

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
PROVISION OF NETWORK SYSTEM AND MAINTENANCE SERVICE**

Financial Adviser



KBC BANK N.V. HONG KONG BRANCH

On 20 December 2006, the Company and Capnet entered into the Network System Agreement for the Company's provision of the Network System and the related maintenance services to Capnet. On 20 December 2007, the Company, Capnet and Capinfo Technology entered into an agreement, pursuant to which the parties agreed that Capinfo Technology replaced the Company for the provision of the Network System and the related maintenance service to Capnet, and other terms of the Network System Agreement remained unchanged. As the Network System Agreement is for a term of three years and will expire on 31 December 2009, Capinfo Technology and Capnet entered into the New Network System Agreement on 29 December 2009 to renew the Network System Agreement on substantially the same terms for three further years. Under the New Network System Agreement, Capnet is obliged to pay Capinfo Technology RMB525,000 per month as service fee.

BSAM, being a promoter of the Company and, as at the date of this announcement, having interest in approximately 63.31% of the Company's issued share capital, is a connected person of the Company under the GEM Listing Rules. On the other hand, Capnet is held as to 95% by BSAM. As such, Capnet is deemed to be a connected person of the Company pursuant to the GEM Listing Rules.

As (i) each of the percentage ratios (other than the profit ratio) is on an annual basis less than 2.5% or (ii) each of the percentage ratios (other than the profit ratio) is on an annual basis equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the New Network System Agreement are only subject to the reporting and announcement requirements of Rules 20.45 to 20.47 of the GEM Listing Rules and are exempt from the independent shareholders' approval requirement of Chapter 20 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 20 December 2006 in relation to the Company's provision of the Network System and the related maintenance services to Capnet under the Network System Agreement.

THE NEW NETWORK SYSTEM AGREEMENT

Date:

29 December 2009

Parties:

Capinfo Technology, a wholly-owned subsidiary of the Company

Capnet, a company incorporated in China and principally engaged in the provision of information technology services and technical development of hardware and software for computers, etc.

Major terms:

The New Network System Agreement shall have a term of 3 years effective from 1 January 2010 to 31 December 2012 unless terminated by either party according to the provisions of the New Network System Agreement. The New Network System Agreement further provides that the term of the New Network System Agreement can be extended subject to further negotiations between the parties thereto.

Pursuant to the New Network System Agreement, Capinfo Technology will provide the Network System and the related maintenance services to Capnet for 3 years and will ensure the normal functioning of the Network System. On the other hand, Capnet has the responsibility of restoring the Network System back to working order including any repairs and/or replacement if it is Capnet's improper use of the Network System which causes any malfunction. In case of any malfunction, datum may be extracted from the Network System to find out the cause(s) of malfunction and the responsible party.

BASIS OF DETERMINING THE PROPOSED CAPS

Under the provisions of the New Network System Agreement, Capnet is obligated to pay Capinfo Technology RMB525,000 per month for the provision of the Network System and the related maintenance services to Capnet by Capinfo Technology. The rate chargeable to Capnet was determined based on a mark-up on top of the Group's operating costs of the Network System. The directors of the Company confirm that the mark-up charged to Capnet is no more favourable than those offered to the Group's third party customers. The maximum aggregate annual value for the transactions contemplated under the New Network System Agreement for each of the three years ending 31 December 2012 of RMB6.30 million (equivalent to approximately HK\$7.16 million) (the "Proposed Caps") is determined with reference to the current market price of internet services, etc..

Accordingly, the directors of the Company are of the view that the Proposed Caps are in the interest of the Company and fair and reasonable to the Company and its shareholders as a whole.

REASONS FOR ENTERING THE NEW NETWORK SYSTEM AGREEMENT

The Group is an Internet technology and network solutions provider and similar network system and maintenance services have been provided to the Group's other customers. The terms of the New Network System Agreement were reached after arm's length negotiation between the parties thereto and are on normal commercial terms. Accordingly, the directors of the Company consider that the transactions contemplated under the New Network System Agreement are conducted in the Company's ordinary and usual course of business and the terms of the New Network System Agreement are fair and reasonable and the entering into of the New Network System Agreement is in the interests of the Company and its shareholders as a whole.

IMPLICATION OF THE GEM LISTING RULES

BSAM, being a promoter of the Company and, as at the date of this announcement, having interest in approximately 63.31% of the Company's issued share capital, is a connected person of the Company under the GEM Listing Rules. On the other hand, Capnet is held as to 95% by BSAM. As such, Capnet is deemed to be a connected person of the Company pursuant to the GEM Listing Rules.

As Capnet is obliged to pay Capinfo Technology RMB525,000 per month (or RMB6,300,000 per annum) under the New Network System Agreement, (i) each of the percentage ratios (other than the profit ratio) is on an annual basis less than 2.5% or (ii) each of the percentage ratios (other than the profit ratio) is on an annual basis equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the New Network System Agreement are only subject to the reporting and announcement requirements of Rules 20.45 to 20.47 of the GEM Listing Rules and are exempt from the independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

DEFINITIONS

- “BSAM” : 北京市國有資產經營有限責任公司 (Beijing State-Owned Assets Management Corporation Limited*), a company established in China and wholly-owned by the Beijing Municipal Government, as well as a substantial shareholder, a promoter and an initial management shareholder (as defined under the GEM Listing Rules) of the Company
- “Capinfo Technology” : 首都信息科技發展有限公司 (Capinfo Technology Development Co., Ltd.), a company incorporated in China with limited liability which is a wholly-owned subsidiary of the Company
- “Capnet” : 北京首信網創網絡信息服務有限責任公司 (Capnet Company Limited), a company incorporated in China with limited liability
- “China” : 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 overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company 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
- “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
- “Internet” : an electronic communication network that connects computer networks, facilities and organisations around the world

“Network System”	:	a system, facilitating connection between end users and internet, to be provided by the Company to Capnet under the terms of the Network System Agreement
“Network System Agreement”	:	the agreement dated 20 December 2006 between the Company and Capnet for the provision of the Network System and the related maintenance services
“New Network System Agreement”	:	an agreement dated 29 December 2009 entered into between Capinfo Technology and Capnet for the provision of the Network System and the related maintenance services
“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 of the Directors
Capinfo Company Limited*
Dr. Li Minji
Chairman

Beijing, China, 29 December 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 of the Company 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 of the Company, 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 of the Company is Dr. Wang Xu; the non-executive directors of the Company 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 of the Company 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*