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**暢捷通**

**Chanjet**

暢捷通信息技術股份有限公司

**CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED\***

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

(Stock code: 1588)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS  
PROPOSED DISPOSAL AND CAPITAL INCREASE  
(2) CONNECTED TRANSACTIONS  
PROPOSED AMENDMENTS TO THE NON-COMPETITION  
AGREEMENT AND THE CONFIRMATION**

**PROPOSED DISPOSAL AND CAPITAL INCREASE**

The Board hereby announces that given Chanjet Payment has continued to record loss since its establishment in July 2013, in particular, it recorded a loss of approximately RMB18,936,329 for 2014 and a loss of approximately RMB31,719,717 for 2015, and it is expected that it will continue to record loss for 2016. Therefore, in order for the Group to optimize its asset quality and to improve its profitability, (i) the Company and Yonyou entered into the Disposal Agreement on 21 October 2016, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire, the Sale Interest, representing 55.82% of the equity interest in Chanjet Payment, at the Consideration of RMB195,560,849; and (ii) the Company, Yonyou and Chanjet Payment entered into the Capital Increase Agreement on 21 October 2016, pursuant to which, Yonyou has conditionally agreed to make a capital contribution to Chanjet Payment unilaterally in the amount of RMB100,000,000, among which, RMB57,087,091 shall be contributed to the registered capital of Chanjet Payment and the remaining RMB42,912,909 shall be contributed to the capital reserve of Chanjet Payment.

\* For identification purposes only

## **LISTING RULES IMPLICATIONS**

Yonyou is 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. Chanjet Payment, which is owned by Yonyou and the Company as to 24.9% and 75.1%, respectively, as of the date of this announcement, is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the Disposal and Capital Increase constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement shall be aggregated. After such aggregation, one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement exceed 5%, and thus, the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Disposal and the Capital Increase constitute a disposal of subsidiary of the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Disposal Agreement and the Capital Increase shall be aggregated. After such aggregation, one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement exceed 5% but are less than 25%, and thus, the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

Our Directors, Mr. Wang Wenjing, Mr. Wu Zhengping and Mr. Zeng Zhiyong, who are also directors or senior management members of Yonyou or its subsidiaries, are deemed to have material interests in the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder, and have abstained from voting on the relevant resolutions of the Board approving the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of other Directors has any material interest in such transactions and is required to abstain from voting on the relevant resolutions of the Board.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, other than the above disclosure, there is no other transaction which have to be aggregated with the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement as required under Rule 14.22 or Rule 14A.81 of the Listing Rules.

## **PROPOSED AMENDMENTS TO THE NON-COMPETITION AGREEMENT AND THE CONFIRMATION**

Yonyou, Mr. Wang Wenjing and the Company entered into the Supplemental Non-Competition Agreement on 21 October 2016, pursuant to which, the payment service business shall be excluded from the scope of Restricted Business under the Non-Competition Agreement.

Further, Yonyou amended the Confirmation on 21 October 2016 to the effect that payment service business shall be excluded from the relevant undertakings made by Yonyou under the Confirmation.

### **LISTING RULES IMPLICATIONS**

As both Yonyou and Mr. Wang Wenjing are controlling Shareholders of the Company, the Proposed Amendments to the Non-Competition Agreement and the Confirmation constitute connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Our Directors, Mr. Wang Wenjing, Mr. Wu Zhengping and Mr. Zeng Zhiyong, who are also directors or senior management members of Yonyou or its subsidiaries, are deemed to have material interests in the Supplemental Non-Competition Agreement and the Amended Confirmation, and have abstained from voting on the relevant resolution of the Board approving the Supplemental Non-Competition Agreement and the Amended Confirmation. Save as disclosed above, none of other Directors has any material interest in such transactions and is required to abstain from voting on the relevant resolutions of the Board.

### **GENERAL**

The EGM will be convened to seek approvals of the Independent Shareholders in relation to the Disposal Agreement, the Capital Increase Agreement, the Supplemental Non-Competition Agreement, the Amended Confirmation and the transactions contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the aforementioned transactions and China Everbright Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, none of the members of the Independent Board Committee has any material interest in the aforementioned transactions.

A circular containing, among other things, further details of the aforementioned transactions, a letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, will be despatched to the Shareholders within 15 business days after the publication of this announcement.

## **I. PROPOSED DISPOSAL AND CAPITAL INCREASE**

The Board hereby announces that given Chanjet Payment has continued to record loss since its establishment in July 2013, in particular, it recorded a loss of approximately RMB18,936,329 for 2014 and a loss of approximately RMB31,719,717 for 2015, and it is expected that it will continue to record loss for 2016. Therefore, in order for the Group to optimize its asset quality and to improve its profitability, (i) the Company and Yonyou entered into the Disposal Agreement on 21 October 2016, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire, the Sale Interest, representing 55.82% of the equity interest in Chanjet Payment, at the Consideration of RMB195,560,849; and (ii) the Company, Yonyou and Chanjet Payment entered into the Capital Increase Agreement on 21 October 2016, pursuant to which, Yonyou has conditionally agreed to make a capital contribution to Chanjet Payment unilaterally in the amount of RMB100,000,000, among which, RMB57,087,091 shall be contributed to the registered capital of Chanjet Payment and the remaining RMB42,912,909 shall be contributed to the capital reserve of Chanjet Payment.

As of the date of this announcement, Chanjet Payment is owned by the Company and Yonyou as to 75.1% and 24.9%, respectively. Upon completion of the Disposal and the Capital Increase, Chanjet Payment, whose registered capital will be increased from RMB200,000,000 to RMB257,087,091, will be owned by the Company and Yonyou as to approximately 15% and 85%, respectively and it will cease to be a subsidiary of the Company.

## **(1) The Disposal Agreement**

The principal terms of the Disposal Agreement are set out below:

### ***Date***

21 October 2016

### ***Parties***

- (i) The Company; and
- (ii) Yonyou

### ***Subject Matter***

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell, and Yonyou has conditionally agreed to acquire, the Sale Interest, representing 55.82% of the equity interest in Chanjet Payment, at the Consideration of RMB195,560,849.

### ***The Consideration and the Payment***

The Consideration for the Disposal is RMB195,560,849 in cash, which shall be payable in full by Yonyou to the designated bank account of the Company within ten (10) business days upon the approvals of all relevant regulatory authorities on the Disposal having been obtained and all conditions precedent, the details of which are set out in the paragraph headed “– Conditions Precedent” below, having been satisfied.

### ***Basis of Determination of the Consideration***

The Consideration was agreed between the Company as the vendor and Yonyou as the purchaser after arm’s length negotiations and on normal commercial terms with reference to, among other things, (i) the financial information of Chanjet Payment, the details of which are set out in the paragraph headed “– (3) Financial Information of Chanjet Payment” below; (ii) the fair value of approximately RMB350,341,900 of Chanjet Payment as of 31 August 2016, which was appraised by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. (北京經緯東元資產評估有限公司), an independent valuer; and (iii) the 55.82% equity interest in Chanjet Payment, which was proposed to be disposed by the Company to Yonyou pursuant to the Disposal Agreement.

The principal assumptions and the bases of preparation of the Valuation are set out in Appendix I attached hereto.

As the Valuation is prepared based on income approach, it constitutes a profit forecast under Rule 14.61 of the Listing Rules, and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. Pursuant to Rule 14.62 of the Listing Rules, the Board has reviewed the principal assumptions and bases upon which the Valuation is based and is of the view that the profit forecast has been made after due and careful enquiries.

Ernst & Young, the auditors of the Company, has reviewed the accuracy of the arithmetical calculations of the discounted cash flow forecast underlying the Valuation, which does not involve adoption of accounting policies. Ernst & Young reported that the calculation of the discounted cash flow forecast underlying the Valuation has been properly compiled in all material aspects in accordance with the bases and assumptions approved by the Board.

The letters issued by Ernst & Young and the Board in relation to, among other things, the profit forecast on Chanjet Payment are set out in Appendix II attached hereto.

### ***Conditions Precedent***

Pursuant to the Disposal Agreement, completion of the Disposal shall be conditional upon the satisfaction of all of the following conditions precedent:

- (a) the Disposal Agreement and the Disposal contemplated thereunder having been approved by the directors of the Company and Yonyou at their respective board meetings;
- (b) the Disposal Agreement, the Capital Increase Agreement and the Disposal and the Capital Increase contemplated thereunder having been approved by the Independent Shareholders at the EGM;
- (c) the Proposed Amendments to the Non-Competition Agreement and the Confirmation having been approved by the Independent Shareholders at the EGM;
- (d) the entering into of the Disposal Agreement and the Proposed Amendments to the Non-Competition Agreement and the Confirmation having complied with the relevant PRC and overseas laws and regulations and having obtained the approvals by and having made the necessary filings at (if applicable) the relevant regulatory authorities; and
- (e) the Disposal having obtained the approvals from the relevant authorities (including but not limited to the People's Bank of China) regulating Chanjet Payment.

### ***Completion of the Disposal***

Completion of the Disposal shall take place upon the Sale Interest having been transferred from the Company to Yonyou and the registration procedures with the relevant administration for industry and commerce in respect of the Sale Interest having been completed pursuant to the Disposal Agreement.

Upon completion of the Disposal, the Company and Yonyou will be interested in 19.28% and 80.72%, respectively, of the entire equity interest in Chanjet Payment. Chanjet Payment will become a non-wholly owned subsidiary of Yonyou and it will cease to be a subsidiary of the Company upon completion of the Disposal.

### **(2) The Capital Increase Agreement**

The principal terms of the Capital Increase Agreement are set out below:

#### ***Date***

21 October 2016

#### ***Parties***

- (i) The Company;
- (ii) Yonyou; and
- (iii) Chanjet Payment

#### ***Subject Matter***

Yonyou has conditionally agreed to make a capital contribution to Chanjet Payment unilaterally in the amount of RMB100,000,000, among which, RMB57,087,091 shall be contributed to the registered capital of Chanjet Payment and RMB42,912,909 shall be contributed to the capital reserve of Chanjet Payment.

### ***Payment Terms***

As of the date of this announcement, the registered capital of Chanjet Payment is RMB200,000,000. Pursuant to the Capital Increase Agreement, Yonyou will make a capital contribution to Chanjet Payment unilaterally in the amount of RMB100,000,000, among which, RMB57,087,091 will be contributed to the registered capital of Chanjet Payment and the remaining RMB42,912,909 will be contributed to the capital reserve of Chanjet Payment.

### ***Pricing***

The amount of capital contribution and the amount of contribution to the registered capital of Chanjet Payment were determined after arm's length negotiations among the parties based on, among other things, (i) the existing amount of registered capital of Chanjet Payment; (ii) the fair value of approximately RMB350,341,900 of Chanjet Payment as of 31 August 2016, which was appraised by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. (北京經緯東元資產評估有限公司), an independent valuer; and (iii) the capital requirement of Chanjet Payment.

### ***Conditions Precedent***

Pursuant to the Capital Increase Agreement, completion of the Capital Increase shall be conditional upon the satisfaction of all of the following conditions precedent:

- (a) the Disposal Agreement having been executed and all conditions precedent under the Disposal Agreement having been satisfied, including, among other things, the Disposal Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM;
- (b) the Capital Increase Agreement and the Capital Increase having been approved by the directors of the Company and Yonyou at their respective board meetings;
- (c) the Capital Increase Agreement and the Capital Increase having been approved by the Independent Shareholders at the EGM;
- (d) the entering into of the Capital Increase Agreement having complied with the relevant PRC and overseas laws and regulations and having obtained the approvals by and made the necessary filings at (if applicable) the relevant regulatory authorities; and



- (e) the Capital Increase having obtained the approvals from the relevant authorities (including but not limited to the People's Bank of China) regulating Chanjet Payment.

### ***Completion of the Capital Increase***

Completion of the Capital Increase shall take place upon the registration procedures with the relevant administration for industry and commerce in respect of the Capital Increase having been completed pursuant to the Capital Increase Agreement.

Upon completion of the Capital Increase, the registered capital of Chanjet Payment will be increased from RMB200,000,000 to RMB257,087,091 and the Company and Yonyou will be interested in approximately 15% and 85%, respectively, of the entire equity interest in Chanjet Payment.

### **(3) Financial Information of Chanjet Payment**

According to the unaudited financial information of Chanjet Payment, the value of total assets and net assets of Chanjet Payment as of 30 June 2016 was RMB170,749,116.38 and RMB131,847,208.47, respectively.

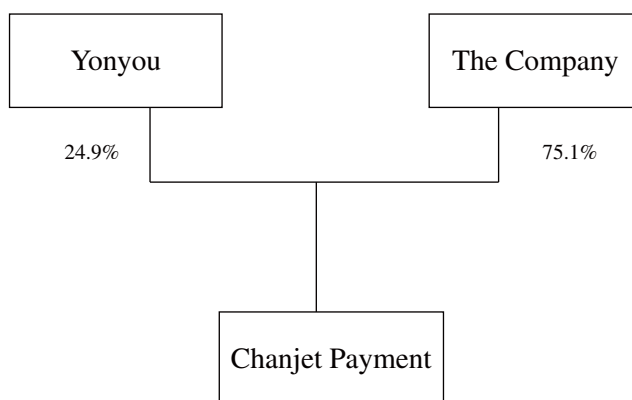
Set out below is the net loss (before and after taxation) of Chanjet Payment for the six months ended 30 June 2016 and for the years ended 31 December 2014 and 2015:

<b>Item</b>	<b>For the six months ended 30 June 2016 (unaudited) RMB</b>	<b>For the year ended 31 December 2015 (audited) RMB</b>	<b>For the year ended 31 December 2014 (audited) RMB</b>
Net loss before taxation	15,607,213.06	31,719,716.92	18,936,328.51
Net loss after taxation	15,607,213.06	31,719,716.92	18,936,328.51

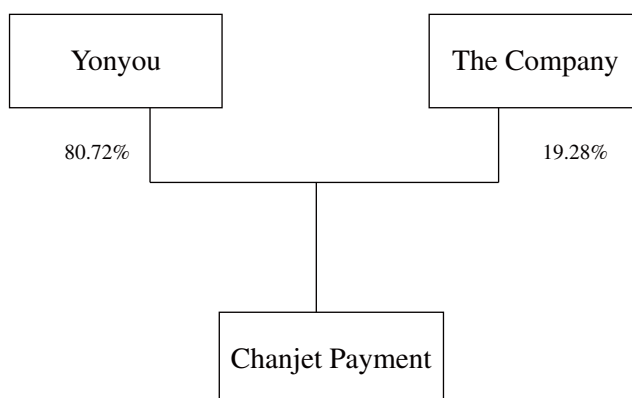
*Note:* the financial information set out above has been prepared by Chanjet Payment in accordance with China Accounting Standards for Business Enterprises.

#### (4) Shareholding Structure

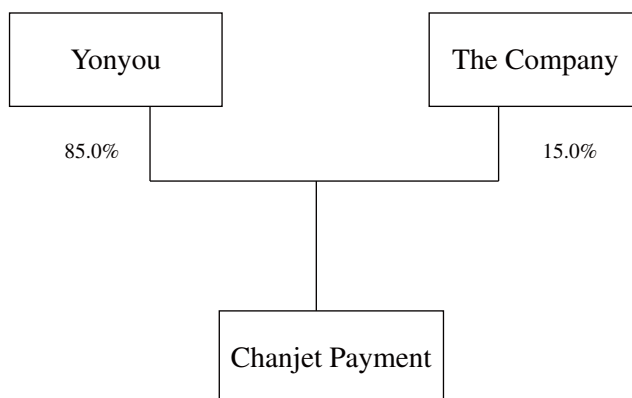
The following chart illustrates the shareholding in Chanjet Payment as of the date of this announcement:



The following chart illustrates the shareholding in Chanjet Payment immediately upon the completion of the Disposal but prior to the completion of the Capital Increase:



The following chart illustrates the shareholding in Chanjet Payment immediately upon the completion of the Capital Increase:



**(5) Financial Effects of the Disposal and the Capital Increase and Use of Proceeds**

After completion of the Disposal Agreement and the Capital Increase Agreement, Chanjet Payment will cease to be a subsidiary of the Company, and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

The profit from the Disposal and the Capital Increase shall be calculated with reference to the relevant financial information at the time of completion of the Disposal and the Capital Increase and the exact time of completion is not currently ascertainable. The Group is expected to record an unaudited profit of approximately RMB179.24 million as a result of the Disposal and the Capital Increase, which was estimated based on the Consideration of the Disposal, the fair value of Chanjet Payment as of 31 August 2016 and the expected unaudited net asset book value of Chanjet Payment as of 31 December 2016.

The net proceeds from the Disposal and the Capital Increase is expected to be approximately RMB182.37 million after deducting the relevant expenses, and is intended to be used for development of software and cloud service business of the Group and/or general working capital of the Group.

The aforementioned financial effects are for illustrative purposes only. Given that the completion of the Disposal and the Capital Increase is conditional upon the fulfillment of the relevant conditions precedent set out in this announcement, the actual profit from the Disposal and the Capital Increase will be determined after being reviewed by the auditors of the Company upon the completion of such matters.

**(6) Reasons for and Benefits of the Disposal Agreement and the Capital Increase Agreement**

- (i) Since its establishment in July 2013, Chanjet Payment has recorded an aggregate loss of RMB68.93 million as of 30 June 2016. The completion of the Disposal and the Capital Increase could release the financial pressure of the Company to a certain extent;
- (ii) The net proceeds from the Disposal and the Capital Increase is expected to be approximately RMB182.37 million after deducting the relevant expenses. The Company will benefit from the increased cash from the proceeds of the Disposal and the Capital Increase by optimizing its asset structure and focusing more resources on developing software and cloud service business;
- (iii) Based on the aforementioned analysis on the financial effects of the Disposal and the Capital Increase and use of proceeds, it is expected that the Company will record an unaudited profit of RMB179.24 million upon completion of the Disposal (the actual profit will be determined after being reviewed by the auditors of the Company upon the completion of such matters); and

- (iv) After the Disposal and the Capital Increase, by retaining 15% equity interest in Chanjet Payment, the Company could maintain its strategic relationship and develop business cooperation with Chanjet Payment.

The Directors (excluding the independent non-executive Directors who will give their recommendation after taking into consideration the advice of the Independent Financial Adviser) are of the view that although the Disposal and the Capital Increase are not in the ordinary course of business of the Company, the Disposal Agreement and the Capital Increase Agreement have been entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

## **(7) Listing Rules Implications**

Yonyou is 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. Chanjet Payment, which is owned by Yonyou and the Company as to 24.9% and 75.1%, respectively, as of the date of this announcement, is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. Accordingly, the Disposal and Capital Increase constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement shall be aggregated. After such aggregation, one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement exceed 5%, and thus, the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the Disposal and the Capital Increase constitute a disposal of subsidiary of the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Disposal Agreement and the Capital Increase shall be aggregated. After such aggregation, one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement exceed 5% but are less than 25%, and thus, the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

Our Directors, Mr. Wang Wenjing, Mr. Wu Zhengping and Mr. Zeng Zhiyong, who are also directors or senior management members of Yonyou or its subsidiaries, are deemed to have material interests in the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder, and have abstained from voting on the relevant resolutions of the Board approving the Disposal Agreement, the Capital Increase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of other Directors has any material interest in such transactions and is required to abstain from voting on the relevant resolutions of the Board.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, other than the above disclosure, there is no other transaction which have to be aggregated with the transactions contemplated under the Disposal Agreement and the Capital Increase Agreement as required under Rule 14.22 or Rule 14A.81 of the Listing Rules.

## **II. PROPOSED AMENDMENTS TO THE NON-COMPETITION AGREEMENT AND THE CONFIRMATION**

### **(1) The Non-Competition Agreement and the Confirmation**

Yonyou, Mr. Wang Wenjing and the Company entered into the Non-Competition Agreement on 17 February 2014, pursuant to which, Yonyou and Mr. Wang Wenjing undertook, among other things, that they would not and would use their best endeavors to procure their respective associates (except for any member of the Group) not to, directly or indirectly, at any time during the relevant period (as defined in the Prospectus), carry on, engage 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 another person 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, directly or indirectly, the Restricted Business.

Further, Yonyou issued to the Company the Confirmation on 11 April 2014, pursuant to which, Yonyou undertook, among other things, that:

- (i) neither of Yonyou or any of its associates (other than through the Company) is or will, directly or indirectly, engage in, operate or participate in any business that provides public cloud platforms or cloud services to MSEs; and

- (ii) neither of Yonyou or any of its associates (other than through the Company and its subsidiary, Chanjet Payment) is or will, directly or indirectly, engage, operate or participate in 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) Backgrounds of the Proposed Amendments**

Upon completion of the Disposal Agreement and the Capital Increase Agreement, the details of which are set out above, Yonyou and its associates will directly or indirectly engage, operate or participate in payment service business through Chanjet Payment and may thus constitute continuing breaches of the Non-Competition Agreement and the Confirmation. Given that the Company proposed to transfer the controlling shareholding in Chanjet Payment to Yonyou pursuant to the Disposal Agreement and the Capital Increase Agreement and that Yonyou and/or its subsidiaries will engage in and operate payment service business upon the completion of the Disposal Agreement and the Capital Increase Agreement, the Company, Yonyou and Mr. Wang Wenjing proposed to enter into the Supplemental Non-Competition Agreement and the Confirmation shall be amended to the effect that payment service business shall be excluded from the Restricted Business under the Non-Competition Agreement and the relevant undertakings made by Yonyou under the Confirmation.

In considering these proposals, the Board (excluding the independent non-executive Directors who will give their recommendation after taking into consideration the advice of the Independent Financial Adviser) took into account a number of factors, including:

- (i) that the principal business of the Company will no longer involve payment service business upon completion of the Disposal Agreement and the Capital Increase Agreement;
- (ii) it would be impractical for Yonyou and Mr. Wang Wenjing to continue to comply with the original scope of the Restricted Business under the Non-Competition Agreement and the original undertakings in respect of the payment service business under the Confirmation, as the case may be, given that Chanjet Payment, which is principally engaged in payment service business, will become a non-wholly owned subsidiary of Yonyou;

- (iii) the estimated time and costs required to be incurred by the management of the Company in monitoring the compliance with, and periodically reporting on, the non-competition restrictions in respect of an area of business which is no longer directly engaged by the Group;
- (iv) the Company will continue to benefit from the other protections provided under the Non-Competition Agreement (as supplemented by the Supplemental Non-Competition Agreement) and the Amended Confirmation, pursuant to which, Yonyou and Mr. Wang Wenjing and their respective associates will still be obliged to, inter alia, not to directly or indirectly, carry on or engage or be interested in the Restricted Business (other than the payment service business).

**(3) The Supplemental Non-Competition Agreement and the Amended Confirmation**

***Supplemental Non-Competition Agreement***

Yonyou, Mr. Wang Wenjing and the Company entered into the Supplemental Non-Competition Agreement on 21 October 2016, pursuant to which, the payment service business shall be excluded from the scope of Restricted Business under the Non-Competition Agreement.

The details of the abovementioned amendments are set out below:

**Clause 1(1.1) – Definition of “Restricted Business”**

***Which originally read as:***

“any business carried on or contemplated to be carried on by any member of the Group from time to time, namely, providing management software and services targeting MSEs, including but not limited to providing MSEs with accounting and business management tools to improve their business and developing public cloud platforms for such MSEs”

***is proposed to be amended as follows:***

“any business (**other than the payment service business as defined under the Measures for the Administration of Payment Services of Non-Financial Institutions, as amended from time to time**) carried on or contemplated to be carried on by any member of the Group from time to time, namely, providing management software and services targeting MSEs, including but not limited to providing MSEs with accounting and business management tools to improve their business and developing public cloud platforms for such MSEs”

The Supplemental Non-Competition Agreement is conditional upon, among other things, the approval of the Independent Shareholders at the EGM.

***Amended Confirmation***

Further, Yonyou amended the Confirmation on 21 October 2016 to the effect that payment service business shall be excluded from the relevant undertakings made by Yonyou under the Confirmation.

The relevant part of the abovementioned amendments are set out below:

**The Relevant Undertakings Made by Yonyou under the Confirmation**

***Which originally read as:***

“Yonyou undertakes that in respect of the cloud service business, neither of Yonyou or any of its associates (other than through the Company) is or will, directly or indirectly, engage, operate or participate in any business that provides public cloud platforms and cloud services to MSEs;

Yonyou undertakes that neither of Yonyou or any of its associates (other than through the Company and its subsidiary, i.e. Chanjet Payment) is or will, directly or indirectly, engage, operate or participate in 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, as amended from time to time.”

***is proposed to be amended as follows:***

“Yonyou undertakes that in respect of the cloud service business, neither of Yonyou or any of its associates (other than through the Company) is or will, directly or indirectly, engage, operate or participate in any business that provides public cloud platforms and cloud services to MSEs.”

The Amended Confirmation is conditional upon, among other things, the approval of the Independent Shareholders at the EGM.



#### **(4) Reasons for and Benefits of the Supplemental Non-Competition Agreement and the Amended Confirmation**

In light of the reasons stated in the section headed “– (2) Backgrounds of the Proposed Amendments” above, subject to the approvals of the Independent Shareholders at the EGM and completion of the proposed Disposal and the Capital Increase, the Directors (excluding the independent non-executive Directors who will give their recommendation after taking into consideration the advice of the Independent Financial Adviser) consider that although the Proposed Amendments are not in the ordinary course of business of the Company, the Supplemental Non-Competition Agreement and the Amended Confirmation are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

#### **(5) Listing Rules Implications**

As both Yonyou and Mr. Wang Wenjing are controlling Shareholders of the Company, the Proposed Amendments to the Non-Competition Agreement and the Confirmation constitute connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

Our Directors, Mr. Wang Wenjing, Mr. Wu Zhengping and Mr. Zeng Zhiyong, who are also directors or senior management members of Yonyou or its subsidiaries, are deemed to have material interests in the Supplemental Non-Competition Agreement and the Amended Confirmation, and have abstained from voting on the relevant resolution of the Board approving the Supplemental Non-Competition Agreement and the Amended Confirmation. Save as disclosed above, none of other Directors has any material interest in such transactions and is required to abstain from voting on the relevant resolutions of the Board.

### **III. INFORMATION ABOUT THE PARTIES**

#### **The Company**

The Company is a leading provider of enterprise software and services designed for MSEs in China. The core business of the Company is to develop and provide software and services designed to satisfy the informatization needs of MSEs.

## **Youyou**

Yonyou, which is a leading solutions and professional service provider for large and medium scale enterprises and organizations in China and our controlling shareholder, was established in January 1995 and listed on the Shanghai Stock Exchange in May 2001.

## **Chanjet Payment**

Chanjet Payment is principally engaged in internet payment, bank card acquiring business, technology development and software development.

In respect of the payment services, Chanjet Payment obtained the Payment Services Licence of Non-financial institution issued by the People's Bank of China, which is valid from 10 July 2014 to 9 July 2019. Commencing from 10 July 2014, Chanjet Payment was entitled to providing internet payment service and bank card acquiring service nationwide as a non-financial institution.

## **Mr. Wang Wenjing**

Mr. Wang Wenjing is the ultimate controlling Shareholder, chairman of the Board and a non-executive Director. He is also one of the covenantors under the Non-Competition Agreement and the Supplemental Non-Competition Agreement.

## **IV. EXPERTS AND CONSENTS**

The followings are the qualifications of the experts who have given opinions and advice in this announcement:

<b>Name</b>	<b>Qualifications</b>
Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd.	Qualified independent valuer
Ernst & Young	Certified public accountants

To the best knowledge, information and belief of the Board, and having made all reasonable enquiries, each of Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. and Ernst & Young is a third party independent of the Group and its connected persons.

As of the date of this announcement, neither Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. nor Ernst & Young had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. and Ernst & Young has given and has not withdrawn its respective written consent to the issue of this announcement with the inclusion of its respective letter and references to its report and name in the form and context in which it respectively appears.

The letters issued by Ernst & Young and the Board in relation to the profit forecast are set out in Appendix II attached hereto, respectively.

## **V. GENERAL**

The EGM will be convened to seek approvals of the Independent Shareholders in relation to the Disposal Agreement, the Capital Increase Agreement, the Supplemental Non-Competition Agreement, the Amended Confirmation and the transactions contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the aforementioned transactions and China Everbright Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, none of the members of the Independent Board Committee has any material interest in the aforementioned transactions.

A circular containing, among other things, further details of the aforementioned transactions, a letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM, will be despatched to the Shareholders within 15 business days after the publication of this announcement.

## **VI. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“Amended Confirmation”	the Amended Confirmation on Cloud Service Business and Payment Service Business issued by Yonyou to the Company on 21 October 2016 to amend and restate the Confirmation
“Associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of directors of the Company
“Capital Increase”	the proposed capital increase by Yonyou to Chanjet Payment pursuant to the terms of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 21 October 2016 between the Company, Yonyou and Chanjet Payment
“Chanjet Payment”	Beijing Chanjet Payment Technology Co., Ltd.* (北京暢捷通支付技術有限公司), a company established in the PRC on 29 July 2013 with limited liability and is owned by the Company and Yonyou as to 75.1% and 24.9%, respectively, as of the date of this announcement
“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 with limited liability, whose H shares are listed and traded on the Stock Exchange
“Confirmation”	the non-competition confirmation issued by Yonyou to the Company on 11 April 2014, i.e. the Confirmation in relation to Cloud Services and Payment Services
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Interest by the Company to Yonyou pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the disposal agreement entered into by the Company and Yonyou on 21 October 2016 in relation to the Disposal

\* For identification purposes only

“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the Disposal Agreement, the Capital Increase Agreement, the Supplemental Non-Competition Agreement, the Amended Confirmation and the transactions contemplated thereunder
“Ernst & Young”	Ernst & Young LLP
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas, which was established to advise the Independent Shareholders on the resolutions regarding the Disposal Agreement, the Capital Increase Agreement, the Supplemental Non-Competition Agreement, the Amended Confirmation and the transactions contemplated thereunder
“Independent Financial Adviser”	China Everbright Capital Limited, licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the Disposal Agreement, the Capital Increase Agreement, the Supplemental Non-Competition Agreement, the Amended Confirmation and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions to be proposed at the EGM
“Large and Medium Scale Enterprise(s)”	large and medium scale enterprises in China with reference to the standard set by the Ministry of Industry and Information of the PRC, the National Bureau of Statistics of the PRC, the National Development and Reform Commission of the PRC and the Ministry of Finance of the PRC as businesses and sole proprietors whose annual revenue, number of employees or assets (or a combination of the three factors) exceeds certain prescribed levels, and are larger than MSEs
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or modified from time to time
“MSE(s)”	micro and small scale enterprise(s) in China with reference to the standard set by Ministry of Industry and Information of the PRC, the National Bureau of Statistics of the PRC, the National Development and Reform Commission of the PRC and the Ministry of Finance of the PRC as businesses and sole proprietors whose annual revenue, number of employees or assets (or a combination of the three factors) do not exceed certain prescribed levels, which include businesses in the construction industry with revenue up to RMB60,000,000 and businesses in the wholesale industry with revenue up to RMB50,000,000, etc.
“Non-Competition Agreement”	the Non-Competition Agreement entered into by Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014
“Percentage Ratio”	has the meaning ascribed to it under Rule 14A.77 of the Listing Rules

“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Amendments”	the proposed amendments to the Non-Competition Agreement and the Confirmation
“Prospectus”	the prospectus of the Company dated 16 June 2014
“Restricted Business”	any business carried on or contemplated to be carried on by any member of the Group from time to time, namely, providing management software and services targeting MSEs, including but not limited to providing MSEs with accounting and business management tools to improve their business and developing public cloud platforms for such MSEs
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale Interest”	the 55.82% equity interest in Chanjet Payment owned by the Company as of the date of this announcement, which is proposed to be disposed by the Company to Yonyou pursuant to the Disposal Agreement
“Shareholder(s)”	holders of the shares of the Company
“Supplemental Non-Competition Agreement”	the supplemental agreement entered into by Yonyou, Wang Wenjing and the Company on 21 October 2016 to amend the Non-Competition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the valuation of fair value of Chanjet Payment conducted by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd.

“Valuation Report” the asset valuation report dated 10 October 2016 in relation to the valuation of fair value of Chanjet Payment prepared by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd.

“Yonyou” Yonyou Network Technology Co., Ltd.\* (用友網絡科技股份有限公司), a joint stock limited company incorporated in the PRC on 18 January 1995 and a controlling Shareholder, the shares of which are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (Stock Code: 600588)

On behalf of the Board  
**Chanjet Information Technology Company Limited\***  
**Wang Wenjing**  
*Chairman*

Beijing, the PRC  
21 October 2016

*As at the date of this announcement, the non-executive directors of the Company are Mr. Wang Wenjing and Mr. Wu Zhengping; the executive director of the Company is Mr. Zeng Zhiyong; and the independent non-executive directors of the Company are Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas.*

\* For identification purposes only



## **APPENDIX I – PRINCIPAL ASSUMPTIONS AND BASES OF PREPARATION OF THE VALUATION REPORT**

Given that the Valuation involves the use of income approach, such Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The Valuation contained in the Valuation Report has been prepared on the following principal bases and assumptions:

- (i) Chanjet Payment will continuously operate after the valuation date;
- (ii) there will be no material changes in the macro-economic, industrial and regional development policies of the PRC;
- (iii) there will be no material adverse effect caused by irresistible and unforeseeable factors to Chanjet Payment;
- (iv) the information provided by Chanjet Payment and other relevant parties is true, legal and complete, and Chanjet Payment will operate adhering to its original plans, and realize its pre-set operation plans and targets;
- (v) there will be no material changes in, among other things, interest rates, exchange rates, tax base, tax rates and policy charges, in respect of Chanjet Payment;
- (vi) the accounting policy adopted by Chanjet Payment after the valuation date will remain consistent with the one adopted in the Valuation Report in material aspects;
- (vii) the products and services of Chanjet Payment will maintain the current market competitiveness after the valuation date;
- (viii) Chanjet Payment will not suffer significant loss of core professionals in terms of its technology team and senior management in the following years;
- (ix) the third party payment service licence of Chanjet Payment, which is effective until 9 July 2019, can be further applied for and obtained by Chanjet Payment upon expiration, and its normal operation will not be affected by such renewal of payment service licence; and
- (x) the current corporate tax rate applicable to Chanjet Payment is 25%, and it shall be reduced to 15% if Chanjet Payment could obtain the certificate of high technology company (which it has applied for in 2016) in 2017, and Chanjet Payment could obtain such certificate and enjoy the corporate tax rate of 15% upon expiration of such certificate.

## APPENDIX II – LETTERS IN RELATION TO THE PROFIT FORECAST OF CHANJET PAYMENT

### (A) Letter from the Auditor



#### REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN BEIJING CHANJET PAYMENT TECHNOLOGY CO., LTD.

To the Directors of Chanjet Information Technology Company Limited:

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 10 October 2016 prepared by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. (“北京經緯東元資產評估有限公司”) in respect of Beijing Chanjet Payment Technology Co., Ltd. (“**Chanjet Payment**”) as at 31 August 2016 is based. The valuation is set out in the announcement of Chanjet Information Technology Company Limited (the “**Company**”) dated 21 October 2016 (the “**Announcement**”) in connection with the proposed disposal and the capital increase. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I of the announcement.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Chanjet Payment. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

21 October 2016

(B) Letter from the Board

**暢捷通**

*Chanjet*

暢捷通信息技術股份有限公司

**CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED\***

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

(Stock code: 1588)

21 October 2016

The Stock Exchange of Hong Kong Limited  
11/F, One International Finance Centre  
1 Harbour View Street  
Hong Kong

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
PROPOSED DISPOSAL AND CAPITAL INCREASE**

We refer to the announcement of the Company dated 21 October 2016 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We have reviewed the bases and assumptions based upon which the valuation of Chanjet Payment has been prepared by Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. for which Beijing Jingwei Dong Yuan Assets Appraisal Co., Ltd. is responsible. We have also considered the report from the auditor of the Company, Ernst & Young, in respect of, among other things, whether the discounted cash flow of Chanjet Payment, so far as the calculation are concerned, have been properly compiled, in all material respects, in accordance with their respective bases and assumptions.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the profit forecast of Chanjet Payment has been made after due and careful enquiry by us.

For and on behalf of the Board  
**Chanjet Information Technology Company Limited\***  
**Wang Wenjing**  
*Chairman*

\* For identification purposes only