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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 China with limited liability)

(Stock Code: 8157)

**CONNECTED TRANSACTION –
INTRODUCTION OF STRATEGIC INVESTORS TO A SUBSIDIARY**

THE CAPITAL INCREASE

On 16 April 2010, the Company entered into the Capital Increase Agreement with the Strategic Investors to increase the registered capital of Beijing Culture & Sports, a wholly-owned subsidiary of the Company, from RMB10.0 million to RMB50.0 million by way of cash contribution of RMB12.5 million, RMB11.0 million, RMB8.0 million, RMB6.0 million and RMB2.5 million by the Company, National Stadium, National Aquatic Centre, Beijing Artists and Beijing Sports, respectively. After completion of the Capital Increase Agreement, Beijing Culture & Sports will be owned as to 45%, 22%, 16%, 12% and 5% by the Company, National Stadium, National Aquatic Centre, Beijing Artists and Beijing Sports, respectively.

IMPLICATION OF THE GEM LISTING RULES

Since the Capital Increase will result in a reduction in the equity interest of the Company in Beijing Culture & Sports from 100% to 45%, the Capital Increase will constitute a deemed disposal for the Company under Chapter 19 of the GEM Listing Rules. By virtue of all of the Strategic Investors being subsidiaries of BSAM, the controlling shareholder of the Company, they are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Capital Increase will constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios in respect of the Capital Increase (as defined under the GEM Listing Rules) are more than 0.1% but less than 2.5% and the total consideration is greater than HK\$1 million, the Capital Increase is only subject to the reporting and announcement requirements and is exempt from independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

THE CAPITAL INCREASE AGREEMENT

Date:

16 April 2010

Parties to the Capital Increase Agreement

- (i) The Company; and
- (ii) The Strategic Investors

All of the Strategic Investors are subsidiaries of BSAM and, to the best of the knowledge, information and belief of the directors of the Company and having made all reasonable enquiries, save for the entering into the Capital Increase Agreement, the Group has not had any transactions with each of the Strategic Investors and their respective associates during the previous 12 months which should be aggregated with the Capital Increase under pursuant to Rule 19.22 of the GEM Listing Rules.

Principal terms of the Capital Increase Agreement

The Capital Increase

Pursuant to the Capital Increase Agreement, the Company, National Stadium, National Aquatic Centre, Beijing Artists and Beijing Sports, will contribute RMB12.5 million, RMB11 million, RMB8 million, RMB6 million and RMB2.5 million in cash, respectively, to the registered capital of Beijing Culture & Sports. The cash injection by the Company and the Strategic Investors will be made within 30 days after the signing of the Capital Increase Agreement.

Basis of the Capital Increase

The amounts of capital contribution to be made by the Company and each of the Strategic Investors were determined after arm's length negotiation between the Company and the Strategic Investors and their respective shareholdings after the Capital Increase.

Composition of the board of directors

Following completion of the Capital Increase, the board of directors of Beijing Culture & Sports will comprise seven directors, four of which will be appointed by the Company and the remaining three directors will be appointed by each of National Stadium, National Aquatic Centre and Beijing Artists. Although the majority of the board of directors of Beijing Culture & Sports will be appointed by the Company after completion of the Capital Increase Agreement, whether Beijing Culture & Sports will remain to be accounted for as a subsidiary of the Company will depend on the then articles of association and rules on procedures for the meetings of the board of directors of Beijing Culture & Sports to be agreed by the Company and the Strategic Investors following the completion of the Capital Increase.

Shareholding structure

Set out below are the changes in the shareholding structure and the registered share capital of Beijing Culture & Sports before and after completion of the Capital Increase Agreement:

	Before the Capital Increase		After the Capital Increase	
	Registered Capital RMB' Million	%	Registered Capital RMB' Million	%
The Company	10.0	100.0	22.5	45.0
National Stadium	–	–	11.0	22.0
National Aquatic Centre	–	–	8.0	16.0
Beijing Artists	–	–	6.0	12.0
Beijing Sports	–	–	2.5	5.0
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Total	<u>10.0</u>	<u>100.0</u>	<u>50.0</u>	<u>100.0</u>

POTENTIAL CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Capital Increase Agreement, it is expected that Beijing Culture & Sports will enter into ticketing agency agreements with each of the Strategic Investors within 20 business days after the signing of the Capital Increase whereby Beijing Culture & Sports will be engaged as a ticketing agent for each of the Strategic Investors. In the event that the transactions contemplated under the aforesaid ticketing agency agreements constitute non-exempt continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules, the Company will comply with the relevant announcement, reporting and independent shareholders' approval requirements accordingly.

REASONS FOR AND BENEFIT OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

As mentioned below, all of the Strategic Investors are either operators of international-grade cultural and sports venues in Beijing (the capital city and the cultural centre of China) or cultural and sports event organizers which have extensive marketing network and high demand for electronic ticketing services. Leveraging on the expertise of Beijing Culture & Sports in the provision of sports related information service system and development of sports related equipment and engineering projects, the Capital Increase and the potential entering into of the ticketing agency agreements will not only allow the Group to establish strategic business relationship with the leading players in the cultural and sports events industry in China, but will also provide the Group with additional working capital and the opportunity to diversify its business into the area of providing ticketing agency and the related information technology services. Based on the above, the directors of the Company are of the view that the Capital Increase is in the ordinary and usual course of business of the Group and on normal commercial terms, the terms of the Capital Increase Agreement are fair and reasonable, and the entering into of the Capital Increase Agreement is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND THE STRATEGIC INVESTORS

The Group

The Group is an information technology and service provider. The Group has taken and completed a number of tasks of construction, operation and maintenance for sizable informatization application works in Beijing and other regions in China and has initially established an information technology service network with extensive coverage and distinguishing characteristics.

Beijing Culture & Sports

Beijing Culture & Sports, a company incorporated in China with limited liability and established and wholly-owned by the Company, is principally engaged in the provision of sports related information service system and development of sports related equipment and engineering projects, and is expanding into the business of ticketing and related information technology services. Based on the audited financial statements of Beijing Culture & Sports, it had net asset value of approximately RMB13.08 million as at 31 December 2009. Its profit before tax for the two years ended 31 December 2009 amounted to approximately RMB6.63 million and RMB1.32 million, respectively, and its profit after tax for the two years ended 31 December 2009 amounted to approximately RMB6.63 million and RMB1.32 million, respectively.

National Stadium

National Stadium, a company incorporated in China with limited liability and a subsidiary of BSAM, is principally engaged in the coordination and management of the finance, construction and operation of the Nest located in the Beijing Olympic Park, Beijing, China.

National Aquatic Centre

National Aquatic Centre, a company incorporated in China with limited liability and a wholly-owned subsidiary of BSAM, is principally engaged in the construction, management and operation of the Water Cube located in the Beijing Olympic Park.

Beijing Artists

Beijing Artists, a company incorporated in China with limited liability and a subsidiary of BSAM, is a performance agency and its business covers a wide range of areas including planning and producing large-scale activities, marketing and promotion, designing, production and leasing of stage set, lighting and sound equipment.

Beijing Sports

Beijing Sports, a company incorporated in China with limited liability and a subsidiary of BSAM, is principally engaged in the investment and management of international sports events.

IMPLICATION OF THE GEM LISTING RULES

Since the Capital Increase will result in a reduction in the equity interest of the Company in Beijing Culture & Sports from 100% to 45%, the Capital Increase will constitute a deemed disposal for the Company under Chapter 19 of the GEM Listing Rules. By virtue of all of the Strategic Investors being subsidiaries of BSAM, the controlling shareholder, they are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Capital Increase will constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios in respect of the Capital Increase (as defined under the GEM Listing Rules) are more than 0.1% but less than 2.5% and the total consideration is greater than HK\$1 million, the Capital Increase is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

DEFINITIONS

- “Beijing Artists”:
Beijing Artists Management Corp., Ltd.* (北京市演出有限責任公司), a company incorporated in China with limited liability and a subsidiary of BSAM
- “Beijing Culture & Sports”:
Beijing Culture & Sports Technology Co., Ltd.* (北京文化體育科技有限公司), a company incorporated in China with limited liability and wholly-owned by the Company
- “Beijing Sports”:
Beijing Sports International Co., Ltd.* (北京時博國際體育賽事有限公司), a company incorporated in China with limited liability and a wholly-owned subsidiary of BSAM
- “BSAM”:
Beijing Stated-owned Assets Management Co., Ltd.* (北京市國有資產經營責任有限公司), a company established in China and wholly-owned by the Beijing Municipal Government
- “Capital Increase”:
the increase in registered capital of Beijing Culture & Sports by the way of cash contribution from the Company and the Strategic Investors pursuant to the Capital Increase Agreement
- “Capital Increase Agreement”:
the agreement dated 16 April 2010 in relation to the increase in registered capital of Beijing Culture and Sports by way of cash contribution from the Company and the Strategic Investors
- “China”:
the People’s Republic of China, and for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, 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
“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
“National Aquatic Centre”:	Beijing National Aquatic Centre Co., Ltd.* (北京國家游泳中心有限責任公司), a company incorporated in China with limited liability and a wholly-owned subsidiary of BSAM
“National Stadium”:	The National Stadium Co., Ltd. (國家體育場有限責任公司), a company incorporated in China with limited liability and a subsidiary of BSAM
“Strategic Investors”:	National Stadium, National Aquatic Centre, Beijing Artists and Beijing Sports
“RMB”:	Renminbi, the lawful currency of China
“%”:	per cent.

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

Beijing, China, 16 April 2010

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, 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 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*