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CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

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

(Stock Code: 8157)

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

Financial Adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

THE DCLS RENEWAL AGREEMENT VII

On 5 July 2007, the Company announced that it had entered into the DCLS Renewal Agreement VI for the continuous subscription of the DCLS provided by BCC pursuant to the DCLS Original Agreement (as extended by the DCLS Renewal Agreements). Since the DCLS subscribed by the Company under the DCLS Renewal Agreement VI will expire on 30 June 2008, the Company and BCC entered into the DCLS Renewal Agreement VII on 22 April 2008, pursuant to which, (i) the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) will be extended for a further 18-month period from 1 July 2008 to 31 December 2009 and (ii) the proposed annual caps for the DCLS Transactions for the 6-month period from 1 July to 31 December 2008 and for the year ending 31 December 2009 will be RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million), respectively.

Since BCC owns 80% equity interests in Beijing Telecommunication Investments, one of the promoters of the Company, BCC is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute continuing connected transactions of the Company under the GEM Listing Rules. As the applicable percentage ratios (as defined under the GEM Listing Rules) for the Proposed Caps are more than 2.5%, the DCLS Transactions are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. The Company is also required to comply with the annual review requirements under Rules 20.37 to 20.38 of the GEM Listing Rules in respect of the DCLS Transactions.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

Amendments relating to the reduction in the number of Directors

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

EGM

Since the DCLS Transactions and the Proposed Caps are subject to the approval of the Independent Shareholders, an independent board committee of the Company will be established to consider, among other things, the DCLS Transactions and the Proposed Caps and an independent financial adviser will be appointed to advise, among other things, the independent board committee of the Company and the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps. Beijing Telecommunication Investments, who is holding 52,832,000 Shares (representing approximately 1.82% of the existing share capital of the Company) as at the date of this announcement, will be required to abstain from voting at the EGM in respect of the relevant resolution(s) approving the DCLS Renewal Agreement VII, the DCLS Transactions and the Proposed Caps. The Directors confirm that, save for Beijing Telecommunication Investments, there is no other Shareholder who has material interests in respect of the DCLS Renewal Agreement VII and the transactions contemplated thereunder and is required to abstain from voting at the EGM in this regard. In addition, as no Shareholders have any material interests in the amendments of the Articles of Association, no Shareholders are required to abstain from the EGM in this regard. All resolutions will be approved by way of a poll at the EGM.

GENERAL

A circular containing, among other things, further information on (i) the DCLS Renewal Agreement VII; (ii) the DCLS Transactions; (iii) the Proposed Caps; (iv) the proposed amendments to the Articles of Association, together with (v) the letter of advice from the independent financial adviser in relation to the DCLS Transactions and the Proposed Caps; and (vi) the notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance to the GEM Listing Rules.

Reference is made to the announcements of the Company dated 20 October 2003, 2 May 2006 and 5 July 2007 in relation to, amongst other things, the provision of DCLS by BCC under the DCLS Original Agreement (as extended by the DCLS Renewal Agreements).

THE DCLS RENEWAL AGREEMENT VII

Date:

22 April 2008

Parties to the DCLS Renewal Agreement VII:

BCC and the Company

Major terms:

On 5 July 2007, the Company announced that it had entered into the DCLS Renewal Agreement VI for the continuous subscription of the DCLS provided by BCC pursuant to the DCLS Original Agreement (as extended by the DCLS Renewal Agreements), and the annual caps in respect of the transactions contemplated under the DCLS Renewal Agreement VI were determined at RMB12 million (equivalent to approximately HK\$13.1 million) and RMB22 million (equivalent to approximately HK\$24.0 million) for the period from 1 July to 31 December 2007 and 1 January 2008 to 30 June 2008, respectively. Since the DCLS subscribed by the Company under the DCLS Renewal Agreement VI will expire on 30 June 2008, the Company and BCC entered into the DCLS Renewal Agreement VII to extend the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) for a further 18-month period from 1 July 2008 to 31 December 2009.

The DCLS Renewal Agreement VII forms an integral part of the DCLS Original Agreement. BCC will provide DCLS to the Company and a fee will be payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% discount to the DCLS Standard Fees, of which such discount is subject to adjustments based on the prevailing market situation to be agreed by BCC and the Company from time to time. Different DCLS Standard Fees will be charged according to the speed capacities of the circuit line as measured by Kbps or Mbps. There is no minimum purchase requirement specified in the agreement in relation to the DCLS Transaction. Save as the extension of the term of the DCLS Original Agreement and the possible variation on the 20% discount under the DCLS Renewal Agreement VII, all other terms and conditions of the DCLS Original Agreement, as amended by the DCLS Renewal Agreements, will remain applicable.

Having taken into account of the services and network coverage provided by BCC, the management of the Company considers that the pricing under the DCLS Renewal Agreement VII is no less favourable than the rates which the Company may obtain from independent third parties providing similar services and network coverage.

BASIS OF DETERMINING THE PROPOSED CAPS

In order to facilitate the annual review of the DCLS Transactions by the independent non-executive Directors and the auditors of the Company as required under Rule 20.37 to 20.38 of the GEM Listing Rules, the Directors have proposed the annual caps for the DCLS Transactions for the 6-month period from 1 July to 31 December 2008 and the year ending 31 December 2009 of RMB9.0 million (equivalent to approximately HK\$9.8 million) and RMB20.0 million (equivalent to approximately HK\$21.8 million), respectively.

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

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

REASONS FOR ENTERING THE DCLS RENEWAL AGREEMENT VII

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

The Directors have confirmed that local dedicated circuits are major components for the operation of the business in e-Government technology services and e-Commerce technology services of the Group. The Directors also confirmed that BCC is the largest operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required under the projects carried out by the Group in relation to the e-Government technology services and e-Commerce technology services business and the entering of the DCLS Renewal Agreement VII will facilitate the operation and the completion of the above-mentioned business.

The Directors (excluding the independent non-executive Directors whose view will be rendered after considering the independent financial adviser's advice) considered that the terms of the DCLS Renewal Agreement VII were of normal commercial terms and arrived at after arm's length negotiation between the parties. Having considered the above-mentioned terms and reasons of entering into the DCLS Renewal Agreement VII, the Directors (excluding the non-executive Directors whose view

will be rendered after considering the independent financial adviser's advice) consider that the DCLS Transactions will be conducted in the ordinary and usual course of business of the Company and that the terms of the DCLS Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

The Company has been acknowledged by CTC, the Shareholder, that it had entered into a sale and purchase agreement with BSAM in relation to the disposal of the 50,909,837 Shares (representing approximately 1.76% of the existing issued share capital of the Company) owned by CTC to BSAM. As at the date of this announcement, there are 2,898,086,091 Shares in issue. Immediately after the said disposal, CTC had ceased to become a Shareholder and the shareholding of BSAM in the Company would be increased from 1,783,631,919 Shares (representing approximately 61.55% of the existing issued share capital of the Company) to 1,834,541,756 Shares (representing approximately 63.31% of the existing issued share capital of the Company). Since article numbered 16 of the Articles of Association has contained details of the shareholding structure of the Company, the Company has proposed to amend the Articles of Association to reflect such changes in the shareholding structure of the Company due to the aforesaid disposal. Set out below is a summary of the shareholding structure of the Company immediately before and after the proposed change as contained/to be contained in the Articles of Association:

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

Amendments relating to the reduction in the number of Directors

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

IMPLICATION OF THE GEM LISTING RULES

BCC is a company established in PRC and is principally engaged in providing telecommunication service, data transmission service, Internet service and other related services. Since BCC owns 80% equity interests in Beijing Telecommunication Investments, a promoter and an initial management shareholder (as defined in the GEM Listing Rules) of the Company, BCC is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute continuing connected transactions of the Company under the GEM Listing Rules. As the applicable percentage ratios (as defined under the GEM Listing Rules) for the Proposed Caps are more than 2.5%, the DCLS Transactions are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. The Company is also required to comply with the annual review requirements under Rules 20.37 to 20.38 of the GEM Listing Rules in respect of the DCLS Transactions.

EGM

Since the DCLS Transactions and the Proposed Caps are subject to the approval of the Independent Shareholders, an independent board committee of the Company will be established to consider, among other things, the DCLS Transactions and the Proposed Caps and an independent financial adviser will be appointed to advise, among other things, the independent board committee of the Company and the Independent Shareholders in relation to the DCLS Transactions and the Proposed Caps. Beijing Telecommunication Investments, which currently holds 52,832,000 Shares (representing approximately 1.82% of the existing share capital of the Company) as at the date of this announcement, will be required to abstain from voting at the EGM in respect of the relevant resolution(s) approving the DCLS Renewal Agreement VII, the DCLS Transactions and the Proposed Caps. The Directors confirm that, save for Beijing Telecommunication Investments, there is no other Shareholder who has material interests in respect of the DCLS Renewal Agreement VII and the transactions contemplated thereunder and is required to abstain from voting at the EGM in this regard. In addition, as no Shareholders have any material interests in the amendments of the Articles of Association, no Shareholders are required to abstain from the EGM in this regard. All of the resolutions will be approved by way of a poll at the EGM.

GENERAL

A circular containing, among other things, further information on (i) the DCLS Renewal Agreement VII; (ii) the DCLS Transactions; (iii) the Proposed Caps; (iv) the proposed amendments to the Articles of Association, together with (v) the letter of advice from the independent financial adviser in relation to the DCLS Transactions and the Proposed Caps; and (vi) the notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance to the GEM Listing Rules.

DEFINITIONS

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

- “DCLS Agreements” : including the DCLS Original Agreement and the DCLS Renewal Agreements
- “DCLS Original Agreement” : an agreement dated 4 April 2001 between the Company and BCC for the provision of DCLS
- “DCLS Renewal Agreements” : including (i) an agreement dated 14 December 2001 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 31 December 2002; (ii) an agreement dated 20 June 2003 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2004; (iii) an agreement dated 9 July 2004 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2005; (iv) an agreement dated 21 April 2005 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June; (v) and agreement dated 30 April 2006 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2007; and (vi) the DCLS Renewal Agreement VI
- “DCLS Renewal Agreement VI” : a conditional agreement dated 29 June 2007 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 30 June 2008
- “DCLS Renewal Agreement VII” : a conditional agreement dated 22 April 2008 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 31 December 2009
- “DCLS Standard Fees” : the standard fees published on the official website of BCC and are the fees offered by BCC to its ordinary customers in relation to the dedicated circuit leasing services announced by BCC from time to time and different standard fees will be charged according to the speed capacities of the circuit line (as measured by kbps or Mbps)
- “DCLS Transactions” : the DCLS between the Company and BCC contemplated under the DCLS Renewal Agreement VII
- “Director(s)” : director(s) of the Company
- “Domestic Share(s)” : ordinary share(s) of nominal value of RMB0.10 each in the share capital of the Company, which are paid up in RMB

“EGM”	:	the extraordinary general meeting of the Company to be convened and held to consider and approve, if thought fit, the DCLS Renewal Agreement VII and the Proposed Caps as well as the proposed amendments to the Articles of Associations
“GEM”	:	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	:	the Rules Governing the Listing of Securities on GEM
“Group”	:	the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of PRC
“H Share(s)”	:	overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company which are listed on the GEM
“Independent Shareholders”	:	Shareholders (other than BCC and its associates) who are entitled to vote at the extraordinary general meeting pursuant to the GEM Listing Rules
“Kbps”	:	kilobits per second (or thousands of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Mbps”	:	megabits per second (or millions of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“PRC”	:	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Caps”	:	the maximum aggregate annual value for the DCLS Transactions for the periods 1 July to 31 December 2008 and 1 January to 31 December 2009 of RMB9.0 million and RMB20.0 million, respectively
“Shareholder(s)”	:	holder(s) of Shares
“Share(s)”	:	share(s) of RMB0.1 each in the share capital of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” : Renminbi, the lawful currency of PRC

“%” : per cent.

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

By Order of the Board
Capinfo Company Limited
Mr. Li Minji
Chairman

Beijing, PRC, 22 April 2008

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

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

As of the date hereof, the executive Directors are Dr. Wang Xu and Ms. Zhang Yan; the non-executive Directors are Mr. Li Minji, Mr. Xing Dehai, Mr. Xu Zhe, Mr. Bai Liming, Dr. Wu Bo, Mr. Qi Qigong, Mr. Pan Jiaren, Dr. Xia Peng, and Ms. Lu Xiaobing 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 purposes only*