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**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)

**REVISION OF ANNUAL CAPS OF  
CONTINUING CONNECTED TRANSACTION  
IN RELATION TO PROVISION OF NETWORK SYSTEM  
AND RELATED MAINTENANCE SERVICES**

**Financial adviser to the Company**



**THE NETWORK SERVICE AGREEMENT**

On 18 January 2013, Capinfo Technology entered into the 2013 Network System Agreement with Capnet pursuant to which Capinfo Technology has been providing Network System and Related Maintenance Services to Capnet.

On 15 October 2014, the Company and Capnet entered into the Network Service Agreement for the provision of the Network Equipment Lease and Services by the Company to Capnet to support and optimise the network system of Capnet.

**REVISION OF THE EXISTING ANNUAL CAPS**

After the entering of the Network Service Agreement, the aggregated amount of the Capinfo Technology Service Fee and the Company Service Fee paid/payable by Capnet to the Group under the 2013 Network System Agreement and the Network Service Agreement will exceed the Existing Annual Caps in respect of the transactions contemplated under the 2013 Network System Agreement. The Directors therefore resolved to revise the Existing Annual Caps.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, BSAM, being the controlling shareholder of the Company, is interested in approximately 63.31% of the issued share capital of the Company. As Capnet is held as to 95% by BSAM, Capnet is a connected person of the Company pursuant to the Listing Rules. Accordingly, the entering into of the Network Service Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps (which cover both of the Capinfo Technology Service Fee and the Company Service Fee) are more than 0.1% but less than 5%, the transactions contemplated under the Network Service Agreement and the Revised Annual Caps (which cover both of the Capinfo Technology Service Fee and the Company Service Fee) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

References are made to the announcement of the Company dated 18 January 2013 (the “**2013 Announcement**”) in relation to the entering into of the 2013 Network System Agreement between Capinfo Technology and Capnet pursuant to which Capinfo Technology has been providing Network System and Related Maintenance Services to Capnet for a service fee of RMB6,300,000 per year (the “**Capinfo Technology Service Fee**”). The 2013 Network System Agreement is of a term of approximately three years expiring on 31 December 2015. Details of the 2013 Network System Agreement are set out under the 2013 Announcement.

On 15 October 2014, the Company and Capnet entered into the Network Service Agreement for the provision of the Network Equipment Lease and Services by the Company to Capnet to support and optimise the network system of Capnet.

## **THE NETWORK SERVICE AGREEMENT**

### **Date**

15 October 2014

### **Parties**

The Company; and

Capnet

Capnet is principally engaged in the provision of value-added telecommunications services, network system integration and the selling of computer equipment.

### **Duration**

The Network Service Agreement is of a term of one year from the date of the Network Service Agreement (the “**Term**”) unless terminated by either party to the Network Service Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the Network Service Agreement.

### **Provision of Network Equipment Lease and Services**

Pursuant to the Network Service Agreement, the Company will lease certain network server equipment and provide related technical support services to Capnet during the Term.

### **Pricing basis**

Pursuant to the Network Service Agreement, Capnet is obligated to pay the Company an estimated service fee of RMB11,037,428 (the “**Company Service Fee**”), which is estimated based on the rate chargeable to Capnet for the equipment to be leased (in terms of predetermined monthly rent) and manpower (in terms of predetermined daily wage) to be incurred for the provision of the Network Equipment Lease and Services.

Should the actual rate chargeable to Capnet be less than expected, the Company Service Fee will be calculated based on the actual equipment leased and manpower incurred for the provision of the Network Equipment Lease and Services at the same predetermined monthly rent and daily wage under the Network Service Agreement.

On the other hand, should the actual rate chargeable to Capnet be higher than expected, the Company and Capnet shall enter into supplemental agreement to govern the Company Service Fee based on the actual equipment leased and manpower incurred for the provision of the Network Equipment Lease and Services at the same predetermined monthly rent and daily wage under the Network Service Agreement.

The rate chargeable to Capnet is on normal commercial terms and is determined on an arm’s length basis based on a mark-up on top of the Group’s operating costs of for the provision of the Network Equipment Lease and Services and with reference to the market price of such lease and services. The Board (including the independent non-executive Directors) confirms that the markup charged to Capnet is no more favourable than those offered to the Group’s customers who are Independent Third Parties.

The Company Service Fee will be payable as to (i) RMB4,414,971, being 40% of the Company Service Fee, before 31 December 2014; and (ii) the remaining amount before the expiration of the Network Service Agreement.

## **REVISION OF THE EXISTING ANNUAL CAPS**

After the entering of the Network Service Agreement, the aggregated amount of the Capinfo Technology Service Fee and the Company Service Fee paid/payable by Capnet to the Group under the 2013 Network System Agreement and the Network Service Agreement will exceed the existing annual caps (the “**Existing Annual Caps**”) in respect of the transactions contemplated under the 2013 Network System Agreement. The Directors therefore resolved to revise the Existing Annual Caps.

### ***Existing Annual Caps***

The Existing Annual Caps in respect of the transactions contemplated under the 2013 Network System Agreement for the three financial years ending 31 December 2015 are set out below:

<b>For the year ended 31 December 2013</b>	<b>For the year ending 31 December 2014</b>	<b>For the year ending 31 December 2015</b>
RMB6,300,000	RMB6,300,000	RMB6,300,000

### ***Historical amount of the transactions contemplated under the 2013 Network System Agreement***

Historical amount of the transactions contemplated under the 2013 Network System Agreement for the year ended 31 December 2013 and the six months ended 30 June 2014 is set out below:

<b>For the year ended 31 December 2013</b>	<b>For the six months ended 30 June 2014</b>
RMB5,943,000	RMB4,961,000

### ***Revised Annual Caps***

After the entering of the Network Service Agreement, the aggregated amount of the Capinfo Technology Service Fee and the Company Service Fee paid/payable by Capnet to the Group under the 2013 Network System Agreement and the Network Service Agreement will exceed the Existing

Annual Caps. The Directors therefore resolved to revise the Existing Annual Caps for the two years ending 31 December 2015 will be revised to cover both of the Company Service Fee and the Capinfo Technology Service Fee as follows:

<b>For the year ending 31 December 2014</b>	<b>For the year ending 31 December 2015</b>
RMB10,714,971	RMB12,922,457

The Revised Annual Caps are determined based on (a) the Capinfo Technology Service Fee of RMB6,300,000 per year payable by Capnet to Capinfo Technology; and (b) the Company Service Fee which will be payable by Capnet to the Company as to (i) RMB4,414,971 before 31 December 2014; and (ii) the remaining amount (at a maximum of RMB6,622,457) before 14 October 2015 pursuant to the Network Service Agreement.

### **REASONS FOR THE REVISION OF THE EXISTING ANNUAL CAPS**

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.

The 2013 Network System Agreement is of the Term of approximately three years expiring on 31 December 2015 and the transactions contemplated thereunder have been one of the stable source of revenue for the Group. The Company considered that the provision of the Network Equipment Lease and Services under the Network Service Agreement would increase the source of revenue of the Group.

The Board (including the independent non-executive Directors) is of the view that the terms of the Network Service Agreement and the Revised Annual Caps are fair and reasonable and on normal commercial terms, and the entering into of the Network Service 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. The Directors confirmed that, save for Mr. Wu Shengjiao, being a director of BSAM, none of the Directors had any material interest in the Network Service Agreement. Accordingly, Mr. Wu Shengjiao had abstained from voting on the Board resolution approving the Network Service Agreement.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BSAM, being the controlling shareholder of the Company, is interested in approximately 63.31% of the issued share capital of the Company. As Capnet is held as to 95% by BSAM, Capnet is a connected person of the Company pursuant to the Listing Rules. Accordingly, the entering into of the Network Service Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps under the continuing connected transactions, the Company is required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps (which cover both of the Capinfo Technology Service Fee and the Company Service Fee) are more than 0.1% but less than 5%, the transactions contemplated under the Network Service Agreement and the Revised Annual Caps (which cover both of the Capinfo Technology Service Fee and the Company Service Fee) are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“2013 Network System Agreement”	the agreement dated 18 January 2013 entered into between Capinfo Technology and Capnet in respect of the provision of Network System and Related Maintenance Services by Capinfo Technology to Capnet
“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
“Capinfo Technology”	首都信息科技發展有限公司 (Capinfo Technology Development Company, Limited*), a company established in the PRC 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 established in the PRC with limited liability which is owned by BSAM as to 95%
“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”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Network Equipment Lease and Services”	the lease of certain network server equipment and the related technical support services
“Network Service Agreement”	the agreement dated 15 October 2014 entered into between the Company and Capnet in respect of the provision of the Network Equipment Lease and Services during the Term
“Network System”	the business network platform built by Capinfo Technology for Capnet under the terms of the 2013 Network System Agreement
“PRC”	the People’s Republic of China
“Related Maintenance Services”	Network System related maintenance services as stipulated under the 2013 Network System Agreement
“Revised Annual Caps”	the revised annual caps in respect of the continuing connected transactions with Capnet under both of the 2013 Network System Agreement and the Network Service Agreement for the two years ending 31 December 2015
“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

By Order of the Board  
**CAPINFO COMPANY LIMITED\***  
**Wang Xu**  
*Chairman*

Beijing, the PRC, 15 October 2014

*As of the date hereof, the executive Director is Dr. Wang Xu; the non-executive Directors are Mr. Lu Lei, Mr. Wu Shengjiao, 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.*

\* *For identification purposes only*