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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

Reference is made to the announcements of the Company (i) dated 7 February 2017 in relation to the entering into the 2017 Services Agreement with BJCA; and (ii) dated 30 August 2017 in relation to the entering into the 2017 Supplemental Agreement with BJCA and the revised 2017 annual cap under the 2017 Services Agreement. Pursuant to the 2017 Services Agreement, BJCA agreed to renew the term of the Original Services Agreement and provide network security system development and related technical services to the Group for the period from 1 January 2017 to 31 December 2019. Pursuant to the 2017 Supplemental Agreement, the Group agreed to provide service on network system establishment, system integration, network design, consultancy and related technical services and products to BJCA Group for a term commencing from 1 January 2017 to 31 December 2019. On 17 January 2020, the Company and BJCA entered into the Technique Services Framework Agreement, pursuant to which the Group and the BJCA Group agreed to provide services to each other for the three years ending 31 December 2022.

BJCA is owned as to approximately 26.24% by the Company and approximately 26.24% by BSAM. Thus, BJCA is a subsidiary of BSAM. Since BJCA is a subsidiary of BSAM (the Controlling Shareholder of the Company), BJCA is a connected person of the Company and the transactions contemplated under the Technique Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the 2020 Capinfo Annual Caps are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement, annual review requirements and are exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the 2020 BJCA Annual Caps are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement, annual review requirements and are exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purposes only*

INTRODUCTION

Reference is made to the announcements of the Company (i) dated 7 February 2017 in relation to the entering into the 2017 Services Agreement with BJCA; and (ii) dated 30 August 2017 in relation to the entering into the 2017 Supplemental Agreement with BJCA and the revised 2017 annual cap under the 2017 Services Agreement. Pursuant to the 2017 Services Agreement, BJCA agreed to renew the term of the Original Services Agreement and provide network security system development and related technical services to the Group for the period from 1 January 2017 to 31 December 2019. Pursuant to the 2017 Supplemental Agreement, the Group agreed to provide service on network system establishment, system integration, network design, consultancy and related technical services and products to BJCA Group for a term commencing from 1 January 2017 to 31 December 2019.

On 17 January 2020, the Company and BJCA entered into the Technique Services Framework Agreement, the details of which are as follows:

THE TECHNIQUE SERVICES FRAMEWORK AGREEMENT

Date

17 January 2020

Parties

The Company; and

BJCA, a connected person of the Company

(collectively, the “**Parties**”)

Major terms

BJCA Group agreed to provide the Group with services on electronic certification, electronic certification products and information security, and technology outsourcing of security products, development of network security systems, and operation and maintenance. The Group agreed to provide BJCA Group with services on network system establishment, system integration, network design, consultancy and related technical services and products. The Parties agreed to enter the Technique Services Framework Agreement in respect of the two aforesaid transactions. The service fees payable by the Group to the BJCA Group or the service fees payable by the BJCA Group to the Group for each individual transaction will be determined after arm’s length negotiations with reference to the prevailing market rates. The term of the Technique Services Framework Agreement is for three years commencing from 1 January 2020 to 31 December 2022.

ANNUAL CAPS

The 2020 Capinfo Annual Caps

The 2020 Capinfo Annual Caps for the three years ending 31 December 2022 are determined based on (i) the historical service fees paid by the Group to the BJCA Group for electronic certification, electronic certification products and information security, and technology outsourcing of security products, development of network security systems, and operation and maintenance; (ii) the projected expenditure for developing and maintaining the network security system of the Group for each of the three years ending 31 December 2022; and (iii) the overall service standard of BJCA.

The historical services fees paid by the Group to the BJCA Group for the period from 1 January 2017 to 31 December 2019 and the 2017 Capinfo Annual Caps are as follows:

	For the year ended 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Historical service fees	3,136.2	5,145.5	2,320.3
2017 Capinfo Annual Caps	55,000	10,000	9,000

The 2020 Capinfo Annual Caps for each of the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
2020 Capinfo Annual Caps	15,000	15,000	15,000

The 2020 BJCA Annual Caps

The 2020 BJCA Annual Caps for the three years ending 31 December 2022 are determined based on (i) the historical service fees paid by the BJCA Group to the Group for the provision of service on network system establishment, system integration, network design, consultancy and related technical service and products; (ii) the expected expenditure of BJCA on network technology services and products for each of the three years ending 31 December 2022; and (iii) the Group's consolidated service standards.

The historical services fees paid by the BJCA Group to the Group for the period from 1 January 2017 to 31 December 2019 and the 2017 BJCA Annual Caps are as follows:

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000
Historical service fees	2,316.6	458.2	444.8
2017 BJCA Annual Caps	5,833.5	6,000	6,000

The 2020 BJCA Annual Caps for each of the three years ending 31 December 2022 are as follows:

	For the year ending 31 December 2020 RMB'000	For the year ending 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
2020 BJCA Annual Caps	10,000	10,000	10,000

Pricing Policy

The pricing and payment terms on the services to be provided by the BJCA Group to the Group or the services to be provided by the Group to the BJCA Group shall be negotiated on an arm's length basis between the Group and the BJCA Group 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 favorable to the prices offered to independent third parties.

As for the service to be provided by the BJCA Group to the Group, 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

Each individual transaction between the Group and the BJCA Group under the Technique Services Framework Agreement shall be reviewed and approved by the officer in-charge of the procurement department prior to the entering into 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 TECHNIQUE SERVICES FRAMEWORK 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 provider 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 services to be provided by the BJCA Group to the Group will continue to help the Group to maintain and enhance its network security system, and improve the related level of technology and services. Furthermore, the Directors are of view that the services to be provided by the Group to the BJCA Group will continue to provide a stable revenue source for the Group.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Technique Services Framework Agreement, the 2020 Capinfo Annual Caps and the 2020 BJCA Annual Caps are fair and reasonable and are in the ordinary and usual course of business of the Group and are in the interests of the Group and the Shareholders as a whole.

By virtue of his capacity as an employee of a subsidiary of BSAM, Mr. Cao Huaizhi, a non-executive Director, is regarded to have a material interest in the Technique Services Framework Agreement and the transactions contemplated thereunder, and had abstained from voting on the Board resolutions approving the Technique Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Technique Services Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

Information on the Company

The Company is a joint stock limited company established in the PRC on 23 January 1998 with limited liability, which is principally engaged in the provision of establishment of network systems, network design, consultancy and related technical services and computer, related accessories and equipment sales business and independent development of computer software. As at the date of this announcement, BSAM holds approximately 63.31% of the issued share capital of the Company.

Information on BJCA

BJCA is a leading IT security solutions provider in the PRC which is principally engaged in the provision of certificate authority services, security integration, security consultancy, and operation and maintenance services. BJCA is ultimately owned by BSAM.

LISTING RULES IMPLICATIONS

BJCA is owned as to approximately 26.24% by the Company and approximately 26.24% by BSAM. Thus, BJCA is a subsidiary of BSAM. Since BJCA is a subsidiary of BSAM (the Controlling Shareholder of the Company), BJCA is a connected person of the Company and the transactions contemplated under the Technique Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the 2020 Capinfo Annual Caps are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement, annual review requirements and are exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the 2020 BJCA Annual Caps are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement, annual review requirements and are exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2017 BJCA Annual Caps” the annual caps in respect of the transactions provided by the Group to the BJCA Group under the 2017 Supplemental Agreement for each of the three years ended 31 December 2019

“2017 Capinfo Annual Caps”	the annual caps in respect of the transactions provided by the BJCA Group to the Group under the 2017 Services Agreement for each of the three years ended 31 December 2019
“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
“2017 Supplemental Agreement”	the agreement dated 30 August 2017 entered into between the Company and BJCA in relation to the transactions provided by the Group to the BJCA Group
“2020 BJCA Annual Caps”	the annual caps in respect of the transactions in relation to the services to be provided by the Group to the BJCA Group contemplated under the Technique Services Framework Agreement for each of the three years ending 31 December 2022
“2020 Capinfo Annual Caps”	the annual caps in respect of the transactions in relation to the services to be provided by the BJCA Group to the Group contemplated under the Technique Services Framework Agreement for each of the three years ending 31 December 2022
“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
“BJCA Group”	BJCA and its subsidiaries
“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
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Technique Services Framework Agreement”	the technique services framework agreement entered into between the Company and BJCA on 17 January 2020, pursuant to which the Group and the BJCA Group agreed to provide services to each other for each of the three years ending 31 December 2022
“%”	Percent

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

Beijing, the People’s Republic of China, 17 January 2020

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.