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

畅捷通
Chanjet

2014 ANNUAL REPORT

Contents

CORPORATE INFORMATION

As at 31 December 2014

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
Zhang Wei[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

note Mr. Fang Quan resigned from his position as an employees representative Supervisor due to work re-designation, with effect from 30 July 2014. As elected and approved at the Employees Representative Meeting of the Company, Mr. Zhang Wei has succeeded Mr. Fang Quan as an employees representative Supervisor since 30 July 2014. For details, please refer to the announcement dated 30 July 2014 published by the Company on the website of the Hong Kong Stock Exchange and the website of the Company.

As at 31 December 2014

AUDITORS

International Auditor

Ernst & Young

PRC Auditor

Ernst & Young Hua Ming LLP
(Special General Partnership)

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

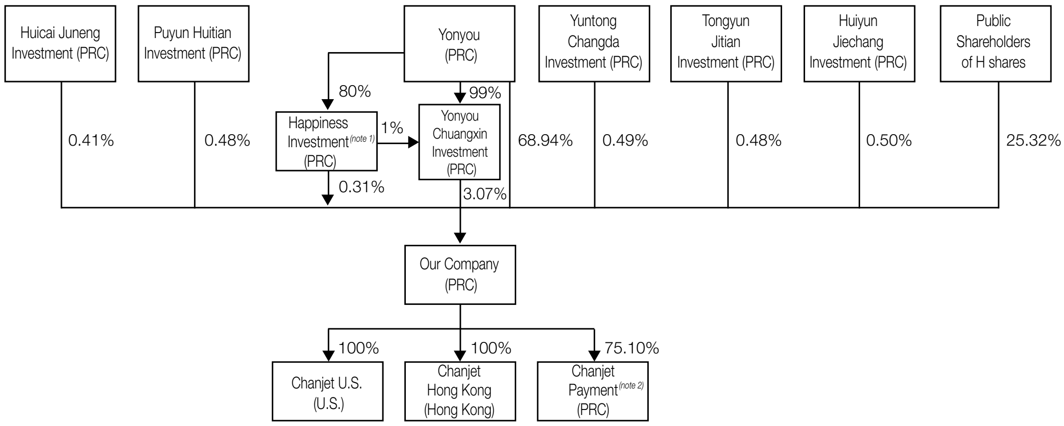
Tel: (8610) 6243 4214
Fax: (8610) 6243 8765
Email: IR@chanjet.com

CORPORATE PROFILE

The Company was established in March 2010 and was listed on the main board of the Hong Kong Stock Exchange on 26 June 2014 (Stock code: 1588). Taking "facilitating MSEs' development through information technology" as its mission and striving for the vision of becoming a worldwide leading provider of cloud services and software for corporate management of MSEs, the Company is committed to providing application services as well as application software, including corporate operating management, cooperative work, platform services, data services and financial services, for MSEs in the PRC .

The Company has been regarded as the "Key Software Enterprises under the National Planning Layout (國家規劃佈局內重點軟件企業)" for years. It was also awarded "The Best Chinese Employer for the Year — Internet Sector (中國互聯網年度最佳新鋭僱主)" in January 2015 and was honored as "The Best Vendor in MSEs Software Market of China (中國小微企業軟件市場第一)" by CCW in 2014. The Company ranked first in the "User Satisfaction in MSEs Management Software Users Group (小微企業管理軟件用戶滿意度第一)" and was awarded the "Recommended Brand for MSEs Management Cloud Service (小微企業管理雲服務用戶推薦品牌)" by CCW for consecutive years, and was honored as "the Future Star in the 21st Century (21世紀未來之星)" by China Entrepreneur in 2013 becoming the most promising emerging company.

As at 31 December 2014



note 1: Due to the issue of new shares by Happiness Investment in December 2014, the shareholding percentage of Yonyou in Happiness Investment was diluted from 100% to 80%.

note 2: The remaining 24.90% equity interest of Chanjet Payment was owned as to 9.90%, 9.00% and 6.00% respectively 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.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December [note 1]			
	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**335,075**	311,929	330,244	305,728
Gross profit	**309,560**	284,916	294,585	280,906
Profit before tax	**106,235**	131,187	132,956	124,553
Profit for the year	**96,925**	120,150	118,941	126,782
In which: Profit for the year attributable to owners of the parent	**101,640**	121,128	118,941	126,782
Basic earnings per share *(cents/share)* [note 2]	**53.3**	74.7	74.3	89.9

	As at 31 December [note 1]			
	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,343,439**	685,343	647,514	517,997
Total liabilities	**99,360**	114,701	114,799	72,606
Total equity	**1,244,079**	570,642	532,715	445,391
In which: Equity attributable to owners of the parent	**1,224,872**	546,720	532,715	445,391
Net assets per share *(RMB/share)* [note 2]	**6.4**	3.4	3.3	3.2

notes:

1. As the Company was established on 19 March 2010, no summary of results, assets and liabilities for the year 2010 was disclosed.

2. Basic earnings per share and net assets per share were based on weighted average share capital during the Reporting Period.

Dear Honorable Shareholders,

On behalf of the Board of the Company, I hereby present the Shareholders the 2014 annual report of the Company to report the 2014 results and the development plan of the Company in 2015 for shareholders' perusal.

The year 2014 was a key milestone year in the Company's development. On 26 June, the Company was successfully listed on the main board of the Hong Kong Stock Exchange, being the first Chinese enterprise that spun off from its A shares and listed on the main board of the Hong Kong Stock Exchange, and providing the Company with a broader development platform. The year 2014 was also the year of transformation during which the Company opened the cloud services for micro and small scale enterprises (MSEs) as its core direction in the age of "cloud computing". While consolidating its cutting edge in the realm of management software for the MSEs in the market, the Company also accelerated its strategic transformation towards the cloud service business for the MSEs in the perspective of innovative development, thus realized breakthrough development in the business of enterprise cloud services. Newly registered enterprise users of software products of the Company exceeded 150,000, and newly registered enterprise users of cloud service business exceeded 130,000.

During the Reporting Period, the revenue of the Group amounted to RMB335.08 million, representing an increase of 7% as compared with RMB311.93 million of the previous year. The growth of the revenue was mainly due to the increase in software revenue and service revenue. The businesses of the Company and allocation of resources were more focused, resulting in the increase in software revenue. Revenue of T^+ series products represented an increase of 224% compared with that of the previous year as the R&D and promotion of T^+ series products had been continuously strengthened; the increase of service revenue was derived from product support services reinforced by the Company, representing an increase of 102% as compared with that of the previous year.

During the Reporting Period, the profit for the year of the Group amounted to RMB96.93 million, representing a decrease of 19% as compared with that of the previous year; the profit attributable to the owners of the parent was RMB101.64 million, representing a decrease of 16% as compared with that of the previous year. The Company was listed on the main board of the Hong Kong Stock Exchange in 2014. The listing and intermediary expenses accrued in the administrative expenses was RMB24.14 million, representing an increase of 239% as compared with that of the previous year. Saved for the effect from the listing fees, the profit for the year of the Group in 2014 was RMB121.07 million, representing a decrease of 5% as compared with that of the previous year which was mainly driven by increased resources on cloud service business by the Company. The costs of R&D for the cloud service business represented an increase of RMB14.47 million as compared with that of the previous year. The amortized amount after settlement of R&D capitalization projects relating to the cloud service business represented an increase of RMB9.83 million as compared with that of the previous year, where the distribution and operation maintenance fees for the cloud service business represented an increase of RMB9.46 million as compared with that of the previous year.

The software product business of the Company maintained a leading position in the market. Based on its existing T Series software products designed for MSEs management, the Company focused on the effective implementation of the "software and cloud" strategy for T^+ series products. The revenue from T^+ series products recorded year-on-year growth of over 200% for two consecutive years, representing 35% of the total revenue of the Group. As at 31 December 2014, newly registered enterprise users of software products of the Company was over 150,000 and the number of accumulated registered enterprise users exceeded 830,000.

The R&D of the Company's cloud service platform obtained a breakthrough progress. The online service of cloud resource management system, operating platform, operating system and public service system has begun with steady operation. The Company successively introduced three cloud applications and services, namely Biz Chat, Easy Accounting Agent and Customer Management, in addition to the release of a comprehensively updated version of Accountant Home and reinforcement of mobile clients. The Company also introduced enterprise cloud application shops covering various cloud applications. As at 31 December 2014, the number of MSEs' users on the platform of cloud service of the Company exceeded 130,000.

The development of payment business of the Company was in smooth progress. Chanjet Payment, a holding subsidiary of the Company, obtained a payment business license issued by the People's Bank of China and license for national acquiring and national internet payment, and received the qualification of national professional acquiring outsourcer awarded by China Union Pay. The transactions of Chanjet Payment have been included in China Union Pay. Chanjet Payment gradually commenced the businesses of bank card acquiring business and internet payment nationwide in accordance with the requirements of regulatory institutions, and it has been actively exploring the possibility of combining the payment service with the software system and Cloud application services to provide the users with more diversified services.

PROSPECT

In 2015, the Company will seize the opportunity of a new wave of informationalization upgrade brought by operating management upgrade of the MSEs. Adhering to the mission of "promoting improvement of MSEs by information technology", the Company will make use of new internet technology and broader intellectual resources, will follow the business direction of MSE management, collaboration and financial service, and will drive improvement and development of the MSEs through cloud services model including application services and application software, platform services and data services. The Company is committed to maintaining a leading position in the software industry among MSEs in the PRC and striving to become a leading cloud service provider for MSEs in the PRC.

The Company will further consolidate and expand its market shares of software business; cultivate the markets of commercial trading, service industry and small-scaled manufacturing industry; enhance the investment of T^+ series products in the market to further increase the revenue from T^+ series products. Through realizing cloud encryption of T^+ and combining mobile communication capability, Biz Chat, Customer Management and online payment of cloud applications, the Company will optimize the chain of T^+ series products. The Company will also push the promotion of small-sized experience-sharing seminars and construction of popularized base of commercial circle and sales field, give special support to major companions to grow, reinforce the guidance on companions to increase the number of employees, and develop a thorough biological chain of software service. The Company will continue to promote software product support service and optimize the Company's long-term profitable mode to ensure stable, sustainable and healthy development of business.

The MSEs will be regarded as the core, while the cloud service platform and core cloud applications will be treated as the foundations by the Company to build business ecosphere of Chanjet Cloud Service Platform. Through accelerating the development of the scale of cloud business and the marketing for our existing core application services and development of new core application services and putting more resources to promote cloud service platform, more third party service providers will be using Chanjet Cloud Service Platform. On top of the core application and the cloud service platform, the Company is able to speed up the establishment of a biological chain for the cloud services provided by leading MSEs in the industry. Various cloud applications will be connected with T^{+} series products, further realizing the implementation of "software and cloud" strategy; the channel of subscription and payment with Chanjet Payment will be opened up; for online and offline interacting marketing, offline cloud business promotion will be developed by leveraging on the advantages of resources from the existing channels, and developing an effective cooperating mode with online B2B enterprises. By borrowing successful experience from a vertical community, the Company will vertically launch various fans club operations by interlocking communities and applications. City community of Accountant Home will spread to target cities nationwide, and diversity of import will be enhanced through multi-platform cooperation.

The Company will speed up the development of payment business. The Company will also optimize and develop existing businesses and put emphasis on the expansion of payment service among enterprises and perfect the service content of Chanjet Payment. It will accelerate the realization of integration with software systems and cloud services. Through integrating software and the data of cloud services and payment, clients' data integration service will be provided to financial institutions such as banks, while competitive advantages on the provision of services to clients of software and cloud services will be improved.

The Company will allocate more resources to R&D. The Company will also increase the investment in R&D of T^{+} series products, highlight the enhancement of integration of cloud application, and optimize mobile application. R&D of Chanjet Cloud Service Platform will be improved to support third-party developers to develop, release and operate their applications on the cloud platform so as to support third-party developers and complete the R&D of bulk data platform. By increasing the investment in R&D of cloud applications for procurement, sales and inventory ("**PSI**") of micro enterprises, simple cloud application service for management of PSI will be provided to the micro enterprises.

The Company will build a specialized team to match with the transformation of cloud service business. Through manpower development internally and head-hunting externally, the Company will promptly establish a talent structure tailor-made for the internet business of the enterprises, uphold opening-up, innovative, active and aggressive corporate culture and strengthen integration of external talents, reinforce the construction of internet brands, establish corporate culture to run after clients' experiences and help accelerate transformation of the Company; further optimize and streamline the management flow and improve the overall efficiency of the Company's operation; further optimize the long-term incentive mechanism and the remuneration package system in order to attract, retain and motivate talented persons necessary for the sustainable and rapid development of the Company.

On behalf of the Board, I sincerely express my gratitude to the support of all Shareholders and investors. I would also express my appreciation to the wholehearted efforts made by the management and all employees to the Company.

Wang Wenjing
Chairman
19 March 2015

BUSINESS REVIEW

Development trend of the industry

In terms of policy environment, the Central Internet Security and Informatization Leading Group (中央網絡安全和信息化領導小組) was established while a series of policies and plans were issued by the PRC government to promote the development of software industry, which also helped to reduce the taxation imposed upon and alleviate the burden of MSEs. The favourable policy environment not only rendered development opportunities to the MSEs in the PRC but also brought about valuable opportunities to domestic software and information technology service industry for its development.

In terms of technology environment, the rapid evolution of emerging technologies such as cloud computing and mobile internet had material impact on the informatization of MSEs. As the core in the revolution of the new generation of information technology, cloud computing and mobile internet have driven the development of strategic emerging industries and will guide the MSEs to upgrade their operation and management, triggering a new wave of informatization upgrading.

In terms of scales of potential users, pursuant to the National Development Report on Small and Micro Scale Enterprises (《全國小型微型企業發展報告》) published by the State Administration for Industry and Commerce (國家工商行政管理總局) in 2014, there were a total of 15,278,400 enterprises nationwide, 11,698,700 of which were MSEs, representing 76.57% of the total enterprises. Such proportion would further extend to 94.15% when taking into account the 44,362,900 privately or individually-owned businesses. As the booming of MSEs and the influence of such emerging technologies as mobile internet on their consciousness of informatization, the MSEs' demand for software and information services will further increase.

Principal businesses and operating condition of the Company

During the Reporting Period, the Company firmly implemented its business development plan for strategic transformation. While consolidating its strength in MSEs management software market, the Company also speeded up the strategic transformation towards MSEs cloud services in its innovative development with breakthroughs in the development of enterprise cloud services. In particular, the newly registered enterprise users of its software products exceeded 150,000 while the new enterprise users of its cloud services surpassed 130,000.

1. ***Development of Software products business***

During the Reporting Period, based on its existing T Series software products designed for MSEs management, the Company focused on the effective implementation of the "software and cloud" strategy for T^+ series products. The revenue from T^+ series products recorded year-on-year growth of over 200% for two consecutive years, representing 35% of the total revenue of the Group. The increase in T^+ series products was mainly attributable to the fact that: T^+ series products were designed based on internet framework and targeted on the areas of commerce circulation, industry and trade integration and modern services market, which ran ahead of other products provided by its peers and thus gained high recognition among users; As the key product in the implementation of the "software and cloud" strategy, T^+ connected with Biz Chat (工作圈), a cloud application, which made the mobile application more convenient and formed an online and offline standard application resolution with software developed by E-commerce third party. These further increased the value of subscriber applications and built differentiation competitive strengths; The guidance on and support for T^+ series products were reinforced while trainings for channel partners were enhanced, by which the profitability of channel partner in sales of T^+ series products improved and sales of T^+ series products gradually became the principal product line of channel partners, facilitating the rapid development of such product business.

During the Reporting Period, the Company, under the guidance of the Department of Medium-sized and Small Enterprises under PRC Ministry of Industry and Information Technology (中國工業和信息化部中小企業司), launched the health examination tools for MSEs and carried out the "520 MSEs Health Examination Campaign" (520我愛小微企業健康體檢行動) nationwide, providing health check on the corporate operation for MSEs for free to assist them in improving competitiveness. By leveraging the favorable opportunity arising from the government's support for enterprises featured "specialization, in-depth research, uniqueness and innovation (專精特新)", the Company strengthened the marketing by carrying out thousands of marketing activities with its channel partners in different ways throughout the country including "Financial Literacy Programs (財務普及風暴)", "REDOCN Change Theme Campaign (紅動中國換裝行動)", "Lectures on MSEs' Informatization (小微企業信息化大講堂)", "MSEs' Informatization Forums (小微企業信息化座談會)" and "One-stop Services Experience Symposiums (一站式服務體驗交流會)". These activities covered all provinces and most prefecture-level cities and provided MSEs with enterprise informatization services to facilitate them in improving management standard and enhancing core competitiveness. The Company also organized sales contests and business training courses for its partners, which effectively stimulated their initiatives and thus enhanced their service support provided to users.

As at 31 December 2014, the software products of the Company had over 150,000 newly registered enterprise users and over 830,000 accumulated registered enterprise users.

2. ***Development of enterprise cloud business***

(1) *Development of Chanjet Cloud Service Platform (暢捷通雲服務平台)*

Chanjet Cloud Service Platform is a public cloud platform that provides cloud services for enterprises. The platform supports the development and deployment of internet application services and provides such services to the ultimate users. For users, Chanjet Cloud Service Platform will provide enterprise cloud applications and related support services. By far, the cloud applications in service include Easy Accounting Agent (易代賬), Biz Chat, Customer Management (客戶管家) and Accountant Home (會計家園). For third-party developers, Chanjet Cloud Service Platform provides the necessary tools, environment and support to develop and deliver cloud applications. At the same time, Chanjet Cloud Service Platform will host online communities for third-party developers to communicate, engage with others and promote their services. The Company aims to leverage the key cloud applications introduced by the Company to attract many users, who are potential users for third-party applications, and to attract more third-party developers to create abundant cloud applications service for users based on Chanjet Cloud Service Platform, thereby creating a virtuous cycle.

An enterprise cloud application store that provides various cloud applications has been launched on the Chanjet Cloud Service Platform. At present, users can subscribe and use the existing cloud application services for free. In the future, the enterprise cloud application store will provide more cloud application services, among which certain cloud application services will charge subscription fees according to the subscription period (monthly, quarterly, semi-annual or annual) and based on prevailing market conditions. As for the cloud application services developed by third-party developers on Chanjet Cloud Service Platform, the Company will share the revenue from subscription fee of such services provided to users through the enterprise cloud application store with such third-party developers according to the agreed mechanism in which the ratio will be determined based on the maturity and popularity of Chanjet Cloud Service Platform and cloud application services.

During the Reporting Period, the research and development of Chanjet Cloud Service Platform made historic progress while the cloud resource management system, operation platform, operation system and public service system were available online and operated smoothly. The introduction of the Company's public platform V1.0 and operation platform V1.2 effectively supported the launch and deployment of Customer Management and Easy Accounting Agent as well as their stable and efficient operation. The big data platform which has built a big data parallel processing cluster and set up a log data collection and analysis system, can support the storage of and search for document data of terabytes, and provides various log data collection and analysis services for such cloud applications as Biz Chat, Customer Management and Easy Accounting Agent. In order to maintain the data communication between applications and cloud platform, the Company developed intelligent cloud agent services which supported the connection between T^+ and Biz Chat while certain public services were newly added, including audio transcoding and storage, QR code conversion and conversion between long URLs and short URLs. In aspect of security protection, the Company established security team at corporate level and formulated detailed regulatory system and assessment criteria while the key data will backup locally, at another local server and at another non-local server respectively on a daily basis and the core data of users will be transmitted as encrypted data to ensure data security.

As at 31 December 2014, Chanjet Cloud Service Platform had over 130,000 MSEs users.

(2) *Development of cloud applications*

During the Reporting Period, the Company launched three cloud application products designed for MSEs, namely Easy Accounting Agent, Biz Chat and Customer Management. In addition, Accountant Home was upgraded with brand new functions and enhanced mobile client application.

Easy Accounting Agent

On 28 May 2014, the Company launched a beta version of Easy Accounting Agent. The application of the Company aimed at providing professional, practical, accurate and efficient services. The Company adequately considered the actual needs in the process of record keeping, settlement and reporting in accounting for micro enterprises, and carried out prompt iterations and updates. Currently, the application supports the use of the Internet anytime and anywhere, preparation and checking of accounts by mobile phones, and encourages bosses to read statements and helps accountants to improve efficiency of book-keeping and enhances the quality of service. After being online, Easy Accounting Agent promptly attracted many users through operating and marketing measures such as promotion among community in Accountant Home, cooperation with websites within the accounting industry and offline channels and operating and marketing strategies for free services permanently.

Biz Chat

On 28 February 2014, the Company launched a beta version of Biz Chat. Such service of the Company aims at satisfying the business needs of enterprises, such as internal communication, sharing and collaboration, to help enterprises to achieve highly-effective operation and transparent management. Biz Chat provided third party applications with a strong open platform, successfully connected with T+ products, facilitated the approval and checking of business receipts by T+ users via Biz Chat mobile software, and genuinely provided users with an one-stop solution for business, which further promoted the implementation of "software and cloud" strategy of the Company.

Customer Management

In recent years, MSEs in the PRC have been increasingly concerned about customer relationship management ("**CRM**"), but the conventional CRM, which is complicated and hard to use, is unable to be promoted widely among MSEs. With the development of mobile Internet, mobile CRM gradually emerges. As the mobile CRM is user-friendly and it gives a pleasant experience for users, it is increasingly recognized by MSEs.

On 28 May 2014, the Company launched a beta version of Customer Management, which broke the bottle neck of the conventional CRM with "complicated, lengthy and clumsy" characteristics and emphasized on "simplicity", which thoroughly reconstructed the conventional CRM and turned down complicated insertions. Such application was human-centered, placing importance on users' experience, and integrating the idea of "users' participation and users' design" to continuously carry out optimization.

Accountant Home

In August 2014, the Company launched Accountant Home V3.0. Through the operating strategy of social interactions between accountants within the city, communications and interactions between accountants within the city were enhanced. Users of Accountant Home mainly worked in the accounting field, highly matching the target user groups of the application service of Easy Accounting Agent. The Company adopted precise marketing strategies for promoting Easy Accountant Agent to the community users of Accountant Home, giving a vigorous support for the speedy development of the application services of Easy Accountant Agent. Accountant Home insisted on the idea of community operation, focusing on the Q&A, lectures and seminars of the accounting professions in the city. The Q&A section was positioned on practical accounting, which was different from similar services in the market, allowing users to create contents and forming a self-operated community by adopting crowd-sourcing.

3. *Development of payment business*

During the Reporting Period, Chanjet Payment, a holding subsidiary of the Company, obtained a payment business license issued by the People's Bank of China and license for national acquiring and national internet payment, and received the qualification of national professional acquiring outsourcer awarded by China Union Pay. The transactions of Chanjet Payment have been included in China Union Pay. Chanjet Payment gradually commenced the businesses of bank card acquiring business and internet payment nationwide in accordance with the requirements of regulatory institutions, and it has been actively exploring the possibility of combining the payment service with the software system and cloud application services to provide the users with more diversified services.

4. *R&D on products*

During the Reporting Period, the Company made a breakthrough in the R&D on Chanjet Cloud Service Platform. Based on the cloud service platform, the Company launched a collaborating cloud application — Biz Chat, a financial cloud application — Easy Accounting Agent, CRM cloud application — Customer Management, and continuously carried out optimization. After the upgrading of Accountant Home, an ancillary financial application, greater customer loyalty has been seen.

The Company launched T+V11.6, which optimized several functions including management on bar codes and selling prices, continuously deepened the application in business trading and industrial trading, and improved users' experience and efficiency of performance. Through environmental factors, the service volume of the Company's partners was reduced, which further facilitated the large-scale sales of T+ products.

During the Reporting Period, the Company applied for 15 new patents, of which three invention patents were authorized by the State Intellectual Property Office. As at 31 December 2014, a total of 35 patents were authorized by the State Intellectual Property Office.

5. Development of brands and the market

During the Reporting Period, the Company won the honors of "Highest Satisfaction from MSEs Management Software Users in the 2014 PRC IT Users Satisfaction Survey (2014中國IT用戶滿意度調查小微企業管理軟件用戶滿意度第一)" and "The Most Recommended Brand by MSEs Cloud Service Users in the 2014 PRC IT Users Satisfaction Survey (2014中國IT用戶滿意度調查小微企業管理雲服務用戶推薦品牌)" etc..

During the Reporting Period, the Company deeply learnt about the accounting user group from the start of the accounting industry and held "The Seminar for Cultural Sourcing and Innovation for the Accounting Industry in the PRC (中國會計文化溯源及創新研討會)" and "The Ceremony for Paying a Courtesy Call to Dayu — the Earliest Ancestor in Accounting (會計始祖大禹拜謁儀式)" on Kuaiji Mountain, Shaoxing City, Zhejiang Province to promote the construction of accounting culture. It was the first event held in the seventh session of the Accounting Cultural Festival, hundreds of representatives from the government, associations, research institutions, colleges, the media and enterprises of different industries were invited to participate in the activity. The Company took the initiative and organized the seventh session of the Accounting Cultural Festival — "China's Dream, Accountants' Dream (中國夢•會計夢)" with up to a thousand of partners in the country.

During the Reporting Period, the Company joined the alliance of data center under the China Communications Standards Association and became a director unit of the alliance. Since then, it participated in the establishment and drafting of various standards, including Trust Cloud Service Valuation (可信雲服務評估) and the Benchmark Test of Big Data Platform (大數據平台基準測試). Trust Cloud Service Authentication is an assessment system developed by the Trust Cloud Service Task Force (可信雲服務工作組), which is established by the alliance of data center, under the guidance of the Department of Communications and Development under PRC Ministry of Industry and Information Technology (中國工業和信息化部通信發展司). The core objective of the authentication is to build a safety and reliable assessment system for cloud service providers to provide support to users.

FINANCIAL REVIEW

	For the twelve months ended 31 December			
	2014	2013	Change in amount	Percentage change
	RMB'000	RMB'000	RMB'000	%
Revenue	335,075	311,929	23,146	7%
Cost of sales and services provided	(25,515)	(27,013)	1,498	–6%
Gross profit	309,560	284,916	24,644	9%
Gross profit margin	92%	91%	1%	
Other income and gains, net	82,357	72,802	9,555	13%
R&D costs	(74,932)	(61,264)	(13,668)	22%
Selling and distribution expenses	(119,369)	(117,860)	(1,509)	1%
Administrative expenses	(91,201)	(46,244)	(44,957)	97%
Business tax and surcharges paid for interest on entrusted loans	–	(1,051)	1,051	–100%
Other expenses	(180)	(112)	(68)	61%
Profit before tax	106,235	131,187	(24,952)	–19%
Income tax expenses	(9,310)	(11,037)	1,727	–16%
Profit for the year	96,925	120,150	(23,225)	–19%
Profit attributable to:				
Owners of the parent	101,640	121,128	(19,488)	–16%
Non-controlling interests	(4,715)	(978)	(3,737)	382%

Operating Results

For the year ended 31 December 2014, the revenue of the Group was RMB335.08 million, representing an increase of 7% over the previous year. The profit before tax was RMB106.24 million, representing a decrease of 19% over the previous year and the profit for the year was RMB96.93 million, representing a decrease of 19% over the previous year; the profit attributable to the owners of the parent was RMB101.64 million, representing a decrease of 16% over the previous year; earnings per share of the Group was RMB0.53, while it was RMB0.75 for the previous year.

For the year ended 31 December 2014, the listing and intermediary expenses accrued under the administrative expenses was RMB24.14 million, representing an increase of 239% over the previous year. After deducting the impact from the listing expenses, the Group's profit for the year amounted to RMB121.07 million, representing a decrease of 5% over the previous year. This was mainly due to the increased investment made by the Group in the cloud services business for this year, including an increase of RMB14.47 million in R&D costs for the cloud services business compared to that of the previous year, and an increase of RMB9.83 million for the amortized amount after conclusion of investment in R&D of capitalized projects for cloud service business over the previous year, and an increase of RMB9.46 million of the expenses in marketing, operation and maintenance for cloud service business over the previous year.

Revenue

For the year ended 31 December 2014, the revenue of the Group was RMB335.08 million, representing an increase of 7% as compared with the previous year. The increase of the revenue was mainly due to the increase in the software revenue and service revenue. In 2014, the Company strengthened the operation and promotion of T^+ series software products, representing an increase of 224% in revenue as compared with that of the previous year; since 2013, the Company provided the product support services of T6 and T^+ series software products to the users. With the significant increase in the revenue of T^+ series software, the revenue from the support services increased accordingly.

The following table sets forth a breakdown of revenue of the Group by products/types of service.

	For the twelve months ended 31 December					
	2014		2013		Change in amount	Percentage change
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
T1 series software products	16,630	5	16,597	5	33	0
T3 series software products	106,132	32	143,963	46	(37,831)	(26)
T6 series software products	36,944	11	59,533	19	(22,589)	(38)
T+ series software products	118,238	35	36,498	12	81,740	224
Other software	23,944	7	34,884	11	(10,940)	(31)
Total software revenue	301,888	90	291,475	93	10,413	4
Product support services	20,070	6	7,951	2	12,119	152
Payment services	4,226	1	2,058	1	2,168	105
Other services	6,792	2	5,371	2	1,421	26
Total service revenue	31,088	9	15,380	5	15,708	102
Sales of purchased goods	2,099	1	5,074	2	(2,975)	(59)
Revenue	335,075	100	311,929	100	23,146	7

Cost of sales and services provided

For the year ended 31 December 2014, the Group's cost of sales and services provided was RMB25.52 million, representing a decrease of 6% over the previous year. The decrease was mainly attributable to the corresponding decrease in the commission paid to the third-party developers by the Group due to optimization of product lines and reduction in the software products developed by the third party.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2014, given the increase in its revenue, the Group achieved a gross profit of RMB309.56 million, representing a growth of 9% over the previous year. The gross profit margin of the Group was 92%, representing a growth of 1 percentage point over the previous year.

Other income and gains, net

For the year ended 31 December 2014, the Group's other income and gains, net was RMB82.36 million, representing a growth of 13% as compared with that of the previous year. The growth was mainly due to an increment of the government subsidy of RMB10.89 million as compared with that of the previous year. Due to the proceeds raised, the interest income received by the Group from banks increased by RMB10.32 million as compared with that of the previous year. The Group made contribution to principal-guaranteed wealth management products with its internal funds and the revenue increased by RMB6.00 million as compared with that of the previous year. The Group disposed of the Wang Pu Business, which realized a gain of RMB6.43 million. There was no disposal of assets in the corresponding period of previous year. In contrast, value-added tax refunds of the Group decreased by RMB5.10 million as compared with that of the previous year. The Group received interest income from entrusted loans of RMB19.12 million in 2013, while the Group did not engage in entrusted loans business this year and did not record any interest income accordingly.

Total R&D investment

The following table shows the breakdown of the R&D investment of the Group:

	For the twelve months ended 31 December			
	2014		2013	
	RMB'000	%	*RMB'000*	%
R&D costs of software	39,700	36	45,784	40
Costs of cloud R&D	28,993	26	14,518	13
Costs of Internet financial R&D	6,239	6	962	1
R&D costs	74,932	68	61,264	54
Costs of cloud R&D	35,679	32	52,685	46
Additions to deferred development costs	35,679	32	52,685	46
Total R&D investment	110,611	100	113,949	100

For the year ended 31 December 2014, R&D costs of the Group amounted to RMB74.93 million, representing an increase of 22% over the previous year, mainly due to the partial settlement of the R&D capitalization projects, resulting in more R&D and investment on cloud included in the R&D costs, which represented an increase of RMB14.47 million as compared with that of the previous year. The Group strived to put more resources on Internet financial R&D, and the relevant R&D costs represented an increase of RMB5.28 million as compared with that of the previous year. In contrast, the Group optimized its product lines and focused on its own business, leading to a decrease of RMB6.08 million in the R&D costs of software compared with that of the previous year.

For the year ended 31 December 2014, the Group achieved a total R&D investment of RMB110.61 million, representing a decrease of 3% as compared with that of the previous year, which was mainly due to the decrease in the R&D costs of software. In 2014, the Group continuously expanded the cloud service business and Internet financial R&D investment, which reached RMB70.91 million, representing an increase of 4% as compared with that of the previous year.

Selling and distribution expenses

For the year ended 31 December 2014, the selling and distribution expenses of the Group was RMB119.37 million, representing an increase of 1% as compared with that of the previous year. The increase was mainly due to the increase in the operation, maintenance and marketing expenditure on cloud services business made by the Group.

Administrative expenses

For the year ended 31 December 2014, the administrative expenses of the Group was RMB91.20 million, representing an increase of 97% as compared with that of the previous year. The increase was mainly due to the listing and intermediary expenses of RMB24.14 million incurred during the process of listing of the Company and the miscellaneous expenses related to listing of RMB3.10 million. With the settlement of R&D capitalization projects, the amount for amortization of intangible assets increased by RMB9.83 million as compared with that of the previous year. Advisory service fee, a newly created item after the listing of the Company, amounted to RMB5.13 million.

Income tax expenses

For the year ended 31 December 2014, the income tax expenses of the Group was RMB9.31 million, representing a decrease of 16% as compared with that of the previous year, which was mainly due to the decrease in the profit before tax.

Profit attributable to owners of the parent

For the year ended 31 December 2014, the profit attributable to owners of the parent of the Group was RMB101.64 million, representing a decrease of 16% as compared with that of the previous year.

Profit attributable to non-controlling interests

For the year ended 31 December 2014, the loss attributable to non-controlling interests of the Group was RMB4.72 million, representing an increase of 382% as compared with that of the previous year, which was mainly due to the higher investment in Chanjet Payment as it was at the initial stage since its establishment in July 2013.

Liquidity and financial resources

Condensed cash flow statements

	For the twelve months ended 31 December		
	2014	2013	Change in amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	**98,251**	122,087	(23,836)
Net cash used in investing activities	**(51,860)**	(65,823)	13,963
Net cash from/(used in) financing activities	**554,685**	(67,418)	622,103

Net cash from operating activities

For the year ended 31 December 2014, net cash from operating activities of the Group was RMB98.25 million, representing a decrease of RMB23.84 million as compared with that of the previous year. The decrease was mainly attributable to the outstanding rentals and services fee for the previous years paid to the parent company by the Company and the increase in personnel expenditure.

Net cash used in investing activities

For the year ended 31 December 2014, net cash used in investing activities of the Group was RMB51.86 million, representing a decrease of RMB13.96 million as compared with that of the previous year. The decrease was mainly attributable to the decrease in the deferred development costs resulting from the settlement of R&D capitalization projects.

Net cash from/(used in) financing activities

For the year ended 31 December 2014, the net cash accrued from financing activities of the Group was RMB554.69 million, mainly due to newly raised gross proceeds of HK$900.90 million deducting paid dividend for 2013 amounting to RMB102.17 million and other listing expenses such as underwriting commission and intermediary expenses accrued from the listing of the Company. Last year, net cash used in financing activities of the Company mainly included the payment of dividend for 2012 of RMB87.58 million.

Working capital

	As at 31 December	
	2014	2013
Cash and cash equivalents at the end of the year *(RMB'000)*	**1,171,430**	572,952
Current ratio	**1,210%**	506%
Gearing ratio	**0%**	0%

As at 31 December 2014, the cash and cash equivalents of the Group was RMB1,171.43 million (31 December 2013: RMB572.95 million).

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 31 December 2014 was 1,210% (31 December 2013: 506%). The increase in current ratio was mainly due to the increase in current assets resulting from the injection of the proceeds raised.

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

With stable cash inflows generated in the day-to-day business operation, plus the proceeds raised from the listing, the Group has sufficient resources support for its future expansion.

Capital expenditures

As at 31 December 2014, the significant capital expenditure of the Group included deferred development costs of RMB35.68 million (2013: RMB52.69 million); office equipment, furniture and fittings of RMB13.73 million (2013: RMB4.23 million).

Contingent liabilities

During the Reporting Period, the Group did not have any contingent liabilities.

Charges on assets

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

Material investments

During the Reporting Period, on 18 July 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB100.00 million 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 RMB101.00 million by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement. Please refer to the announcement published on the website of the Hong Kong Stock Exchange and the website of the Company on 18 July 2014 for details.

On 20 August 2014, the Company (i) subscribed for the Huaxia Bank Structural Deposit Product at a subscription amount of RMB40.00 million 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 RMB100.00 million by internal funds in accordance with the Tianjin Bank wealth management-steady appreciation plan agreement. Please refer to the announcement published on the website of the Hong Kong Stock Exchange and website of the Company on 20 August 2014 for details.

Save as disclosed above, the Company did not have other material investments during the Reporting Period.

Material acquisition and disposal of assets

During the Reporting Period, the Group did not have any material acquisition and disposal of assets in relation to the relevant subsidiaries or associates.

Foreign exchange risks

The Group conducted primarily its domestic business in Renminbi, which was also its functional currency. Chanjet U.S. and Chanjet Hong Kong, the subsidiaries of the Company, settled in foreign currencies (primarily US dollars and HK dollars). Most of the foreign currencies held by the Group were proceeds from the listing. The Group will proceed with exchange settlement according to the progress and the use of proceeds plan to alleviate the risk of exchange fluctuation.

Interest rate risks

The Group did not assume any debt obligations with a floating interest rate, and thus there was no interest rate risk related to the Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Non-Executive Directors

Mr. Wang Wenjing (王文京), aged 50, has been the Chairman of the Board and a non-executive Director since 19 March 2010. He is primarily responsible for providing guidance and supervision regarding the business and operation of our Group. Mr. Wang is one of the co-founders of Yonyou, which is the controlling Shareholder. He has over 25 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wang served as the chairman of the board of directors of Yonyou since December 1988. Mr. Wang has also been a director of Chanjet U.S. since December 2012 and the chairman of the board of directors of Chanjet Payment since July 2013. Mr. Wang was elected as a member of the 9th, 10th, 11th and 12th session of the NPC for a term from March 1998 to March 2018 as well as the vice chairman of China Software Industry Association from March 2002. He was also elected as the vice chairman of the 10th All-China Federation of Industry & Commerce from November 2007 to December 2012. Mr. Wang graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi College of Finance and Economics) with a bachelor's degree of economics in July 1983.

Mr. Wu Zhengping (吳政平), aged 50, has been a non-executive Director since 19 March 2010. He is primarily responsible for providing strategic advice to the business and operation of the Group. He has over 20 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wu worked for China Building Materials Academy (中國建築材料科學研究總院) from August 1983 to May 1992, and he has been a director of Yonyou since 1992. Mr. Wu has also been a director of Chanjet U.S. since December 2012 and a director of Chanjet Payment since July 2013. Mr. Wu was a member of the 6th and 7th sessions of the Chinese People's Political Consultative Conference of Haidian District, Beijing from January 1999 to December 2006. Mr. Wu graduated from China Europe International Business School with a master's degree of business administration in September 2007.

Executive Director

Mr. Zeng Zhiyong (曾志勇), aged 46, has been an executive Director and the President since 19 March 2010. He is primarily responsible for overall management of our Group's business operation. He has around 20 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Zeng served as various positions of Yonyou, including general manager of Yonyou Nanjing branch from January 1996 to July 2000, general manager of Yonyou North China Division from July 2000 to December 2004, general manager of the small management software department of Yonyou, vice president and senior vice president of Yonyou from January 2005 to March 2010. Mr. Zeng has also been a director of Chanjet U.S. since December 2012 and a director of Chanjet Hong Kong since August 2012. He has served as a director of Chanjet Payment since July 2013 and a director of YONYOU Mobile since March 2014. Mr. Zeng graduated from China Europe International Business School with a master's degree of business administration in September 2005.

Independent non-executive Directors

Mr. Liu Yunjie (劉韻潔), aged 72, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment to the Board, particularly with regard to the business aspects of the Company. Mr. Liu was previously the head and deputy head of data division of State Post Ministry of the PRC (currently the State Post Bureau of the PRC) from January 1983 to November 1993, deputy head of the central bureau of telecommunications of State Post Ministry of the PRC from November 1993 to August 1998. Mr. Liu also served as chief engineer and vice president of China United Communications Limited from April 1999 to December 2003. He served as a director of China United Communications Co., Ltd. (currently known as China United Network Communications Group Co., Ltd.), (Stock Code: 600050) a company listed on the Shanghai Stock Exchange from December 2001 to March 2009 and served as a non-executive director of China Unicom Limited (currently known as China Unicom (Hong Kong) Limited) (Stock Code: 762), a company listed on the Hong Kong Stock Exchange, from February 2004 to April 2006. Mr. Liu has been an independent director of Chinacache International Holdings Ltd., a company listed on the New York Stock Exchange (Stock Code: CCIH), since October 2005. He also served as a director of Anhui Sun-Create Electronics Co., Ltd. (安徽四創電子股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600990), from April 2010 to April 2013, a director of Shenzhen Tatfook Technology Co., Ltd. (深圳大富科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300134) from February 2011. Mr. Liu has also been an independent director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000829) since December 2011 and a director of Beijing Guochuang Fusheng Telecommunication Co., Ltd. (北京國創富盛通信股份有限公司), a company listed on "New Third Board" (Stock Code: 430313) which is an over-the-counter market for growth enterprises in the PRC, since August 2012. Mr. Liu served as an academician of the Chinese Academy of Engineering from December 2005. Mr. Liu graduated from Department of Technical Physics of the University of Peking in 1968.

Mr. Chen, Kevin Chien-wen (陳建文), aged 60, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Company. Mr. Chen has been a Professor of Accounting since July 1999 and Head of Department of Accounting of The Hong Kong University of Science and Technology since July 2007. In addition, he serves as a member of the Review Panel of the Financial Reporting Council of Hong Kong. Mr. Chen graduated from the University of Illinois at Urbana-Champaign with a PhD degree of accounting in May 1985. Mr. Chen passed the examination for Chartered Accountant of Taiwan in August 1976.

Mr. Lau, Chun Fai Douglas (劉俊輝), aged 42, has been an independent non-executive Director since 8 September 2011. Mr. Lau joined Ernst & Young in March 1993 and served as an audit partner from July 2004 to June 2009. He then served as the regional director, Greater China of The Institute of Chartered Accountants in England and Wales from November 2010 to September 2012. Mr. Lau has been a senior adviser of Sky CPA & Co. since January 2013. Mr. Lau has also served as an independent non-executive director of Ausnutria Dairy Corporation Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 1717) since January 2015. Mr. Lau graduated from the University of New South Wales in Sydney, Australia with a bachelor of Commerce degree in accounting and finance in October 1993. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a member of the Australian Society of Certified Practising Accountants and a member of the Institute of Chartered Accountants in Australia.

SUPERVISORS

Mr. Guo Xinping (郭新平), aged 51, has been the chairman of the Supervisory Committee and a Supervisor representing Shareholders since 8 September 2011. Mr. Guo worked for MOF from August 1985 to July 1989, and has been a director of Yonyou from November 1999. Mr. Guo has been an independent non-executive director of CCID Consulting Company Limited (賽迪顧問股份有限公司), a company listed on the growing enterprise market of the Hong Kong Stock Exchange (Stock Code: 8235), since May 2002. He has also been an independent director of Glodon Software Company Limited (廣聯達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002410) from March 2011 to April 2014 and an independent director of Sound Environmental Resources Co., Ltd. (桑德環境資源股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000826), since April 2012. Mr. Guo has also been a director of Chanjet Payment, our subsidiary, since July 2013. Mr. Guo graduated from The Hong Kong University of Science and Technology with a master degree of business administration in November 2007. He is a senior accountant recognized by the Personnel Department of Hubei Province in January 1998.

Mr. Wang Jialiang (王家亮), aged 45, has been a member of the Supervisory Committee since 16 January 2014. He is the Shareholders representative Supervisor. Mr. Wang Jialiang worked for MOF from August 1991 to December 1998. He served as a financial manager at Brady (Beijing) Co., Ltd. (貝迪印刷(北京)有限公司) from December 2001 to December 2003, the chief financial officer of Savcor Face (Beijing) Technologies Co., Ltd. (聖維可福斯(北京)科技有限公司) from December 2003 to September 2007, the chief financial officer in the Asian Pacific Region and the deputy general manager of Cobra Beijing Automotive Technologies Co., Ltd. (科博萊(北京)汽車技術有限公司) from July 2008 to August 2010, as well as the chief financial officer of Jidong Development Group Co., Ltd. (冀東發展集團有限責任公司) from July 2011 to January 2014. Mr. Wang joined Yonyou in January 2014 and has served as a senior vice president and the chief financial officer of Yonyou since March 2014. Mr. Wang graduated from George Washington University in January 2001 with a master's degree in accounting.

Mr. Ruan Guangli (阮光立), aged 67, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ruan served as the head of production and finance department and deputy head of finance bureau of China National Nuclear Company (中國核工業總公司) (later reorganized as China National Nuclear Corporation (中國核工業集團公司)) from April 1988 to July 1999 as well as the director of finance and audit department and then finance and accounting department at China National Nuclear Corporation from July 1999 to March 2008. Mr. Ruan retired in March 2008 and was rehired as an executive commissioner of science and technology committee at China National Nuclear Corporation since 2008. Mr. Ruan graduated from Fudan University majoring in industry economics in July 1976. He is a senior accountant recognized by the human resources bureau of China National Nuclear Company in December 1994. Mr. Ruan also received the special government allowance from the State Council in 2007.

Mr. Ma Yongyi (馬永義), aged 50, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ma has been working successively as the director of the distance education centre and the director of the academic department of Beijing National Accounting Institute (北京國家會計學院) since February 2004. Mr. Ma was an independent director of Cachet Pharmaceutical Co., Ltd. (嘉事堂藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002462) from August 2012 to August 2014. He was also an independent director of Glodon Software Co., Ltd. (廣聯達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410) from April 2008 to April 2014, an independent director of San'an Optoelectronics Co., Ltd. (三安光電股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600703) from July 2011 to December 2013, an independent director of Xiamen Comfort Science & Technology Group Co., Ltd. (廈門蒙發利科技(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002614) from November 2010 to March 2012, an independent director of Inner Mongolia Yuan Xing Energy Co., Ltd. (內蒙古遠興能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000683) from April 2009 to April 2013. Mr. Ma has been granted recognition of professor by the MOF since October 2009. He has also been a director of the Accounting Society for Foreign Economic Relations and Trade of China (中國對外經濟貿易會計學會) since November 2010, a member of the education and training committee of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會教育培訓委員會) since December 2010 and a director of the Accounting Society of China (中國會計學會) since March 2014, respectively. Mr. Ma obtained a PhD degree of Management from Central University of Finance and Economics (中央財經大學) in Beijing in July 2003.

Mr. Deng Xuexin (鄧學鑫), aged 33, has been a member of the Supervisory Committee since 2 January 2014. He is the employees representative Supervisor. Mr. Deng joined our Company in March 2010 and was as a staff in the sales centre of our Group from March 2010 to January 2012. He has been a staff in the operation management department of the Group since February 2012. Before joining the Company, Mr. Deng served in Beijing Jiangmin New Science & Technology Co., Ltd. (北京江民新科技術有限公司). Mr. Deng graduated from Pingyuan University (now known as Xinxiang University) majoring in electric machinery in July 2005.

Mr. Zhang Wei (張巍), aged 39, has been a member of the Supervisory Committee since 30 July 2014. He is an employee representative Supervisor. Mr. Zhang joined the Company in January 2013, and has served as the development and management director of the innovation application R&D department since January 2013, the management director of cloud development process of the development center since May 2013 and the general manager of the development and management department since January 2014. Before joining the Company, Mr. Zhang served as a staff of the business software development department, the senior development manager of U8 supply chain development department, the senior manager of development management department as well as the vice general manager of group development management department and the director of R&D process management of Yonyou from September 1997 to September 2012, successively. Mr. Zhang graduated from Northeastern University in July 1997, majoring in computer software, and graduated from the graduate school of University of Chinese Academy of Sciences in March 2008 with a master's degree majoring in software engineering.

Mr. Fang Quan (方泉), aged 42, was a member of the Supervisory Committee from 28 April 2014 to 30 July 2014. He was the employee representative Supervisor. Mr. Fang joined our Company in April 2010 and served as the manager of the department of human resource and administration from April 2010 to September 2012. He was the director of human resource of our Company from September 2012 to July 2014. Before joining our Company, Mr. Fang worked at the NC-eHR department of Yonyou from November 2009 to April 2010. He is currently a PhD candidate in Human Resource Management and Organizational Theory at Dankook University in South Korea.

SENIOR MANAGEMENT

Mr. Zeng Zhiyong (曾志勇), for details of Mr. Zeng please refer to the biographies set out in the "EXECUTIVE DIRECTOR" of this section.

Mr. Sun Guoping (孫國平), aged 46, has been our senior vice president since 8 September 2011 and he is primarily responsible for the overall work of the cloud business center of the Group. Mr. Sun joined Yonyou in March 1995 and served as various positions including general manager of Yonyou Hangzhou branch from December 1997 to December 2001, manager of the financial management department (財務通業務部) of Yonyou from January 2002 to December 2004, deputy general manager and sales manager of the small management software department of Yonyou from January 2005 to December 2006, deputy general manager of the small management software department and assistant president of Yonyou from January 2007 to December 2009. Mr. Sun joined our Group on 19 March 2010 and served as our vice president from 19 March 2010 to 7 September 2010. Mr. Sun graduated from Beijing Union University majoring in computer science in July 1990 and China Europe International Business School with a master's degree of business administration in October 2011.

Mr. Cheng Gang (程剛), aged 47, has been our senior vice president since 21 August 2012 and he is primarily responsible for the overall management work of the software business center of the Group. Before joining Yonyou, Mr. Cheng worked at Beijing Kehai High Technology Group Company (北京科海高技術集團公司), Beijing Kaisi Software Technology Co., Ltd. (北京開思軟件技術有限公司), Beijing Yinghaiwei Information Technology Co., Ltd. (北京瀛海威科技有限公司) and Zhuhai Tiansi Software Co., Ltd. (珠海天思軟件公司), respectively. Mr. Cheng joined Yonyou in September 2007 and served as various positions including deputy general manager of Yonyou EBU business division from September 2007 to December 2007 and deputy general manager of the small management software department of Yonyou from January 2008 to March 2010. Mr. Cheng graduated from China Europe International Business School with a master's degree of business administration in October 2013.

Ms. Zou Dan (鄒丹), aged 41, has been our senior vice president and chief financial officer since 16 January 2014 and she is primarily responsible for overall works on planning, budget, human resource, finance and other works of the Group. Ms. Zou joined Yonyou in February 2002 and served as various positions such as deputy general manager of finance department and general manager of budget department from February 2002 to December 2009, vice president and general manager of finance and budget management general department from July 2012 to December 2012 and the senior vice president and the general manager of finance and budget management general department from January 2013 to December 2013. Ms. Zou joined our Group in January 2014. Ms. Zou graduated from Renmin University with a bachelor's degree of economics in July 1995.

Mr. Ji Xiangfeng (紀向峰), aged 45, has been our vice president since 21 August 2012 and he is primarily responsible for the R&D of public cloud application platform of the Group. Mr. Ji served as a software development engineer in Qingdao Electronic Research Institute (青島電子研究所) from July 1989 to September 1992, a development department manager and technical superintendent of Beijing Golden Spider Software Company Limited (北京金蜘蛛軟件有限公司) from October 1992 to February 1999, chief technology officer of Shenzhen Netbig Education Service Co., Ltd. (深圳市網大教育服務有限公司) from March 1999 to June 2000, technology manager of Turbo CRM (Beijing) Limited (特博深信息科技(北京)有限公司) from July 2000 to October 2008. Mr. Ji joined Yonyou in November 2008 and served as a business director of Yonyou CRM department from November 2008 to September 2011, as the vice president in charge of PaaS platform of Beijing Wecoo E-Commerce Co., Ltd (北京偉庫電子商務科技有限公司) from October 2011 to December 2011, and deputy general manager of PaaS centre of Yonyou from January 2012 to August 2012. Mr. Ji graduated from University of Science and Technology of China with a bachelor's degree of technology in computer software in July 1989.

Mr. Cai Jinsong (蔡勁松), aged 48, has been our vice president since 11 April 2013 and he is primarily responsible for cloud platform products and technology development of the Group. Before joining our Group, Mr. Cai served as a product manager of Oracle America, Inc. from June 1996 to April 2004, a development manager of SAP Lab from April 2004 to October 2007, head of product management department of WideOrbit from January 2008 to January 2011, director of product management of Salesforce.com from January 2011 to February 2013. Mr. Cai graduated from University of Science and Technology of China with a bachelor's degree of science in computer in July 1988, University of California at Davis with a master's degree of science in computer science in June 1990 and University of California at Berkeley with a master's degree of business administration in May 1996.

Mr. Mo Junqi (莫俊琦), aged 37, has been our vice president from 2 December 2013 to 19 March 2015 and he is primarily responsible for providing management of cloud business operation. Before joining our Group, Mr. Mo served as deputy general manager of Anhe Innovation Technology (Beijing) Co., Ltd. (安和創新科技(北京)有限公司), and the product director of Qizhi Software (Beijing) Co., Ltd. (the operating entity of Qihoo 360 Technology Co., Ltd. (奇虎360科技有限公司, New York Stock Exchange Stock Code: QIHU) in the PRC) from September 2011 to November 2013. Mr. Mo graduated from Southwest University of Science and Technology with a bachelor of economics in June 2001.

Mr. You Hongtao (尤宏濤), aged 36, has been the secretary to the Board of our Company since 8 September 2011, one of our joint company secretaries since 15 November 2011 and a vice president of the Company since 2 February 2015. He is primarily responsible for organizing board meetings and Shareholders' meetings, information disclosure and general compliance issues. Mr. You worked at the office of president of Advanced Technology & Materials Co., Ltd. (安泰科技股份有限公司) from July 2001 to May 2008. He joined Yonyou in May 2008 and served as a senior business manager of the office of the board from May 2008 to June 2011. In addition, Mr. You became a joint member of the Hong Kong Institute of Chartered Secretaries since September 2011. Mr. You graduated from Jiangxi University of Finance and Economics with a bachelor's degree of law and a bachelor's degree of economics in July 2001 and Beijing University of Aeronautics & Astronautics with a master's degree in engineering in January 2012.

JOINT COMPANY SECRETARY

Mr. You Hongtao (尤宏濤) was appointed as one of our joint company secretaries on 15 November 2011. For his biographical details please refer to the biographies set out in the "SENIOR MANAGEMENT" of this section.

Dr. Ngai Wai Fung (魏偉峰), aged 53, was appointed as a joint company secretary of our Company on 15 November 2011. Dr. Ngai currently is the director and chief executive officer of SW Corporate Services Group Limited and the managing director of MNCOR Consulting Limited. He is the president of the Hong Kong Institute of Chartered Secretaries. He had served as company secretary in China Unicom (Hong Kong) Limited (stock code: 762). Dr. Ngai currently acts as the company secretary of Anton Oilfield Services Group (stock code: 3337), the joint company secretary of China Eastern Airlines Corporation Limited (stock code: 670), the joint company secretary of China Pacific Insurance (Group) Co., Ltd. (stock code: 2601), the company secretary of Sinosoft Technology Group Limited (stock code: 1297), the joint company secretary of China Cinda Asset Management Co., Ltd. (stock code: 1359), the company secretary of Huishang Bank Corporation Limited (stock code: 3698), the company secretary of China Gold International Resources Corp. Ltd. (stock code: 2099), the joint company secretary of Harbin Bank Co., Ltd. (stock code: 6138) and the company secretary of Sunshine 100 China Holding Ltd. (stock code: 2608). Dr. Ngai is also a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Company Secretaries. Dr. Ngai obtained a Doctorate of Economics from the Shanghai University of Finance and Economics in June 2011, a Master's degree of Corporate Finance from the Hong Kong Polytechnic University in November 2002, a Master's degree of Business Administration (MBA) from Andrews University of the United States in August 1992 and a Bachelor's degree (Honours) of Law from the University of Wolverhampton, the United Kingdom in October 1994. He is not a full-time employee of our Company.

The Board hereby presents the annual report for the year ended 31 December 2014, together with the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL OPERATIONS

The core businesses of the Group comprise development and provision of software and services designed to satisfy the informatization needs of MSEs. Details of businesses of the major subsidiaries of the Company are set out in note 16 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 and the financial information of the Group as at 31 December 2014 are set out in the audited financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2014 is as follows:

Class of Shares	**Number of shares**	**Approximate percentage of the total issued share capital**
Domestic shares	162,181,666	74.68%
H shares in issue	55,000,000	25.32%
Total	217,181,666	100%

DIVIDENDS

The Board proposed to distribute a final dividend of RMB0.39 per share (tax inclusive) (2013: RMB0.63 per share (tax inclusive)) for the year ended 31 December 2014, totaling RMB84.70 million (2013: RMB102.17 million). The profit distribution proposal is subject to Shareholders' approval at the 2014 annual general meeting of the Company to be convened in 2015. During the Reporting Period, there were no arrangements under which a shareholder waived or agreed to waive any dividend.

PUBLIC FLOAT

As at the Latest Practicable Date, based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules.

DIRECTORS AND SUPERVISORS

The table below sets out certain information of Directors and Supervisors from 26 June 2014 (being the Listing Date) to 31 December 2014:

Name	Position
Wang Wenjing (王文京)	Chairman, non-executive Director
Wu Zhengping (吳政平)	Non-executive Director
Zeng Zhiyong (曾志勇)	Executive Director, President
Liu Yunjie (劉韻潔)	Independent Non-executive Director
Chen, Kevin Chien-wen (陳建文)	Independent Non-executive Director
Lau, Chun Fai Douglas (劉俊輝)	Independent Non-executive Director
Guo Xinping (郭新平)	Chairman of the Supervisory Committee, Shareholders representative Supervisor
Wang Jialiang (王家亮)	Shareholders representative Supervisor
Ruan Guangli (阮光立)	Independent Supervisor
Ma Yongyi (馬永義)	Independent Supervisor
Deng Xuexin (鄧學鑫)	Employees representative Supervisor
Zhang Wei (張巍)	Employees representative Supervisor
Fang Quan (方泉)*(note)*	Employees representative Supervisor

The personal information of Directors and Supervisors is set out in the section headed "BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

note: Mr. Fang Quan resigned from his position as an employees representative Supervisor due to work re-designation, with effect from 30 July 2014. As elected and approved at the employees representative meeting of the Company, Mr. Zhang Wei has succeeded Mr. Fang Quan as an employees representative Supervisor since 30 July 2014. For details please refer to the announcement dated 30 July 2014 published by the Company on the website of the Hong Kong Stock Exchange and the website of the Company.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and 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 to be notified to the Company and the Hong Kong Stock Exchange are 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]	544,874,344 Shares	46.78%	N/A
	Interest in a controlled corporation	Happiness Investment[5]	N/A[5]	80%[5]	N/A
	Interest in a controlled corporation	Yonyou Chuangxin Investment[6]	N/A[6]	100%[6]	N/A
Mr. Wu Zhengping[7]	Beneficial owner	Yonyou[4]	1,156,235 Shares	0.10%	N/A
	Interest in a controlled corporation	Yonyou[4]	35,000,000 Shares	3.00%	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]	59,358,240 Shares	5.10%	N/A

notes:

(1) The calculation is based on the total number of 217,181,666 Shares in issue as at 31 December 2014.

(2) The calculation is based on the total number of 162,181,666 Domestic Shares in issue as at 31 December 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), 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 approximately 29.57%, 13.03% and 4.19% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang is deemed to be interested in the Shares held by Yonyou.

(4) Yonyou is the holding company of the Company and therefore an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2014, Yonyou held 157,059,513 Domestic Shares 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 RMB6.25 million and does not have any issued shares under the PRC laws. Due to the issue of new shares by Happiness Investment in December 2014, the shareholding percentage of Yonyou in Happiness Investment was diluted from 100% to 80%. Happiness Investment is still deemed as a controlled corporation of Mr. Wang. Happiness Investment holds 670,784 Domestic Shares, representing approximately 0.31% of the total share capital of the Company.

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

(7) Mr. Wu Zhengping directly holds 1,156,235 shares of Yonyou and 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 3.00% issued shares 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 5.10% 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 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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the Reporting Period, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as the Directors, Supervisors and the chief executive of the Company are aware of, 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 substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following 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 [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%
UBS Group AG	589,200	Person who has security interest in shares		
	15,943,600	Interest in a controlled corporation		
	Total: 16,532,800 H Shares		7.61%	30.06%
UBS AG	589,200	Person who has security interest in shares		
	15,943,600	Interest in a controlled corporation		
	Total: 16,532,800 H Shares		7.61%	30.06%
Hillhouse Capital Management, Ltd.	3,311,000 H Shares	Investment manager	1.52%	6.02%
Gaoling Fund, L.P.	3,211,000 H Shares	Beneficial owner	1.48%	5.84%

notes:

(1) The calculation was based on the total number of 217,181,666 Shares in issue as at 31 December 2014.

(2) The calculation was based on the number of 162,181,666 Domestic Shares in issue and 55,000,000 H Shares in issue as at 31 December 2014, respectively.

(3) As at 31 December 2014, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 7,327,039 Domestic Shares through Happiness Investment and Yonyou Chuangxin Investment, respectively. As Happiness Investment and Yonyou Chuangxin Investment were both controlled corporations of Yonyou, Yonyou was deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Chuangxin Investment.

Save as disclosed above, as at 31 December 2014, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

MAJOR CLIENTS AND SUPPLIERS

The consolidated turnover from the five largest clients of the Group did not exceed 30% of the total turnover of the Group in 2014.

For the year ended 31 December 2014, the consolidated total purchases made by the Group from the five largest suppliers amounted RMB10.01 million, accounting for 52% of the total purchases of the year. In particular, the purchases from the largest supplier amounted to RMB3.90 million, accounting for 20% of the total purchases of the year.

For the year ended 31 December 2014, the Parent Group was the third largest supplier of the Group. The purchases made by the Group from the Parent Group amounted to RMB1.35 million, accounting for 7% of the total purchases of the year. Mr. Wang Wenjing and Mr. Wu Zhengping, the Directors, were interested in the Parent Group. Apart from this, to the knowledge of the Directors, none of the Directors, their associates or any Shareholders (who to the knowledge of the Board owns 5% or more share capital of the Company) was interested in the five largest clients or suppliers of the Group.

USE OF PROCEEDS

The Company's H shares were listed and commenced trading on the Hong Kong Stock Exchange on 26 June 2014, from which the Company raised proceeds totaling HK$900.90 million. After deducting relevant expenses of issuance, the net proceeds was HK$854.96 million.

According to the use of proceeds disclosed in the Prospectus of the Company, the actual usage as at 31 December 2014 are detailed as follows:

Planned use	**Budgeted amount** *HK$*	**Actual usage amount** *HK$*
For the R&D and marketing of the T+ series software products	Approximately 290.69 million	Approximately 40.64 million
For the R&D of our cloud platform and innovative application products	Approximately 194.08 million	Approximately 20.44 million
To support the marketing and operation of our cloud services	Approximately 199.21 million	Approximately 10.45 million
To acquire relevant business and assets compatible with our business strategies	Approximately 85.49 million	Nil
To fund our general working capital	Approximately 85.49 million	Approximately 0.64 million
Total	Approximately 854.96 million	Approximately 72.17 million

As at 31 December 2014, the balance of the special account for the proceeds from H Shares issuance of the Company was HK$486.38 million and RMB241.07 million (including interest income).

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

During the period from the Listing Date to 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2014, the Group acquired additional property, plant and equipment of approximately RMB13.73 million. Details of the movements are set out in note 14 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, reserves available for distribution of the Company (i.e. the undistributed profit determined in accordance with PRC Accounting Standards for Business Enterprises) amounted to RMB104.20 million (31 December 2013: RMB102.32 million).

EMPLOYEE AND ORGANIZATION GUARANTEE

As at 31 December 2014, the total number of employees of the Company amounted to 711, representing a year-on-year decrease of 18.71%, which was mainly attributable to the further concentrated business, optimization and upgrading of the personnel due to the demands for business development of the Company.

During the Reporting Period, the talent development strategy of the Company was adjusted accordingly. On one hand, the Company continuously adhered to the comprehensive talent development strategy. On the other hand, the Company put more efforts in the human resources in respect of the cloud service business. In 2014, nearly 100 employees in relation to the cloud service business joined the Company, which further promoted the rapid development of cloud service business. Meanwhile, by organizing Internet-related training and exchange activities, the abilities of the existing internal employees were transformed and advanced. In respect of the R&D series, the Company adopted a brand new rank evaluation method, which further accomplished the talent deployment mechanism of "skill and capability competition (拼技術、拼能力)", effectively mobilized the enthusiasm of the staff and provided a more effective basis for the personnel appointment of the Company.

REMUNERATION POLICY

A Remuneration and Appraisal Committee was established under the Board, which is mainly responsible for reviewing the appraisal on and remuneration of the Directors and senior management, and providing advice and recommendations. Directors (other than independent non-executive Directors) and Supervisors (other than independent Supervisors) do not receive any remuneration from the Company for their directorships or supervisorships. The allowances of independent non-executive Directors and Independent Supervisors are considered and determined at the general meeting of the Company. Each independent non-executive Director is entitled to receive an allowance of RMB150,000 (tax inclusive) per year while each independent Supervisor is entitled to receive an allowance of RMB80,000 (tax inclusive) per year. The Remuneration and Appraisal Committee will consider the remunerations of senior management and then proposed to the Board for approval. Such remunerations are determined mainly based on the position value, remuneration condition in the market, individual ability as well as the operating results and performance target of the Company.

Remuneration of the staff of the Company is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based salary and allowance. Staff's salary comprises basic salary and performance-based salary. In particular, basic salary is payable monthly while performance-based salary is payable in appropriate forms based on each appraisal period and specific management requirements of the Company pursuant to the relevant laws and regulations of the PRC. Allowance comprises wage subsidy, supplementary subsidy, special allowance and welfare benefits, etc. The Company has paid housing fund and social insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labor and social security. In particular, social insurance includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc..

STAFF RETIREMENT SCHEME

Currently, the Company has no staff retirement scheme.

EMPLOYEE TRUST BENEFIT SCHEME

On 13 April 2015, the Board proposed the adoption of the employee trust benefit scheme, which is aimed at providing incentives for employees of the Company and its subsidiaries who are essential for realizing the strategic goal of the Company, including mid-level and senior management, experts and core personnel. Such employee trust benefit scheme is subject to Shareholders' approval at the 2014 annual general meeting of the Company to be convened in 2015. For details please refer to the announcement dated 13 April 2015 published by the Company on the website of the Hong Kong Stock Exchange and the website of the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remunerations of Directors, Supervisors and chief executive officer of the Company are set out in note 9 to the financial statements. The remuneration of other senior management of the Company were within the following ranges:

	2014 *(person)*
RMB1 million or below	2
RMB1 million to RMB2.5 million	5
Total	7

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that can be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' AND SUPERVSIORS' INTERESTS IN CONTRACTS

Saved as disclosed in the section headed "CONNECTED TRANSACTION" in this Report of Directors, no material contracts relating to the business of the Group, to which the Company or any of its subsidiaries was a party and in which Directors and Supervisors had material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into nor had any contracts in relation to the management of the entire or substantial business of the Company.

NON-COMPETITION UNDERTAKINGS AND CONFIRMATION

Independent non-executive Directors have reviewed the compliance of the Non-competition Undertakings (defined as below) by Yonyou, the controlling Shareholder, and Mr. Wang (collectively, the "**Covenantors**") as well as the compliance of the Confirmation (defined as below) by Yonyou and its associates (other than the Company and its subsidiaries), and confirmed that the Covenantors have been complying with the terms of such agreements during the period from the effective date of respective agreements to 31 December 2014, Details of which are set out as follows:

Non-Competition Undertakings

In order to protect the interests of the Company and its Shareholders as a whole, the Covenantors and their respective associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. The Covenantors entered into non-competition undertakings (the "**Non-Competition Undertakings**") with the Company in favor of the Company's interest on 17 February 2014 pursuant to which, including but not limited to (among other things), saved for the exceptions stipulated in the Non-Competition Undertakings, the Covenantors will not and will use their best endeavors to procure their associates shall not, directly or indirectly, at any time during the relevant period, carry out, be engaged in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with other persons and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business which is the same as, similar to or in competition or will compete or may compete with the restricted business. In addition, for the existing and future restricted businesses, the Covenantors will provide the Company with pre-emptive rights and the options for acquisition;

2. The Covenantors have provided all necessary information to the independent non-executive Directors for their inspection on the implementation of the Non-Competition Undertakings; and

3. The Covenantors confirmed that, during the period from the effective date of the Non-Competition Undertakings to 31 December 2014, they completely complied with the Non-Competition Undertakings.

Confirmation

In order to guarantee the interests of the Company and its shareholders as a whole, Yonyou and its associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. In order to avoid any existing or potential competition, on 11 April 2014, Yonyou issued a written confirmation (the "**Confirmation**") in relation to cloud services and payment services that (i) neither Yonyou nor any of its associates (other than through the Company) are engaged in, operate or participate in, or will be engaged in, operate or participate in, directly or indirectly, the public cloud platform and cloud services designed for MSEs; and (ii) neither Yonyou nor any of its associates (other than through the Company and its subsidiary, Chanjet Payment) are engaged in, operate or participate in, or will engage in, operate or participate in, directly and indirectly, any business that competes or may compete with the payment services of non-financial institutions as defined under the Measures for the Administration of Payment Services of Non-Financial Institutions (《非金融機構支付服務管理辦法》, as amended from time to time);

2. Yonyou has provided all necessary information to the independent non-executive Directors for their inspection on the implementation of the Confirmation; and

3. Yonyou confirmed that during the period from the effective date of the Confirmation to 31 December 2014, it completely complied with the Confirmation.

The Board has received annual declarations from the Covenantors for their compliance and execution of Non-Competition Undertakings, and Yonyou and their associates (excluding the Company and its subsidiaries) for their compliance and execution of the Confirmation.

CONNECTED TRANSACTIONS

1. Non-Exempt Connected Transactions

On 31 December 2014, the Company entered into the Business Transfer Agreement with YONYOU Mobile, pursuant to which, the Company has agreed to transfer and YONYOU Mobile has agreed to acquire the Wang Pu Business at a total consideration of RMB6.82 million.

YONYOU Mobile is a subsidiary of Yonyou, the controlling Shareholder of the Company, and is therefore a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the Business Transfer Agreement constitute connected transactions of the Company pursuant to the Listing Rules.

As Mr. Wang Wenjing, Mr. Wu Zhengping and Mr. Zeng Zhiyong are holding directorship in YONYOU Mobile, they are deemed to have material interests in the transactions contemplated under the Business Transfer Agreement and have abstained from voting on the relevant Board resolutions. Other than those mentioned above, none of the Directors has material interests in the transactions contemplated thereunder.

The Wang Pu Business is a product for development and maintenance provided by the Company to China Telecom Corporation Limited, which is not the principal business of the Company. According to the Company's strategic plan for transformation, the transfer of the Wang Pu Business will enable the Company to focus more on cloud service platform and core cloud applications.

Details of the transactions are set out in the Company's announcement published on the website of the Hong Kong Stock Exchange and the website of the Company dated 31 December 2014.

2. Continuing Connected Transactions

2.1 Connected persons

Yonyou holds 72.32% of issued share capital of the Company and is therefore the controlling Shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Yonyou and its associates are connected persons of the Company. Accordingly, the transactions between the Group and Yonyou and/or its associates constitute continuing connected transactions under Chapter 14A of the Listing Rules.

2.2 Non-exempt continuing connected transactions

Software Products Commissioned Manufacturing and Service Framework Agreement

On 17 February 2014, the Company and Yonyou entered into the Software Products Commissioned Manufacturing and Service Framework Agreement, pursuant to which, Yonyou agreed to provide packaging services to the Company in respect of the CD-ROM products which contain software products of the Company.

Pursuant to the Software Products Commissioned Manufacturing and Service Framework Agreement, the pricing of the packaging services in respect of the CD-ROM products is determined in accordance with the market price, i.e. the price of the same or similar packaging services provided by an independent third party on normal commercial terms in the ordinary course of business.

The Software Products Commissioned Manufacturing and Service Framework Agreement is valid for a term commencing from 17 February 2014 and expiring on 31 December 2016 and is renewable for a term of three years subject to all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

The Company has shared the packaging line for CD-ROM products with Yonyou since the establishment of Chanjet Software, the predecessor of the Company. Given that the packaging services do not form a significant part of the business of the Group and such services are readily available in the market, the Company is of the view that it is not cost effective to operate and maintain a standalone packaging line for such products.

During the Reporting Period, the annual cap of the total annual service fees for the year 2014 was RMB900,000, while the total actual annual service fees amounted to approximately RMB720,382.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Reporting Period have followed the pricing principles of such continuing connected transactions.

For details of the transactions, please refer to the Prospectus.

Property Lease Framework Agreement

On 17 February 2014, the Company and Yonyou entered into the Property Lease Framework Agreement, pursuant to which, Yonyou and/or its subsidiaries will lease certain properties to our Group for office use.

Pursuant to the Property Lease Framework Agreement, the pricing of the properties to be leased is determined in accordance with the market price, i.e. the rental payments for the same or similar properties leased by an independent third party in the same or similar region.

The Property Lease Framework Agreement is valid for a term commencing from the Listing Date and expiring on 31 December 2016 and is renewable for a term of three years, subject to all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

As the Group had been using the properties of Yonyou as office units, Directors are of the view that it is in the interest of the Group in terms of cost, time and stability to enter into the Property Lease Framework Agreement instead of looking for and relocating to alternative properties.

During the Reporting Period, the annual cap for the annual rental payment of the year 2014 was RMB5,184,460, while the actual annual rental payment amounted to approximately RMB4,607,261.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Reporting Period have followed the pricing principles of such continuing connected transactions.

For details of the transactions, please refer to the Prospectus.

2.3 Confirmation from independent non-executive Directors and the auditor of the Company

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that, from the Listing Date to 31 December 2014:

(i) such transactions were entered into in the ordinary course of business of the Company and its subsidiaries;

(ii) such transactions were entered into on normal commercial terms or better terms;

(iii) such transactions were conducted pursuant to the agreements, the terms of which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and

(iv) the aggregate amount of each of such transactions did not exceed their respective annual caps for the year ended 31 December 2014 as set out in the Prospectus.

The auditor of the Company has performed certain agreed procedures in relation to the aforesaid continuing connected transactions, and issued a letter to the Board, stating that:

(i) the aforesaid continuing connected transactions have obtained approval from the Board;

(ii) the pricing of the continuing connected transactions in relation to the provision of goods and services by the Group was determined, in all material respects, in accordance with pricing policy of the Group;

(iii) the aforesaid continuing connected transactions were carried out, in all material respects, pursuant to relevant agreements regulating such transactions; and

(iv) the aforesaid continuing connected transactions did not exceed their respective annual caps for the year ended 31 December 2014 as set out in the Prospectus.

Details of related party transactions entered into in the ordinary course of business of the Group during the Reporting Period are set out in note 32 to the consolidated financial statements. Save as disclosed above, no related party transactions set out in note 32 to the financial statements constitute discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-share Shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》)(國稅函[2008]897號), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. According to this, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appeared on the H share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notice, when the final dividend is distributed to the individual shareholders of H shares whose names appear on the H share register of members of the Company, the Company will withhold 10% of the final dividend as individual income tax unless otherwise specified by the relevant tax regulations, tax agreements or notices.

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 31 December 2014, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending or to be threatened or raised against the Group.

AUDITORS

Ernst & Young was the reporting accountant of the Company during the listing period. In 2014, the Company appointed Ernst & Young as the international auditor of the Company for the year ended 31 December 2014 and Ernst & Young Hua Ming LLP (Special General Partnership) as the PRC auditor of the Company for the year ended 31 December 2014. Ernst & Young has audited the accompanying financial statements which were prepared in accordance with the IFRSs.

During the Reporting Period, all members of the Supervisory Committee earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements Law of the PRC, relevant regulations and the Articles of Association; Supervisors attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management, thereby promoting the Company's standard operation and healthy development.

During the Reporting Period, the Supervisory Committee paid close attention to the major activities of operation and management. The Supervisory Committee convened regular meetings to consider resolutions in relation to the financial reports of the Company and supervised the financial tasks and financial condition of the Company in a timely manner. Employees representative Supervisors attended the regular President's office meetings of the Company held in 2014 and participated in operation analysis meetings, effectively performing its duties in supervising the operation and management procedures of the Company.

During the Reporting Period, a total of six meetings were convened by the Supervisory Committee. At the first meeting of the first session of the Supervisory Committee for the year 2014 convened on 16 January 2014, Resolution in Relation to Election of Candidate for Shareholder Representative Supervisor was considered and approved; at the second meeting of the first session of the Supervisory Committee for the year 2014 convened on 28 January 2014, Resolution in Relation to Formulation of the Rules of Procedures of the Supervisory Committee was considered and approved; at the third meeting of the first session of the Supervisory Committee for the year 2014 convened on 27 April 2014, the 2013 Annual Financial Statement Proposal, 2013 Annual Report of Directors, 2013 Annual Report of Supervisory Committee, Resolution in Relation to Election of Candidates for Independent Supervisors and Resolution in Relation to Allowances of Independent Supervisors were considered and approved; at the fourth meeting of the first session of the Supervisory Committee for the year 2014 convened on 16 July 2014, Resolution in Relation to Nomination of Guo Xinping as a Candidate for Shareholder Representative Supervisor of the Second Session of the Supervisory Committee, Resolution in Relation to Nomination of Wang Jialiang as a Candidate for Shareholders Representative Supervisor of the Second Session of the Supervisory Committee, Resolution in Relation to Nomination of Ruan Guangli as a Candidate for Independent Supervisor of the Second Session of the Supervisory Committee and Resolution in Relation to Nomination of Ma Yongyi as a Candidate for Independent Supervisor of the Second Session of the Supervisory Committee were considered and approved; at the fifth meeting of the first session of the Supervisory Committee for the year 2014 convened on 20 August 2014, the 2014 Interim Report and the Interim Results Announcement for the Six Months Ended 30 June 2014 of the Company were considered and approved; at the first meeting of the second session of the Supervisory Committee for the year 2014 convened on 8 September 2014, Resolution in Relation to Election of Mr. Guo Xinping as the Chairman of the Second Session of the Supervisory Committee was considered and approved. All Supervisors attended the above meetings.

During the Reporting Period, the Supervisory Committee supervised the convening procedures and resolutions of the general meetings and the Board meetings of the Company, the implementation of resolutions approved at the general meetings by the Board, senior management's performance of their duties and implementation of the management system of the Company in accordance with requirements of relevant laws and regulations of the PRC as well as the Articles of Association. Given the supervisory work mentioned above, the Supervisory Committee is of the view that the Company has established a comprehensive corporate governance structure and internal control system. During the Reporting Period, the Company operated strictly in accordance with the standards stipulated in the laws and regulations of the PRC and the Articles of Association, while the convening procedures of general meetings and the Board meetings, rules of procedures and resolution procedures were lawful and valid. It is not aware of any breaches of laws and regulations of the PRC and the Articles of Association or prejudice to the Company's interests by any Directors and senior management when performing their duties for the Company. The relatively sound internal control system of the Company promoted the legal operation of the Company, and ensured the asset safety and operation efficiency of the Company.

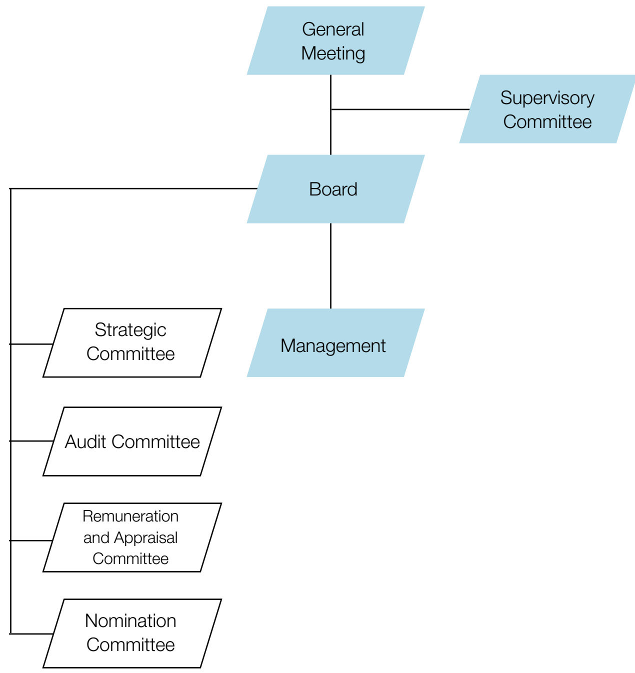
During the Reporting Period, the Supervisory Committee examined the financial structure and financial condition of the Company in a serious and careful manner and considered that the Company maintained healthy financial condition in 2014. The standard unqualified audit report issued by Ernst & Young and Erust & Young Hua Ming LLP and their opinions on the matters involved were objective and fair. The financial report of the Company for the year 2014 gave a true picture of the financial condition and operating results of the Company.

During the Reporting Period, members of the Supervisory Committee attended the Board meetings of the Company. The Supervisory Committee had no objections to the contents of reports and resolutions proposed by the Board at the general meetings. The Supervisory Committee supervised the implementation of resolutions approved at the general meetings and considered that the Board had duly performed relevant resolutions approved at the general meetings.

CORPORATE GOVERNANCE

During the Reporting Period, the Company strictly complied with requirements under the Company Law of the PRC, the Securities Law of the PRC and other laws and regulations, and requirements stipulated by domestic and overseas regulatory institutions to establish a standard and sound corporate governance structure while continuously committed to maintaining the corporate governance at a high level to improve the long-term value for Shareholders.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

At present, the regulatory documents on corporate governance of the Company include but not limited to the followings:

1. Articles of Association;

2. Rules of Procedure of General Meeting;

3. Rules of Procedure of Board;

4. Rules of Procedure of Supervisory Committee;

5. Working Rules of Strategic Committee;

6. Working Rules of Audit Committee;

7. Working Rules of Remuneration and Appraisal Committee;

8. Working Rules of the Nomination Committee;

9. Working System for Independent Directors; and

10. Working Rules of General Manager.

The Board has reviewed the abovementioned documents in relation to corporate governance adopted by the Company, and considered that such documents have met the requirements of all code provisions of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Company also appointed SHINEWING Risk Services Limited, an independent consultant of internal control, to review the corporate governance of the Company and issue a review report. The report was considered and approved by the Board.

The corporate governance code adopted by the Company is more stringent than the code provisions set out in the Corporate Governance Code and Corporate Governance Report in the following aspects:

1. Apart from the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee, the Company has also established the Strategic Committee.

2. Independent non-executive Directors are required to review the information in relation to the compliance and implementation of the Non-Competition Agreement provided by the controlling Shareholder at least once a year.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the period from the Listing Date to 31 December 2014, the Company had fully complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules, and requires Directors and Supervisors to deal with securities in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After making specific enquiries by the Company, all Directors and Supervisors confirmed that they had fully complied with the Model Code during the period from the Listing Date to 31 December 2014.

BOARD

The composition of the Board and the relevant information during the period from the Listing Date to 31 December 2014 are set out as follows:

Director	Age	Position	Term of office
Mr. Wang Wenjing (王文京先生)	50	Non-executive Director, Chairman	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017
Mr. Wu Zhengping (吳政平先生)	50	Non-executive Director	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017
Mr. Zeng Zhiyong (曾志勇先生)	46	Executive Director, President	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017
Mr. Liu Yunjie (劉韻潔先生)	72	Independent Non-executive Director	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017
Mr. Chen, Kevin Chien-wen (陳建文先生)	60	Independent Non-executive Director	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017
Mr. Lau, Chun Fai Douglas (劉俊輝先生)	42	Independent Non-executive Director	From 26 June 2014 to 7 September 2014 From 8 September 2014 to 7 September 2017

On 4 September 2014, Mr. Wang Wenjing and Mr. Wu Zhengping were re-elected as non-executive Directors; Mr. Zeng Zhiyong was re-elected as an executive Director; Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas were re-elected as independent non-executive directors with effect from 8 September 2014. For details, please refer to the circular and announcement dated 21 July 2014 and 4 September 2014 respectively published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

The Board consists of six members, three of whom are independent non-executive Directors. According to the Articles of Association, the functions and powers of the Board include, amongst others:

- being responsible for convening the general meetings and reporting on work to the general meetings;
- implementing the resolutions of the general meetings;
- determining the businesses and investment plans of the Company;
- formulating the annual financial budget and final account plans of the Company;
- formulating the profit distribution scheme and loss remedy plans of the Company;
- formulating the plans for increasing or decreasing registered capital and the issuance of corporate bonds or other securities as well as the listing scheme of the Company;
- formulating plans for merger, spin-off, dissolution and transformation of the Company;
- preparing plans for major acquisition and repurchase of the shares of the Company;
- determining such matters as the external investment, purchase/sale of assets, asset pledge, external guarantees, entrusting wealth management and connected transactions of the Company within the scope authorized by the general meetings;
- deciding on the structure scheme of the Company's internal management agency;
- deciding on the structure scheme of the special committees of the Board, appointing or dismissing the chairman (convenor) of special committees of the Board;
- appointing or dismissing the president, secretary to the Board, company secretary of the Company; based on the nomination by the president, appointing or dismissing senior management including vice president and chief financial officer and determining their remuneration;
- making the modification proposal for the Articles of Association;
- setting up the basic management systems of the Company;
- formulating share incentive schemes of the Company;

- managing the information disclosure of the Company;
- proposing the appointment or replacement of the accounting firm that provides audits services for the Company at the general meeting;
- listening to the work report made by the president and reviewing the work performance by the president of the Company;
- reviewing and supervising the Company's policies and standards in compliance with relevant laws and regulatory rules;
- reviewing and supervising the training and continuing occupational development for the Directors, Supervisors and senior management;
- reviewing the condition of the Company and the disclosures made in the corporate governance report in accordance with the Corporate Governance Code in the Listing Rules;
- deciding on other major matters and administrative affairs other than those shall be decided by the general meeting as specified in the laws, administrative regulations, regulations of competent authorities and the Articles of Association, and signing other important agreements; and
- performing other functions and powers authorized by the laws, administrative regulations, regulations of competent authorities, the Articles of Association and the general meeting.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial condition of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2014, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimated to prepare the financial statements on a going concern basis. The Board is responsible for properly maintaining the account records of the financial information of the Company and disclosing the same reasonably and accurately at any time.

The Company's management comprises one president, several vice presidents and a chief financial officer. The president is responsible to the Board and shall mainly perform the following functions:

- being in charge of the production, operation and management of the Company and reporting to the Board;
- organizing the implementation of the resolutions of the Board;
- organizing the implementation of the annual business plan and investment program of the Company formulated by the Board;
- preparing plans for the establishment of the internal management structure of the Company;
- preparing plans for the establishment of the branch bodies of the Company;
- preparing basic management systems of the Company;
- formulating specific rules and regulations of the Company;
- proposing the appointment or dismissal of the deputy general manager and the chief financial officer of the Company to the Board;
- appointing or dismissing other management personnel other than those required to be appointed or dismissed by the Board;
- determining the salaries, benefits, rewards and punishment for the staff of the Company, and making decisions on the appointment or dismissal of the Company's staff; and
- other functions and powers conferred by the Articles of Association or the Board.

During the Reporting Period, Mr. Wang Wenjing served as chairman of the Board and Mr. Zeng Zhiyong served as the president of the Company. The chairman of the Board and the president are two different positions which are clearly delineated. The chairman of the Board shall not concurrently serve as the president of the Company. The responsibilities between the chairman of the Board and the president shall be clearly separated and defined in written form. The Chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association of the Company sets out in detail the respective responsibilities of the chairman of the Board and the president. Senior management of the Company, other than the Directors and the Supervisors, are responsible for the daily business operation of the Company. Their positions are set out in the section of "Biographies of Directors, Supervisors and Senior Management" in this report.

All Directors are required to declare any direct or indirect interest involved in any matter or transaction to be considered at Board meetings, and interested Directors shall abstain from the meeting when appropriate.

A total of nine Board meetings were convened during 2014. The Directors' attendance rate is as follows:

Directors	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Wang Wenjing	9	–	100%
Wu Zhengping	9	–	100%
Zeng Zhiyong	9	–	100%
Liu Yunjie	9	–	100%
Chen, Kevin Chien-wen	9	–	100%
Lau, Chun Fai Douglas	9	–	100%

During the Reporting Period till the Latest Practicable Date, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of three independent non-executive Directors, Rule 3.10A of the Listing Rules, which requires independent non-executive Directors representing at least one-third of the Board, and Rule 3.10(2) of the Listing Rules, which requires that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

A total of four general meetings were convened during 2014. The attendance rate of the Directors is as follows:

Directors	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Wang Wenjing	4	–	100%
Wu Zhengping	4	–	100%
Zeng Zhiyong	4	–	100%
Liu Yunjie	4	–	100%
Chen, Kevin Chien-wen	4	–	100%
Lau, Chun Fai Douglas	4	–	100%

In accordance with the requirements of the Listing Rules, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has accepted the confirmation letter from each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent parties.

Each of the independent non-executive Directors shall have the same term of office of three years as other Directors, and may be re-appointed upon expiry of the term of office provided that the consecutive terms shall be no more than six years. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Director.

Other than their duties in the Company, the Directors, the Supervisors and senior management do not have any relationship among themselves in financial, business, family or other material aspects.

During the Reporting Period, all Directors proactively participated in continuous professional training including the professional training provided by the Company and developed and updated their knowledge and skills in a move to ensure that their contribution to the Board remained completely informed and relevant.

The Company has established the Strategic Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

Strategic Committee

The Strategic Committee consists of Mr. Wang Wenjing, Mr. Zeng Zhiyong and Mr. Liu Yunjie from the Listing Date to 31 December 2014 and on the Latest Practicable Date, among whom, Mr. Wang Wenjing is the chairman of the Committee.

The primary duties of the Strategic Committee include:

- reviewing and making recommendations to the Board on the plans for strategic development of the Company;
- reviewing and making relevant recommendations to the Board on (including but not limited to) planning, feasibility studies, external negotiations, due diligence, intent to cooperate and the execution of contracts in relation to new major investment by the Company, in light of the plans for the strategic development of the Company;
- reviewing and making relevant recommendations to the Board on (including but not limited to) major financing, capital operation and assets management, including the issuance of shares or corporate bonds of the Company;
- reviewing and making relevant recommendations to the Board on mergers, divisions, liquidation of the Company and other material matters which will affect the development of the Company; and
- monitoring and supervising on, and proposing adjustment to as necessary, the implementation of the above matters after approval by the Board.

The Company did not convene the Strategic Committee's meeting since the Listing Date to 31 December 2014.

Audit Committee

The Audit Committee consists of Mr. Chen, Kevin Chien-wen, Mr. Wu Zhengping and Mr. Lau, Chun Fai Douglas from the Listing Date to 31 December 2014 and on the Latest Practicable Date, among whom, Mr. Chen, Kevin Chien-wen is the chairman of the Committee.

The primary duties of the Audit Committee include:

- making recommendations to the Board on appointing and replacing accounting firms;
- reviewing the internal auditing policies of the Company as well as its implementation;
- coordinating the communication between the internal audit department of the Company and external auditors;
- reviewing financial information of the Company and its disclosures;
- reviewing the internal control management of the Company; and
- other duties authorized by the Board.

The Company has fully complied with the requirements of the Rule 3.21 of the Listing Rules during the period from the Listing Date to 31 December 2014.

A total of one Audit Committee meeting was convened during the period from the Listing Date to 31 December 2014. The attendance rate of the members is as follows:

Members	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Chen, Kevin Chien-wen	1	—	100%
Wu Zhengping	1	—	100%
Lau, Chun Fai Douglas	1	—	100%

The Details of the meeting are as follows:

At the 2014 first meeting of the first session of the Audit Committee held on 20 August 2014, the Committee considered and approved the Unaudited Interim Condensed Consolidated Financial Statements for the Six Months Ended 30 June 2013 and 2014 of the Company. During the Reporting Period, the Company also convened two Audit Committee's meetings for communications, considered and reviewed the internal control and risk management of the Company, discussed with the auditor of the Company about the nature, scope and method of audit and the related reporting obligations for the year, and discussed and fixed the timing for auditing the financial statements of the year, as well as oversaw the auditor of the Company timely submission of audit report within the predetermined timelines and so forth.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consistes of Mr. Lau, Chun Fai Douglas, Mr. Zeng Zhiyong and Mr. Liu Yunjie from the Listing Date to 31 December 2014 and on the Latest Practicable Date, among whom, Mr. Lau, Chun Fai Douglas is the chairman of the Committee.

The primary duties of the Remuneration and Appraisal Committee include:

- studying and reviewing the remuneration policies, proposals and structure of the Directors and senior management and establishing the procedures of the remuneration policies and making recommendations to the Board on establishing formal and transparent procedures to formulate those remuneration policies;

- examining the proposed remunerations to the management according to the corporate goals and objectives developed by the Board from time to time;

- recommending to the Board the remuneration packages offered to individual executive Directors and senior management, including non-monetary income, pension and compensation (including compensation paid for loss or termination of office or position);

- making recommendations to the Board concerning remuneration packages offered to non-executive Directors; and

- other duties authorized by the Board.

The Company did not convene the Remuneration and Appraisal Committee's meeting since the Listing Date to 31 December 2014.

Nomination Committee

The Nomination Committee consists of Mr. Liu Yunjie, Mr. Wang Wenjing and Mr. Chen, Kevin Chien-wen from the Listing Date to 31 December 2014 and on the Latest Practicable Date, among whom, Mr. Liu Yunjie is the chairman of the Committee.

The primary duties of the Nomination Committee include:

- considering the criteria and procedures for selecting Directors, the president and other senior management and making recommendations thereon to the Board. Factors to consider include but not limited to gender, age, culture, education background, and experience of occupation;

- searching candidates for directorship and recommending candidates to the Board;

- reviewing the independence of the independent non-executive Directors; and

- making recommendations to the Board on matters relating to the appointment or reappointment of Directors, and succession planning for Directors.

A total of two Nomination Committee meetings were convened during the period from the Listing Date to 31 December 2014. The attendance rate of the members is as follows:

Members	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Liu Yunjie	2	—	100%
Wang Wenjing	2	—	100%
Chen, Kevin Chien-wen	2	—	100%

The Details of the meetings are as follows:

At the 2014 first meeting of the first session of the Nomination Committee held on 16 July 2014, the Committee considered and approved the resolutions in relation to the nomination of Wang Wenjing and Wu Zhengping as the candidates for the non-executive Directors of the second session of the Board; considered and approved the resolution in relation to the nomination of Zeng Zhiyong as the candidate for the executive Director of the second session of the Board; considered and approved the resolutions in relation to the nomination of Liu Yunjie, Chen, Kevin Chien-wen and Lau, Chun Fai Douglas as the candidates for the independent non-executive Directors of the second session of the Board.

At the 2014 second meeting of the first session of the Nomination Committee held on 4 September 2014, the Committee considered and approved the resolution in relation to the appointment of Mr. Zeng Zhiyong as the president of the Company; considered and approved the resolutions in relation to the appointment of other senior management of the Company, proposed to appoint Mr. Sun Guoping and Mr. Cheng Gang as senior vice presidents of the Company, appoint Ms. Zou Dan as senior vice president and chief financial officer of the Company, appoint Mr. Ji Xiangfeng, Mr. Cai Jinsong and Mr. Mo Junqi as vice presidents of the Company, and appoint Mr. You Hongtao as the secretary to the Board.

BOARD DIVERSITY POLICY

The Board of the Company adopts the following board diversity policy:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered against objective criteria, together with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in the business development and strategic planning of the Company, and also the merits and contribution to be made by the selected candidates. The composition of the Board (including gender, age and length of service) will be disclosed in the Corporate Governance Report annually.

CORPORATE GOVERNANCE FUNCTIONS

During the Reporting Period, the Board carried out following works to ensure the compliance of its corporate governance with the requirements of the laws and regulations in Hong Kong during the process of the H share listing of the Company, which included: (1) the amendment of the Articles of Association; meanwhile, formulation of corporate governance documents such as the Rules of Procedures for the Board, the Working Rules for the Audit Committee, the Working Rules for the Remuneration and Appraisal Committee, the Working Rules for the Nomination Committee, the Working Rules for the Strategic Committee, the Working System for the Independent Directors, the Working Rules for General Manager, Administrative Measures for Information Disclosure and Administrative Measures for Connected Transactions; (2) review and supervision of policies and practices regarding the compliance of laws and regulatory requirements; (3) organization of all Directors, Supervisors and senior management to carry out training of the corporate governance and sustainable professional development.

AUDITOR'S REMUNERATION

Ernst & Young was the reporting accountant during the listing of the Company. Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international auditor and the PRC auditor of the Company for 2014, respectively. For the year ended 31 December 2014, Ernst & Young and Ernst & Young Hua Ming LLP, provided the following service charges to the Group: review service on the interim results amounting to RMB0.35 million, audit service on the annual results amounting to RMB1.03 million and review service on profit forecast for connected transactions amounting to RMB0.04 million.

JOINT COMPANY SECRETARIES

Mr. You Hongtao and Mr. Ngai Wai Fung were appointed as joint company secretaries of the Company. Mr. You Hongtao, the secretary of the Board and joint company secretary of the Company, serves as the primary contact person between Mr. Ngai Wai Fung and the Company. For the year ended 31 December 2014, Mr. You and Mr. Ngai attended relevant professional trainings for not less than 15 hours.

SHAREHOLDERS' RIGHT

As the owners of the Company, Shareholders are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The general meeting is the supreme authority of the Company, through which Shareholders exercise their power. During the Reporting Period, the Company held four general meetings.

The Board and senior management of the Company understand that they are representing the overall interest of all the Shareholders of the Company and their first priority is to maintain the stable and continuous growth of Shareholders' investment return in the long run and enhance the competitiveness of the business.

The procedure for Shareholders to convene a general meeting:

Shareholders holding more than 10% of shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting upon signing one or several written requests with the same content and format, and stating the subject of the meeting. If the Board agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon making the Board decision. If the Board disagrees to convene the extraordinary general meeting or class meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or together holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to hold an extraordinary general meeting or class meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon making the decision. If the supervisory committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the supervisory committee not convening and not holding the general meeting. Then the Shareholders who individually or together hold more than 10% of the shares for more than 90 consecutive days may convene and hold the meeting themselves.

The procedure for proposing suggestions by relevant Shareholders at the general meeting:

Shareholder(s) severally or jointly holding more than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of such proposal and announce the contents of provisional proposals.

The procedure for enquiry from Shareholders to the Board:

Shareholders may make enquiries to the Board through contact information for investors in the section contained in "Corporate Information" of this annual report.

INTERNAL CONTROL SYSTEM

During the Reporting Period, in order to fulfill the relevant regulatory requirements of the place where the Company is listed and strengthen the internal control management of the Company, the Company has established a range of internal control management systems, including documents such as "Administrative System for Information Disclosure", "Administrative System for Connected Transactions", "Working System for the Independent Directors", "Administrative System for Financial Reports", "Funds Management System", "Administrative System for Procurement", "Administrative System for Budget", "Internal Audit System" and "Risk Management System", thus establishing the internal control system.

The Directors have reviewed the effectiveness of the internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the Corporate Governance Code and Corporate Governance Report. The review covered financial control, operation control and compliance control, and risk management function control. Meanwhile, The Company appointed SHINEWING Risk Services Limited as the independent internal control advisor to review the internal control in material aspects of the Company for 2014 and issued the internal control review report. The report was considered and approved by the Board.

No material internal control defect was identified within the Company and its subsidiaries.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Company highly valued investor relations and communicated with its investors and Shareholders in a pro-active, honest and open manner through a number of formal channels including general meetings, results announcement roadshows, in-house visits for investors and by way of telephone and emails for inquiry. The Board has formulated shareholders communications policies.

The Company issues annual report and interim report and dispatches them to the Shareholders. The Company also publishes its announcements, circulars and other information on its website (www.chanjet.com).

To provide more effective channels of communication, the Company updates its website from time to time and releases corporate information on its website when appropriate.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the period from the Listing Date to 31 December 2014, the Company did not amend the Articles of Association. The Articles of Association was uploaded to the websites of the Hong Kong Stock Exchange and the Company.

To the shareholders of Chanjet Information Technology Company Limited
(Incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Chanjet Information Technology Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 74 to 162, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
19 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2014 RMB'000	2013 RMB'000
		Year ended 31 December	
Revenue	6	335,075	311,929
Cost of sales and services provided	7	(25,515)	(27,013)
Gross profit		309,560	284,916
Other income and gains, net	6	82,357	72,802
Research and development costs	7	(74,932)	(61,264)
Selling and distribution expenses		(119,369)	(117,860)
Administrative expenses		(91,201)	(46,244)
Business tax and surcharges paid for interest on entrusted loans		–	(1,051)
Other expenses		(180)	(112)
Profit before tax	7	106,235	131,187
Income tax expense	8	(9,310)	(11,037)
Profit for the year		96,925	120,150
Attributable to:			
Owners of the parent	13	101,640	121,128
Non-controlling interests		(4,715)	(978)
		96,925	120,150
Earnings per share attributable to owners of the parent			
Basic *(cents)*	13	53.3	74.7
Diluted *(cents)*	13	53.3	74.7

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**96,925**	120,150
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(76)**	(126)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(76)**	(126)
Other comprehensive income for the year, net of tax	**(76)**	(126)
Total comprehensive income for the year, net of tax	**96,849**	120,024
Attributable to		
Owners of the parent	**101,564**	121,002
Non-controlling interests	**(4,715)**	(978)
	96,849	120,024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 RMB'000	2013 RMB'000
		31 December	
Non-current assets			
Property, plant and equipment	14	15,893	6,851
Intangible assets	15	110,077	83,016
Available-for-sale equity investments	17	19,900	10,000
Deferred tax assets	18	4,470	5,084
Total non-current assets		150,340	104,951
Current assets			
Inventories	19	1,175	567
Trade and bills receivables	20	534	1,001
Prepayments, deposits and other receivables	21	13,140	5,872
Due from related parties	32(c)	6,820	—
Cash and cash equivalents	22	1,171,430	502,952
Available-for-sale investments	23	—	70,000
Total current assets		1,193,099	580,392
Current liabilities			
Trade payables	24	5,539	3,509
Other payables and accruals	25	82,589	70,568
Due to related parties	32(c)	—	16,839
Tax payable		10,455	7,748
Deferred income	26	—	13,218
Provision	27	—	2,819
Total current liabilities		98,583	114,701
Net current assets		1,094,516	465,691
Total assets less current liabilities		1,244,856	570,642

		31 December	
	Notes	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deferred tax liabilities	18	777	—
Total non-current liabilities		777	—
Net assets		1,244,079	570,642
Equity attributable to owners of the parent			
Issued capital	28	217,182	162,182
Reserves	29	922,989	282,364
Proposed final dividend	12	84,701	102,174
		1,224,872	546,720
Non-controlling interests		19,207	23,922
Total equity		1,244,079	570,642

The consolidated financial statements set out on pages 74 to 162 were approved and authorized for issue by the Board on 19 March 2015, and were signed on its behalf by:

Wang Wenjing	**Zeng Zhiyong**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Issued capital	Capital reserve*/(i)	Merger reserve*	Capital contribution*/(ii)	Statutory reserve*/(iii)	Exchange fluctuation reserve*	Retained profits/ (Accumulated loss)*	Proposed final dividend	Total	Non-controlling interests(iv)	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 31 December 2012 and 1 January 2013	162,182	247,033	19,415	545	27,366	20	(11,424)	87,578	532,715	–	532,715
Profit for the year	–	–	–	–	–	–	121,128	–	121,128	(978)	120,150
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(126)	–	–	(126)	–	(126)
Total comprehensive income for the year	–	–	–	–	–	(126)	121,128	–	121,002	(978)	120,024
Capital contribution from non-controlling interests (iv)	–	–	–	–	–	–	–	–	–	24,900	24,900
Transfer from retained profits	–	–	–	–	12,487	–	(12,487)	–	–	–	–
Final 2012 dividend declared	–	–	–	–	–	–	–	(87,578)	(87,578)	–	(87,578)
Proposed final 2013 dividend *(note 12)*	–	–	–	–	–	–	(102,174)	102,174	–	–	–
Distribution to shareholders related to the acquisition of the PaaS business (v)	–	–	(19,419)	–	–	–	–	–	(19,419)	–	(19,419)
As at 31 December 2013	162,182	247,033	(4)	545	39,853	(106)	(4,957)	102,174	546,720	23,922	570,642

* These reserve accounts comprise the consolidated reserves of RMB282,364,000 in the consolidated statements of financial position as at 31 December 2013.

	Attributable to owners of the parent										
	Issued capital	Capital reserve*/(i)	Merger reserve*	Capital contribution*/(ii)	Statutory reserve*/(iii)	Exchange fluctuation reserve*	Retained profits/ (Accumulated loss)*	Proposed final dividend	Total	Non-controlling interests(iv)	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 31 December 2013 and 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 year	–	–	–	–	–	–	101,640	–	101,640	(4,715)	96,925
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(76)	–	–	(76)	–	(76)
Total comprehensive income for the year	–	–	–	–	–	(76)	101,640	–	101,564	(4,715)	96,849
Issue of shares (vi)	55,000	660,285	–	–	–	–	–	–	715,285	–	715,285
Share issue expenses	–	(36,523)	–	–	–	–	–	–	(36,523)	–	(36,523)
Final 2013 dividend declared	–	–	–	–	–	–	–	(102,174)	(102,174)	–	(102,174)
Proposed final 2014 dividend *(note 12)*	–	–	–	–	–	–	(84,701)	84,701	–	–	–
Transfer from retained profits	–	–	–	–	11,562	–	(11,562)	–	–	–	–
As at 31 December 2014	217,182	870,795	(4)	545	51,415	(182)	420	84,701	1,224,872	19,207	1,244,079

* These reserve accounts comprise the consolidated reserves of RMB922,989,000 in the consolidated statements of financial position as at 31 December 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 accordance with the Chinese Company Law, the Group is required to make appropriation to a Statutory Reserve Fund ("**SRF**"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the respective subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

iv) Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") was established as a limited liability company in the PRC on July 29 2013 with the registered capital of RMB100,000,000. Chanjet Payment was owned as to 75.1%, 9.9%, 9% and 6% by the Company, Shanghai Tongjin Investment Co., Ltd. (上海通金投資有限公司), 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)), respectively.

v) The changes in merger reserve account are due to the Acquisition of the PaaS business from Yonyou Network Technology Co., Ltd. ("**YONYOU**") in December 2013. Please refer to Note 30 for the background information of the acquisition.

vi) 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 HK$900,965,228 (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.

		Year ended 31 December	
		2014	2013
	Notes	RMB'000	RMB'000
Operating activities			
Profit before tax		106,235	131,187
Adjustments for:			
Exchange (gains)/losses, net		2,598	1
Interest income	6	(11,572)	(1,252)
Depreciation items of property, plant and equipment	7	3,879	2,228
Amortisation of intangible assets and other non-current assets	7	10,295	187
Impairment of trade receivables		—	20
Gains on disposal of property, plant and equipment		(16)	(24)
Business tax and surcharges paid for interest on entrusted loans		—	1,051
Interest on entrusted loans	6	—	(19,117)
Interest on financial investments	6	(3,563)	(627)
Gains on financial investments	6	(3,925)	(863)
Expensed listing fees	7	24,138	7,120
		128,069	119,911
(Increase)/decrease in trade receivables		(233)	658
(Increase)/decrease in bills receivable		700	(400)
(Increase)/decrease in prepayments, deposits, and other receivables		(7,635)	19,466
(Increase)/decrease in receivables due from related parties		(6,820)	417
(Increase) in inventories		(608)	(237)
Increase/(decrease) in trade payables		170	(3,283)
Increase/(decrease) in other payables and accruals		12,737	(13,530)
Increase/(decrease) in payables due to related parties		(16,839)	850
Increase/(decrease) in deferred income		(13,218)	6,658
Increase/(decrease) in provision	27	(2,819)	2,819

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash generated from operations		93,504	133,329
Interest received		9,977	1,252
Income taxes paid		(5,230)	(12,494)
Net cash flows from operating activities		98,251	122,087
Investing activities			
Purchases of items of property, plant and equipment		(12,918)	(4,867)
Additions to intangible assets		(36,593)	(70,556)
Purchases of financial investments		(371,000)	(180,000)
Entrusted loans to the holding company		–	(1,400,000)
Business tax and surcharges paid for interest on entrusted loans		–	(1,051)
Purchases of available-for-sale equity investments		(9,900)	(10,000)
Proceeds from the disposal of items of property, plant and equipment		63	44
Proceeds from disposal of financial investments		371,000	180,000
Repayment of entrusted loans to the holding company		–	1,400,000
Interest on entrusted loans		–	19,117
Interest on financial investments		3,563	627
Gains on financial investments		3,925	863
Net cash flows used in from investing activities		(51,860)	(65,823)

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from issue of shares		715,285	—
Contribution from equity owners		—	24,900
Dividends paid		(102,174)	(87,578)
Listing fees paid		(58,426)	(4,740)
Net cash flows generated/(used in) from financing activities		554,685	(67,418)
Net increase/(decrease) in cash and cash equivalents		601,076	(11,154)
Cash and cash equivalents at the beginning of year		572,952	584,107
Effect of foreign exchange rate changes, net		(2,598)	(1)
Cash and cash equivalents at the end of year		1,171,430	572,952
Analysis of balances of cash and cash equivalents			
Cash on hand	22	304	36
Bank balances	22	717,150	502,916
Non-pledged time deposits	22	453,976	—
Cash and cash equivalents as stated in the statement of financial position		1,171,430	502,952
Available-for-sale investments	23	—	70,000
Cash and cash equivalents as stated in the statement of cash flows		1,171,430	572,952

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	13,890	4,818
Intangible assets	15	110,594	82,988
Investments in subsidiaries	16	99,872	99,872
Available-for-sale equity investments	17	19,900	10,000
Deferred tax assets	18	4,470	4,969
Total non-current assets		248,726	202,647
Current assets			
Inventories	19	687	419
Trade and bills receivables	20	85	740
Prepayments, deposits and other receivables	21	12,913	5,725
Due from related parties	32(c)	6,820	—
Cash and cash equivalents	22	1,074,980	469,370
Total current assets		1,095,485	476,254
Current liabilities			
Trade payables	24	5,068	3,508
Other payables and accruals	25	77,553	67,691
Due to related parties	32(c)	6,335	31,994
Tax payable		10,345	7,748
Deferred income	26	–	13,218
Provision	27	–	2,819
Total current liabilities		99,301	126,978
Net current assets		996,184	349,276
Total assets less current liabilities		1,244,910	551,923

	Notes	31 December 2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deferred tax liabilities	18	777	—
Total non-current liabilities		777	—
Net assets		1,244,133	551,923
Equity attributable to owners of the parent			
Issued capital	28	217,182	162,182
Reserves	29	942,250	287,567
Proposed final dividend	12	84,701	102,174
Total equity		1,244,133	551,923

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, consultation, transfer, service and training of computer software, hardware and external devices, the sale of typing paper, computer consumables, computer software, hardware and external devices, 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 and the ultimate holding company of the Company is Beijing Yonyou Technology Co., Ltd. which is incorporated in the PRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for share options and available-for-sale investments, which have been measured at fair value. They are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impact of new and amended International Financial Reporting Standards

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is 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.

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS13 on the recoverable amount of cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the Reporting Period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impact of new and amended International Financial Reporting Standards (Continued)

New and amended standards and interpretations (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. The interpretation has had 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)

New and amended standards and interpretations (Continued)

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS11	*Accounting for Acquisitions of Interests in Joint Operation*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]
Amendments to IAS 1	*Presentation of Financial Statements*[2]
Amendments to IFRS10, IFRS 12 and IAS 28	*Applying the Consolidation Exception*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

The Group measures its equity investments at fair value at the end of each Reporting Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the assets recoverable amount is estimated. An asset's recoverable amount is the higher of the asset or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Reporting Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	16.2%
Office equipment, furniture and fittings	20-100%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately including the intangible assets acquired from related party are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyright

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products over five years, commencing from the date when the products are put into commercial production.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each Reporting Period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each Reporting Period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and an amount due to related party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the Reporting Period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Reporting Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Reporting Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Reporting Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each Reporting Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Reporting Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Reporting Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as deferred income and released to the statement of profit or loss over the expected useful life of the related asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, over the service terms as the service are rendered, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised over the service terms as the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Company's US employees who participate in the 401(k) Plan may contribute pre-tax compensation subject to Internal Revenue Service limitations and the terms and conditions of the 401(k) Plan. Both the participation from the employees and the matching contribution from the US subsidiary into the 401(k) Plan are not required but optional.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Reporting Period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the Reporting Period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the Reporting Period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the Reporting Period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Reporting Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of loans and receivables

The Group assesses at the end of each Reporting Period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which the estimate has been changed.

The carrying amounts of the Group's loans and receivables at the end of each Reporting Period are disclosed in note 33 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each Reporting Period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Deferred tax liabilities are recognised for withholding tax refund. Significant management judgement is required to determine the amount of deferred tax assets and liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Fair value of available-for-sale investments

The available-for-sale investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(e) Depreciation of items of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within one to six years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(f) Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 3 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

(g) Intangible assets useful life

The useful lives of software are estimated based on historical experience, which include actual useful lives of similar assets and changes in technology.

(h) Write-down of inventories to net realisable value

The write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values or inventories are obsolete and unsalable. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(i) Current income tax

Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, the provision of software and services as well as other related products. Therefore, no analysis by operating segment is presented.

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of software in Mainland China and 99% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each year, no major customer segment information is presented in accordance with IFRS 8 Operating Segments.

6. 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 year:

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of software	301,888	291,475
Rendering of services	31,088	15,380
Sale of purchased goods	2,099	5,074
	335,075	311,929
Other income and gains		
Value-added tax refunds	38,585	43,683
Government grants	18,106	7,217
Interest income	11,572	1,252
Interest on entrusted loans	—	19,117
Interest on financial investments	3,563	627
Gains on financial investments	3,925	863
Others	6,606	43
Total	82,357	72,802

7. PROFIT BEFORE TAX

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

		Year ended 31 December	
		2014	2013
	Notes	*RMB'000*	*RMB'000*
Cost of software sold		12,487	13,204
Cost of service rendered		11,625	9,535
Cost of purchased goods sold		1,403	4,274
Total cost of sales		25,515	27,013
Depreciation	14	3,879	2,228
Amortisation of intangible assets	15	10,295	187
Research and development costs		74,932	61,264
Auditors' remuneration		1,420	25
Listing expenses		24,138	7,120
Employee benefits expenses (including directors', supervisors' and chief executive's remuneration other than below):		182,379	157,037
Pension schemes contribution		15,344	16,329
		197,723	173,366
Less: Employee benefit expenses being capitalised in intangible assets		(31,786)	(48,085)
		165,937	125,281

8. INCOME TAX

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Current tax		**7,919**	12,961
Deferred tax	18	**1,391**	(1,924)
Total tax charge for the year		**9,310**	11,037

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% are applied to the Group for the years ended 31 December 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 a 50% relief for the three years thereafter. Therefore the Company was exempted from income tax in the years 2010 and 2011 and enjoyed 50% relief in the years 2012, 2013 and 2014.

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 rates of 16.5% for the years ended 31 December 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 for the years ended 31 December 2013 and 2014.

The subsidiary incorporated in USA is subject to income tax at the rates of 23.84% and 36.08% respectively for the years ended 31 December 2013 and 2014.

8. INCOME TAX (Continued)

A reconciliation of the income tax expense applicable to profit before tax at the respective applicable rates for the Company and its subsidiaries to the income tax expense at the effective tax rate are as follows:

	Year ended 31 December 2014							
	China		Hong Kong		USA		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	104,789		(34)		1,480		106,235	
Tax at the applicable tax rate	26,197	25.0	(6)	16.5	534	36.1	26,725	25.2
Expenses not deductible for tax *(note 1)*	355	0.3	–	–	–	–	355	0.3
Effect of tax incentives *(note 2)*	(8,390)	(8.0)	–	–	–	–	(8,390)	(7.9)
Effect of tax exemption *(note 3)*	(14,120)	(13.5)	–	–	–	–	(14,120)	(13.3)
Tax losses not recognised	4,734	4.5	6	(16.5)	–	–	4,740	4.5
Income tax expense for the year	8,776	8.4	–	–	534	36.1	9,310	8.8

8. INCOME TAX (Continued)

	Year ended 31 December 2013							
	China		Hong Kong		USA		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	131,868		(200)		(481)		131,187	
Tax at the applicable tax rate	32,967	25.0	(33)	16.5	(115)	23.8	32,819	25
Expenses not deductible for tax *(note 1)*	1,748	1.3	–	–	–	–	1,748	1.3
Effect of tax incentives *(note 2)*	(7,444)	(5.7)	–	–	–	–	(7,444)	(5.7)
Effect of tax exemption *(note 3)*	(17,100)	(13.0)	–	–	–	–	(17,100)	(13.0)
Tax losses not recognised	981	0.7	33	(16.5)	–	–	1,014	0.8
Income tax expense for the year	11,152	8.5	–	–	(115)	23.8	11,037	8.4

notes:

(1) Expenses not deductible for tax mainly comprised entertainment expenses exceeding the deductible limit and other non-qualified deductible expenses.

(2) Effect of tax incentives represented income tax benefits on research and development expenditure.

During 2013 and 2014, the Company received the approval of enjoying an additional 50% deduction of research and development expenditure during the tax declaration.

(3) Effect of tax exemption represented amounts due to income tax exemption in the year. The Company was identified as a software enterprise since its establishment in March 2010, which was entitled to an exemption from income tax for the two years commencing from its first profit-making year and a 50% relief for the three years thereafter. Therefore, the Company enjoyed 50% relief in the years 2013 and 2014. In addition, 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% income tax rate in the corresponding years. High-technology enterprises were also entitled to deduct qualifying research and development expense from taxable profit.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE REMUNERATION

Directors', supervisors' and chief executive's remuneration for the years, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Fees	570	450
Other emoluments:		
Salaries, allowances and benefits in kind	1,288	1,015
Performance-related bonuses	1,069	115
Social security contribution other than pension*	128	88
Pension scheme contributions**	104	74
	3,159	1,742

* The social security contributions other than pension represented the Group's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

** The pension scheme contributions represented the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE REMUNERATION (Continued)

(a) Independent non-executive directors

Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas were appointed as independent non-executive directors of the Group on 8 September 2011 and reappointed on 4 September 2014. The fees paid to independent non-executive directors for the year are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Mr. Liu Yunjie	**150**	150
Mr. Chen, Kevin Chien-wen	**150**	150
Mr. Lau, Chun Fai Douglas	**150**	150
	450	450

(b) Executive and non-executive directors

The Group's board of directors was comprised of one (2013: one), executive director whose name was Mr. Zeng Zhiyong and two (2013: two) non-executive directors whose names were Mr. Wang Wenjing and Mr. Wu Zhengping. Only Mr. Zeng Zhiyong received emoluments from the Group during the year, which are set out as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**842**	801
Performance-related bonuses	**956**	77
Social security contribution other than pension*	**48**	44
Pension scheme contributions**	**40**	37
	1,886	959

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE REMUNERATION (Continued)

(c) Chief executive

Mr. Zeng Zhiyong was also the chief executive of the Company.

(d) Supervisors

Year ended 31 December 2014	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contribution other than pension	Pension scheme contributions	Total
Shareholder Representative Supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr. Wang Jialiang	–	–	–	–	–	–
Independent Supervisors:						
Mr. Ruan Guangli	60	–	–	–	–	60
Mr. Ma Yongyi	60	–	–	–	–	60
Employee Representative Supervisors:						
Mr. Deng Xuexin	–	179	39	32	26	276
Mr. Fang Quan***	–	149	33	27	21	230
Mr. Zhang Wei***	–	118	41	21	17	197
	120	446	113	80	64	823

*** As at 30 July 2014, Mr. Fang Quan resigned and Mr. Zhang Wei was appointed as Employees Representative Supervisors of the Company.

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE REMUNERATION (Continued)

(d) Supervisors (Continued)

Year ended 31 December 2013	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contribution other than pension	Pension scheme contributions	Total
Shareholder Representative Supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr. Li Weimin****	–	–	–	–	–	–
Mr. Zhang Peilin****	–	–	–	–	–	–
Employee Representative Supervisors:						
Mr. Xu Hongxing	–	214	38	44	37	333
	–	214	38	44	37	333

**** As at 11 April 2013, Mr. Li Weimin resigned and Mr. Zhang Peilin was appointed as shareholder representative supervisors of the Company.

10. FIVE HIGHEST PAID EMPLOYEES

The five employees with the highest remuneration in the Group for the years were as follows:

The five highest paid employees for the year include one director (2013: one), Mr. Zeng Zhiyong, details of whose remuneration are set out in note 9 above. Details of the remuneration for the years of the remaining four highest paid employees who are not a director, a supervisor, or a chief executive of the Company are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,789**	2,513
Performance-related bonuses	**1,031**	1,023
Social security contribution other than pension	**343**	212
Pension scheme contributions	**177**	176
	8,340	3,924

During the years ended 31 December 2013 and 2014, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals has waived any remuneration during the years ended 31 December 2013 and 2014.

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2014	2013
Nil to RMB787,550 (equivalent to HK$0 to HK$1,000,000)	**–**	3
RMB787,551 to RMB1,181,325 (equivalent to HK$1,000,001 to HK$1,500,000)	**–**	1
RMB1,181,326 to RMB1,575,100 (equivalent to HK$1,500,001 to HK$2,000,000)	**2**	–
RMB1,575,101 to RMB1,968,785 (equivalent to HK$2,000,001 to HK$2,500,000)	**–**	–
RMB1,968,876 to RMB2,362,650 (equivalent to HK$2,500,001 to HK$3,000,000)	**–**	–
RMB2,362,651 to RMB2,756,425 (equivalent to HK$3,000,001 to HK$3,500,000)	**1**	–
RMB2,756,426 to RMB3,150,200 (equivalent to HK$3,500,001 to HK$4,000,000)	**1**	–
	4	4

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent includes profits of RMB124,870,000 and RMB115,622,000 for the years ended 31 December 2013 and 2014, respectively, which have been dealt with in the financial statements of the Company.

12. DIVIDENDS

The dividends for the years ended 31 December 2013 and 2014 are set out below:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Proposed final		
— 2014: RMB39.0 cents/share		
— 2013: RMB63.0 cents/share		
	84,701	102,174

The proposed final dividend for the year 2014 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividends for the years ended 31 December 2013 and 2014 are based on the total numbers of ordinary shares of 162,182,666 and 217,182,666, respectively.

13. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 190,661,118 (2013: 162,181,666) during the year ended 31 December 2014 in issue, as adjusted to reflect the new shares issued during the year 2014.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 year, 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 years ended 31 December 2013 and 2014.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**101,640**	121,128
Shares		
Weighted average number of ordinary shares in issue during the year used in the calculation of basic earnings per share	**190,661,118**	162,181,666

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Office equipment, furniture and fittings RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2014	13,668	1,069	14,737
Additions	13,730	1	13,731
Disposals	(1,453)	—	(1,453)
At 31 December 2014	25,945	1,070	27,015
Accumulated depreciation:			
At 1 January 2014	(7,399)	(487)	(7,886)
Charge for the year	(4,468)	(173)	(4,641)
Disposals	1,405	—	1,405
At 31 December 2014	(10,462)	(660)	(11,122)
Net book value:			
At 31 December 2014	15,483	410	15,893
Cost:			
At 1 January 2013	9,680	829	10,509
Additions	4,231	240	4,471
Disposals	(243)	—	(243)
At 31 December 2013	13,668	1,069	14,737
Accumulated depreciation:			
At 1 January 2013	(4,881)	(317)	(5,198)
Charge for the year	(2,741)	(170)	(2,911)
Disposals	223	—	223
At 31 December 2013	(7,399)	(487)	(7,886)
Net book value:			
At 31 December 2013	6,269	582	6,851

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Office equipment, furniture and fittings	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2014	**11,713**	**829**	**12,542**
Additions	**13,537**	**–**	**13,537**
Disposals	**(2,653)**	**–**	**(2,653)**
At 31 December 2014	**22,597**	**829**	**23,426**
Accumulated depreciation:			
At 1 January 2014	**(7,273)**	**(451)**	**(7,724)**
Charge for the year	**(3,797)**	**(134)**	**(3,931)**
Disposals	**2,119**	**–**	**2,119**
At 31 December 2014	**(8,951)**	**(585)**	**(9,536)**
Net book value:			
At 31 December 2014	**13,646**	**244**	**13,890**
Cost:			
At 1 January 2013	9,680	829	10,509
Additions	2,276	–	2,276
Disposals	(243)	–	(243)
At 31 December 2013	11,713	829	12,542
Accumulated depreciation:			
At 1 January 2013	(4,881)	(317)	(5,198)
Charge for the year	(2,615)	(134)	(2,749)
Disposals	223	–	223
At 31 December 2013	(7,273)	(451)	(7,724)
Net book value:			
At 31 December 2013	4,440	378	4,818

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year 2014, the total amount of depreciation of property, plant and equipment for the Group was RMB4,641,000 of which an amount of RMB3,879,000 was charged to the statement of profit or loss, and an amount of RMB762,000 was capitalized into deferred development costs.

During the year 2013, the total amount of depreciation of property, plant and equipment for the Group was RMB2,749,000 of which an amount of RMB2,228,000 was charged to the statement of profit or loss, and an amount of RMB521,000 was capitalized into deferred development costs.

15. INTANGIBLE ASSETS

Group

	Software copyrights	Cloud application and platform	Deferred development costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	1,428	–	81,077	511	83,016
Additions	1,132	–	35,679	545	37,356
Transfer	–	98,309	(98,309)	–	–
Amortisation	(242)	(9,831)	–	(222)	(10,295)
At 31 December 2014	2,318	88,478	18,447	834	110,077
At 31 December 2014:					
Cost	2,982	98,309	18,447	1,113	120,851
Accumulated amortisation	(664)	(9,831)	–	(279)	(10,774)
Net carrying amount	2,318	88,478	18,447	834	110,077
At 1 January 2013	1,008	–	28,392	542	29,942
Additions	550	–	52,685	26	53,261
Amortisation	(130)	–	–	(57)	(187)
At 31 December 2013	1,428	–	81,077	511	83,016
At 31 December 2013:					
Cost	1,850	–	81,077	568	83,495
Accumulated amortisation	(422)	–	–	(57)	(479)
Net carrying amount	1,428	–	81,077	511	83,016

15. INTANGIBLE ASSETS (Continued)

Company

	Software copyrights RMB'000	Cloud application and platform RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	1,426	—	81,077	485	82,988
Additions	884	—	36,442	543	37,869
Transfer	—	98,309	(98,309)	—	—
Amortisation	(234)	(9,831)	—	(198)	(10,263)
At 31 December 2014	2,076	88,478	19,210	830	110,594
At 31 December 2014:					
Cost	2,733	98,309	19,210	1,113	121,365
Accumulated amortisation	(657)	(9,831)	—	(283)	(10,771)
Net carrying amount	2,076	88,478	19,210	830	110,594
At 1 January 2013	1,008	—	28,392	542	29,942
Additions	548	—	52,685	—	53,233
Amortisation	(130)	—	—	(57)	(187)
At 31 December 2013	1,426	—	81,077	485	82,988
At 31 December 2013:					
Cost	1,848	—	81,077	570	83,495
Accumulated amortisation	(422)	—	—	(85)	(507)
Net carrying amount	1,426	—	81,077	485	82,988

16. INVESTMENTS IN SUBSIDIARIES

Company

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Unlisted investments, at cost	99,872	99,872

Particulars of the subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentageof equity attributable to the Company Direct	Indirect	Principal activities
Chanjet Information Technology (Hong Kong) Limited *(note (a))*	Hong Kong 22 Aug 2012	USD1,000,000	100	–	Selling of computer software and hardware
Chanjet Information Technology Corporation *(note (b))*	California, USA 5 Nov 2012	USD9,500,000 *(note(c))*	100	–	Technical development of computer software
Chanjet Payment *(note (d))*	Beijing, China 29 Jul 2013	RMB100,000,000	75.10	—	Technical development of computer software

notes:

(a) The statutory financial statements of this entity prepared under Hong Kong Financial Reporting Standards ("**HKFRSs**"), comprising the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2014 and the statement of financial position as at 31 December 2014 together with the notes thereto, were audited by ShineWing, certified public accountants registered in Hong Kong.

(b) No audited financial statements have been prepared for this entity since its establishment, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(c) The paid-in capital of Chanjet Information Technology Corporation as at 31 December 2014 was USD3,000,000.

(d) For details, please refer to note (iv) to consolidated statement of changes in equity.

17. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

Group and Company

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Unlisted investments, at cost	**19,900**	10,000

As at 31 December 2013 and 2014, the unlisted investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Details of the unlisted investments are as follow:

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

18. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Group

Deferred tax liabilities

	Unreceived value-added tax refunds
	RMB'000
At 31 December 2013	—
Deferred tax charged to the statement of profit or loss during the year	777
At 31 December 2014	777

Deferred tax assets

	Accrued payroll	Accrued expenses	Deferred revenue	Government grants	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	1,879	398	227	656	–	3,160
Deferred tax credited to the statement of profit or loss during the year	309	171	983	346	115	1,924
At 31 December 2013	2,188	569	1,210	1,002	115	5,084
Deferred tax credited/(charged) to the statement of profit or loss during the year	438	315	(250)	(1,002)	(115)	(614)
At 31 December 2014	2,626	884	960	–	–	4,470

18. DEFERRED TAX (Continued)

Company

Deferred tax liabilities

	Unreceived value-added tax refunds *RMB'000*
At 31 December 2013	—
Deferred tax charged to the statement of profit or loss during the year	777
At 31 December 2014	777

Deferred tax assets

	Accrued payroll *RMB'000*	Deferred expenses *RMB'000*	Deferred revenue *RMB'000*	Government grants *RMB'000*	Total *RMB'000*
At 1 January 2013	1,879	398	227	656	3,160
Deferred tax credited to the statement of profit or loss during the year	309	171	983	346	1,809
At 31 December 2013	2,188	569	1,210	1,002	4,969
Deferred tax credited/(charged) to the statement of profit or loss during the year	438	315	(250)	(1,002)	(499)
At 31 December 2014	2, 626	884	960	–	4,470

18. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Tax losses not recognised	24,451	5,481

The Group has tax losses of RMB34,000 which arose in Hong Kong in 2014 that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose (2013: RMB200,000).

The Group has tax losses of RMB18,936,000 which arose in Mainland China in 2014 that will expire in one to five years for offsetting against future taxable profits (2013: RMB3,926,000).

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries since the management considers that it is not probable that taxable profits will be available against which the tax losses can be utilised.

19. INVENTORIES

Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Raw materials	687	419
POS equipment	488	148
	1,175	567

Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Raw materials	687	419
	687	419

20. TRADE AND BILLS RECEIVABLES

Group

		31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	(i)	534	301
Bills receivable	(ii)	–	700
		534	1,001

Company

		31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	(i)	85	40
Bills receivable	(ii)	–	700
		85	740

20. TRADE AND BILLS RECEIVABLES (Continued)

(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 are immaterial and the above balances related 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.

An aged analysis of the trade receivables based on the invoice date is as follows:

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 90 days	534	301
91 to 180 days	—	—
	534	301

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 90 days	85	40
91 to 180 days	—	—
	85	40

20. TRADE AND BILLS RECEIVABLES (Continued)

(i) Trade receivables (Continued)

The movements in provision for impairment of trade receivables are as follow:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
As at 1 January	20	–
Impairment losses recognised	–	20
Amount written off as uncollectible	(20)	–
	–	20

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	534	301
Less than one month past due	–	–
More than three months past due	–	–
	534	301

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Neither past due nor impaired	85	40
Less than one month past due	–	–
More than three months past due	–	–
	85	40

20. TRADE AND BILLS RECEIVABLES (Continued)

(i) Trade receivables (Continued)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a few independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(ii) Bills receivable

The maturity profile of the bills receivable of the Group is as follows:

Group and Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Within six months	**–**	700

There were no discounted or transferred bills receivable of the above balances, which are neither past due nor impaired.

The nature profile of the bills receivable of the Group is as follows:

Group and Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Bank acceptance bills	**–**	700

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	31 December 2014 RMB'000	31 December 2013 RMB'000
Staff advances	228	555
Deposit and other receivables	12,912	5,317
	13,140	5,872
Less: Impairment	–	–
	13,140	5,872

Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
Staff advances	178	452
Deposit and other receivables	12,735	5,273
	12,913	5,725
Less: Impairment	–	–
	12,913	5,725

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Cash on hand	304	36
Bank balances	717,150	502,916
Non-pledged time deposits	453,976	—
Cash and cash equivalents	1,171,430	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 values.

The Group's cash and bank balances are denominated in the following currencies:

	31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	769,618	494,998
US$	17,902	5,808
HK$	383,910	2,146
	1,171,430	502,952

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. CASH AND CASH EQUIVALENTS (Continued)

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Cash on hand	291	36
Bank balances	698,213	469,334
Non-pledged time deposits	376,476	—
Cash and cash equivalents	1,074,980	469,370

The Company's cash and bank balances are denominated in the following currencies:

	31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	691,463	469,370
HK$	383,517	—
	1,074,980	469,370

23. AVAILABLE-FOR-SALE INVESTMENTS

The amount of RMB70,000,000 as at 31 December 2013 was a current floating income product purchased from the Bank of Beijing by Chanjet Payment with an interest rate capped to 2.1%. It could be redeemed with a written notice to the bank one working day in advance.

24. TRADE PAYABLES

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

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**5,519**	3,107
90 days to 1 year	**8**	402
Over 1 year	**12**	—
	5,539	3,509

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**5,048**	3,106
90 days to 1 year	**8**	402
Over 1 year	**12**	—
	5,068	3,508

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

25. OTHER PAYABLES AND ACCRUALS

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Advances from customers	24,759	24,567
Tax payable (other than income tax)	12,282	13,963
Staff payroll and welfare payables	32,213	24,800
Other payables	13,335	7,238
	82,589	70,568

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Advances from customers	24,674	24,407
Tax payable (other than income tax)	12,543	14,181
Staff payroll and welfare payables	28,606	22,276
Other payables	11,730	6,827
	77,553	67,691

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

26. DEFERRED INCOME

Group and Company

	31 December 2014 RMB'000	31 December 2013 RMB'000
At beginning of the year	13,218	6,560
Received during the year	3,800	13,200
Recognised as other income and gains during the year	(17,018)	(6,542)
At end of the year	—	13,218
Portion classified as current liabilities:	—	13,218

27. PROVISION

Group and Company

Human capital restructuring:

	31 December 2014 RMB'000	31 December 2013 RMB'000
At beginning of the year	2,819	—
Additions	—	2,819
Amounts recognised during the year	(2,819)	—
At end of the year	—	2,819
Portion classified as current liabilities:	—	2,819

The Company proposed a restructuring of its human capital in December 2013, aiming to meet the needs of more skilled workers in the future especially in the development of its cloud services. The amount provided was paid off in the year 2014 as compensation to those who will be under the restructuring human capital plan.

28. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 31 December 2013 and 2014 are as follows:

	31 December 2014		31 December 2013	
	Number of shares	Nominal value	Number of shares	Nominal value
	'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 years ended 31 December 2013 and 2014 is as follows:

	31 December 2014		31 December 2013	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000 shares	*RMB'000*	*'000 shares*	*RMB'000*
At beginning of 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

Details of initial public offering of H shares are set out in the notes to the consolidated statements of changes in equity.

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statements of changes in equity.

Company

	Attributable to owners of the Parent					
	Capital reserve	Merger reserve	Capital contribution	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2013	247,033	19,415	545	27,366	(10,069)	284,290
Profit for the year	–	–	–	–	124,870	124,870
Proposed final 2013 dividend	–	–	–	–	(102,174)	(102,174)
Transfer from retained profits	–	–	–	12,487	(12,487)	–
Distribution to shareholders related to the acquisition of the PaaS business	–	(19,419)	–	–	–	(19,419)
As at 31 December 2013 and 1 January 2014	247,033	(4)	545	39,853	140	287,567
Profit for the year	–	–	–	–	115,622	115,622
Issue of shares	660,285	–	–	–	–	660,285
Share issue expenses	(36,523)	–	–	–	–	(36,523)
Proposed final 2014 dividend	–	–	–	–	(84,701)	(84,701)
Transfer from retained profits	–	–	–	11,562	(11,562)	–
As at 31 December 2014	870,795	(4)	545	51,415	19,499	942,250

30. BUSINESS COMBINATION

The Company entered into a business transfer agreement (the "**Business Transfer Agreement**") with its parent YONYOU on 20 December 2013 to acquire the business as well as the associated assets and benefits of the PaaS (the "**PaaS business**").

The PaaS business was first established in January 2012 by YONYOU and the corresponding R&D activities were in progress ever since.

30. BUSINESS COMBINATION (Continued)

The consideration under the Business Transfer Agreement was RMB20,739,596 (RMB19,418,900 excluding VAT) and fully paid up in cash by the end of 2013, according to the Business Transfer Agreement.

The relevant line items of the PaaS business as acquired are as follows:

Consolidated statement of financial position :

	31 December 2013 *RMB'000*
Non-current assets	19,415
Total assets	19,415
Net assets	19,415
Equity attributable to equity holders of the parent	19,415
Total equity	19,415

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

Group and Company

	31 December	
	2014 *RMB'000*	2013 *RMB'000*
Within one year	**1,446**	3,298
In the second to fifth years, inclusive	**176**	519
	1,622	3,817

32. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the years ended 31 December 2013 and 2014, the Group entered into the following significant transactions with related parties:

Nature of transaction/ Relationship/ Name of related party	Year ended 31 December 2014 RMB'000	2013 RMB'000
Purchases of goods and services from		
The holding company		
YONYOU	720	849
Fellow subsidiary of the holding company		
YONYOU YUNDA	37	–
	757	849
Sales of goods and services to		
The holding company		
YONYOU	–	170
Fellow subsidiaries of the holding company		
BEIJING WECOO E-COMMERCE CO., LTD. (北京偉庫電子商務科技有限公司)	–	61
YONYOU SEENTAO (用友新道科技有限公司)	–	504
	–	735
Rental expenses paid to		
The holding companies		
YONYOU	3,857	5,063
YONYOU YUNDA	914	1,663
	4,771	6,726
Other transaction		
Fellow subsidiary of the holding company		
YONYOU MOBILE*	6,434	–

* It represented a gain from the transfer of Wang Pu business with a total consideration of RMB6,820,000 less VAT tax of RMB386,000.

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

32. RELATED PARTY DISCLOSURES (Continued)

(b) Loans to related parties

Relationship/ Name of related party		Year ended 31 December 2014 RMB'000	2013 RMB'000
The holding company			
YONYOU	Interest	–	19,117
	Loans	–	1,400,000

The loans granted to YONYOU are intended to fund YONYOU's working capital and were unsecured. None of loans was granted to related parties for the year ended 31 December 2014.

During 2013, the amount of RMB350,000,000 was granted on 15 January 2013 and repaid in full on 29 March 2013, with an interest rate of 5.85%. The amount of RMB350,000,000 was granted on 1 April 2013 and repaid in full on 28 June 2013, with an interest rate of 5.85%. The amount of RMB350,000,000 was granted on 1 July 2013 and repaid in full on 30 September 2013, with an interest rate of 5.60%, and the amount of RMB350,000,000 was granted on 1 October 2013 and repaid in full on 31 December 2013, with an interest rate of 5.6%.

32. RELATED PARTY DISCLOSURES (Continued)

(c) Outstanding balances with related parties

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

Due from related party

Group and Company

Relationship/ Name of related party	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade related:		
Fellow subsidiary of the holding company		
YONYOU Mobile	6,820	–
	6,820	–

The amount due from related party was unsecured, interest-free and repayable on demand.

Due to related parties

Group

Relationship/ Name of related party	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade related (advances from related party):		
The holding company		
YONYOU	–	7
Trade related (payables to related party):		
The holding company		
YONYOU	–	16,832
	–	16,839

32. RELATED PARTY DISCLOSURES (Continued)

(c) Outstanding balances with related parties (Continued)

Due to related parties (Continued)

Company

Relationship/ Name of related party	31 December 2014 RMB'000	2013 RMB'000
Trade related (advances from related party):		
The holding company		
YONYOU	–	7
	–	7
Trade related (payables to related party):		
The holding company		
YONYOU	–	16,832
Subsidiary of the company		
Chanjet Information Technology (Hong Kong) Limited	1,280	–
Chanjet Information Technology Corporation	5,055	15,155
	6,335	31,994

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

(d) Compensation of key management personnel of the Group

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Short term employee benefits	11,229	5,782
Post-employment benefits	387	403
Total compensation to key management personnel	11,616	6,185

Further details of directors', supervisors' and the chief executive's emoluments are included in note 9 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2013 and 2014 are as follows:

Group

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
Trade and bills receivables	534	1,001
Financial assets included in prepayments, deposits and other receivables	12,908	660
Due from related parties	6,820	–
Cash and cash equivalents	1,171,430	502,952
Available-for-sale investments		
Available-for-sale investments	–	70,000
	1,191,692	574,613
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	5,539	3,509
Financial liabilities included in other payables and accruals	13,335	7,238
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	–	16,832
	18,874	27,579

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	31 December	
	2014	2013
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
Trade and bills receivables	85	740
Financial assets included in prepayments, deposits and other receivables	12,680	514
Due from related parties	6,820	—
Cash and cash equivalents	1,074,980	469,370
	1,094,565	470,624
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	5,068	3,508
Financial liabilities included in other payables and accruals	11,730	6,827
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	6,335	31,987
	23,133	42,322

34. 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.

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 for a similar available-for-sale investment. The fair values of available-for-sale investments approximate to their carrying amounts.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. These financial instruments are mainly held for the purpose of supporting the daily operations of the Group. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised as below:

(a) Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group trades only with recognised and creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

The Group's other financial assets include cash and cash equivalents, and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group's trades only with recognised and creditworthy third parties, there is no requirement for collateral. 98% of the Group's customers are required to make payments in advance, and only a very small portion of the Group's customers could enjoy the credit policy. In view of the fact that the balance of trade receivables are immaterial, there is no significant concentration of credit risk.

(b) Liquidity risk

Liquidity risk means the risk that an enterprise may encounter difficulties to obtain adequate financing to repay the debts related to financial instruments. Liquidity risk may arise from the liability to dispose of financial assets promptly, the counterparty who cannot repay its contracted debt obligations, or from the liability to generate the expected cash flows.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and issuing of new shares. The Group's financial liabilities mainly comprise trade payables and other payables which arise directly from its operations that are usually repayable within three months. Their carrying values are equal to their fair values. The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group

	Within 1 month RMB'000	1 to 3 months RMB'000	3 to 12 Months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2014						
Financial liabilities						
Trade payables	971	4,568	–	–	–	5,539
Financial liabilities included in other payables and accruals	1,598	11,737	–	–	–	13,335
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	–	–	–	–	–	–
	2,569	16,305	–	–	–	18,874
31 December 2013						
Financial liabilities						
Trade payables	–	3,107	402	–	–	3,509
Financial liabilities included in other payables and accruals	–	7,238	–	–	–	7,238
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	–	16,832	–	–	–	16,832
	–	27,177	402	–	–	27,579

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Company

	Within 1 month	1 to 3 months	3 to 12 Months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014						
Financial liabilities						
Trade payables	971	4,097	–	–	–	5,068
Financial liabilities included in other payables and accruals	1,598	10,132	–	–	–	11,730
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	–	6,335	–	–	–	6,335
	2,569	20,564	–	–	–	23,133
31 December 2013						
Financial liabilities						
Trade payables	–	3,106	402	–	–	3,508
Financial liabilities included in other payables and accruals	–	6,827	–	–	–	6,827
Financial liabilities included in amounts due to related parties (excluding advances from related parties)	–	31,987	–	–	–	31,987
	–	41,920	402	–	–	42,322

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk

Interest rate risk means the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group bears no long term debt obligations with a floating interest rate, so there is no interest rate risk related to the Group.

(d) Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign currency risk mainly arise from sales or purchases by operating units in currencies other than the units' functional currency and from net investments in foreign operations.

The Group's businesses are mainly located in the PRC and are transacted and settled in RMB. As at the end of 2014, except for RMB17,902,000 denominated in USD (2013: RMB5,808,000) and RMB383,910,000 denominated in HKD (2013: RMB2,146,000) included in cash and cash equivalents, all assets and liabilities are denominated in RMB.

The management believes that the fluctuation of the exchange rates of foreign currencies against RMB will not affect the Group's results of operations.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2014.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is calculated based on total bank borrowings divided by total equity. The Group's policy is to maintain the gearing ratio not higher than 60%. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the Reporting Periods were as follows:

	31 December	
	2014 *RMB'000*	2013 *RMB'000*
Total bank borrowings	–	–
Equity attributable to owners of the parent	1,224,872	546,720
Gearing ratio	–	–

36. EVENTS AFTER THE REPORTING PERIOD

As at the approval date of the financial statement, the Group had no significant events after the Reporting Period which need to be disclosed.

37. CONTINGENT LIABILITIES

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2015.

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 of the Company
"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**")
"CCW"	CCW Research (北京時代計世資訊有限公司)
"CD-ROM"	Compact disc read-only memory, pre-preseed optical compact disc which contains data
"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) was established in the PRC on 29 July 2013 with limited liability and was owned as to 75.1% by our Company
"Chanjet Software"	Chanjet Software Co., Ltd (暢捷通軟件有限公司), a limited liability company incorporated in the PRC on 19 March 2010, which is the predecessor of our 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 a wholly-owned subsidiary of the Company
"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 share(s) of the Company's capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"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 Hong Kong 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 holding subsidiary of Yonyou, in which Yonyou holds 80% of shares. 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
"IFRSs"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("**IASB**"). IFRS include the International Accounting Standards and their interpretations
"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 Date"	26 June 2014, being the date on which the Company's H Shares were listed on the main board of the Hong Kong Stock Exchange
"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
"Latest Practicable Date"	15 April 2015, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein

"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
"MSE(s)"	micro and small scale enterprises
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Parent Group"	Yonyou and its subsidiaries (other than members of our Group)
"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
"Prospectus"	the prospectus published by the Company on 16 June 2014
"Reporting Period"	the year ended 31 December 2014
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shares"	shares of the Company with nominal value of RMB1.00 each
"Shareholder(s)"	holders of the Shares
"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
"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 Network Technology Co., Ltd., (用友網絡科技股份有限公司) (note: Yonyou Software Co., Ltd. (用友軟件股份有限公司) changed its name to Yonyou Network Technology Co.,Ltd. on 26 January 2015), 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
"YONYOU Mobile"	YONYOU Mobile Telecommunications Technology Service Co., Ltd (用友移動通信技術服務有限公司), a limited company incorporated in the PRC on 4 March 2014, a subsidiary of Yonyou, and owned by the Company as to 19.8%
"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