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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

THE NETWORK TRANSACTIONS

Reference is made to the announcement of the Company dated 30 December 2015 (the “**2015 Announcement**”) in relation to, amongst others, (a) the entering into of the 2015 Network System Agreement between Capinfo Technology and Capnet in relation to the provision of Network System and Related Maintenance Services by Capinfo Technology to Capnet; and (b) the entering into of the 2015 Network Service Agreement between the Company and Capnet for the provision of the Network Equipment Lease and Services by the Company to Capnet. Details of the 2015 Network System Agreement and the 2015 Network Service Agreement are set out under the 2015 Announcement.

Both the 2015 Network System Agreement and the 2015 Network Service Agreement expired on 31 December 2018. As the Group is expected to continue the provision of the Network System and Related Maintenance Services and the Network Equipment Lease and Services to Capnet (together, the “**Network Transactions**”), Capnet entered into (i) the 2019 Network System Agreement with Capinfo Technology; and (ii) the 2019 Network Service Agreement with the Company, on 9 January 2019 to govern the Network Transactions for the three years ending 31 December 2021.

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 2019 Network System Agreement and the 2019 Network Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

* For identification purposes only

As the applicable percentage ratios (other than the profits ratio) in respect of each of the Network Annual Caps are more than 0.1% but less than 5%, the highest amount of the Network Annual Caps is higher than HK\$3,000,000, the Network Transactions and the Network Annual Caps 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

Reference is made to the 2015 Announcement in relation to, amongst others, (a) the entering into of the 2015 Network System Agreement between Capinfo Technology and Capnet in relation to the provision of Network System and Related Maintenance Services by Capinfo Technology to Capnet; and (b) the entering into of the 2015 Network Service Agreement between the Company and Capnet for the provision of the Network Equipment Lease and Services by the Company to Capnet. Details of the 2015 Network System Agreement and the 2015 Network Service Agreement are set out under the 2015 Announcement.

Both the 2015 Network System Agreement and the 2015 Network Service Agreement expired on 31 December 2018. As the Group is expected to continue the provision of the Network System and Related Maintenance Services and the Network Equipment Lease and Services to Capnet (the “**Network Transactions**”), Capnet entered into (i) the 2019 Network System Agreement with Capinfo Technology; and (ii) the 2019 Network Service Agreement with the Company, on 9 January 2019 to govern the Network Transactions for the three years ending 31 December 2021.

THE 2019 NETWORK SYSTEM AGREEMENT

Date

9 January 2019

Parties

Capinfo Technology; 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 2019 Network System Agreement is of a term of three years commencing from 1 January 2019 unless terminated by either party to the 2019 Network System Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the 2019 Network System Agreement and the compliance of the Listing Rules and other applicable rules and regulations.

Provision of services

Pursuant to the 2019 Network System Agreement, Capinfo Technology will provide Network System and Related Maintenance Services to Capnet during the Term and will ensure the normal functioning of the Network System.

Pricing basis

Pursuant to the 2019 Network System Agreement, Capnet is obligated to pay Capinfo Technology an estimated service fee of RMB6,300,000 per annum (the “**Capinfo Technology Service Fee**”), which is estimated based on (i) the predetermined monthly rent chargeable to Capnet for the equipment to be leased as the base of the Network System; and (ii) labour cost (based on the salary standard of technicians) to be incurred for the provision of the Network System and Related Maintenance Services to Capnet.

Should the actual rate chargeable to Capnet be less than expected, the Capinfo Technology Service Fee will be calculated based on the actual equipment leased as the base of the Network System and manpower incurred for the provision of the Network System and Related Maintenance Services at the same predetermined monthly rent and salary standard of technicians under the 2019 Network System Agreement.

On the other hand, should the actual rate chargeable to Capnet be higher than expected, Capinfo Technology and Capnet shall, based on the standard of the terms of the 2019 Network System Agreement, enter into supplemental agreement to govern the Capinfo Technology Service Fee.

The Capinfo Technology Service Fee will be payable as to (i) 50% before 30 June; and (ii) remaining amount of 50% before 31 December, on an annual basis.

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 Capinfo Technology's operating costs for the provision of the Network System and Related Maintenance Services and with reference to the current market price of such 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 Independent Third Parties.

Termination

If any party to the 2019 Network System Agreement commits a serious breach of any terms of the 2019 Network System Agreement together with the failure of such party to remedy such breach within a reasonable period of time as advised by the other party through a formal written notice, the other party is entitled to terminate the 2019 Network System Agreement.

THE 2019 NETWORK SERVICE AGREEMENT

Date

9 January 2019

Parties

The Company; and

Capnet

Duration

The 2019 Network Service Agreement is of a term of three years commencing from 1 January 2019 unless terminated by either party to the 2019 Network Service Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the 2019 Network Service Agreement and the compliance of the Listing Rules and other applicable rules and regulations.

Provision of Network Equipment Lease and Services

Pursuant to the 2019 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 2019 Network Service Agreement, Capnet is obligated to pay the Company an estimated service fee of RMB5,000,000 per annum (the “**Company Service Fee**”), which is estimated based on (i) the predetermined monthly rent chargeable to Capnet for the equipment to be leased; and (ii) labour cost (based on the salary standard of technicians) 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 equipment rent and salary standard of technicians under the 2019 Network Service Agreement.

On the other hand, should the actual rate chargeable to Capnet be higher than expected, the Company and Capnet shall, based on the standard of the terms of the 2019 Network Service Agreement, enter into supplemental agreement to confirm the Company Service Fee.

The Company Service Fee will be payable as to (i) 50% before 30 June; and (ii) remaining amount of 50% before 31 December, on an annual basis.

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 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 other customers who are Independent Third Parties.

Termination

If any party to the 2019 Network Service Agreement commits a serious breach of any terms of the 2019 Network Service Agreement together with the failure of such party to remedy such breach within a reasonable period of time as advised by the other party through a formal written notice, the other party is entitled to terminate the 2019 Network Service Agreement.

THE NEW ANNUAL CAPS

Network Annual Caps

The historical amount and the existing annual caps for the Network Transactions for the three years ended 31 December 2018 are set out below:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical amount of the Network Transactions	11,300,000	11,300,000	11,300,000

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing annual caps of the Network Transactions	11,300,000	11,300,000	11,300,000

The Network Annual Caps in respect of the Network Transactions for the three years ending 31 December 2021 are set out below:

	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Network Annual Caps	11,300,000	11,300,000	11,300,000

The Network Annual Caps were determined based on:

- (i) RMB6,300,000 per annum to be paid by Capnet to Capinfo Technology for the Network System and Related Maintenance Services throughout each of the three years ending 31 December 2021; and
- (ii) RMB5,000,000 per annum to be paid by Capnet to the Company for the Network Equipment Lease and Services throughout each of the three years ending 31 December 2021.

REASONS FOR NETWORK TRANSACTIONS

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.

Both the 2015 Network System Agreement and the 2015 Network Service Agreement expired on 31 December 2018 and the Network Transactions have been one of the stable source of revenue for the Group. The Company considered that the Network Transactions under the 2019 Network System Agreement and the 2019 Network Service Agreement would continue to provide stable source of revenue of the Group.

The Board (including the independent non-executive Directors) is of the view that the terms of the 2019 Network System Agreement, the 2019 Network Service Agreement and the Network Annual Caps are fair and reasonable and on normal commercial terms, and the entering into of the 2019 Network System Agreement and the 2019 Network Service Agreement are 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 (i) Mr. Yu Donghui, being Capnet's chairman; and (ii) Mr. Cao Huaizhi, being an employee of a subsidiary of BSAM, none of the Directors had any material interest in the Network Transactions. Accordingly, Mr. Yu Donghui and Mr. Cao Huaizhi had abstained from voting on the Board resolution approving the 2019 Network System Agreement and the 2019 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 2019 Network System Agreement and the 2019 Network Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of each of the Network Annual Caps are more than 0.1% but less than 5%, the highest amount of the Network Annual Caps is higher than HK\$3,000,000, the Network Transactions and the Network Annual Caps 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:

“2015 Network System Agreement”	the agreement dated 30 December 2015 entered into between Capinfo Technology and Capnet in respect of the provision of Network System and Related Maintenance Services by Capinfo Technology to Capnet
“2015 Network Service Agreement”	the agreement dated 30 December 2015 entered into between the Company and Capnet in respect of the provision of the Network Equipment Lease and Services by the Company to Capnet
“2019 Network Service Agreement”	the agreement dated 9 January 2019 entered into between the Company and Capnet in respect of the provision of the Network Equipment Lease and Services by the Company to Capnet
“2019 Network System Agreement”	the agreement dated 9 January 2019 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 non-wholly owned subsidiary of the Company (owned as to 74% by the Company and 26% by Capnet as at the date of this announcement)
“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 Annual Caps”	the annual caps in respect of the Network Transactions for the three years ending 31 December 2021
“Network Equipment Lease and Services”	the lease of certain network server equipment and the related technical support services
“Network System”	the information technology system built by Capinfo Technology for Capnet
“PRC”	the People’s Republic of China
“Related Maintenance Services”	Network System related maintenance services

“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
“Term”	the three years ending 31 December 2021, being the term of each of the 2019 Network System Agreement and the 2019 Network Service Agreement

By Order of the Board
CAPINFO COMPANY LIMITED*
Lin Yankun
Chairman

Beijing, the PRC
9 January 2019

As of the date of this announcement, the executive directors of the Company are Ms. Lin Yankun, Mr. Yu Donghui and Mr. Zong Zhaoxing; the non-executive directors of the Company are Mr. Zhou Weihua, Mr. Shan Yuhu, Mr. Cao Huaizhi, Mr. Ma Linxiang and Mr. Feng Jianxun; 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.