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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
CONSOLIDATED RESULTS AND ANNUAL REPORT FOR
THE YEAR ENDED 31 DECEMBER 2021**

References are made to the annual report of Capinfo Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 published on 27 April 2022 (“**2021 Annual Report**”) and the announcement on the consolidated results of the Group for the year ended 31 December 2021 published on 25 March 2022 (“**2021 Results Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the 2021 Annual Report and 2021 Results Announcement.

The Company wishes to supplement the following information to the 2021 Annual Report and 2021 Results Announcement:

IMPAIRMENT OF GOODWILL OF RITO INFO

Reasons for and particulars of the provision for impairment of goodwill

The Company conducts impairment tests on goodwill in accordance with the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets. Since 2017, provisions for impairment of goodwill of Rito Info have been made for five consecutive years based on the results of the impairment tests on goodwill. The impairment of goodwill of Rito Info was mainly due to the gradual saturation of the market for liquidity supervision projects in the tobacco industry and the ongoing impact of waves of regional pandemic outbreak in China, which resulted in lower-than-expected operating results of Rito Info. Since 2021, due to the epidemic prevention and control in cities such as Xiamen, Jilin, Qingdao, Guangzhou etc, where Rito Info operates its principal business, regional lockdown policies have been implemented one after another, affecting the implementation of Rito Info’s projects under construction and causing significant uncertainty to customer demand, business negotiations and project reserves. With the operating period of information technology construction in

the field of liquidity supervision in the domestic tobacco industry and intensifying market competition in enterprise financial information technology, Rito Info is facing a more complex external environment for its core business and ever-increasing challenges in business development.

METHODOLOGY, KEY PARAMETERS AND ASSUMPTIONS USED IN THE ASSESSMENT

With reference to the assessment results of Rito Info, the Company would like to further disclose the following information:

Based on the results of assessment conducted by the valuer engaged by the Company using 31 December 2021 as the benchmark date, the consolidated recoverable amount of goodwill and related assets of Rito Info (the “**Appraisal Subject**”) was approximately RMB22,990,000 and the carrying value of Rito Info was approximately RMB130,918,400. Accordingly, the Company recognised a provision of approximately RMB107,798,400 for the impairment of goodwill in 2021.

- 1) With respect to the methodology adopted, the valuer engaged by the Company calculated the recoverable amount of the Appraisal Subject by using the income approach, which was in line with the methodology adopted for the impairment assessment performed by the Company over the years. It was based on the five-year net cash flow projection of Rito Info, and cash flow beyond the five-year period was calculated using the perpetual annual growth rate, and an appropriate discount rate was used to calculate the present value of the net cash flow. The rationale of selecting such method was that sale and purchase agreement for the asset group containing the goodwill and active market and or information on recent transaction prices or results for similar assets in the same industry were unavailable. Impairment assessment using the method of fair value less disposal expenses was restricted in practice and subject to market practice of assessment.
- 2) With respect to changes in key parameters and assumptions, the discount rate used was the same as the pre-tax weighted average cost of capital (pre-tax WACC) used previously, and minor changes in the discount rate were attributed to changes in market data on the benchmark date. Operating revenue of Rito Info for 2021 decreased by approximately 52% compared to the corresponding period last year. Based on the estimation of the industry cycle of core business of Rito Info, market competition and the impact and risks of the multi-stage regional pandemic outbreak in China, the valuer adjusted the sales revenue downward for the forecast period from 2022 to 2026 on the basis of the actual revenue for 2021, and the corresponding forecast sales growth rate is 10%-24%. Future cash flows are expected to be lower than those projected in previous years.
- 3) Save as disclosed in this announcement, there was no other reason or significant event and circumstance causing the provision for impairment of goodwill.

BUSINESS PROSPECTS OF RITO INFO

Although the Group has recognised the provision for impairment of goodwill, the Group has taken active measures and made continuous efforts to seek new business growth areas for Rito Info. In recent years, digital economy has been flourishing, and digital transformation is highly valued by the government and enterprises. The Group pays ongoing attention to the development trend of the information technology industry and, through continuous exploration, has developed new business types horizontally in the field of liquidity supervision in the tobacco industry, while actively carrying out research on technologies and product reserves related to the application of digital renminbi and expanding its government and enterprise customer base, with a view to opening up the upstream and downstream chains of liquidity and financial information technology-related businesses to achieve performance improvement and higher quality development. Rito Info has been devoting time and effort and has gained market recognition, established business foundation and developed technology in the field of tobacco and enterprise financial information technology throughout the years. The Group believes that Rito Info can break the deadlock and achieve better business performance.

The above additional information does not affect the other information contained in the 2021 Annual Report and the 2021 Results Announcement and save as disclosed above, all other information contained in the 2021 Annual Report and the 2021 Results Announcement remains unchanged.

By Order of the Board of
CAPINFO COMPANY LIMITED*
YU Donghui
Chairman

Beijing, the People's Republic of China, 19 May 2022

As at the date of this announcement, the executive directors of the Company are Mr. Yu Donghui, Mr. Zhang Yiqian and Mr. Zong Zhaoxing; the non-executive directors of the Company are Mr. Zhou Weihua, Mr. Shan Yuhu, Mr. Feng Jianxun, Ms. Yan Yi and Ms. Liang Yi; and the independent non-executive directors of the Company are Mr. Gong Zhiqiang, Mr. Cheung, Wai Hung Boswell, Mr. Yang Xiaohui and Mr. Su Zhongxing.

* *For identification purpose only*