the Latest Practicable Date, the Directors are not aware of any other interests and short positions in shares, underlying shares or debentures of the Company of any person (other than a Director or chief executive of the Company) would have to be notified by the Company and the Stock Exchange pursuant to sections 324 and 347 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO:

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

**(iii) Interest in other members of the Group**

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

Name	Equity interests held in members of the Group (except for the Company)	Nature of interests	Approximate Percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited (90% owned subsidiary of the Company)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮 工業總公司)	Dongguan City Longxin Digital Technology Company Limited (東莞市龍信數碼 科技有限公司) (60% owned subsidiary of the Company)	Beneficial owner	40%

Name	Equity interests held in members of the Group (except for the Company)	Nature of interests	Approximate Percentage
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限責任公司) (60% owned indirectly held subsidiary of the Company)	Beneficial owner	40%
China Association of Mayors (中國市長協會)	Beijing City Technology Development Company Limited (北京城市之窗科技發展有限公司) (85% owned subsidiary of the Company)	Beneficial owner	15%

### 3. MATERIAL ADVERSE CHANGE

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

### 4. PROCEDURES FOR DEMANDING A POLL

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

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

### 5. SERVICE CONTRACTS

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

- (a) each service contract is for a term of three years;



- (b) each service contract is subject to renewal by agreement for one or more consecutive terms of three years;
- (c) either party of the service contracts may terminate the relevant service contract at any time by giving to the other party not less than 3 month prior written notice unless compensation of remuneration is given to the other party instead of notice period.

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

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

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

## **6. EXPERT AND CONSENT**

BZR is a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO.

BZR has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, BZR was not interested in any Share or share in any member of the Group, nor does it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group. As at the Latest Practicable Date, BZR did not have any direct or indirect interests in any assets which have been, since 31 December 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to by any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **7. COMPETING INTERESTS**

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

**8. DIRECTORS INTEREST IN ASSETS**

None of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2007 (the date to which the latest published audited consolidated 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, disposed of by or leased to any member of the Group and up to the Latest Practicable Date.

**9. DIRECTORS INTEREST IN CONTRACT**

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

**10. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 1902 Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong from the date of despatch of this circular until the date of EGM:

- (a) the Wireless Broadband Agreement;
- (b) the GIS Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section of this circular headed "Letter from the Independent Board Committee";
- (d) the letter from BZR, the text of which is set out in the section of this circular headed "Letter from BZR";
- (e) the written consent referred to in the section headed "expert and consent" in this appendix; and
- (f) the service contracts referred to in paragraph 5 in this appendix.

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## NOTICE OF THE EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of Capinfo Company Limited (the “Company”) will be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhi Chun Road, Haidian District, Beijing 100191, the PRC on 15 January 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT** the appointment of Mr. Cao Jun as a non-executive director of the Company be and is hereby approved.”
2. **“THAT** the board of directors of the Company is hereby authorised to enter into service agreement and/or letter of appointment with Mr. Cao Jun with the terms and conditions which it, in its absolute discretion, may deem appropriate, and to do all such acts and things which it, in its absolute discretion, may deem necessary or desirable in connection with the appointment of Mr. Cao Jun.”
3. **“THAT** the resignation of the non-executive director of the Company, Mr. Xia Peng be approved.”
4. **“THAT** the board of directors of the Company is hereby authorised to terminate any existing service agreement and/or letter of appointment with Mr. Xia Peng with the terms and conditions which it, in its absolute discretion, may deem appropriate, and to do all such acts and things which it, in its absolute discretion, may deem necessary or desirable in connection with the termination of such service agreement and/or letter of appointment (if any) and his resignation thereof.”
5. **“THAT:**
  - (a) the non-exempt connected transaction (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) in relation to the provision of technology development services by Capinfo Technology Development Company Limited\* (首都信息科技發展有限公司) (“Capinfo Technology”) to Capnet Company Limited\* (北京首信網創網絡信息服務有限責任公司) (“Capnet”) pursuant to the agreement and the supplemental agreement entered into on 14 November 2008 and 21 November 2008 respectively between Capinfo

\* for identification purpose only

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## NOTICE OF THE EGM

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Technology and Capnet to conduct a research and development project in relation to the regional wireless broadband network (the “Wireless Broadband Agreement”) and the agreement and the supplemental agreement entered into on 14 November 2008 and 21 November 2008 respectively between Capinfo Technology and Capnet to conduct a research and development project in relation to the community geographical information system technological solutions (the “GIS Agreement”), with the fee of RMB10.1 million be and is hereby approved;

- (b) the directors be and are hereby authorised to take all steps necessary or expedient to implement and/or give effect to the Wireless Broadband Agreement and the GIS Agreement.”

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

Beijing, the People’s Republic of China, 28 November 2008

*Note:*

- (i) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- (ii) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong H share registrar of the Company, Hong Kong Registrars Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or the time appointed for passing the resolutions and in case of holders of domestic shares, to the Company’s principal place of business in the PRC at 12th Floor, Quantum Silver Plaza, 23 Zhi Chun Road, Haidian District, Beijing 100191 not later than 24 hours before the time appointed for holding the meeting or the time appointed for passing the resolutions.
- (iii) Shareholders and their proxies should produce identity proof when attending the EGM.
- (iv) The register of members of the Company in Hong Kong will be closed from Monday, 15 December 2008 to Wednesday, 14 January 2009, both days inclusive, during which period no transfer of H shares of the Company will be effected. For the identification of Shareholders who are qualified to attend and vote at the EGM, all transfer document 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 Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than Sunday, 14 December 2008.
- (v) Holders of H Shares of the Company who intend to attend the EGM shall complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company’s H shares registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on or before Friday, 26 December 2008.

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## NOTICE OF THE EGM

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- (vi) Holders of domestic Shares of the Company who intend to attend the EGM shall complete the enclosed reply slip for the meeting and return it, by hand or by post, to the Company's principal place of business in the PRC on or before Friday, 26 December 2008.
- (vii) 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 for attending the meeting.
- (viii) The proposed term of directorship of Mr. Cao Jun is from the commencement date of his appointment to the end of the third session of the Board on or about 30 June 2009. Brief biographical details of Mr. Cao Jun are set out below:

### **Non-executive director**

Mr. Cao Jun, aged 37, an intermediate economist and lawyer, is the deputy director of the business management department of Beijing All Media and Culture Group (北廣傳媒集團). Mr. Cao graduated from China University of Political Science & Law in 1992 with a Bachelor's degree in Laws. He has been the deputy secretary of the Business School of Beijing (北京市商業學校), member of the law enforcement team of Beijing Municipal Bureau of Radio and Television (北京市廣播電視局) and deputy director of the business management department of Beijing BAMC Entertainment Group (北京北廣影視集團) and has extensive work experiences in laws and management.

Mr. Cao has no interest and short position in the shares, debentures or underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong)) and he receives no remuneration for the directorship. The proposed term of directorship is from the commencement date of his appointment to the end of the third session of the Board on or about 30 June 2009. Mr. Cao did not hold any directorship in any public listed companies during the last three years preceding his proposed appointment. Mr. Cao had no relationship with the directors, supervisors, senior management, management shareholder, substantial shareholders or controlling shareholder of the Company. The Board confirmed that there is no other matter of the Company has to be given to the Shareholders for their attention and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the Rules Governing the Listing of Securities on GEM. The Board believes that the changes in Directors will not have any impact on the daily operation and business of the Company.