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CAPINFO
CAPINFO COMPANY LIMITED*
首都信息發展股份有限公司

(a joint stock limited company established in the People's Republic of China with limited liability)
(Stock code: 1075)

CONTINUING CONNECTED TRANSACTION

Financial adviser to the Company



INTRODUCTION

Reference is made to the announcement of the Company dated 21 March 2011 in relation to the entering into of the Existing Network Security Development Services Agreement with BJCA. Pursuant to the Existing Network Security Development Services Agreement, BJCA had been providing network security system development and related technical services to the Company for a term commenced from 21 March 2011 to 31 December 2013.

On 27 March 2014, the Company and BJCA entered into the Supplemental Network Security Development Services Agreement under which the parties thereto agreed to extend the term of the Existing Network Security Development Services Agreement for the period from 27 March 2014 to 31 December 2016.

THE SUPPLEMENTAL NETWORK SECURITY DEVELOPMENT SERVICES AGREEMENT

Date

27 March 2014

Parties

The Company and BJCA

Major terms

The original term of the Existing Network Security Development Services Agreement was from 21 March 2011 to 31 December 2013. Pursuant to the Supplemental Network Security Development Services Agreement, the Company and BJCA have agreed to extend the term of the Existing Network Security Development Services Agreement for the period from 27 March 2014 to 31 December 2016.

BJCA will provide network security system development and related technical services to the Company for the period from 27 March 2014 to 31 December 2016 and the relevant service fees payable by the Company to BJCA will be determined on normal commercial terms with reference to the prevailing market rates.

The New Annual Caps

The New Annual Caps for the period from 27 March 2014 to 31 December 2016 are determined based on (i) the historical service fees paid by the Company to BJCA for the network security system development and related technical services; and (ii) the projected expenditure for developing and maintaining the network security system of the Group for the period from 27 March 2014 to 31 December 2016, taking into account the potential growth. Having also considered (i) the satisfactory performance of BJCA; and (ii) the business growth of the Company which may demand for more services from BJCA, the Directors are of the view that it is necessary to set the New Annual Caps higher than the Existing Annual Caps.

The historical service fees paid by the Company to BJCA and the Existing Annual Caps for each of the three years ended 31 December 2013 are as follows:

	For the year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical service fees paid	701	1,826	734
Existing Annual Caps	3,000	2,000	2,000

The New Annual Caps for the period from 27 March 2014 to 31 December 2016 are as follows:

	From	For the year end	
	27 March	31 December	
	2014 to	2015	2016
	31 December	<i>RMB'000</i>	<i>RMB'000</i>
	2014		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New Annual Caps	6,300	6,930	7,620

Save as disclosed above, all of the existing terms and conditions under the Existing Network Security Development Services Agreement remain unchanged.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL NETWORK SECURITY DEVELOPMENT SERVICES AGREEMENT

The principal activities of the Group consist of the provision of information technologies and services supply including system integration, software development, IT planning and consultancy, IT operation and maintenance, etc.

BJCA is a leading IT security solutions providers in the PRC which is principally engaged in the provision of certificate authority services and products and information security services. As at the date of this announcement, BJCA is owned as to approximately 34.98% by the Company and approximately 36.66% by BSAM. BJCA is a subsidiary of BSAM.

Leveraging on the advanced technology and substantial experience of BJCA in the information technology industry, the Directors are of the view that the entering into of the Supplemental Network Security Development Services Agreement will continue to help the Group to maintain and enhance its network security system. Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. Xu Zhe, Ms. Zhang Kaihua and Mr. Lu Lei, who are Directors representing BSAM and had abstained from voting on the Board resolution in respect of the entering into of the Supplemental Network Security Development Services Agreement) consider that the terms of the Supplemental Network Security Development Services Agreement and the New Annual Caps are fair and reasonable and the entering into of the Supplemental Network Security Development Services Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Since BJCA is a subsidiary of BSAM, the controlling shareholder of the Company, BJCA is a connected person of the Company and the transactions contemplated under the Supplemental Network Security Development Services Agreement constitutes continuing connected transaction of the Company under the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Annual Caps are more than 0.1% but less than 5%, the transaction contemplated under the Supplemental Network Security Development Services Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirements under the Listing Rules.

Save as and except for Mr. Xu Zhe, Ms. Zhang Kaihua and Mr. Lu Lei, all being non-executive Directors and hold offices at BSAM, none of the Directors have any material interest in the Supplemental Network Security Development Services Agreement. Accordingly, Mr. Xu Zhe, Ms. Zhang Kaihua and Mr. Lu Lei had abstained from voting on the Board resolution approving the Supplemental Network Security Development Services Agreement.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BJCA”	北京數字認證股份有限公司 (Beijing Certificate Authority Co., Ltd.*)
“Board”	the board of the directors of the Company
“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 the PRC and is wholly-owned by the Beijing Municipal Government, being the controlling shareholder of the Company
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company established in the PRC, the overseas listed foreign share(s) of RMB0.10 each in the share capital of the Company are listed on the Main Board of the Stock Exchange (Stock code: 1075)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the annual caps in respect of the transaction contemplated under the Existing Network Security Development Services Agreement for each of the three years ended 31 December 2013
“Existing Network Security Development Services Agreement”	the agreement dated 21 March 2011 entered into between the Company and BJCA for the provision of network security system development and related technical services by BJCA to the Company for a term commenced from 21 March 2011 to 31 December 2013
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Annual Caps”	the annual caps in respect of the transaction contemplated under the Supplemental Network Security Development Services Agreement for the period from 27 March 2014 to 31 December 2016
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of RMB0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Network Security Development Services Agreement”	the agreement dated 27 March 2014 entered into between the Company and BJCA in relation to the extension of the term under the Existing Network Security Development Services Agreement and the New Annual Caps

By Order of the Board
CAPINFO COMPANY LIMITED*
Xu Zhe
Chairman

Beijing, the PRC, 27 March 2014

As of the date hereof, the executive Director is Dr. Wang Xu; the non-executive Directors are Mr. Xu Zhe, Ms. Zhang Kaihua, Mr. Lu Lei, Mr. Pan Jiaren, Mr. Shi Hongyin, Ms. Hu Sha and Mr. Wang Zhuo, and the independent non-executive Directors are Mr. Chen Jing, Ms. Zhou Liye, Mr. Zeng Xianggao and Mr. Gong Zhiqiang.

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In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purposes only*