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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)

**CONTINUING CONNECTED TRANSACTION –
IN RELATION TO THE DEDICATED CIRCUIT LEASING SERVICE
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
PROPOSED INTRODUCTION OF NEW INTERNAL
CORPORATE GOVERNANCE RULES**

THE DCLS RENEWAL AGREEMENT VIII

On 22 April 2008, the Company announced that it had entered into the DCLS Renewal Agreement VII 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 VII will expire on 31 December 2009, the Company and BCC entered into the DCLS Renewal Agreement VIII on 10 November 2009, pursuant to which (i) the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) will be extended for a further 3-year period from 1 January 2010 to 31 December 2012 and (ii) the Proposed Caps for the DCLS Transactions for the three years ending 31 December 2012 will be RMB22.0 million, RMB20.0 million and RMB20.0 million, respectively.

Since BCC owns 100% 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND INTRODUCTION OF NEW INTERNAL CORPORATE GOVERNANCE RULES

The Board proposes to amend the existing Articles of Association in accordance with the "Companies Law of the PRC" amended in 2005 and the relevant provisions of other laws, regulations and policy papers of China, in conjunction with the actual situation of the Company. The Board also proposes to introduce new internal corporate governance rules, namely, the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee.

Details of the proposed amendments to the existing Articles of Association, the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee will be set out in the circular to be despatched to the shareholders of the Company. The content of the major proposed amendments to the existing Articles of Association include (i) reduction of capital and repurchase of shares; (ii) the powers of the general meeting; (iii) the powers and duties of the Board; (iv) duties of the secretary to the Board; (v) allocation of the Company's profit after tax; and (vi) dissolution and liquidation of the Company.

EGM

Since the DCLS Transactions (including 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 (including 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 (including the Proposed Caps). Beijing Telecommunication Investments, who 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 VIII, the DCLS Transactions (including the Proposed Caps). The Directors confirm that, save for Beijing Telecommunication Investments, there is no other shareholder of the Company who has material interests in the DCLS Renewal Agreement VIII and the transactions contemplated thereunder and is required to abstain from voting at the EGM in this regard. As no shareholder of the Company has any material interests in the amendments of the Articles of Association and the introduction of new internal corporate governance rules, no shareholder of the Company is 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 VIII; (ii) the DCLS Transactions (including the Proposed Caps); (iii) the proposed amendments to the Articles of Association; (iv) the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee, together with (v) the letter of advice from the independent financial adviser in relation to the DCLS Transactions (including the Proposed Caps); and (vi) the notice convening the EGM, will be despatched to the shareholders of the Company 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, 5 July 2007 and 22 April 2008 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 VIII

Date:

10 November 2009

Parties to the DCLS Renewal Agreement VIII:

BCC and the Company

Major terms:

On 22 April 2008, the Company announced that it had entered into the DCLS Renewal Agreement VII 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 VII were determined at RMB9.0 million (equivalent to approximately HK\$10.2 million) and RMB20.0 million (equivalent to approximately HK\$22.7 million) for the 6-month period from 1 July to 31 December 2008 and the year ending 31 December 2009, respectively. Since the DCLS subscribed by the Company under the DCLS Renewal Agreement VII will expire on 31 December 2009, the Company and BCC entered into the DCLS Renewal Agreement VIII to extend the term of the DCLS Original Agreement (as extended by the DCLS Renewal Agreements) for a further 3-year period from 1 January 2010 to 31 December 2012.

The DCLS Renewal Agreement VIII 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 VIII, 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 VIII 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

For each of the three years ended 31 December 2008, the transactions contemplated under the DCLS Renewal Agreements amounted to approximately RMB7.1 million (equivalent to approximately HK\$8.1 million), RMB6.7 million (equivalent to approximately HK\$7.6 million) and RMB7.8 million (equivalent to approximately HK\$8.9 million) respectively. The Directors have proposed the annual caps for the DCLS Transactions for the three years ending 31 December 2012 of RMB22.0 million, RMB20.0 million and RMB20.0 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 business projects 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 VIII

The Group is principally engaged in the installation of network systems, network design, consultancy and related technical services.

Local dedicated circuits are major components for the business operation of the Group. BCC is the largest operator with the broadest coverage of the local dedicated circuit in Beijing which covers the locations required by projects of the principal business of the Group and the entering of the DCLS Renewal Agreement VIII will facilitate the operation and the implementation of the Group's principal business.

The terms of the DCLS Renewal Agreement VIII are of normal commercial terms and were 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 VIII, the Directors (excluding the independent non-executive Directors whose view will be rendered after considering the independent financial adviser's advice) consider that the DCLS Transactions are on normal commercial terms, and 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 AND INTRODUCTION OF NEW INTERNAL CORPORATE GOVERNANCE RULES

The Board proposes to amend the existing Articles of Association in accordance with the "Companies Law of the PRC" amended in 2005 and the relevant provisions of other laws, regulations and policy papers of the PRC, in conjunction with the actual situation of the Company. The Board also proposes to introduce new internal corporate governance rules, namely, the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee.

Details of the proposed amendments to the existing Articles of Association, the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee will be set out in the circular to be despatched to the shareholders of the Company. The content of the major proposed amendments to the existing Articles of Association include (i) reduction of capital and repurchase of shares; (ii) the powers of the general meeting; (iii) the powers and duties of the Board; (iv) duties of the secretary to the Board; (v) allocation of the Company's profit after tax; and (vi) dissolution and liquidation of the Company.

IMPLICATION OF THE GEM LISTING RULES

BCC is a company established in China and is principally engaged in providing telecommunication service, data transmission service, Internet service and other related services. Since BCC owns 100% equity interests in Beijing Telecommunication Investments, being one of the promoters (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 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.

EGM

Since the DCLS Transactions (including 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 (including 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 (including the Proposed Caps). Beijing Telecommunication Investments, who 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 VIII, the DCLS Transactions (including the Proposed Caps). The Directors confirm that, save for Beijing Telecommunication Investments, there is no other shareholder of the Company who has material interests in respect of the DCLS Renewal Agreement VIII and the transactions contemplated thereunder and is required to abstain from voting at the EGM in this regard. As no shareholder of the Company have any material interests in the amendments of the Articles of Association and the introduction of new internal corporate governance rules, no shareholder of the Company 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 VIII; (ii) the DCLS Transactions (including the Proposed Caps); (iii) the proposed amendments to the Articles of Association; (iv) the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee, together with (v) the letter of advice from the independent financial adviser in relation to the DCLS Transactions (including the Proposed Caps); and (vi) the notice convening the EGM, will be despatched to the shareholders of the Company 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 China and is one of the promoters (as defined under the GEM Listing Rules) of the Company
“BCC”	:	中國聯合網絡通信有限公司北京市分公司 (前稱中國網通(集團)有限公司北京市分公司) China United Network Communications Corporation Limited Beijing Branch (formerly known as China Netcom (Group) Company Limited Beijing Branch)
“Board”	:	the board of Directors
“China” or “PRC”	:	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	:	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company established in China, the issued H Shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“connected person(s)”	:	has the meaning ascribed to it in the GEM Listing Rules
“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 2006; (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; (vi) an 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 and (vii) the DCLS Renewal Agreement VII
- “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 Renewal Agreement VIII” : a conditional agreement dated 10 November 2009 entered into between the Company and BCC to further extend the terms of the DCLS Original Agreement for DCLS to 31 December 2012
- “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 VIII
- “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 VIII and the Proposed Caps as well as the proposed amendments to the Articles of Associations and the introduction of the Rules and Procedures for General Meetings, the Rules and Procedures for Meetings of the Board of Directors and the Rules and Procedures for Meetings of the Supervisory Committee
“GEM Listing Rules”	:	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	:	the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of China
“H Share(s)”	:	overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company, which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	:	shareholders of the Company (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
“Proposed Caps”	:	the maximum aggregate annual value for the DCLS Transactions for the three years ending 31 December 2012 of RMB22.0 million, RMB20.0 million and RMB20.0 million, respectively
“Share(s)”	:	share(s) of RMB0.1 each in the share capital of the Company

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

All amounts in RMB in this announcement have been translated in HK\$ at a rate of RMB1.000 = HK\$1.136 for illustration purpose only.

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

Beijing, China, 10 November 2009

In this announcement, the English names of China 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 Director is Dr. Wang Xu; the non-executive Directors are Dr. Li Minji, Ms. Sun Jing, Ms. Li Zhi, Mr. Pan Jiaren, Mr. Cao Jun, Mr. Qi Qigong, Ms. Lu Xiaobing and the independent non-executive Directors are Mr. Chen Jing, Dr. Wang Huacheng and Mr. Gong Zhiqiang.

This announcement will remain on the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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