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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: 1075)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF TERMS OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company (i) dated 21 March 2011 in relation to the entering into of the Original Services Agreement with BJCA; and (ii) dated 27 March 2014 in relation to the entering into the 2014 Services Agreement with BJCA. Pursuant to the Original Services Agreement (as renewed by the 2014 Services Agreement), BJCA agreed to provide network security system development and related technical services to the Group for a term commenced from 21 March 2011 and ended on 31 December 2016.

On 7 February 2017, the Company and BJCA entered into the 2017 Services Agreement under which the parties thereto agreed to renew the term of the Original Services Agreement (as renewed by the 2014 Services Agreement) for the period from 1 January 2017 to 31 December 2019.

Since BJCA is a subsidiary of BSAM (the controlling Shareholder), BJCA is a connected person of the Company and the transactions contemplated under the 2017 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 2017 Services Agreement is subject to the reporting and announcement requirements only and is exempt from the independent shareholders' approval requirements under the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company (i) dated 21 March 2011 in relation to the entering into of the Original Services Agreement with BJCA; and (ii) dated 27 March 2014 in relation to the entering into the 2014 Services Agreement with BJCA. Pursuant to the Original Services

* *For identification purpose only*

Agreement (as renewed by the 2014 Services Agreement), BJCA agreed to provide network security system development and related technical services to the Group for a term commenced from 21 March 2011 and ended on 31 December 2016.

On 7 February 2017, the Company and BJCA entered into the 2017 Services Agreement under which the parties thereto agreed to renew the term of the Original Services Agreement (as renewed by the 2014 Services Agreement) for the period from 1 January 2017 to 31 December 2019.

THE 2017 SERVICES AGREEMENT

Date

7 February 2017

Parties

The Company and BJCA

Major terms

The term of the Original Services Agreement (as renewed by the 2014 Services Agreement) expired on 31 December 2016. Pursuant to the 2017 Services Agreement, the Company and BJCA have agreed to renew the term of the Original Services Agreement (as renewed by the 2014 Services Agreement) for the period from 1 January 2017 to 31 December 2019.

BJCA will provide network security system development and related technical services to the Group for a term commencing from 1 January 2017 to 31 December 2019 and the relevant service fees payable by the Group 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 three years ending 31 December 2019 are determined based on (i) the historical service fees paid by the Group to BJCA for the network security system development and related technical services; (ii) the projected expenditure for developing and maintaining the network security system of the Group for the three years ending 31 December 2019; and (iii) the overall service standard of BJCA.

The historical service fees paid by the Group to BJCA for the period from 27 March 2014 to 31 December 2016 and the Existing Annual Caps are as follows:

	From 27 March 2014 to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>
Historical service fees paid	1,880	2,768	5,749

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

No relevant transaction was conducted between the Group and BJCA for the period from 1 January 2017 to 6 February 2017.

The New Annual Caps for three years ending 31 December 2019 are as follows:

	For the year ending 31 December 2017 <i>RMB'000</i>	For the year ending 31 December 2018 <i>RMB'000</i>	For the year ending 31 December 2019 <i>RMB'000</i>
New Annual Caps	15,000	10,000	9,000

Save as disclosed above, all terms and conditions under the Original Services Agreement (as renewed by the 2014 Services Agreement) remain unchanged.

Pricing policy

The pricing and payment terms of network security system development and related technical services shall be negotiated on an arm's length basis between the Group and BJCA and be determined based on normal commercial terms with reference to prevailing market prices that are fair and reasonable and in any event shall be no less favourable to the prices offered by BJCA to its independent third parties.

The procurement department of the Company is responsible for the management of the procurement process. When the procurement department receives procurement requests from other business departments of the Company, it will invite at least three suppliers for quotation. Such quotation should include information such as details of products/services, proposed products/services price, delivery terms and payment terms. After comparing the quotations submitted by suppliers, the officers of the procurement department will report and make recommendation to the officer in-charge of the procurement department. The officer in-charge of the procurement department will select the supplier based on the information gathered and recommendation made by its subordinates.

INTERNAL CONTROL

The individual transaction between the Company and BJCA under the Original Services Agreement (as renewed by the 2014 Services Agreement) and the 2017 Services Agreement shall be reviewed and approved by the officer in-charge of the procurement department prior to the entering into of the relevant transaction to ensure that the terms are set in compliance with the Company's pricing policy. Following the entering into of the continuing connected transactions, the finance department and Board's office will monitor the transactions to ensure that the transactions are conducted in accordance with the relevant pricing policies and the annual caps are not exceeded. The auditors and independent non-executive Directors of the Company will also conduct annual review of the continuing connected transactions entered into by the Group on whether the continuing connected transactions have been conducted in compliance of the pricing policies and whether the relevant annual caps have been exceeded.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2017 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, security integration, security consultancy, and operation and maintenance services. As at the date of this announcement, BJCA is owned as to approximately 26.24% by the Company and approximately 26.24% 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 2017 Services Agreement will continue to help the Group to maintain and enhance its network security system, and improve the related level of technology and services. Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. Xu Zhe, chairman and non-executive Director of the Company and also chairman of BJCA and senior management of BSAM, and Dr. Feng Hao Cheng, non-executive Director and also an employee of BSAM, who had abstained from voting on the Board resolution in respect of the entering into of the 2017 Services Agreement) consider that the terms of

the 2017 Services Agreement and the New Annual Caps are fair and reasonable and the entering into of the 2017 Services Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since BJCA is a subsidiary of BSAM (the controlling Shareholder), BJCA is a connected person of the Company and the transactions contemplated under the 2017 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 2017 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, chairman and non-executive Director of the Company and also chairman of BJCA and senior management of BSAM, and Dr. Feng Hao Cheng, non-executive Director and also an employee of BSAM, none of the Directors have any material interest in the 2017 Services Agreement. Accordingly, Mr. Xu Zhe and Dr. Feng Hao Cheng had abstained from voting on the Board resolution approving the 2017 Services Agreement.

DEFINITIONS

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

“2014 Services Agreement”	the agreement dated 27 March 2014 entered into between the Group and BJCA in relation to the renewal of the term under the Original Services Agreement
“2017 Services Agreement”	the agreement dated 7 February 2017 entered into between the Company and BJCA in relation to the renewal of the term under the Original Services Agreement (as renewed by the 2014 Services Agreement)
“BJCA”	北京數字認證股份有限公司 (Beijing Certificate Authority Co., Ltd.*), a company incorporated in the PRC with limited liability and an associate of the Company
“Board”	the board of Directors
“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”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing Annual Caps”	the annual caps in respect of the transaction contemplated under the Original Services Agreement (as renewed by the 2014 Services Agreement) for the period from 27 March 2014 to 31 December 2016
“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 2017 Services Agreement for each of the three years ending 31 December 2019
“Original 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
“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

“%”

Percent

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

Beijing, the PRC, 7 February 2017

As of the date hereof, the executive directors of the Company are Ms. Lin Yankun and Mr. Yu Donghui; the non-executive directors of the Company are Mr. Xu Zhe, Dr. Feng Hao Cheng, Mr. Cao Jun, Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili, and the independent non-executive directors of the Company are Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Li He and Mr. Yang Xiaohui.