
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

If you are in doubt as to any aspect of this circular, you should consult an exchange participant or other licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Capinfo Company Limited you should at once hand this circular to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale was effected for transmission to the purchaser or transferee.

CAPINFO

CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

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

(Stock Code: 8157)

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

Financial Adviser to Capinfo Company Limited

COMMERZBANK 

Commerzbank AG Hong Kong Branch

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



Hantec Capital Limited

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

** For identification purposes only*

26 July 2007

CHARACTERISTICS OF GEM

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

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

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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	11
Letter from Hantec	13
Appendix – General Information	19
Notice of Extraordinary General Meeting	27

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 July 2007 in respect of the DCLS Transaction
“Articles”	articles of association of the Company
“BCC”	中國網通(集團)有限公司北京市分公司(前稱中國網通集團北京市通信公司)(China Netcom (Group) Company Limited Beijing Branch (formerly known as CNC Beijing Communication Corporation))
“Board”	the board of Directors
“Company”	Capinfo Company Limited* (首都信息發展股份有限公司), a joint stock limited company incorporated in the PRC
“Dedicated Circuit Leasing Service” or “DCLS”	being the provision of dedicated circuit leasing service by BCC to the Company
“DCLS Agreements”	including the DCLS Original Agreement and the DCLS Renewal Agreements
“DCLS Original Agreement”	an agreement dated 4 April 2001 between the Company and BCC for provision of the Dedicated Circuit Leasing Service
“DCLS Renewal Agreements”	include (i) an agreement dated 14 December 2001 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 31 December 2002; (ii) an agreement dated 20 June 2003 between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2004; (iii) an agreement dated 9 July 2004 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2005; and (iv) an agreement dated 21 April 2005 entered into between the Company and BCC to further extend the term of the DCLS Original Agreement for DCLS to 30 June 2006; and (v) the DCLS Renewal Agreement V

* For identification purposes only

DEFINITIONS

“DCLS Renewal Agreement V”	the conditional agreement dated 30 April 2006 entered into between the Company and BCC to further extend the terms of the DCLS to 30 June 2007
“DCLS Renewal Agreement VI”	the conditional agreement dated 29 June 2007 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 30 June 2008
“DCLS Standard Fees”	the standard fees published on the official website of BCC and are the fees offered by BCC to its ordinary customers in relation to the dedicated circuit leasing services announced by BCC from time to time and different standard fees will be charged according to the speed capacities of the circuit line (as measured by Kbps or Mbps)
“DCLS Transactions”	being the continuing connected transactions between the Company and BCC contemplated under the DCLS Renewal Agreement VI
“Director(s)”	the director(s) of the Company
“Domestic Shares”	Ordinary shares of nominal value of RMB0.10 each in the share capital of the Company, which are paid up in Renminbi
“EGM”	the extraordinary general meeting of the Company to be convened and held on 14 September 2007 to consider and approve, among other things, the terms of the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions
“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
“Hantec”	Hantec Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the DCLS Transactions and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

DEFINITIONS

“H Shares”	overseas-listed foreign shares issued by the Company, with a nominal value of RMB0.10 each, which are traded in Hong Kong dollars on GEM
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of the Hong Kong Special Administrative Region
“Independent Board Committee”	The independent board committee of the Company comprising the 3 independent non-executive Directors, namely Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong established to advise the Independent Shareholders in respect of the DCLS Transactions
“Independent Shareholder(s)”	shareholders of the Company (other than BCC and its associates) who are entitled to vote at the EGM pursuant to the GEM Listing Rules
“Internet”	an electronic communications network that connects computer networks and organisation computer facilities around the world
“Kbps”	kilobits per second (or thousands of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Latest Practicable Date”	24 July 2007, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Mbps”	megabits per second (or millions of bits per second), is a measure of bandwidth (the amount of data that can flow in a given time) on a data transmission medium
“Pre-IPO Share Option Plan”	The share option plan adopted on 6 December 2001
“PRC”	The People’s Republic of China and for the purpose of this circular, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share Option Scheme”	The share option scheme adopted and amended by the Company on 6 December 2001 and 1 July 2003 respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company

LETTER FROM THE BOARD



CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

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

Directors:

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

[†] *Executive Director*

[#] *Non-executive Director*

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

Registered office:

No. 11 Xi San Huan Zhong Road
Beijing 100036
PRC

*Principal place of business
in Hong Kong:*

Room 1902
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

*Principal place of business
in the PRC:*

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

26 July 2007

To the shareholders of the Company,

Dear Sir or Madam,

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

INTRODUCTION

Pursuant to the announcement of the Company dated 2 May 2006, the Company has been subscribing to DCLS pursuant to the DCLS Original Agreement (extended by DCLS Renewal Agreements), and the term of the DCLS Renewal Agreement V expired on 30 June 2007. Based on the foregoing, the Company entered into the DCLS Renewal Agreement VI with BCC on 29 June 2007 to continue subscribing for DCLS from 1 July 2007 to 30 June 2008.

* *For identification purposes only*

LETTER FROM THE BOARD

MAJOR TERMS OF THE DCLS ORIGINAL AGREEMENT (AS AMENDED BY THE DCLS RENEWAL AGREEMENTS)

BCC provided the Dedicated Circuit Leasing Service to the Company at a fee payable by the Company based on the estimated number of leased lines and a monthly fee equal to 20% off the DCLS Standard Fees for such lease lines, 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.

The aforementioned preferential discount was granted to the Company by BCC on the understanding that the Company intends to lease its circuits on a long-term basis.

In the event that i) either BCC or the Company wishes to terminate the DCLS Agreement prior to the expiry of the agreement; or ii) BCC encounters any force majeure event (an event possibly affecting the contract and that is completely outside the parties' control) or has any fee adjustment requirement, it might terminate the agreement by giving thirty days' notice to the Company. In any event that the monthly fee has been overdue for any two consecutive months, the DCLS Agreement will be terminated automatically.

If there is any adjustment in the fee standards stipulated by the PRC government, the DCLS Original Agreement will be terminated and the parties shall continue with the leasing of dedicated circuits pursuant to the terms of the agreement for lease of dedicated circuits (專線租用協議書), a standard agreement of BCC with standard terms for the provision of dedicated circuit leasing services and entered into between the Company and BCC in August 2000, prior to the entering into of the DCLS Original Agreement.

For each of the three years ended 31 December 2006, the fees incurred by the Group under the DCLS Original Agreement and the DCLS Renewal Agreements were approximately RMB9.7 million, RMB7.1 million and RMB7.1 million respectively. The Directors have confirmed that the fees incurred under the above agreements have never exceeded their respective caps in previous years. The Directors have further confirmed that if the cap amount is exceeded in the future, the Company will promptly comply with all applicable requirements in relation to connected transactions under the GEM Listing Rules.

THE DCLS RENEWAL AGREEMENT VI

Date:

The DCLS Renewal Agreement VI was entered into by the parties on 29 June 2007.

Parties:

BCC and the Company

LETTER FROM THE BOARD

Major terms:

The Company and BCC will extend the term of the DCLS Original Agreement to 30 June 2008, which may further be extended by the parties before expiration of the term by entering into a further renewal agreement.

The DCLS Renewal Agreement VI forms an integral part of the DCLS Original Agreement. BCC will provide the Dedicated Circuit Leasing Service 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% off the DCLS Standard Fees for such lease lines, 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, all other terms and conditions of the DCLS Original Agreement, as amended by the DCLS Renewal Agreements, will remain applicable.

REASONS FOR ENTERING INTO THE DCLS RENEWAL AGREEMENT VI

The Group is principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment. 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 VI will facilitate the operation and the completion of the abovementioned business.

The Directors considered that the terms of the DCLS Renewal Agreement VI were arrived at after arm's length negotiation between the parties. Having considered the abovementioned terms and reasons of entering into the DCLS Renewal Agreement VI, the Directors consider that the DCLS Transactions are on normal commercial terms, and will be entered 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 shareholders of the Company as a whole.

LETTER FROM THE BOARD

BASIS OF DETERMINING THE CAPS OF THE DCLS RENEWAL AGREEMENT VI

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 propose two caps of RMB12 million and RMB22 million for the DCLS Transactions for the period from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively.

As disclosed in the previous section, for each of the three years ended 31 December 2006, the transactions contemplated under the DCLS Renewal Agreements amounted to approximately RMB9.7 million, RMB7.1 million and RMB7.1 million respectively.

The proposed caps of the DCLS Transactions are determined after taking into consideration of (i) the historical fees paid for the usage of DCLS; (ii) the expected increase in the business of e-Government technology services and e-Commerce technology services of the Group; and (iii) the expected increase in the DCLS Standard Fees to be incurred for different types of lines (measured by the speed and capacity of data transmission). As such, the Company expects an increase of 83% in the value of the DCLS Transactions for each of the period from 1 July 2007 to 31 December 2007 and from 1 January 2008 to 30 June 2008 respectively, which is mainly attributable to the forecasted number of new locations to be connected based on information provided by the customers. The Directors consider the proposed caps of RMB12 million and RMB22 million for the period from 1 July 2007 to 31 December 2007 and from 1 January 2008 to 30 June 2008 respectively are in line with the development progress of the existing projects by the Group which use DCLS and are fair and reasonable so far as the interests of the shareholders are concerned.

GENERAL

BCC is a company established in the PRC and is principally engaged in providing telecommunication service, data transmission service, Internet service and other related services.

BCC holds 80% interests in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. and thus is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute a continuing connected transaction under the GEM Listing Rules.

As the applicable percentage ratios (other than the profit ratio) for the proposed caps of the DCLS Transaction for the period from 1 July 2007 to 30 June 2008 of RMB34 million are on an annual basis, more than 2.5%, the DCLS Transaction is therefore subject to the reporting, announcement and independent shareholders' requirements pursuant to Rule 20.35 of the GEM Listing Rules.

ANNUAL REVIEW OF THE DCLS TRANSACTIONS

The Company is required to comply with the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules in respect of the DCLS Transactions.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising the 3 independent non-executive Directors has been established to advise the Independent Shareholders in relation to the DCLS Transactions and the proposed caps of the DCLS Transactions. Hantec has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the DCLS Transactions and the proposed caps of the DCLS Transactions.

EGM

Set out on pages 27 to 28 of this circular is a notice convening the EGM to be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the PRC. The EGM will be held for the purpose of considering and, if thought fit, approving the terms of the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transaction. BCC, by virtue of its 80% interests in Beijing Telecommunication Investment Co., Ltd., one of the promoters of the Company, is a connected person (as defined under the GEM Listing Rules) of the Company. As such, Beijing Telecommunication Investment Co., Ltd. and its associates shall abstain from voting in respect of the DCLS Transaction at the EGM.

As at the Latest Practicable Date, Beijing Telecommunication Investment Co., Ltd. and its respective associates (as defined under the GEM Listing Rules) are interested in 52,832,000 shares of the Company representing approximately 1.82% of the issue share capital of the Company.

Assuming Beijing Telecommunication Investment Co., Ltd. and its respective associates (as defined under the GEM Listing Rules) do not acquire or dispose further share between the Latest Practicable Date to the date of the EGM, there is no discrepancy between the beneficial shareholding interest in the Company of Beijing Telecommunication Investment Co., Ltd. as disclosed above and the number of shares in respect of which it will control or will be entitled to exercise control over the voting right at the EGM.

To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, none of BCC and its associates (other than Beijing Telecommunication Investment Co., Ltd.) are interested in the shares of the Company as at the Latest Practicable Date. Pursuant to the GEM Listing Rules, voting on the resolution relating to the terms of the DCLS Renewal Agreement VI at the EGM shall be conducted by way of a poll.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, of Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares) or to the Company's principal place of business in the PRC (in respect of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM. Completion of the form of proxy will not preclude you from attending and voting in the EGM or any adjourned meeting should you so desire.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM. Your attention is also drawn to the letter from Hantec, the independent financial adviser, for incorporation into this circular, which contains its advice to the Independent Board Committee in relation to the DCLS Transactions. The text of the letter from Hantec to the Independent Board Committee is set out on pages 13 to 18 of this circular.

The Independent Board Committee, having taken into account the advice and recommendation of Hantec, are of the view that the DCLS Renewal Agreement VI is in the interests of the Company and the shareholders of the Company as a whole, and that the terms of the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, it recommends that the Independent Shareholders should vote in favour of the resolution to be proposed to approve the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions.

ADDITIONAL INFORMATION

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

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



CAPINFO COMPANY LIMITED*

首都信息發展股份有限公司

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

26 July 2007

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to the circular dated 26 July 2007 (the "Circular") of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Under the GEM Listing Rules, the DCLS Renewal Agreement VI dated 29 June 2007 is conditional and shall only be effective upon the passing of an ordinary resolution by the Independent Shareholders at the EGM of the Company approving the terms of the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions. We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a shareholder whether in the views of the Independent Board Committee the terms of the DCLS Renewal Agreement VI are fair and reasonable and in the interests of the shareholders of the Company as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 10 of the Circular and the letter from Hantec as set out on pages 13 to 18 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the DCLS Renewal Agreement VI with the principal factors and reasons for its advice and recommendation.

RECOMMENDATION

Having taken into account the advice and recommendation of Hantec, we are of the view that the DCLS Renewal Agreement VI are in the interests of the Company and the shareholders of the Company as a whole, and that the terms of the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend that the Independent Shareholders should vote in favour of the resolution to be proposed to approve the DCLS Renewal Agreement VI and the proposed caps for the DCLS Transactions.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Ye Lu

Independent non-executive Directors

Chen Jing

Liu Dongdong

LETTER FROM HANTEC

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



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

26 July 2007

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

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DEDICATED CIRCUIT LEASING SERVICE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the DCLS Transactions and the proposed caps of the DCLS Transactions, details of which are set out in the circular (the “**Circular**”) of the Company dated 26 July 2007 of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Circular.

BCC holds 80% interests in one of the promoters of the Company, Beijing Telecommunication Investments Co., Ltd. and thus is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the DCLS Transactions will constitute continuing connected transactions under the GEM Listing Rules. As the applicable percentage ratios (other than the profit ratio) for the proposed caps of the DCLS Transactions for the period from 1 July 2007 to 30 June 2008 of RMB34 million are on an annual basis, more than 2.5%, the DCLS Transactions are therefore subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. 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.

An Independent Board Committee, comprising Mr. Chen Jing, Mr. Ye Lu and Mr. Liu Dongdong, has been established to advise the Independent Shareholders on the terms of DCLS Transactions and the proposed caps of the DCLS Transactions.

LETTER FROM HANTEC

BASIS OF OUR ADVICE

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

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

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the DCLS Transactions and the proposed caps of the DCLS Transactions, we have considered the following principal factors and reasons:

1. Background

(a) Information on the Group and BCC

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

BCC is a company established in the PRC and is principally engaged in providing telecommunication service, data transmission service, Internet service and other related services.

LETTER FROM HANTEC

(b) Background and reasons for the DCLS Renewal Agreement and the DCLS Transaction

The Company and BCC entered into the DCLS Original Agreement on 4 April 2001 for a fixed term of one year for the provision of the DCLS and a waiver from strict compliance with the reporting, announcement and shareholders' approval requirements of the GEM Listing Rules had been granted by the Stock Exchange to the Company in respect of the DCLS Original Agreement. The Company and BCC have further entered into the DCLS Renewal Agreements to extend the term of the DCLS Original Agreement up to 30 June 2007. Based on the foregoing, the Company entered into the DCLS Renewal Agreement VI with BCC on 29 June 2007 to continue subscribing for DCLS from 1 July 2007 to 30 June 2008. As confirmed by the Directors, the DCLS Transactions for the two years ended 31 December 2006 and the six months ended 30 June 2007 amounted to approximately RMB7.1 million, RMB7.1 million and RMB3.4 million respectively.

As confirmed by the Directors, the local dedicated circuits are major components for the operation of the business in e-Government technology services and e-Commerce technology services of the Group. The turnover of the Group generated from e-Government technology services and e-Commerce technology services amounted to approximately RMB201.7 million and RMB21.5 million, representing approximately 90.4% and 9.6% of the Group's turnover respectively for the year ended 31 December 2006. The Directors also confirmed that BCC is the largest operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required under the projects carried out by the Group in relation to the e-Government technology services and e-Commerce technology services business and the entering into of the DCLS Renewal Agreement VI will facilitate the operation and the completion of the above-mentioned business.

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

LETTER FROM HANTEC

2. Principal terms of the DCLS Transactions

(a) Pricing

Pursuant to the DCLS Renewal Agreement VI, 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 Transactions. The aforementioned preferential discount is granted to the Company by BCC on the understanding that the Company intends to lease its circuits on a long-term basis. As confirmed by the Directors, the pricing under the DCSL Renewal Agreement VI is no less favourable than the rates the Company can obtain from independent third parties which offer similar services and network coverage.

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

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

(b) Terms of the Renewal Agreement VI

Under the Renewal Agreement VI, the Company and BCC will extend the terms of the DCLS Original Agreement to 30 June 2008, which may further be extended by the parties before expiration of the term by entering into a further renewal agreement.

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

LETTER FROM HANTEC

3. Caps of the DCLS Transactions

The Directors propose two caps of RMB12 million and RMB22 million for the DCLS Transactions for the period from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively.

As set out in the Letter from the Board, the proposed caps of the DCLS Transactions are determined after taking into consideration of (i) the historical fees paid for the usage of DCLS; (ii) the expected increase in the business of e-Government technology services and e-Commerce technology services of the Group and (iii) the expected increase in the DCLS Standard Fees to be incurred for different types of lines (measured by the speed and capacity of data transmission). As such, the Company expects an increase of 83% in the value of the DCLS Transactions for each of the period from 1 July 2007 to 31 December 2007 and from 1 January 2008 to 30 June 2008 respectively. The Directors consider the proposed caps of RMB12 million and RMB22 million for the period from 1 July 2007 to 31 December 2007 and from 1 January 2008 to 30 June 2008 respectively are in line with the development progress of the existing projects held by the Group which uses DCLS.

To assess the fairness and reasonableness of the proposed two caps of RMB12 million and RMB22 million for the DCLS Transactions for the periods from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively, we have reviewed the schedule of forecasted usage of DCLS prepared by the Company based on the indicative information provided by its customers for each of the six-month periods ending 31 December 2007 and ending 30 June 2008. Pursuant to the forecasted schedule, the forecasted amount of DCLS is estimated to be approximately RMB11.2 million and RMB21.3 million for each of the six-month period ending 31 December 2007 and ending 30 June 2008, which is commensurate with the caps proposed by the Directors for the respective period with some buffer allowed. Having discussed with the management of the Company, we are given to understand that the schedule of forecasted usage of DCLS has been determined by the Company based on its discussion with its customers and the indicative information provided by its customers. The expected increase in the usage of DCLS is principally resulted from (i) the targeted upgrade of the dedicated circuits to higher speed connection in the existing locations from the range of 64Kbps to 2Mbps to the range of 2Mbps to 10Mbps and (ii) the targeted number of additional locations to be connected in 2007 and 2008. As set out in the schedule of forecasted usage, it is expected that there will be new connections, under the Group's e-Government technology services, to locations including additional medical institutions and additional government authorities. The expected increase in the usage of DCLS derived from such new connections amounted to approximately RMB7.4 million and RMB15.9 million for each of the six-month period ending 31 December 2007 and ending 30 June 2008, which represent approximately 66% and 74.6% of the total forecasted amount for the respective periods. In view that the forecasted usage of DCLS has been prepared by the Group based on the indicative information provided by its customers, we are of the view that the Directors have used fair and reasonable basis to determine the forecast.

In order to assess the trend of growth of the dedicated circuit usage in the PRC, we have further reviewed the statistical survey on the growth trend regarding the number of broadband (including dedicated circuits) users in the PRC. We consider that reviewing the

LETTER FROM HANTEC

statistic on the broadband (including the dedicated circuits) is reasonable because (i) both broadband and dedicated circuits systems provide similar services of high speed data communication; and (ii) the figures of broadband (including the dedicated circuits) users could also reflect the trend of utilization of high speed data communication. According to the statistical survey reports on the internet development in the PRC published by the China Internet Network Information Center, the number of broadband (including the dedicated circuits) users as at 30 June 2004, 2005, 2006 and 2007 was approximately 59.7 million, 82.7 million, 105.6 million and 122.4 million respectively, representing an increase of approximately 79.7%, 38.5%, 27.7% and 15.9% to the previous year respectively. The figures reflect that the demand for high speed communication in the PRC has experienced continuous growth in the past years. Based on the above analysis, we are of the view that it is reasonable to expect the usage of dedicated circuit in the PRC will continue to show an upward trend.

Having considered that (i) the schedules of forecasted usage of DCLS has been prepared by the Company using fair and reasonable basis, and (ii) the proposed caps for the period from 1 July 2007 to 31 December 2007 and from 1 January 2008 to 30 June 2008 can provide flexibility for the Group's future business development as the dedicated circuits are major components for the operation of the Group's business, we are of the view that the proposed caps amount under the DCLS Renewal Agreement VI for the two 6 months periods ending 31 December 2007 and 30 June 2008 respectively are fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the entering into the DCLS Renewal Agreement VI and the DCLS Transactions thereunder and the proposed caps for the DCLS Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned. We therefore advise the Independent Shareholders and advise Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the DCLS Transactions at the EGM.

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

1. RESPONSIBILITY STATEMENT

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

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

2. DISCLOSURE OF INTERESTS**(i) Directors and Chief Executive of the Company**

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

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

Name	Granted under the Pre-IPO Share Option Plan	Granted under the Share Option Scheme	Total	Percentage to the issued H Share capital
<i>Directors</i>				
Dr. Wang Xu	1,297,350	1,466,000	2,763,350	0.36%
Ms. Zhang Yan	1,308,200	1,466,000	2,774,200	0.36%
Dr. Wu Bo	1,261,700	1,466,000	2,727,700	0.35%
Mr. Qi Qigong	1,244,650	1,466,000	2,710,650	0.35%
Mr. Pan Jiaren	1,244,650	1,466,000	2,710,650	0.35%
Dr. Chen Xinxiang (resigned on 23 July 2007)	1,309,750	2,700,000	4,009,750	0.52%
	<u>7,666,300</u>	<u>10,030,000</u>	<u>17,696,300</u>	<u>2.29%</u>

Dr. Chen Xinxiang resigned as executive Director on 23 July 2007 and all the options held by him, if not executed, will be lapsed after three months from the date of resignation.

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

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

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

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

(ii) Substantial shareholders of the Company and other persons

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

Name of shareholder	Number of shares held	Capacity	Percentage of the issued share capital
Beijing State-owned Assets Management Corporation Limited	1,783,631,919 Domestic Shares	Beneficial owner	61.55%

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

Name	Equity interests held in members of the Group (except for the Company)	Nature or interests	Approximate Percentage
Business Incubator of Chongqing Hi-tech Industrial Development Zone	Chongqing Hongxin Software Company Limited (90% owned subsidiary of the Company)	Beneficial owner	10%
Dongguan City Shilongzhen Industrial Company (東莞市石龍鎮工業總公司)	Dongguan City Longxin Digital Technology Company Limited (東莞市龍信數碼科技有限公司) (60% owned subsidiary of the Company)	Beneficial owner	40%
Fu Zengxue (付增學)	Beijing Hongxin Software Company Limited (北京宏信軟件有限責任公司) (60% owned indirectly held subsidiary of the Company)	Beneficial owner	40%
China Association of Mayors (中國市長協會)	Beijing City Technology Development Company Limited (北京城市之窗科技發展有限公司) (85% owned subsidiary of the Company)	Beneficial owner	15%

3. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

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

- (i) the chairman of the meeting; or
- (ii) at least two Shareholders entitled to vote at the meeting present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy; or

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

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2006, the date to which the latest audited financial statements of the Group were made up.

5. SERVICE CONTRACTS

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

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

In accordance with the provisions of the Company's Articles of Association, 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 the PRC, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

Remuneration of the Directors and Supervisors are fixed during the annual general meeting held by the Company each year. For the year ended 31 December 2006, basic salaries and allowances paid to the two existing executive Directors and one Supervisor were RMB428,000, RMB384,000 and RMB56,000 respectively.

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

6. CONSENT

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

7. COMPETING INTERESTS

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

8. DIRECTORS INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2006 (the date to which the latest published audited consolidated accounts of the Company were made up) and up to the Latest Practicable Date.

9. DIRECTORS INTEREST IN CONTRACT

There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

10. SIGNIFICANT LITIGATION

As at the Latest Practicable Date, none of the members of the Company were engaged in any litigation or arbitration of material importance and there were no litigations, arbitrations or claims of material importance known by the Directors to be pending or threatened against any members of the Company.

11. QUALIFICATION OF EXPERT

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

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

12. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, Hantec:

- (a) does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 December 2006, being the date to which the latest published audit accounts of the Company were made up.

13. ADDITIONAL INFORMATION

- (i) The qualified accountant and the company secretary of the Company is Mr. Lo Wai Tat, Andrew.

Mr. Lo Wai Tat, Andrew (盧偉達先生), aged 34, is the Vice Chief Financial Officer and the Company Secretary of the Company. He possesses over 11 years of working experience in auditing and financial management and was an audit manager of an international accounting firm before joining the Company in October 2001. Mr. Lo graduated from the School of Accountancy of the Chinese University of Hong Kong in 1994 and is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

- (ii) The compliance officer of the Company is Ms. Zhang Yan (張延女士).

Ms. Zhang Yan (張延女士), aged 53, an executive Director since July 2001 and Chief Financial Officer of the Company appointed by the Board. She joined the Group in March 1998 and has been responsible for the financial management of the Group. Ms. Zhang has over 27 years' experience in finance and accounting in the PRC and Hong Kong, and held progressive positions at the Stone Group including the head of corporate finance department, manager of finance department and the deputy director of corporate finance prior to the joining of the Group. Ms. Zhang received a bachelor's degree from the Faculty of Commerce and Economy of the People's University in the PRC in 1985 and is a senior qualified accountant in the PRC.

- (iii) The Company has established an audit committee with written terms of reference as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely Messrs Chen Jing, Ye Lu and Liu Dongdong, Mr. Chen Jing is the Chairman of the audit committee.

Mr. CHEN Jing (陳靜先生), aged 62, joined the Group in October 2006 as an independent non-executive Director and is currently an advisor to the People's Bank of China, a member of the Advisory Committee for State Informatization, an expert of the expert advisory group for Beijing Municipal Government. Concurrently, Mr. Chen serves as professor of South Western University of Finance and Economics, University of International Business and Economics and Xi'an Jiaotong University, in the PRC. Mr. Chen graduated from Tsinghua University in the PRC in 1967, majoring in automatic control. He successively served as director, department of science and technology for the People's Bank of China, office director of National Banking Informatization Leading Group, and standing deputy chief and chief of Chengdu Computer Application Institute of Chinese Academy of Science.

Mr. YE Lu (葉路先生), aged 62, joined the Group in October 2006 as an independent non-executive Director and is currently a professor and a doctoral tutor of National University of Defence Technology and Beijing Institute of Technology and a professor rank research fellow of No. 15 Electronics Institute of the Ministry of Information Industry. Mr. Ye graduated from Tsinghua University in the PRC, majoring in computer. He successively held positions in the national defence industry office of the CPC Central Military Commission, the State Commission of Defence Science and Industry and PLA General Equipment Headquarters and served as the military attache (defence science and technology) of the Chinese Embassy in England. Mr. Ye led the preparation of the military computer hardware, software and networks scientific research planning for the “Seventh Five-Year Plan”, the “Eighth Five-Year Plan” and the “Ninth Five-Year Plan” of the whole army in the PRC. He also participated in the development of Yinhe supercomputer.

Mr. LIU Dongdong (劉東東先生), aged 32, joined the Group as an independent non-executive Director in September 2004, is currently executive director of Beijing Jingdu Management Consultant Company Limited. Mr. Liu graduated from the North East University of Finance and Economics in the PRC in 1997 and received a bachelor’s degree in economics. He is a member of the Chinese Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since 2000 and successively served as senior accountant of Shougang Concord Group Corporation, project manager of Horwath International Beijing Jingdu Certified Public Accountants Co., Ltd. He has over 8 years of experience in operation and management.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Commerzbank AG Hong Kong Branch at 21/F Hong Kong Club Building, 3A Chater Road, Central, Hong Kong up to and including 9 August 2007:

- (a) the DCLS Renewal Agreement VI;
- (b) the DCLS Original Agreement and the DCLS Renewal Agreements;
- (c) the letter from Hantec the text of which is set out on pages 13 to 18 of this circular;
- (d) the written consent of Hantec referred to in paragraph 6 of this appendix; and
- (e) the service contracts referred to in paragraph 5 of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“Extraordinary General Meeting”) of Capinfo Company Limited (the “Company”) will be held at Conference Room, 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, The People's Republic of China on 14 September 2007 at 9:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“THAT:

- (a) the non-exempt continuing connected transactions (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) in relation to the provision of dedicated circuit leasing service by CNC Beijing Communication Corporation (中國網通集團北京市通信公司) (“BCC”) to the Company pursuant to the renewal agreement (the “DCLS Renewal Agreement VI”) entered into between the Company and BCC dated 29 June 2007 to further extend the term of the agreement dated 4 April 2001 (the “DCLS Original Agreement”) entered into between the same parties in relation to dedicated circuit leasing service to 30 June 2008 (copies of the DCLS Renewal Agreement VI and DCLS Original Agreement have been produced to this meeting marked “A” and “B” respectively and signed by the chairman of the meeting for identification purpose), with the fee payable thereunder subject to respective cap of RMB12 million and RMB22 million, for the six months ending 31 December 2007 and the six months ending 30 June 2008 be and are hereby approved;
- (b) the Directors be and are hereby authorised to take all steps necessary or expedient to implement and/or give effect to the DCLS Renewal Agreement VI.”

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

Beijing, the People's Republic of China, 26 July 2007

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of shareholders of the Company will be closed from Tuesday 14 August 2007 to Thursday 13 September 2007 (both days inclusive), during which no transfer of shares of the Company will be effected. The holders of Shares whose names appear on the register of shareholders of the Company at 4:00 p.m. on Monday 13 August 2007 will be entitled to attend and vote at the EGM.
2. Any holder of Shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint in written form one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company.
3. A voting proxy form for the EGM is enclosed. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a legal person, it shall be under seal or under the hand of a director of the appointor or an attorney duly authorised. Voting of the ordinary resolution set out in this notice will be by poll.
4. The instrument appointing a proxy shall be deposited to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, of Rooms 1901-5, 19/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), and to the Company's principal place of business in the PRC (in respect of Domestic Shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.
5. Holders of Shares who intend to attend the EGM should complete the enclosed reply slip for the EGM and return it to the Company's H Shares registrar in Hong Kong, Hong Kong Registrars Limited, of Rooms 1901-5, 19/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), and to the Company's principal place of business in the PRC (in respect of Domestic Shares) on or before Saturday 25 August 2007. The reply slip may be delivered by hand or by post.