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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 AND THE PROCUREMENT TRANSACTIONS

Reference is made to (i) the 2013 Announcement in relation to (a) 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; and (b) the entering into of the 2013 Procurement Agreement between Capinfo Technology and Capnet pursuant to which Capinfo Technology would procure Hardware Products and Related Services from Capnet; and (ii) the 2014 Announcement of the Company in relation to the 2014 Network Service Agreement entered into between the Company and Capnet for the provision of the Network Equipment Lease and Services by the Company to Capnet to support the modification and optimisation of the network platform of Capnet.

The 2014 Network Service Agreement was expired on 15 October 2015, and the 2013 Network System Agreement and the 2013 Procurement Agreement shall expire on 31 December 2015. As the Group expects to continue the provision of the Network System and Related Maintenance Services and the Network Equipment Lease and Services to Capnet; and the Procurement Transactions, Capnet entered into (i) the 2015 Network System Agreement and the 2015 Procurement Agreement with Capinfo Technology; and (ii) the 2015 Network Service Agreement with the Company, on 30 December 2015, to govern the Network Transactions and the Procurement Transactions for the three years ending 31 December 2018.

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.

* For identification purpose only

Accordingly, the entering into of the 2015 Network System Agreement, the 2015 Network Service Agreement, the 2015 Procurement Agreement constitutes 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 and the Procurement Annual Caps are more than 0.1% but less than 5%, the highest amount of the Network Annual Caps and the highest amount of the Procurement Annual Caps are higher than HK\$3,000,000, the Network Transactions, the Network Annual Caps, the Procurement Transactions and the Procurement 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 (i) the announcement of the Company dated 18 January 2013 (the “**2013 Announcement**”) in relation to (a) 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; and (b) the entering into of the 2013 Procurement Agreement between Capinfo Technology and Capnet pursuant to which Capinfo Technology would procure Hardware Products and Related Services from Capnet (the “**Procurement Transactions**”); and (ii) the announcement of the Company dated 15 October 2014 (the “**2014 Announcement**”) in relation to the 2014 Network Service Agreement entered into between the Company and Capnet for the provision of the Network Equipment Lease and Services by the Company to Capnet to support the modification and optimisation of the network platform of Capnet. Details of the 2013 Network System Agreement, the 2013 Procurement Agreement and the 2014 Network Service Agreement are set out under the 2013 Announcement and the 2014 Announcement respectively.

The 2014 Network Service Agreement was expired on 15 October 2015, and the 2013 Network System Agreement and the 2013 Procurement Agreement shall expire on 31 December 2015. As the Group expects 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**”); and the Procurement Transactions, Capnet entered into (i) the 2015 Network System Agreement and the 2015 Procurement Agreement with Capinfo Technology; and (ii) the 2015 Network Service Agreement with the Company, on 30 December 2015, to govern the Network Transactions and the Procurement Transactions for the three years ending 31 December 2018.

THE 2015 NETWORK SYSTEM AGREEMENT

Date

30 December 2015

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 2015 Network System Agreement is of a term of three years commencing from 1 January 2016 unless terminated by either party to the 2015 Network System Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the 2015 Network System Agreement and the compliance of the Listing Rules and other applicable rules and regulations.

Provision of services

Pursuant to the 2015 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 terms of the 2015 Network System Agreement, Capnet is obligated to pay Capinfo Technology RMB525,000 per month for its provision of Network System and Related Maintenance Services to Capnet. The rate chargeable to Capnet is on normal commercial terms and is determined on arm's length basis based on a mark-up on top of Capinfo Technology's operating costs of the Network System and with reference to the current market price of network system 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 of parties to the 2015 Network System Agreement commits a serious breach of any terms of the 2015 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 2015 Network System Agreement.

THE 2015 NETWORK SERVICE AGREEMENT

Date

30 December 2015

Parties

The Company; and

Capnet

Duration

The 2015 Network Service Agreement is of a term of three years commencing from 1 January 2016 unless terminated by either party to the 2015 Network Service Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the 2015 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 2015 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 2015 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 2015 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 2015 Network Service Agreement, enter into supplemental agreement to govern the 2015 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 of for the provision of the 2015 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 of parties to the 2015 Network Service Agreement commits a serious breach of any terms of the 2015 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 2015 Network Service Agreement.

THE 2015 PROCUREMENT AGREEMENT

Date

30 December 2015

Parties

Capinfo Technology; and

Capnet

Duration

The 2015 Procurement Agreement is of a term of three years commencing from 1 January 2016 unless terminated by either party to the 2015 Procurement Agreement according to relevant termination provision thereunder. The Term may be extended subject to further negotiations between the parties to the 2015 Procurement Agreement and the compliance of the Listing Rules and other applicable rules and regulations.

Procurement

Pursuant to the terms of the Procurement Framework Agreement, Capinfo Technology will procure Hardware Products and Related Services from Capnet on terms set out thereunder during the Term.

Pursuant to the 2015 Procurement Agreement, Capinfo Technology and Capnet shall, from time to time during the agreement term, enter into separate Product Procurement Agreements in respect of Capinfo Technology's procurement of Hardware Products and Related Services from Capnet provided that such Product Procurement Agreements shall be subject to the terms of the 2015 Procurement Agreement and, among others, their respective durations shall not exceed the Term.

Pricing basis

Pursuant to the 2015 Procurement Agreement, the pricing and payment terms of the Hardware Products and Related Services shall be negotiated on an arm's length basis between the parties to the 2015 Procurement Agreement 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 comparable to the prices offered by Capnet to Independent Third Parties.

The procurement department of the Group is responsible for the management of the procurement process. When the procurement department receives procurement requests from other business units of the Group, 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.

Termination

Either party to the 2015 Procurement Agreement may terminate the 2015 Procurement Agreement at any time by giving three months of prior written notice to the other party.

THE NEW ANNUAL CAPS

Network Annual Caps

The historical amount and the existing annual caps for the Network Transactions for the two years ended 31 December 2014 and the six months ended 30 June 2015/year ending 31 December 2015 (as the case maybe) are set out below:

	For the year ended 31 December 2013 <i>RMB</i>	For the year ended 31 December 2014 <i>RMB</i>	For the six months ended 30 June 2015 <i>RMB</i>
Historical amount of the Network Transactions	5,943,000	10,108,000	2,972,000
	For the year ended 31 December 2013 <i>RMB</i>	For the year ended 31 December 2014 <i>RMB</i>	For the year ending 31 December 2015 <i>RMB</i>
Existing annual caps of the Network Transactions	6,300,000	10,714,971	12,922,457

The Network Annual Caps in respect of the Network Transactions for the three years ending 31 December 2018 are set out below:

	For the year ending 31 December 2016 <i>RMB</i>	For the year ending 31 December 2017 <i>RMB</i>	For the year ending 31 December 2018 <i>RMB</i>
Network Annual Caps	11,300,000	11,300,000	11,300,000

The Network Annual Caps were determined based on:

- (i) RMB525,000 per month to be paid by Capnet to Capinfo Technology (i.e. RMB6,300,000 is expected to be paid under each of the three years ending 31 December 2018); and
- (ii) RMB5,000,000 per annum to be paid by Capnet to the Company for the Network System and Related Maintenance Services throughout each of the three years ending 31 December 2018.

Procurement Annual Caps

The historical amount and the existing annual caps for the Procurement Transactions for the two years ended 31 December 2014 and the six months ended 30 June 2015/year ending 31 December 2015 (as the case maybe) are set out below:

	For the year ended 31 December 2013 <i>RMB</i>	For the year ended 31 December 2014 <i>RMB</i>	For the six months ended 30 June 2015 <i>RMB</i>
Historical amount of the Procurement Transactions	4,484,000	2,109,000	—

	For the year ended 31 December 2013 <i>RMB</i>	For the year ended 31 December 2014 <i>RMB</i>	For the year ending 31 December 2015 <i>RMB</i>
Existing annual caps of the Procurement Transactions	10,000,000	25,000,000	25,000,000

The Procurement Annual Caps in respect of the Procurement Transactions for the three years ending 31 December 2018 are set out below:

	For the year ending 31 December 2016 <i>RMB</i>	For the year ending 31 December 2017 <i>RMB</i>	For the year ending 31 December 2018 <i>RMB</i>
Procurement Annual Caps	18,870,000	8,030,000	8,030,000

The Procurement Annual Caps were determined based on the expected amount of the Procurement Transactions's to be executed and the estimation of Capinfo Technology's business development and progress of its projects for the three years ending 31 December 2018.

REASONS FOR NETWORK TRANSACTIONS AND THE PROCUREMENT 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.

The 2014 Network Service Agreement was expired on 15 October 2015 and the terms of the 2013 Network System Agreement are expiring on 31 December 2015 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 2015 Network System Agreement and the 2015 Network Service Agreement would continue to provide stable source of revenue of the Group.

The terms of the 2013 Procurement Agreement are expiring on 31 December 2015 and the Procurement Transactions have been supporting the operation and development needs of the Group. The Company considered that the Procurement Transactions under the 2015 Procurement Agreement would continue to support the operation and development needs of the Group.

The Board (including the independent non-executive Directors) is of the view that the terms of the 2015 Network System Agreement, the 2015 Network Service Agreement, the 2015 Procurement Agreement, the Network Annual Caps and the Procurement Annual Caps are fair and reasonable and on normal commercial terms, and the entering into of the 2015 Network System Agreement, the 2015 Network Service Agreement and the 2015 Procurement 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 Mr. Wu Shengjiao, being an employee of BSAM, none of the Directors had any material interest in the Network Transactions and the Procurement Transactions. Accordingly, Mr. Wu Shengjiao had abstained from voting on the Board resolution approving 2015 Network System Agreement, the 2015 the Network Service Agreement and the 2015 Procurement 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 2015 Network System Agreement, the 2015 Network Service Agreement, the 2015 Procurement Agreement constitutes 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 and the Procurement Annual Caps are more than 0.1% but less than 5%, the highest amount of the Network Annual Caps and the highest amount of the Procurement Caps are higher than HK\$3,000,000, the Network Transactions, the Network Annual Caps, the Procurement Transactions and the Procurement 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:

“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
“2013 Procurement Agreement”	the agreement dated 18 January 2013 entered into between Capinfo Technology and Capnet in respect of Capinfo Technology's procurement of Hardware Products and Related Services from Capnet (as supplemented by a supplemental agreement dated 1 August 2013 for the purpose of revising its annual caps)
“2014 Network Service Agreement”	the agreement dated 15 October 2015 entered into between the Company and Capnet in respect of the provision of the Network Equipment Lease and Services during the Term
“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 during the Term
“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 Procurement Agreement”	the agreement dated 30 December 2015 entered into between Capinfo Technology and Capnet in respect of Capinfo Technology’s procurement of Hardware Products and Related Services from 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
“Hardware Products and Related Services”	equipment required for the performance of the construction, operation and maintenance services of network systems, such as routers, switches, etc.
“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 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
“Network Annual Caps”	the annual caps in respect of the Network Transactions for the three years ending 31 December 2018
“Procurement Annual Caps”	the annual caps in respect of the Procurement Transactions for the three years ending 31 December 2018
“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 2018, being the term of each of the 2015 Network System Agreement, the 2015 Network Service Agreement and the 2015 Procurement Agreement

By Order of the Board
CAPINFO COMPANY LIMITED*
Mr. Lu Lei
*Executive Director, Vice President and
Secretary of the Board*

Beijing, the PRC, 30 December 2015

As of the date hereof, the executive directors of the Company are Dr. Wang Xu, Mr. Lu Lei; the non-executive directors of the Company are Mr. Wu Shengjiao, Mr. Shi Hongyin, Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili, and the independent non-executive directors of the Company are Ms. Zhou Liye, Mr. Gong Zhiqiang, Dr. Jiao Jie and Mr. Cheung, Wai Hung Boswell.