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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)**

## **CONNECTED TRANSACTION DISPOSAL OF 26% EQUITY INTEREST IN A SUBSIDIARY THE EQUITY TRANSFER AGREEMENT**

**Financial adviser to the Company**



### **THE DISPOSAL**

The Board is pleased to announce that on 3 May 2016 (after trading hours of the Stock Exchange), the Company (as the transferor) entered into the Equity Transfer Agreement with Capnet (as the transferee), pursuant to which the Company had conditionally agreed to dispose and Capnet had conditionally agreed to acquire 26% equity interest in Capinfo Technology at the Consideration of RMB29,275,766.

### **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. The Disposal constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

\* For identification purpose only

## **BACKGROUND**

The Board is pleased to announce that on 3 May 2016 (after trading hours of the Stock Exchange), the Company (as the transferor) entered into the Equity Transfer Agreement with Capnet (as the transferee), pursuant to which the Company had conditionally agreed to dispose and Capnet had conditionally agreed to acquire 26% equity interest in Capinfo Technology at the Consideration of RMB29,275,766.

## **THE EQUITY TRANSFER AGREEMENT**

Set out below are the principal terms of the Equity Transfer Agreement:

### **Date**

3 May 2016

### **Parties involved**

- (i) the Company (as transferor); and
- (ii) Capnet (as transferee)

### **Subject matter**

Pursuant to the Equity Transfer Agreement, the Company had conditionally agreed to dispose and Capnet had conditionally agreed to acquire 26% equity interest in Capinfo Technology.

Upon Completion, Capinfo Technology will remain to be a subsidiary of the Company.

### **The Consideration**

The Consideration for the Disposal is RMB29,275,766 which is arrived at after arm's length negotiations between the Company and Capnet after taking into account of the valuation of 100% equity interest of Capinfo Technology as at 30 September 2015 (the "**Valuation**"), being RMB112,599,100 prepared by an independent valuer based on asset-based approach.

The Consideration shall be payable by Capnet in cash to the Company in the following manner:

- (i) as to RMB11,710,306 payable within 10 business days upon the Equity Transfer Agreement becoming effective;
- (ii) as to RMB17,565,460 payable within 10 business days upon the Completion.

## **Conditions precedent**

The Equity Transfer Agreement shall become effective upon fulfillment of the following conditions:

- (i) the Valuation being filed with BSAM;
- (ii) the authorized decision making entity of each of the Company and Capnet having approved the Equity Transfer Agreement and the Disposal pursuant to the procedures as governed by applicable laws, regulations and articles of respective company; and
- (iii) BSAM having approved the Disposal.

## **The Completion**

Within 30 days upon the Equity Transfer Agreement becoming effective, the Company shall procure Capinfo Technology to complete the relevant procedures regarding the Disposal such as change of business registration and filing.

## **Management and employee of Capinfo Technology**

The Disposal will not affect the board composition and the employment of the existing employees of Capinfo Technology.

## **INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT**

### **The Company**

The Company is joint stock limited company established in the PRC on 23 January 1998 with limited liability, which is principally engaged in provision of information technologies and services supply including system integration, software development, IT planning and consultancy, IT operation and maintenance, etc.

### **Capnet**

Capnet is a company established in the PRC on 12 March 2001, which is principally engaged in the provision of value-added telecommunications services, network system integration and the selling of computer equipment.

### **Capinfo Technology**

Capinfo Technology is a company established in the PRC on 29 May 2006, which is principally engaged in database management, information and network integration, networking, technology development and other IT-related business.

## Financial information of the Capinfo Technology

Set out below is the audited financial information of Capinfo Technology for the two financial years ended 31 December 2015 prepared in accordance with the PRC accounting standards.

	<b>For the financial year ended 31 December 2014 RMB</b>	<b>For the financial year ended 31 December 2015 RMB</b>
Profits before tax	3,452,190.39	2,513,851.46
Profits after tax	2,870,340.50	1,937,392.51

The unaudited net assets of Capinfo Technology was approximately RMB110.38 million as at 31 March 2016.

### REASONS FOR THE DISPOSAL

The Group are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment and self-developed computer software.

In order to strengthen the competitive strength in the area of smart city construction and operation and to facilitate the Group's business expansion, the Company has integrated its Internet of Things, E-Government IT service, security protection and video monitoring and related businesses and its expertise into Capinfo Technology in 2015 and established a competitive incentive mechanism for it.

The Directors consider that the introduction of Capnet as a new shareholder of Capinfo Technology can enhance the reputation of Capinfo Technology in E-Government IT service and hence facilitate the growth of Capinfo Technology's main business.

It is expected that the Company would record an insignificant gain (subject to final audit) from the Disposal upon Completion, being calculated based on (i) the unaudited net assets of Capinfo Technology as at 31 March 2016; (ii) the percentage of equity interest in Capinfo Technology to be disposed of (i.e. 26%); and (iii) the amount of the Consideration.

The net proceeds from the Disposal is expected to be approximately RMB28.92 million ("**Net Proceeds**"). The Group will apply the Net Proceeds for general working capital of the Group.

Having considered the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

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. The Disposal constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save and except for Mr. Xu Zhe and Dr. Feng Hao Cheng who are employees of BSAM, none of the Directors have any material interest in the Equity Transfer Agreement. Accordingly, Mr. Xu Zhe and Dr. Feng Hao Cheng had abstained from voting on the Board resolution on approving the Equity Transfer Agreement and the Disposal.

## TERMS AND DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“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%
“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

“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)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration of RMB29,275,766 payable by Capnet to the Company for the Disposal pursuant to the Equity Transfer Agreement
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 26% equity interest in Capinfo Technology pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 3 May 2016 entered into between the Company and Capnet in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Beijing, the PRC, 3 May 2016

*As of the date hereof, the executive director of the Company is Mr. Lu Lei; the non-executive directors of the Company are Mr. Xu Zhe, Dr. Feng Hao Cheng, Mr. Cao Jun, Mr. Zhou Weihua, Mr. Shan Yuhu, Ms. An Lili and the independent non-executive directors of the Company are Ms. Zhou Liye, Mr. Gong Zhiqiang and Mr. Cheung, Wai Hung Boswell.*