畅捷通 Chanjet

# 暢捷通信息技術股份有限公司
# CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

Stock code: 1588

# 2014 INTERIM REPORT

# Contents

# CORPORATE INFORMATION

As at 30 June 2014

## COMPANY NAME

Chanjet Information Technology Company Limited

## DIRECTORS

### Non-executive Directors

Wang Wenjing *(Chairman)*

Wu Zhengping

### Executive Director

Zeng Zhiyong *(CEO)*

### Independent Non-executive Directors

Liu Yunjie

Chen, Kevin Chien-wen

Lau, Chun Fai Douglas

## SUPERVISORS

### Shareholders Representative Supervisors

Guo Xinping *(Chairman)*

Wang Jialiang

### Independent Supervisors

Ruan Guangli

Ma Yongyi

### Employees Representative Supervisors

Deng Xuexin

Fang Quan *Note*

## AUDIT COMMITTEE

Chen, Kevin Chien-wen *(Chairman)*
Wu Zhengping
Lau, Chun Fai Douglas

## NOMINATION COMMITTEE

Liu Yunjie *(Chairman)*
Wang Wenjing
Chen, Kevin Chien-wen

## REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas *(Chairman)*
Zeng Zhiyong
Liu Yunjie

## STRATEGIC COMMITTEE

Wang Wenjing *(Chairman)*
Zeng Zhiyong
Liu Yunjie

## JOINT COMPANY SECRETARIES

You Hongtao
Ngai Wai Fung

## AUTHORIZED REPRESENTATIVES

Zeng Zhiyong
Ngai Wai Fung

## AUDITOR

Ernst & Young

## COMPLIANCE ADVISER

Guotai Junan Capital Limited

## LEGAL ADVISERS

*As to Hong Kong law :* DLA Piper Hong Kong（歐華律師事務所）
*As to PRC law:* Tian Yuan Law Firm（天元律師事務所）

## REGISTERED OFFICE AND HEADQUARTERS

Unit D, Building 20
Yonyou Software Park
68 Beiqing Road
Haidian District
Beijing
the PRC

## PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai
Hong Kong

## STOCK CODE

1588

## COMPANY WEBSITE

www.chanjet.com

## CONTACT INFORMATION FOR INVESTORS

Tel.: (86 10) 6243 4214

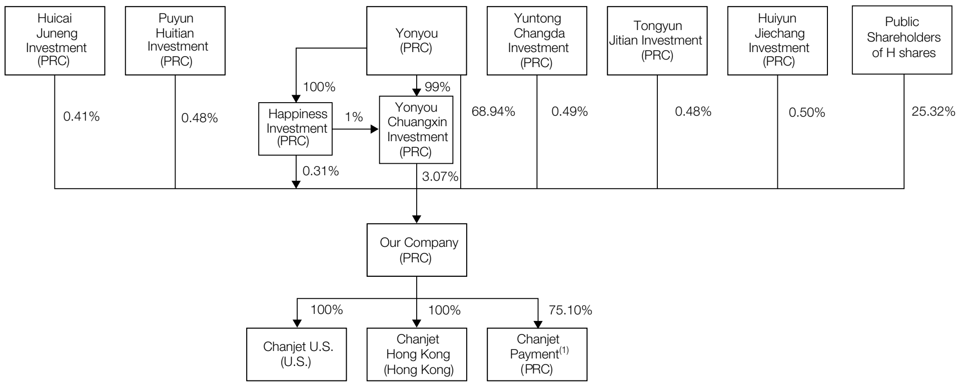
Fax: (86 10) 6243 8765

Email: IR@chanjet.com

*Note:* Due to work re-designation, Mr. Fang Quan has resigned from the position as employee representative supervisor of the Company, with effect from 30 July 2014. Upon the election by Company's Employees Representative Meeting, Mr. Zhang Wei has been appointed as the employee representative supervisor as the successor of Mr. Fang Quan, with effect from 30 July 2014. Please refer to the Company's announcement dated 30 July 2014 published on the website of the Hong Kong Stock Exchange and the website of the Company.

# CORPORATE STRUCTURE

As at 30 June 2014




*Notes:*

1. The remaining 24.90% equity interest of Chanjet Payment was owned as to 9.90%, 9.00% and 6.00% by Shanghai Tongjin Investment Co., Ltd. (上海通金投資有限公司), an Independent Third Party, Beijing Ruijie Tongcheng Investment Management Centre (Limited Partnership) (北京瑞捷通成投資管理中心(有限合夥)) and Beijing Ruifu Tongjie Investment Management Centre (Limited Partnership) (北京瑞富通捷投資管理中心(有限合夥); Both of Beijing Ruijie Tongcheng Investment Management Centre (Limited Partnership) and Beijing Ruifu Tongjie Investment Management Centre (Limited Partnership) are owned by the employees of Chanjet Payment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

In the first half of 2014, the Chinese government increased its support to micro and small scale enterprises (MSEs) through adjustment of industrial structure. With the Opinions of the State Council on Further Supporting the Sound Development of Micro and Small Scale Enterprises (國務院關於進一步支持小型微型企業健康發展的意見) issued by the State Council of the PRC, the development environment of MSEs was further optimized as their intention of expansion was remarkable, which further drove a fast development of management software for MSEs and information technology service market. With the market opportunities, the Group fully carried forward strategic transformation of cloud platform, reinforced the business strategy of "software and cloud", strengthened the pursuit of product support service, further perfected arrangement of distribution channels and pushed partners forward to deepen client operation, so as to increase revenue and reduce expense for improvement of operating performance, expedite transformation of enterprises towards internet direction and ceaselessly enhance the Group's competitiveness.

During the Reporting Period, the revenue of the Group amounted to RMB185.50 million, representing an increase of 14% from RMB162.06 million for the same period last year. The increase in revenue was mainly due to the growth of software revenue and service revenue. The increase in software revenue was primarily generated from higher concentration of business and resources allocation of the Group with an improvement of core business. The increase in service revenue mainly came from the Group's reinforcement in implementation of product support services through supply of update and upgrade services for licensed software of users during the subscription period, which demonstrated that users achieved added value of enterprise management software system and proportionately amortized investment expense of management informatization in the medium and long term, meanwhile, the long-term revenue model of the Group was optimized to achieve a stable, sustained and sound development of business.

For the six months ended 30 June 2014, the Group's profit before tax amounted to RMB78.73 million, representing a decrease of RMB8.84 million, or 10% as compared with the same period last year. The profit for the Period amounted to RMB70.77 million, representing a decrease of RMB8.37 million, or 11% as compared with the same period last year.

For the six months ended 30 June 2014, listing fees included in administrative expenses amounted to RMB23.27 million, while no such listing fees incurred over the corresponding period of last year. Other income and gains, net was RMB26.93 million, as compared with RMB32.62 million for the same period last year. After deducting the above two items, the Group's profit for the Period amounted to RMB67.11 million, representing an increase of 44% from RMB46.52 million for the same period last year.

## 1. Business development of software products

The Group's software products targeting at MSEs mainly included $T^+$ series software products, T1 series software products, T3 series software products and T6 series software products. $T^+$ series software products are integrated business and financial management software products targeting at small trading, distribution and manufacturing enterprises, which are designed on the basis of internet architecture. $T^+$ series software products can be installed in one location and accessed via a web browser by multiple users using various types of devices without further software installations. This feature is particularly valuable to MSEs with multiple locations, a mobile workforce or the need to expand operations rapidly. $T^+$ series software products can be integrated with cloud applications to enhance a user's ability to collaborate and work outside the office. T1 series software products are entry-level PSI management software and bookkeeping software. T3 series software products are basic financial reporting software. T6 series software products are integrated business, production and financial management software for small manufacturers.

During the Reporting Period, the Group released $T^+$ V11.51 with newly added functions such as bar codes, selling prices and so forth, which strengthened commercial properties, reduced partner services through environment facilities and facilitated to promote sales of $T^+$ in a large scale. In order to provide better services, the Group established an open beta version of service community on the Chanjet Cloud Service Platform. The service experts of the Group and channel partners can answer users' various questions online through such community. An increasingly abundant knowledge base will reduce the cost of services.

During the Reporting Period, based on management software used in existing financial and PSI business sectors for MSEs, the Group further made breakthrough in commerce circulation and integrated application of industry and trade to quickly take over modern service industries. $T^{+}$ initiated the integration of Chanjet Cloud Service Platform and cloud applications with pushing forward business strategy of "software and cloud", formulated a plan for online and offline standardized applications with third party e-commerce software, further explored users' application value, created diversified competitive edge and pushed forward business development in a fast manner. During the Reporting Period, revenue from $T^{+}$ business increased by 149% as compared with the same period last year.

During the Reporting Period, under the guidance of Small and Medium Enterprise Department of Ministry of Industry and Information Technology of the People's Public of China, the Group introduced health examination for MSEs. With promotion of the activity "520 My Care for MSEs from Health Examination (520我愛小微企業健康體檢行動)", the Group conducted free examinations for operation of MSEs to help MSEs improve its competitiveness. As the Group seized the favorable opportunity of government's support to specialized, delicate, unique, innovative enterprise, it increased efforts on marketing and launched a large marketing activity in the nationwide to popularize financial and PSI software products. The Group held several marketing competition activities and business trainings targeting at partners, which effectively promoted partners' initiatives in sales and enhanced partners' capabilities in serving customers.

## 2. Development of the enterprise's cloud service business

(1) Development of Chanjet Cloud Service Platform

The Chanjet Cloud Service Platform is our public cloud platform for enterprise cloud services, including cloud resource management system, operating platform, operating system, public service system, big data platform, open platform and corresponding safety assurance system. Chanjet Cloud Service Platform supports development and deployment of internet application products and provides services for end users. For users, our platform will provide enterprise cloud applications and related supporting services. For third-party developers, our platform will provide the necessary tools, environment and support to build and deliver cloud applications. At the same time, our platform will host online communities for third-party developers to communicate with and get access to others as well as promoting their services.

As at 30 June 2014, cloud resource management system, operating platform, operating system and public service systems were released and ran continuously and stably. Operating platform made a major breakthrough. Specifically, it provided an independent operating environment for each enterprise and achieved minute-class deployment for cloud applications, which means the resources can be arranged dynamically according to the operation of cloud applications, and effectively supported release, deployment and stable and efficient operation of the two cloud applications such as Customer Management and Easy Accounting Agent. Big data platform built a big data paralleling processing cluster, completed the massive journal collection and analysis system, supported TB-level storage and query of document data and offered a variety of journal collection and analysis services for Biz Chat and other cloud applications. Open platform has completed its design of development framework and determined the data model and data storage mechanism. In terms of security, it set up a company-level security team to formulate detailed regulations and assessment criteria, applied triple backup mechanism for the core information, varying from local, local different machine and remote different machine every day, and key information of user was transferred with encryption to ensure data security.

(2) Development of cloud application

During the Reporting Period, the Group issued beta version of three cloud application products, including Easy Accounting Agent, Biz Chat and Customer Management, and revised and upgraded Accountant Home.

Easy Accounting Agent was developed for accounting agent, targeting at the specialty that most micro enterprises currently would like hire accounting agent to do bookkeeping. The application can serve micro enterprises through account agents, help users manage their financial situation and prepare financial statements. The product can help users establish accounting systems in line with CASBE and enable users to record financial vouchers and prepare financial statements. The open beta version of the product has been launched on 28 May 2014.

Biz Chat is a social platform targeting at enterprises with communication, sharing and cooperation within enterprise and between enterprises, which helps enterprises achieve efficient operation and transparent management. The open beta version of the product has been launched on 28 February 2014.

Customer Management is a mobile application product for sales teams of MSEs sales teams, with convenient functions such as intelligent voice inquiry, business card scanning and photographing, which can help sales staff manage customer information and improve capacity of sales teams. The open beta version of the product has been launched on 28 May 2014.

Accountant Home is a free service platform for finance and taxation professionals to provide finance and taxation applications and tools, finance and taxation advisory and training and other services with finance and taxation practices as its core and helps finance and taxation professionals work and study. Accountant home was revised and upgraded in February 2014.

## 3. The development plan for the second half of 2014

The Chinese government increased its policy support to MSEs for promotion of the innovation and development of MSEs. The development environment of MSEs has been further improved. With rapid spread of intelligent devices and mobile internet, MSE users pay more attention to efficient coordination and convenient management and enterprise cloud services are being gradually recognized by more MSEs users. For this reason, in the second half of 2014, the Group will focus on promoting the following works:

(1) Continuous reinforcement of software product business development

The Group will accelerate integration of $T^+$ products and cloud business, initially realize the strategy target of "software and cloud"; accelerate research and development of $T^+$ products through iterations with split of $T^+$ products into different versions to expand customer coverage; convene $T^+$ Technology Conference to attract participation of R&D partners for establishment of the industrial chain alliance; started cooperation with professional online marketing companies to build an online marketing platform so as to increase online promotion; continue to improve channel deployment for coverage of more city and county markets; constantly promote marketing activities to give play to MSEs health examination platform and conduct examination for operation of MSEs so as to drive sales; and promote software product support services to provide users with more comprehensive and valuable services.

(2) Full promotion of the development of cloud services platform and cloud services business

In terms of R&D, the Group will complete big data platform V1.0; release a closed beta version of the open platform with a try to introduce independent developers' participation; complete end-to-end joint of Biz Chat and $T^+$ series products; strengthen functions of Accountant Home at mobile end; and carry out cooperation with the third party enterprise platform in respect of Easy Accounting Agent.

In terms of operation, the Group will increase promotion of product operations and marketing, especially disseminate public praise on products through the internet social marketing approach.

(3) Establishment of a professional team matching the transformation of cloud business

The Group will optimize processes to improve operational efficiency; retain and attract talented people in the industry while optimizing the personnel structure; continue to adjust the personnel structure to attract more outstanding internet talents, further increase the proportion of internet R&D personnel and operational personnel in the composition of employees of the Group.

## FINANCIAL REVIEW

| | For the six months ended 30 June | | |
|---|---|---|---|
| | | | Percentage |
| | **2014** | 2013 | change |
| | ***RMB'000*** | *RMB'000* | *%* |
| | **(Unaudited)** | (Unaudited) | |
| Revenue | **185,504** | 162,060 | 14% |
| Cost of sales and services provided | **(14,694)** | (12,735) | 15% |
| Gross profit | **170,810** | 149,325 | 14% |
| Gross profit margin | **92%** | 92% | |
| Other income and gains, net | **26,931** | 32,621 | –17% |
| R&D costs | **(30,302)** | (28,133) | 8% |
| Selling and distribution expenses | **(43,754)** | (46,371) | –6% |
| Administrative expenses | **(44,956)** | (19,854) | 126% |
| Other expenses | **–** | (20) | –100% |
| Profit before tax | **78,729** | 87,568 | –10% |
| Income tax expenses | **(7,956)** | (8,430) | –6% |
| Profit for the Period | **70,773** | 79,138 | –11% |
| Profit attributable to: | | | |
| Owners of the parent | **72,745** | 79,138 | –8% |
| Non-controlling interests | **(1,972)** | – | N/A |

## Operating Results

For the six months ended 30 June 2014, the profit before tax of the Group was RMB78.73 million, representing a decrease of RMB8.84 million or 10% over the corresponding period of last year and the profit for the Period was RMB70.77 million, representing a decrease of RMB8.37 million or 11% over the corresponding period of last year.

For the six months ended 30 June 2014, the listing expenses accrued in the administrative expenses was RMB23.27 million, no such expenses occurred over the corresponding period of last year; other income and gains, net was RMB26.93 million, which was RMB32.62 million in the corresponding period of last year. After deducting the above two items, the Group's profit for the Period amounted to RMB67.11 million, representing an increase of 44% from RMB46.52 million for the same period of last year.

The profit attributable to the owners of the Company was RMB72.75 million, representing a decrease of 8% over the corresponding period of last year. Earnings per share of the Group was RMB0.44, which was RMB0.49 in the corresponding period of last year.

### Revenue

For the six months ended 30 June 2014, the revenue of the Group was RMB185.50 million, representing an increase of 14% as compared with RMB162.06 million in the corresponding period of last year. The increase was mainly due to the increase in the software revenue and service revenue.

The software revenue of the Group was RMB169.28 million, representing an increase of 10% as compared with RMB153.28 million in the corresponding period of last year. In particular, the market recognition of $T^+$ series software products increased under the vigorous promotion of the Group. Such products achieved the revenue of RMB57.20 million, representing an increase of 149% as compared with RMB22.97 million in the corresponding period of last year.

The service revenue of the Group was RMB14.62 million, representing an increase of 117% as compared with RMB6.73 million in the corresponding period of last year. In particular, the support and maintenance revenue achieved RMB9.20 million, representing an increase of 138% as compared with RMB3.87 million in the corresponding period of last year. The increase was mainly attributable to the fact that the Group started to provide products support services of T6 and $T^+$ series software products to the users. With the sharp increase in the revenue from $T^+$, the support service revenue increased accordingly.

The revenue from sales of purchased goods of the Group was RMB1.61 million, representing a decrease of 21% as compared with RMB2.05 million in the corresponding period of last year. The decrease was mainly attributable to the decrease of procurement and sales of goods purchased resulted from the optimization of product lines by the Group since the second half of 2013.

**Cost of sales and services provided**

For the six months ended 30 June 2014, the cost of sales and services provided of the Group was RMB14.69 million, representing an increase of 15% as compared with RMB12.74 million in the corresponding period of last year. In particular, along with the increase of software revenue and service revenue, the software cost increased to RMB8.16 million in the Period from RMB6.91 million in the corresponding period of last year, representing an increase of 18%; the service cost increased to RMB5.59 million in the Period from RMB4.33 million in the corresponding period of last year, representing an increase of 29%; given the decrease in revenue from sales of purchased goods, the cost of purchased goods sold decreased to RMB0.95 million in the Period from RMB1.49 million in the corresponding period of last year, representing a decrease of 36%

**Gross Profit and Gross Profit Margin**

For the six months ended 30 June 2014, given the increase of its revenue, the Group achieved a gross profit of RMB170.81 million, representing an increase of 14% as compared with RMB149.33 million in the corresponding period of last year. The gross profit margins of the Group in these two periods were both 92%, basically remaining stable.

**Other income and gains, net**

For the six months ended 30 June 2014, other income and gains of the Group, net was RMB26.93 million, representing a decrease of 17% as compared with RMB32.62 million in the corresponding period of last year. The decrease was mainly attributable to the fact that the Group had interest income from entrusted loans of RMB9.73 million in the corresponding period last year, while the Group did not operate entrusted loans business in the Period and did not record any relevant interest income. The revenue from government grants in the Period was RMB2.21 million, representing a decrease of RMB4.33 million as compared with RMB6.54 million in the corresponding period of last year; the Group received the value-added tax refunds of RMB20.94 million, representing an increase of RMB6.17 million as compared with RMB14.77 million in the corresponding period of last year.

**R&D costs**

For the six months ended 30 June 2014, the R&D costs of the Group was RMB30.30 million, representing an increase of 8% as compared with RMB28.13 million in the corresponding period of last year. At the end of 2013 the Group focused on the development of standard software products, which led to the substantial decrease in the number of R&D staff and the decrease in labor costs of industry products. The R&D costs of software products decreased by RMB4.57 million, or 20% as compared with the corresponding period of last year. However, with the development of payment business, the Group increased the R&D cost related to payment business. The R&D cost of payment business increased by RMB3.13 million, as compared with the corresponding period of last year. With the development of research project of cloud platform, the number of professional participants increased and the labor cost increased. The R&D cost of cloud platform increased by RMB3.61 million, or 63% as compared with the corresponding period of last year.

### Selling and distribution expenses

For the six months ended 30 June 2014, the selling and distribution expenses of the Group was RMB43.75 million, representing a decrease of 6% as compared with RMB46.37 million in the corresponding period of last year. The decrease was mainly attributable to the decrease in labor costs resulting from the decrease in the number of staff from sales-related departments, as the Group implemented the staff optimization policy at the end of 2013.

### Administrative expenses

For the six months ended 30 June 2014, the administrative expenses of the Group was RMB44.96 million, representing an increase of 126% as compared with RMB19.85 million in the corresponding period of last year. The increase was mainly attributable to the listing expenses of RMB23.27 million accrued in the H share listing of the Group in the Period, while there was no expenses of this nature accrued in the corresponding period of last year.

### Income tax expenses

For the six months ended 30 June 2014, the income tax expenses of the Group was RMB7.96 million, representing a decrease of 6% as compared with RMB8.43 million in the corresponding period of last year.

### Profit attributable to owners of the parent

For the six months ended 30 June 2014, the profit attributable to owners of the parent of the Group was RMB72.75 million, representing a decrease of 8% as compared with RMB79.14 million in the corresponding period of last year. The decrease was mainly attributable to the decrease in the net profit of the Group.

### Loss attributable to non-controlling interests

For the six months ended 30 June 2014, the loss attributable to non-controlling interests of the Group was RMB1.97 million, being share of the net loss of Chanjet Payment, a non-wholly-owned subsidiary established in July 2013.

## Liquidity and financial resources

### Condensed cash flow statements

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2014** | 2013 | Change in amount |
| | ***RMB'000*** | *RMB'000* | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | |
| Net cash flows from operating activities | **71,828** | 50,464 | 21,364 |
| Net cash flows used in investing activities | **(34,022)** | (15,289) | (18,733) |
| Net cash flows (used in)/from financing activities | **558,425** | (87,578) | 646,003 |

### Net cash flows from operating activities

For the six months ended 30 June 2014, the net cash flows from operating activities of the Group was RMB71.83 million, representing an increase of 42% as compared with RMB50.46 million in the corresponding period of last year. The increase was mainly attributable to the increase in revenue and receipt in advance.

### Net cash flows used in investing activities

For the six months ended 30 June 2014, the net cash flows used in investing activities of the Group was RMB34.02 million, representing an increase of 122% as compared with RMB15.29 million in the corresponding period of last year. The increase was mainly attributable to the Group's investment of RMB9.90 million to establish YONYOU Mobile Telecommunications Technology Services Co,. Ltd. with various related parties for the Period, while there was no relevant investment in the corresponding period of last year; the Group received the interest income of RMB9.73 million from entrusted loans for the corresponding period of last year, while the Group did not operate entrusted loans business for the Period, accordingly there was no relevant interest income.

### Net cash flows (used in)/from financing activities

For the six months ended 30 June 2014, the net cash flows from financing activities of the Group was RMB558.43 million, mainly including gross proceeds raised of HK$900.90 million and paid dividend for 2013 amounting to RMB102.17 million and other listing expenses such as underwriting commission and professional expenses accrued from the H share listing of the Group in June. The net cash flows used in financing activities of the Group in the corresponding period of last year was RMB87.58 million for the payment of dividend in 2012.

## Working capital

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Cash and cash equivalents at end of the Period | 1,169,278 | 572,952 |
| Current ratio | 1277% | 506% |
| Gearing ratio | 0% | 0% |

As at 30 June 2014, the cash and cash equivalents of the Group was RMB1,169.28 million (31 December 2013: RMB572.95 million).

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2014 was 1277% (31 December 2013: 506%).

The Group's gearing ratio was nil. Gearing ratio was calculated based on net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing debts less restricted bank balances and bank balances and cash. The Group had no interest-bearing debt.

With stable cash inflows generated in the daily business operation, plus the net proceeds raised from listing, the Group has sufficient resources for future expansion.

### Capital expenditures

For the six months ended 30 June 2014, capital expenditures of the Group mainly included deferred development costs of RMB20.53 million (for the corresponding period of last year: RMB23.27 million); expenditure on office equipment, furniture and fittings of RMB4.97 million (for the corresponding period of last year: RMB2.37 million); expenditure on software license of RMB0.35 million (for the corresponding period of last year: nil).

### Contingent liabilities

During the Reporting Period, the Group did not have contingent liabilities, nor have any proposal on contingent liabilities issue.

### Charges on assets

As at 30 June 2014 or 31 December 2013, the Group did not have any charges on assets.

### Material investments and proposals of future material investments or acquisition of capital assets

During the Reporting Period, the Group did not have material investments. However, the Group planned to acquire businesses and assets related to our business strategies in the future, in order to enrich the business and improve the performance of the Group. If any material investments or capital assets acquisitions are made, the Group will fulfill related procedures for approval and disclosure.

### Material acquisition and disposal of assets

During the Reporting Period, the Group did not have material acquisition and disposal of assets.

### Foreign exchange risks

The Group conducted primarily its domestic business in RMB, which was also its functional currency. Proceeds from listing were temporarily deposited in HK dollars. Some of listing expenses were denominated in HK dollars. Chanjet U.S. and Chanjet Hong Kong, the subsidiaries of the Company, are settled in foreign currencies (primarily US dollars and HK dollars). Therefore, the Group is exposed to the risks of fluctuations of exchange rate to a certain extent.

### Interest rate risks

The Group bore no debt obligations with a floating interest rate, thus there was no interest rate risk related to the Group.

### Staff and organizational support

During the Reporting Period, in order to support the business transition, focus on the resources and increase executive efficiency, the Group comprehensively optimized the organizational structure and corresponding positions of management cadres.

As at 30 June 2014, the total number of the staff in the Group was 789. The Group set the remuneration and beneficial package for its employees which matched the current development situation of the Group. Please refer to the Note 4 of Notes to the Unaudited Interim Condensed Consolidated Financial Statements for the remuneration of the staff for the six months ended 30 June 2014. Based on the transition of cloud business, the Group correspondingly adjusted its talents development strategy. While continuing to implement the capacity building of staff and the development strategy of dual-channel talents development, the Group implemented targeted investment on human resources in key areas. By internal training and external hiring, it strengthened the expansion and introduction of key talents in major areas, in order to optimize the structure of the capability of talents of the Group. Meanwhile, the Group held various types of general trainings and trainings for professional skills, further improved the evaluation system for ranks of positions, and achieved the overall improvement of ability of staffs in each segment.

**Events after the balance sheet date**

Chanjet Payment has recently obtained the payment service licence of non-financial institution issued by the People's Bank of China, with effect from 10 July 2014 to 9 July 2019. Upon the obtaining of the payment service licence, Chanjet Payment is entitled to providing internet payment service and bank card acquiring service nationwide as a non-financial institution. Please refer to the Company's announcement dated 15 July 2014 on the website of Hong Kong Stock Exchange and the website of the Company for details.

On 18 July 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB100,000,000 by internal funds in accordance with the Huaxia Bank structural deposit product sales agreement and (ii) subscribed for the Tianjin Bank Wealth Management Product at a subscription amount of RMB101,000,000 by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement. Please refer to the Company's announcement dated 18 July 2014 on the website of Hong Kong Stock Exchange and the website of the Company for details.

On 20 August 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB40,000,000 by internal funds in accordance with the Huaxia Bank structural deposit product sales agreement; and (ii) subscribed for the Tianjin Bank Wealth Management Product at a subscription amount of RMB100,000,000 by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement. Please refer to the Company's announcement dated 20 August 2014, on the website of Hong Kong Stock Exchange and the website of the Company for details.

# OTHER INFORMATION

## DISCLOSURE OF INTERESTS

### Interests and short positions of the substantial Shareholders and other persons in the Shares and underlying Shares of the Company

As of 30 June 2014, so far as the Directors or the chief executive officer of the Company are aware, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the individuals set forth in the table below had interests and/or short positions in the Shares or underlying Shares of the Company:

| Name of Shareholder | Number of Shares held | Nature of interest | Approximate percentage of shareholdings in the total share capital of the Company[1] | Approximate percentage of shareholdings in the relevant class of Shares of the Company [2] |
|---|---|---|---|---|
| Yonyou[3] | 149,732,474 | Beneficial owner | | |
| | 7,327,039 | Interest in a controlled corporation | | |
| | Total: 157,059,513 Domestic Shares | | 72.32% | 96.84% |
| Mr. Wang[4] | 157,059,513 Domestic Shares | Interest in a controlled corporation | 72.32% | 96.84% |
| UBS AG | 863,800 | Person having security interest in shares | | |
| | 6,970,200 | Interest in a controlled corporation | | |
| | Total: 7,834,000 H Shares | | 3.61% | 14.24% |
| Hillhouse Capital Management, Ltd. | 3,311,000 H Shares | Investment manager | 1.52% | 6.02% |
| Rays Capital Partners Limited | 3,308,000 H Shares | Investment manager | 1.52% | 6.01% |
| Gaoling Fund, L.P. | 3,211,000 H Shares | Beneficial owner | 1.48% | 5.84% |

*Notes:*

(1) The relevant calculation is based on the total number of 217,181,666 Shares of the Company in issue as of 30 June 2014.

(2) The relevant calculation is based on the number of 162,181,666 Domestic Shares of the Company and 55,000,000 H Shares of the Company in issue as of 30 June 2014.

(3) As of 30 June 2014, Yonyou directly holds 149,732,474 Domestic Shares and indirectly holds 7,327,039 Domestic Shares through Happiness Investment and Yonyou Chuangxin Investment respectively. As Happiness Investment and Yonyou Chuangxin Investment are both controlled corporations of Yonyou, Yonyou is deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Chuangxin Investment.

(4) As of 30 June 2014, Mr. Wang is the beneficial owner of 99%, 77.94% and 76.26% of the equity interest of Beijing Yonyou Technology Co., Ltd.（北京用友科技有限公司）, Shanghai Yonyou Consultant Co., Ltd.（上海用友科技諮詢有限公司）and Beijing Yonyou Enterprise Management Research Co., Ltd.（北京用友企業管理研究所有限公司）, respectively, which in turn hold 29.55%, 13.45% and 5.13% of the issued shares of Yonyou. Therefore, Mr. Wang is deemed to be interested in the 157,059,513 Domestic Shares held, directly and indirectly, by Yonyou.

Save as disclosed above, as of 30 June 2014, so far as the Directors of the Company are aware, no other persons have interests and/or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

**Interests and short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations**

As of 30 June 2014, the interests or short positions of the Directors, Supervisors or the chief executive in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange will be as follows:

| Name of Directors/ Supervisors | Nature of interest | Relevant corporation (including associated corporation) | Number of shares of the relevant corporation (including associated corporation) held | Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation)[1] | Approximate percentage of shareholdings in the relevant class of Shares of the Company[2] |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Mr. Wang | Interest in a controlled corporation[3] | the Company | 157,059,513 Domestic Shares | 72.32% | 96.84% |
| | Interest in a controlled corporation[3] | Yonyou[4] | 560,874,343 Shares | 48.13% | N/A |
| | Interest in a controlled corporation | Happiness Investment[5] | N/A[5] | 100%[5] | N/A |
| | Interest in a controlled corporation | Yonyou Chuangxin Investment[6] | N/A[6] | 100%[6] | N/A |
| Mr. Wu Zhengping[7] | Interest in a controlled corporation | Yonyou[4] | 35,713,486 Shares | 3.06% | N/A |
| Mr. Zeng | Interest in a controlled corporation | the Company | 5,122,153 Domestic Shares[9] | 2.36%[9] | 3.16% |
| **Supervisor** | | | | | |
| Mr. Guo Xinping[8] | Interest in a controlled corporation | Yonyou[4] | 60,825,246 Shares | 5.22% | N/A |

*Notes:*

(1) The calculation is based on the total number of 217,181,666 Shares of the Company in issue as of 30 June 2014.

(2) The calculation is based on the total number of 162,181,666 Domestic Shares of the Company in issue as of 30 June 2014.

(3) Mr. Wang is the beneficial owner of 99%, 77.94% and 76.26% equity interest of Beijing Yonyou Technology Co., Ltd.（北京用友科技有限公司）, ShanghaiYonyou Consultant Co., Ltd.（上海用友科技諮詢有限公司）and Beijing Yonyou Enterprise Management Research Co., Ltd.（北京用友企業管理研究所有限公司）, respectively, which in turn holds 29.55%, 13.45% and 5.13% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang is deemed to be interested in the Shares held by Yonyou.

(4) Yonyou is our holding company and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at 30 June 2014, Yonyou held 157,059,513 Domestic Shares of the Company which accounted for approximately 72.32% of the total share capital of the Company.

(5) Happiness Investment is a limited liability company incorporated in the PRC with a registered capital of RMB5 million and thus does not have any issued shares under the PRC laws. Happiness Investment is a wholly owned subsidiary of Yonyou and holds 670,784 Domestic Shares of the Company, representing approximately 0.31% of the total share capital of the Company. Therefore, Happiness Investment is deemed to be regarded as a controlled corporation of Mr. Wang.

(6) Yonyou Chuangxin Investment is a limited partnership incorporated in the PRC with a total subscribed capital contribution of RMB200 million which is owned by Yonyou and Happiness Investment as to 99% and 1% respectively and thus does not have any issued shares under the PRC laws. Therefore, Yonyou Chuangxin Investment is deemed to be regarded as a controlled corporation of Mr. Wang. Yonyou Chuangxin Investment holds 6,656,255 Domestic Shares of the Company, representing approximately 3.07% of the total share capital of the Company.

(7) Mr. Wu Zhengping is the beneficial owner of 80% equity interest of Shanghai Youfu Information Consulting Co., Ltd.（上海優富信息諮詢有限公司）("Shanghai Youfu") which in turn holds 3.06% equity interest of Yonyou. Therefore, Mr. Wu Zhengping is deemed to be interested in the shares of Yonyou held by Shanghai Youfu.

(8) Mr. Guo Xinping is the beneficial owner of 90% equity interest of Shanghai Yibei Management Consulting Co., Ltd.（上海益倍管理諮詢有限公司）("Shanghai Yibei"), which in turn holds 5.22% of the issued shares of Yonyou. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.

(9) Mr. Zeng is the general partner of Huiyun Jiechang Investment, Yuntong Changda Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Huicai Juneng Investment and has a beneficial interest in the above limited liability partnership as to approximately 0.5%, 27.60%, 19.01%, 15.61% and 21.58%, respectively. Therefore, by virtue of Part XV of SFO, Mr. Zeng is deemed to be interested in all the Domestic Shares held by Huiyun Jiechang Investment, Yuntong Changda Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Huicai Juneng Investment in the Company, respectively.

## USE OF PROCEEDS

The Company's H shares were listed and commenced trading on the Hong Kong Stock Exchange on 26 June 2014. The net proceeds raised by the Company will be used in accordance with the use disclosed in the prospectus of the Company dated 16 June 2014, i.e. for the R&D and marketing of the $T^{+}$ series software products, for the R&D of our cloud platform and innovative application products, to support the marketing and operation of our cloud service, to acquire relevant business and assets compatible with our business strategies and to fund our general working capital. During the Reporting Period, the net proceeds of the Company had not been utilised.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## MATERIAL LEGAL MATTERS

So far as the Board is aware, as at 30 June 2014, the Group was not involved in any material litigation or arbitration, nor any pending or possible threatened legal litigation or claims against the Group that could be raised.

## INTERIM DIVIDENDS

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2014.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted a set of code of conduct formulated in accordance with the Model Code as set out in Appendix 10 to the Listing Rules. The terms set out in the code currently adopted by the Company are no less exacting than the requirements of the Model Code. After making specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have strictly complied with the requirements of the Model Code during the six months ended 30 June 2014.

## AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules. The primary duties of the audit committee include: (1) making proposals to the Board of appointing and replacing accounting firms; (2) reviewing the internal auditing policies of the Company as well as its implementation; (3) coordinating the communication between the internal audit department of the Company and external auditors; (4) reviewing the financial information of the Company and its disclosures; (5) reviewing the internal control management of the Company; and (6) other duties assigned by the Board. The members of the audit committee consist of Mr. Chen, Kevin Chien-wen, Mr. Wu Zhengping and Mr. Lau, Chun Fai Douglas. Mr. Chen, Kevin Chien-wen serves as the chairman of the audit committee of the Company. The external auditor of the Company reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2014. On 20 August 2014, the audit committee reviewed the interim condensed consolidated financial statements of the Company for the six months ended 30 June 2014 and passed the resolutions. It was of the view that such financial statements were prepared in compliance with the applicable accounting policies and requirements, and were also fully disclosed.

# INDEPENDENT REVIEW REPORT

**The Board of Directors of Chanjet Information Technology Company Limited**

We have reviewed the accompanying interim financial information which comprise of the interim condensed consolidated statement of financial position of Chanjet Information Technology Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of 30 June 2014 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made soley to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
20 August, 2014

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the six months ended 30 June 2014 (Unaudited) RMB'000 | 2013 (Unaudited) RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **185,504** | 162,060 |
| Cost of sales and services provided | 4 | **(14,694)** | (12,735) |
| **Gross profit** | | **170,810** | 149,325 |
| Other income and gains, net | 3 | **26,931** | 32,621 |
| Research and development costs | 4 | **(30,302)** | (28,133) |
| Selling and distribution expenses | | **(43,754)** | (46,371) |
| Administrative expenses | | **(44,956)** | (19,854) |
| Other expenses | | **–** | (20) |
| **Profit before tax** | 4 | **78,729** | 87,568 |
| Income tax expense | 5 | **(7,956)** | (8,430) |
| **Profit for the Period** | | **70,773** | 79,138 |
| **Attributable to:** | | | |
| Owners of the parent | 7 | **72,745** | 79,138 |
| Non-controlling interests | | **(1,972)** | – |
| | | **70,773** | 79,138 |
| **Earnings per share attributable to owners of the parent** | | | |
| Basic and diluted *(cents)* | 7 | **44.4** | 48.8 |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)*

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the Period** | **70,773** | 79,138 |
| **Other comprehensive income** | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **164** | (86) |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **164** | (86) |
| Other comprehensive income for the Period, net of tax | **164** | (86) |
| Total comprehensive income for the Period, net of tax | **70,937** | 79,052 |
| **Attributable to** | | |
| Owners of the parent | **72,909** | 79,052 |
| Non-controlling interests | **(1,972)** | — |
| | **70,937** | 79,052 |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2014 (Unaudited) *RMB'000*** | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **9,983** | 6,851 |
| Intangible assets | 9 | **103,753** | 83,016 |
| Available-for-sale equity investments | 10 | **19,900** | 10,000 |
| Deferred tax assets | | **4,393** | 5,084 |
| Total non-current assets | | **138,029** | 104,951 |
| **Current assets** | | | |
| Inventories | | **613** | 567 |
| Trade and bills receivables | 11 | **642** | 1,001 |
| Prepayments, deposits and other receivables | | **1,405** | 5,872 |
| Cash and cash equivalents | 12 | **1,120,278** | 502,952 |
| Available-for-sale investments | 13 | **49,000** | 70,000 |
| Total current assets | | **1,171,938** | 580,392 |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

| | Notes | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 14 | **5,804** | 3,509 |
| Other payables and accruals | 15 | **64,899** | 70,568 |
| Due to related parties | 18(c) | **–** | 16,839 |
| Tax payable | | **10,097** | 7,748 |
| Deferred income | | **11,000** | 13,218 |
| Provision | | **–** | 2,819 |
| Total current liabilities | | **91,800** | 114,701 |
| **Net current assets** | | **1,080,138** | 465,691 |
| **Total assets less current liabilities** | | **1,218,167** | 570,642 |
| **Net assets** | | **1,218,167** | 570,642 |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 16 | **217,182** | 162,182 |
| Reserves | | **979,035** | 282,364 |
| Proposed final dividend | 6 | **–** | 102,174 |
| | | **1,196,217** | 546,720 |
| **Non-controlling interests** | | **21,950** | 23,922 |
| **Total equity** | | **1,218,167** | 570,642 |

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Capital reserve*/(i) | Merger reserve* | Capital contribution*/(ii) | Statutory reserve* | Exchange fluctuation reserve* | Retained profits*/ (Accumulated loss) | Proposed final dividend | Total | Non-controlling interests | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2013** | 162,182 | 247,033 | 19,415 | 545 | 27,366 | 20 | (11,424) | 87,578 | 532,715 | – | 532,715 |
| Profit for the Period | – | – | – | – | – | – | 79,138 | – | 79,138 | – | 79,138 |
| Other comprehensive income for the Period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operation | – | – | – | – | – | (86) | – | – | (86) | – | (86) |
| Total comprehensive income for the period | – | – | – | – | – | (86) | 79,138 | – | 79,052 | – | 79,052 |
| Final 2012 dividend declared | – | – | – | – | – | – | – | (87,578) | (87,578) | – | (87,578) |
| **As at 30 June 2013 (Unaudited)** | 162,182 | 247,033 | 19,415 | 545 | 27,366 | (66) | 67,714 | – | 524,189 | – | 524,189 |

* These reserve accounts comprise the consolidated reserves of RMB362,007,000 in the consolidated statements of financial position as at 30 June 2013.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

| | Attributable to owners of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Capital reserve*/(i) | Merger reserve* | Capital contribution*/(ii) | Statutory reserve* | Exchange fluctuation reserve* | Retained profits*/ (Accumulated loss) | Proposed final dividend | Total | Non-controlling interests | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2014** | 162,182 | 247,033 | (4) | 545 | 39,853 | (106) | (4,957) | 102,174 | 546,720 | 23,922 | 570,642 |
| Profit for the Period | – | – | – | – | – | – | 72,745 | – | 72,745 | (1,972) | 70,773 |
| Other comprehensive income for the Period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operation | – | – | – | – | – | 164 | – | – | 164 | – | 164 |
| Total comprehensive income for the period | – | – | – | – | – | 164 | 72,745 | – | 72,909 | (1,972) | 70,937 |
| Final 2013 dividend declared | – | – | – | – | – | – | – | (102,174) | (102,174) | – | (102,174) |
| Issue of shares (iii) | 55,000 | 660,285 | – | – | – | – | – | – | 715,285 | – | 715,285 |
| Share issue expenses | – | (36,523) | – | – | – | – | – | – | (36,523) | – | (36,523) |
| **As at 30 June 2014 (Unaudited)** | 217,182 | 870,795 | (4) | 545 | 39,853 | 58 | 67,788 | – | 1,196,217 | 21,950 | 1,218,167 |

* These reserve accounts comprise the consolidated reserves of RMB979,035,000 in the consolidated statements of financial position as at 30 June 2014.

*Notes:*

(i) Capital reserve represents the amount in excess of the par value paid by investors.

(ii) Capital contribution represents the expenses incurred by the holding company for the Company's share-based payment scheme.

(iii) In connection with the Company's global offering, 55,000,000 ordinary shares of the Company of RMB1.00 each were issued at a price of HK$16.38 per share for a total cash consideration, before expenses, of approximately RMB715,285,000. Dealings in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") commenced on 26 June 2014.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Operating activities** | | |
| Profit before tax | **78,729** | 87,568 |
| Adjustments for: | | |
| Expensed listing fees | **23,265** | — |
| Others | **(2,340)** | (9,279) |
| | **99,654** | 78,289 |
| (Increase)/decrease in financial assets | **(36)** | 13,069 |
| Decrease in financial liabilities | **(20,289)** | (26,915) |
| Others | **(5,083)** | (6,230) |
| Cash generated from operations | **74,246** | 58,213 |
| Interest received | **2,498** | 759 |
| Income taxes paid | **(4,916)** | (8,508) |
| Net cash flows from operating activities | **71,828** | 50,464 |

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Investing activities** | | |
| Additions to intangible assets | **(20,263)** | (23,062) |
| Purchases of available for sale equity investments | **(9,900)** | — |
| Others | **(3,859)** | 7,773 |
| Net cash flows used in investing activities | **(34,022)** | (15,289) |
| **Financing activities** | | |
| Proceeds from issue of shares | **715,285** | — |
| Listing expenses | **(54,686)** | — |
| Dividends paid | **(102,174)** | (87,578) |
| Net cash flows (used in)/ generated from financing activities | **558,425** | (87,578) |
| **Net increase/(decrease) in cash and cash equivalents** | **596,231** | (52,403) |
| Cash and cash equivalents at the beginning of period | **572,952** | 584,107 |
| Effect of foreign exchange rate changes, net | **95** | (1) |
| **Cash and cash equivalents at the end of period** | **1,169,278** | 531,703 |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and cash equivalents as stated in the statement of financial position | 12 | **1,120,278** | 531,703 |
| Available-for-sale investments | 13 | **49,000** | — |
| **Cash and cash equivalents as stated in the statement of cash flows** | | **1,169,278** | 531,703 |

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Chanjet Information Technology Company Limited (the "**Company**"), formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "**PRC**") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability, on 8 September 2011 in the PRC and changed its name to Chanjet Information Technology Company Limited. The registered office of the Company is located at Block D, Building 20, YONYOU Software Park, No. 68 Beiqing Road, Haidian District, Beijing, the PRC. The Company is principally engaged in the technical development, consulting, transfer and training service of computer software, hardware and external devices, the sale of typing paper, computer consumables, computer software and hardware, and the provision of database service.

The Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange on 26 June 2014 (the "**Listing Date**").

In the opinion of the directors, the holding company of the Company is Yonyou Software Co., Ltd. ("**YONYOU**").

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 and 2014 have been prepared in accordance with IAS34 issued by the International Accounting Standard Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the three years ended 31 December 2011, 2012 and 2013. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

### 2.2 Impact of new and amended International Financial Reporting Standards

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's underlying financial statements for the three years ended 31 December 2011, 2012 and 2013, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") as of 1 January 2014. These new and revised IFRSs do not impact the interim condensed consolidated financial statements of the Group.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.2 Impact of new and amended International Financial Reporting Standards *(continued)*

The nature and the impact of each amendment or interpretation are described below:

***Investment Entities — Amendments to IFRS 10, IFRS 12 and IAS 27***

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

***Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32***

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.2 Impact of new and amended International Financial Reporting Standards *(continued)*

***Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

***IFRIC 21 Levies***

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of software sold, after allowance for returns and trade discounts, and excludes sales taxes; it also includes the value of services rendered during the Period:

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sale of software | **169,278** | 153,283 |
| Rendering of services | **14,619** | 6,727 |
| Sale of purchased goods | **1,607** | 2,050 |
| | **185,504** | 162,060 |
| **Other income and gains** | | |
| Value-added tax refunds | **20,935** | 14,772 |
| Government grants | **2,212** | 6,541 |
| Interest income | **2,498** | 759 |
| Interest on entrusted loans | **—** | 9,726 |
| Interest on financial investments | **—** | 627 |
| Gains on financial investments | **1,074** | — |
| Others | **212** | 196 |
| Total | **26,931** | 32,621 |

## 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Cost of software sold | **8,156** | 6,913 |
| Cost of service rendered | **5,588** | 4,334 |
| Cost of purchased goods sold | **950** | 1,488 |
| Total cost of sales | **14,694** | 12,735 |
| Depreciation | **1,210** | 1,195 |
| Amortisation of intangible assets | **146** | 106 |
| Research and development costs | **30,302** | 28,133 |
| Listing expenses | **23,265** | — |
| Employee benefit expenses (including directors' and chief executive's remuneration other than below): | **79,136** | 74,283 |
| Pension scheme contributions | **7,442** | 8,284 |
| | **86,578** | 82,567 |
| Less: Employee benefit expenses being capitalised in intangible assets | **18,067** | 20,823 |
| | **68,511** | 61,744 |

## 5. INCOME TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current tax | **7,265** | 7,972 |
| Deferred tax | **691** | 458 |
| Total tax charge for the Period | **7,956** | 8,430 |

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group for the six months ended 30 June 2013 and 2014.

The Company was identified as a software enterprise since its establishment, and was entitled to an exemption from income tax for the two years commencing from its first profit-making year and thereafter, entitled to a 50% relief for the subsequent three years. Therefore the Company was exempted from income tax in years 2010 and 2011 and enjoyed 50% relief in years 2012, 2013 and 2014.

## 5. INCOME TAX *(continued)*

The Company was recognised as a key software enterprise in the state planning for the years 2013 and 2014. So the Company enjoyed a 10% corporate income tax rate during the years of 2013 and 2014.

The subsidiary incorporated in Hong Kong is subject to profits tax at the rate of 16.5% during the six months ended 30 June 2013 and 2014. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit arising in Hong Kong during the six months ended 30 June 2013 and 2014.

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The subsidiary incorporated in USA is subject to income tax at the rate of 23.84% during the six months ended 30 June 2013 and 2014.

## 6. DIVIDENDS

The dividends for the year ended 31 December 2013 and the six months ended 30 June 2014 are set out below:

| | **30 June 2014 (Unaudited)** | 31 December 2013 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final | | |
| — 2013: RMB63.0 cents/share | **–** | 102,174 |

## 6. DIVIDENDS *(continued)*

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of the Company's shareholders during the general meeting of shareholders at the 2013 annual general meeting.

The proposed final dividend for the year ended 31 December 2013 is based on the total number of ordinary shares of 162,182,000.

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 162,181,666 during the six months ended 30 June 2013 and the weighted average number of ordinary shares of 163,709,444 during the six months ended 30 June 2014 in issue respectively, as adjusted to reflect the new shares issued during the six months ended 30 June 2013 and 2014.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

The calculation of diluted earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2013 and 2014.

The calculation of basic earnings per share is based on:

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | **72,745** | 79,138 |
| **Shares** | | |
| Weighted average number of domestic shares in issue during the Period used in the calculation of basic earnings per share | **163,709,444** | 162,181,666 |

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at a cost of RMB4,973,000 (six months ended 30 June 2013: RMB2,365,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB11,000 (six months ended 30 June 2013: RMB21,000) were disposed of by the Group during the six months ended 30 June 2014, resulted in a net gain on disposal of RMB29,000 (six months ended 30 June 2013: RMB24,000).

During the six months ended 30 June 2013, the total amount of depreciation of property, plant and equipment was RMB1,334,000 of which an amount of RMB1,195,000 was charged to the statement of profit or loss, and an amount of RMB139,000 was capitalised into deferred development costs.

During the six months ended 30 June 2014, the total amount of depreciation of property, plant and equipment was RMB1,830,000 of which an amount of RMB1,210,000 was charged to the statement of profit or loss, and an amount of RMB620,000 was capitalised into deferred development costs.

## 9. INTANGIBLE ASSETS

During the six months ended 30 June 2014, the addition of intangible assets was RMB20,883,000 (six months ended 30 June 2013: RMB23,312,000).

During the six months ended 30 June 2014, the total amount of amortization of intangible assets was RMB146,000 (six months ended 30 June 2013: RMB106,000) which was charged to the statement of profit or loss.

## 10. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

| | 30 June 2014 (Unaudited) *RMB'000* | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|
| Unlisted investments, at cost | **19,900** | 10,000 |

| Name | Place and date of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Beijing YONYOU Happiness Yunchuang Entrepreneurship Investment Centre Limited Partnership | Beijing, China 22 November 2013 | RMB100,000,000 | 10 | – | Investment and asset management |
| YONYOU Mobile Telecommunications Technology Service Co,. Ltd | Beijing, China 4 March 2014 | RMB50,000,000 | 19.8 | – | Technical development |

## 11. TRADE AND BILLS RECEIVABLES

| | | 30 June 2014 (Unaudited) *RMB'000* | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|---|
| Trade receivables | (i) | 492 | 301 |
| Bills receivable | (ii) | 150 | 700 |
| | | 642 | 1,001 |

(i) Trade receivables

Only a very small portion of the Group's customers could enjoy the credit policy and the average trade credit period is about 90 days. Other customers are required to make payments in advance. In view of the fact that the balance of trade receivables is immaterial and the above balances relate to receivables for which there was no recent history of default, there is no significant concentration of credit risk.

Trade receivables are non-interest-bearing. Amounts included in trade receivables were denominated in RMB.

The ageing of the trade receivables as at 30 June 2014 and 31 December 2013, based on the invoice date, is all within 90 days.

(ii) Bills receivable

The ageing of the bills receivable as at 30 June 2014 and 31 December 2013, based on the invoice date, is all within six months.

## 12. CASH AND CASH EQUIVALENTS

| | 30 June 2014 (Unaudited) *RMB'000* | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|
| Cash on hand | 33 | 36 |
| Bank balances | 1,120,245 | 502,916 |
| Cash and cash equivalents | 1,120,278 | 502,952 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair value.

## 13. AVAILABLE-FOR-SALE INVESTMENTS

The amount of RMB49,000,000 as at 30 June 2014 and the amount of RMB70,000,000 as at 31 December 2013 were current floating income products purchased from the Bank of Beijing by Beijing Chanjet Payment Technology Co., Ltd. ("Chanjet Payment"), a non-wholly-owned subsidiary of the Company with an interest rate capped to 2.1%. It could be redeemed with a written notice to the bank one working day in advance.

## 14. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2014 and 31 December 2013, based on the invoice date, is as follows:

| | **30 June 2014 (Unaudited)** | 31 December 2013 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **4,753** | 3,107 |
| 90 days to 1 year | **1,036** | 402 |
| Over 1 year | **15** | — |
| | **5,804** | 3,509 |

Trade payables and accruals are non-interest-bearing and are normally settled on 90-day terms.

## 15. OTHER PAYABLES AND ACCRUALS

| | **30 June 2014 (Unaudited) *RMB'000*** | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|
| Advances from customers | **28,636** | 24,567 |
| Tax payable (other than income tax) | **9,297** | 13,963 |
| Staff payroll and welfare payables | **19,463** | 24,800 |
| Other payables | **7,503** | 7,238 |
| | **64,899** | 70,568 |

Other payables and accruals are non-interest-bearing and have no fixed terms of repayment.

## 16. ISSUED CAPITAL

The number of shares of the Company and their nominal value as at 30 June 2014 are as follows:

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Number of shares (Unaudited) | Nominal value (Unaudited) | Number of shares (Audited) | Nominal value (Audited) |
| | *'000 shares* | *RMB'000* | *'000 shares* | *RMB'000* |
| Registered, issued and fully paid: | | | | |
| Domestic shares of RMB1.00 each | 162,182 | 162,182 | 162,182 | 162,182 |
| H shares of RMB1.00 each | 55,000 | 55,000 | – | – |
| | 217,182 | 217,182 | 162,182 | 162,182 |

A summary of the movements in the Company's issued share capital for the six months ended 30 June 2014 is as follows:

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Number of shares (Unaudited) | Nominal value (Unaudited) | Number of shares (Audited) | Nominal value (Audited) |
| | *'000 shares* | *RMB'000* | *'000 shares* | *RMB'000* |
| At beginning of period/year | 162,182 | 162,182 | 162,182 | 162,182 |
| Public offer of H shares | 55,000 | 55,000 | – | – |
| | 217,182 | 217,182 | 162,182 | 162,182 |

## 16. ISSUED CAPITAL *(continued)*

Regarding the public offer of H shares, please refer to the notes to the unaudited interim condensed consolidated statements of changes in equity for details. As of 30 June 2014, the update of business registration was still in progress.

## 17. OPERATING LEASES ARRANGEMENTS

**As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms initially ranging from one to four years.

As at 30 June 2014 and 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 June 2014 (Unaudited) *RMB'000* | 31 December 2013 (Audited) *RMB'000* |
|---|---|---|
| Within one year | 4,015 | 3,298 |
| In the second to fifth years, inclusive | 96 | 519 |
| | 4,111 | 3,817 |

## 18. RELATED PARTY DISCLOSURES

### (a) Transactions with related parties

During the six months ended 30 June 2013 and 2014, the Group entered into the following significant transactions with related parties:

| Nature of transaction/ Relationship/ Name of related party | For the six months ended 30 June 2014 (Unaudited) *RMB'000* | 2013 (Unaudited) *RMB'000* |
|---|---|---|
| Purchase of goods and services from | | |
| The holding company | | |
| YONYOU | **304** | 425 |
| | **304** | 425 |

| Nature of transaction/ Relationship/ Name of related party | For the six months ended 30 June 2014 (Unaudited) *RMB'000* | 2013 (Unaudited) *RMB'000* |
|---|---|---|
| Rental expenses paid to | | |
| The holding company | | |
| YONYOU | **1,924** | 2,660 |
| Fellow subsidiaries of the holding company | | |
| YONYOU YUNDA | **465** | 831 |
| | **2,389** | 3,491 |

The purchase from related parties as well as the rental expenses paid to related parties are made on terms equivalent to those that prevail in arm's length transactions.

## 18. RELATED PARTY DISCLOSURES *(continued)*

### (b) Loans to related parties

| Relationship/ Name of related party | For the six months ended 30 June 2014 (Unaudited) *RMB'000* | 2013 (Unaudited) *RMB'000* |
|---|---|---|
| The holding company | | |
| YONYOU | | |
| Interest | – | 9,726 |
| Loans | – | 700,000 |

The loans granted to YONYOU were intended to fund YONYOU's working capital and were unsecured. During the six months ended 30 June 2013, the amount of RMB350,000,000, with an interest rate of 5.85%, was granted on 15 January 2013 and repaid in full on 29 March 2013. The amount of RMB350,000,000, with an interest rate of 5.85%, was granted on 1 April 2013 and repaid in full on 28 June 2013.

## 18. RELATED PARTY DISCLOSURES *(continued)*

### (c) Outstanding balances with related parties

An analysis of the balances with related parties is as follows:

**Due to related parties**

| Relationship/<br>Name of related party | 30 June<br>2014<br>(Unaudited)<br>*RMB'000* | 31 December<br>2013<br>(Audited)<br>*RMB'000* |
|---|---|---|
| Trade related (advances from related parties): | | |
| The holding company | | |
| YONYOU | – | 7 |
| Trade related (payables to related parties): | | |
| The holding company | | |
| YONYOU | – | 16,832 |
| | – | 16,839 |

The amounts due to related parties were unsecured, interest-free and repayable on demand.

## 18. RELATED PARTY DISCLOSURES *(continued)*

### (d) Compensation of key management personnel of the Group

| | For the six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Short term employee benefits | **2,392** | 2,474 |
| Post-employment benefits | **132** | 168 |
| Total compensation paid to key management personnel | **2,524** | 2,642 |

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of cash and cash equivalents, trade receivables, bills receivable, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair value of available-for-sale investments which is categorised as Level 2 fair value hierarchy has been estimated by discounting the expected future cash flows using an equivalent market interest rate of 2.1% for a similar available-for-sale investment.

The Group determines there is no transfer occurred between levels in the hierarchy by reassessing the categorisation of the available-for-sale investments at the end of each Reporting Period.

## 20. POST BALANCE SHEET EVENTS

a) Chanjet Payment has recently obtained the payment service licence of non-financial institution issued by the People's Bank of China, with effect from 10 July 2014 to 9 July 2019. Upon the obtaining of the payment service licence, Chanjet Payment is entitled to providing internet payment service and bank card acquiring service nationwide as a non-financial institution.

b) On 18 July 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB100,000,000 by internal funds in accordance with the Huaxia Bank structural deposit product sales agreement and (ii) subscribed for the Tianjin Bank Wealth Management Product at a subscription amount of RMB101,000,000 by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement.

## 20. POST BALANCE SHEET EVENTS *(continued)*

c) On 20 August 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB40,000,000 by internal funds in accordance with the Huaxia Bank structural deposit product sales agreement; and (ii) subscribed for the Tianjin Bank Wealth Management Product at a subscription amount of RMB100,000,000 by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement.

## 21. CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, neither the Group nor the Company had any significant contingent liabilities.

## 22. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 August 2014.

# DEFINITIONS

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

| | |
|---|---|
| "Board" or "Board of Directors" | the board of Directors |
| "CASBE" | Accounting Standards for Business Enterprises - Basic Standard and 38 Specific Standards issued by MOF, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as "China Accounting Standards for Business Enterprises") |
| "Chanjet Hong Kong" | Chanjet Information Technology (Hong Kong) Limited (暢捷通信息技術(香港)有限公司), a company incorporated in Hong Kong with limited liability on 22 August 2012 and a wholly-owned subsidiary of the Company |
| "Chanjet Payment" | Beijing Chanjet Payment Technology Co., Ltd. (北京暢捷通支付技術有限公司), which was established in the PRC on 9 July 2013 with limited liability and was owned as to 75.1% by the Company |
| "Chanjet U.S." | Chanjet Information Technology Corporation, a company incorporated in California on 5 November 2012 under the laws of the State of California of the United States, and our wholly-owned subsidiary |

| | |
|---|---|
| "Company" or "our Company" | Chanjet Information Technology Company Limited（暢捷通信息技術股份有限公司）, a joint stock limited company incorporated in the PRC, whose H shares were listed and traded on the Hong Kong Stock Exchange |
| "Company Law" | the Company Law of the PRC（中華人民共和國公司法） |
| "Director(s)" | member(s) of the board of directors, including all executive, non-executive and independent non-executive directors of the Company |
| "Domestic Share(s)" | ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC incorporated companies |
| "Group," "our Group," "we" or "us" | the Company and our subsidiaries (or The Company and any one or more of our subsidiaries, as the context may require) |
| "H Shares" | overseas-listed foreign invested ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Stock Exchange |

| | |
|---|---|
| "Happiness Investment" | Happiness Investment Co., Ltd. (北京用友幸福投資管理有限公司), a company established in the PRC with limited liability on 12 May 2010 and one of the Promoters of the Company and a wholly-owned subsidiary of Yonyou. Happiness Investment holds 0.31% of the issued shares of the Company |
| "HK$" or "HK dollars" or "Hong Kong dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" | the Stock Exchange of Hong Kong Limited |
| "Huicai Juneng Investment" | Beijing Huicai Juneng Investment Management Centre (Limited Partnership) (北京匯才聚能投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners. Huicai Juneng Investment holds 0.41% of the issued shares of the Company |

| | |
|---|---|
| "Huiyun Jiechang Investment" | Beijing Huiyun Jiechang Investment Management Centre (Limited Partnership) (北京匯雲捷暢投資管理中心(有限合夥)), a limited partnership established in the PRC on 26 November 2012 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners. Huiyun Jiechang Investment holds 0.50% of the issued shares of the Company. |
| "Independent Third Party(ies)" | an individual(s) or a company(ies) who/which is/are independent of and not connected with (within the meaning of the Listing Rules) any of Directors, Supervisors, chief executives or Substantial Shareholders (as defined in the Listing Rules) of the Company, its subsidiaries or any of their respective associates |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部) |

| | |
|---|---|
| "Mr. Wang" | Mr. Wang Wenjing, the Chairman, non-executive Director and the ultimate Controlling Shareholder |
| "Mr. Zeng" | Mr. Zeng Zhiyong, the executive Director and the president |
| "NPC" | the National People's Congress of the PRC（中華人民共和國全國人民代表大會） |
| "Puyun Huitian Investment" | Beijing Puyun Huitian Investment Management Centre (Limited Partnership) (北京普雲慧天投資管理中心（有限合夥）), a limited partnership established in the PRC on 29 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners. Puyun Huitian Investment holds 0.48% of the issued shares of the Company |
| "PRC" or "China" or the "People's Republic of China" | the People's Republic of China and, except where the context otherwise requires, references in this report to the PRC or China do not apply to Hong Kong SAR, Macau SAR or Taiwan |
| "Reporting Period" or "Period" | the six months ended 30 June 2014 |
| "Renminbi" or "RMB" | Renminbi, the lawful currency of the PRC |

| | |
|---|---|
| "SFO" or "Securities and and Futures Ordiance" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time Futures Ordinance |
| "Shares" | shares of the Company with nominal value of RMB1.00 each |
| "Shareholders" | holders of the Shares |
| "sq.m." | square metres |
| "State Council" | State Council of the PRC（中華人民共和國國務院） |
| "Substantial Shareholder" | has the meaning ascribed to it in the Listing Rules |
| "Supervisor(s)" | the member(s) of the Supervisory Committee |
| "Supervisory Committee" | the supervisory committee of the Company established pursuant to the Company Law |

| | |
|---|---|
| "Tongyun Jitian Investment" | Beijing Tongyun Jitian Investment Management Centre (Limited Partnership) (北京通雲濟天投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners. Tongyun Jitian Investment holds 0.48% of the issued shares of the Company |
| "US$" or "U.S. dollars" | United States dollars, the lawful currency for the time being of the United States |
| "Yonyou" | Yonyou Software Co., Ltd.(用友軟件股份有限公司), a joint stock limited company incorporated in the PRC on 18 January 1995, the shares of which are listed and traded on the Shanghai Stock Exchange(上海證券交易所)(Stock Code: 600588). It is our Promoters and Controlling Shareholder |

| | |
|---|---|
| "Yonyou Chuangxin Investment" | Beijing Yonyou Chuangxin Investment Centre (Limited Partnership) (北京用友創新投資中心(有限合夥)), a limited partnership established in the PRC on 23 June 2010 and owned by Yonyou and Happiness Investment as to 99% and 1% respectively. Yonyou Chuangxin Investment holds 3.07% of the issued shares of the Company. As Happiness Investment is a wholly-owned subsidiary of Yonyou, Yonyou Chuangxin Investment is deemed as a wholly-owned subsidiary of Yonyou |
| "Yuntong Changda Investment" | Beijing Yuntong Changda Investment Management Centre (Limited Partnership) (北京雲通暢達投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management and employees of the Company as limited partners. Yuntong Changda Investment holds 0.49% of the issued shares of the Company |
| "%" | per cent |

*If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "*" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*