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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)

**CONTINUING CONNECTED TRANSACTION
PROPERTY LEASING FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 28 December 2018 regarding, among other things, the leasing of the Property from Yonyou to the Company. According to the business development needs of the Group, the Company intends to renew the leasing of the Property.

The Board hereby announces that on 6 December 2021, the Company (as the lessee) entered into the Property Leasing Framework Agreement with Yonyou (as the lessor), pursuant to which Yonyou Group agreed to continue to lease the Property to the Group. The term of the Property Leasing Framework Agreement is three years, which will commence from 1 January 2022 and expire on 31 December 2024.

Yonyou is the controlling shareholder of the Company. Therefore, Yonyou is a connected person of the Company as defined under Rule 14A.07 of the Hong Kong Listing Rules. Accordingly, the continuing transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company pursuant to the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules), calculated based on the annual caps of the Long-term Lease transaction under the Property Leasing Framework Agreement, exceed 0.1% but are all less than 5%, the Long-term Lease transaction under the Property Leasing Framework Agreement is only subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

I · PROPERTY LEASING FRAMEWORK AGREEMENT

i. Background

Reference is made to the announcement of the Company dated 28 December 2018 regarding, among other things, the leasing of the Property from Yonyou to the Company. According to the business development needs of the Group, the Company intends to renew the leasing of the Property.

Accordingly, on 6 December 2021, the Company (as the lessee) entered into the Property Leasing Framework Agreement with Yonyou (as the lessor), pursuant to which Yonyou Group agreed to continue to lease the Property to the Group. The term of the Property Leasing Framework Agreement is three years, which will commence from 1 January 2022 and expire on 31 December 2024.

ii. Property Leasing Framework Agreement

A summary of the principal terms of the Property Leasing Framework Agreement is set out as follows:

Date:	6 December 2021
Parties:	(1) the Company, as the lessee (2) Yonyou, as the lessor
Subject Matter:	Yonyou Group shall lease the Property to the Group.
Term and Termination:	The Property Leasing Framework Agreement shall take effect from 1 January 2022 after its signing by the legal representatives or the authorized representatives of the parties with their official seals and expire on 31 December 2024. Subject to the relevant requirements of the Hong Kong Listing Rules and all other applicable laws and regulations, the parties can negotiate on whether to renew the agreement for another term of three years.

Pricing: The transactions under the Property Leasing Framework Agreement shall be conducted on normal commercial terms and terms no less favourable to the Group than those available from Independent Third Parties in the market located in the same region. The rent payable by the Group to Yonyou Group in respect of the transactions under the Property Leasing Framework Agreement shall be determined after arm's length negotiation by both parties with reference to the following factors:

- (1) primary land development and consolidation costs, construction costs, property, water, electricity and heating reconstruction costs, renovation costs, and depreciation costs of the Property;
- (2) the prevailing Market Price of leasing similar properties in the locality or neighboring areas; and
- (3) reasonable profit margins.

Annual rent payable: Both parties agreed that the expected annual rent payable in respect of the transactions under the Property Leasing Framework Agreement for the three years ending 31 December 2024 shall not exceed RMB10,214,500, RMB10,762,500 and RMB14,631,700 respectively.

Other terms and conditions: The Group and Yonyou Group shall enter into individual property leasing agreements setting out details of each property to be actually leased in accordance with the Property Leasing Framework Agreement, which shall be in line with each provision of the Property Leasing Framework Agreement in all material aspects. Such property leasing agreements shall be conducted in the ordinary and usual course of business and on normal commercial terms, which, if applicable, shall be subject to the reporting, announcement and/or independent shareholders' approval requirements under the Hong Kong Listing Rules.

iii. Historical Transaction Amounts and Annual Caps of the Property Leasing Framework Agreement

Historical Transaction Amounts and Historical Annual Caps

The historical amounts and annual caps for transactions under the Existing Property Leasing Framework Agreement entered into between the Company and Yonyou on 28 December 2018 are as follows:

	For the year ended 31 December 2019 (RMB)	For the year ended 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)
Aggregate rent paid by the Group to Yonyou Group for property leasing	6,713,178	6,675,920	6,920,408 <i>Note 1</i>
Annual caps of rent payable by the Group to Yonyou Group for property leasing <i>Note 2</i>	7,482,100	9,267,100	11,417,900

Notes:

- Such amount is an estimated figure. For the eleven months ended 30 November 2021, the rent paid by the Group to Yonyou Group for the leased property in accordance with the Existing Property Leasing Framework Agreement amounts to approximately RMB6,326,000. The Company expects the rent paid by the Group to Yonyou Group under the Existing Property Leasing Framework Agreement will not exceed the relevant annual cap for the year ending 31 December 2021.
- The Group adopted International Financial Reporting Standards 16 - Leasing (IFRS 16 - Leasing) since 1 January 2019. However, at the time when the Existing Property Leasing Framework Agreement was made, IFRS 16 - Leasing was not effective yet. Hence, annual caps for the transactions thereunder are the caps of the aggregate rent payable by the Group to Yonyou Group for property leasing.

Annual caps for the three years ending 31 December 2024

According to IFRS 16 - Leasing, the Group's leasing transactions under the Property Leasing Framework Agreement consist of Long-term Leases and Short-term Leases. Long-term Leases are leases with a lease term of over 12 months and to which the Group applies a single method for recognition and measurement approach of right-of-use assets and lease liabilities, and Short-term Leases are leases with a lease term of 12 months or less.

For Long-term Leases under the Property Leasing Framework Agreement, according to IFRS 16 - Leasing, the Group shall recognize the right-of-use assets and lease liabilities for leases made by the Group as a lessee, which are measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate. Accordingly, the Group shall set annual caps on the total value of the right-of-use assets relating to Long-term Leases expected to be made by the Group as a lessee and Yonyou Group under the Property Leasing Framework Agreement. For the three years ending 31 December 2024, the annual caps of such right-of-use assets are as follows:

	For the year ending 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)	For the year ending 31 December 2024 (RMB)
Annual caps of newly-added right-of-use assets	21,979,000	1,514,000	4,360,400

The above annual caps were determined after taking into account:

1. the area of the Property leased by the Group from Yonyou Group will increase from 2022 to 2024 for business development;
2. the prevailing Market Price and its fluctuation of the similar properties in the locality or neighboring areas in the next three years;
3. the accounting judgement of the lease term and incremental borrowing rate of 4.75% used for the measurement of the discounted present value of lease payments, in the course of determining the total value of right-of-use assets recognized for the leases of the Group expected to be made; and
4. the actual historical amounts of transactions under the Existing Property Leasing Framework Agreement entered into between the Company and Yonyou on 28 December 2018.

In addition, for Short-term Leases under the Property Leasing Framework Agreement, the rent of Short-term Leases will be recognized as the Group's expenses pursuant to IFRS 16 - Leasing. For each of the three years ending 31 December 2024, the annual rental expense of Short-term Leases under the Property Leasing Framework Agreement of the Group is expected to fall below the de minimis threshold for exemption under the Rule 14A.76(1)(c) of the Hong Kong Listing Rules. Therefore, the Short-term Leases under the Property Leasing Framework Agreement may be fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

iv. Internal Control

To protect the interests of the Group, the Group will adopt the following internal control measures:

1. Pursuant to the connected transaction management rules of the Company, the relevant personnel of the Group will closely monitor the transactions of the Group under the Property Leasing Framework Agreement to ensure that the transaction amounts do not exceed the annual caps set for the lease transactions under the Property Leasing Framework Agreement;
2. Pursuant to the connected transaction management rules of the Company, each property lease to be actually entered into by the Group shall be subject to the appropriate approval of the relevant departments of the Company to ensure that each property lease is in line with the pricing policy and principal terms of the Property Leasing Framework Agreement;
3. The auditors of the Company shall conduct annual reviews on pricing and annual caps of such continuing connected transactions to ensure that the transaction amounts are within the annual caps and that the transactions in all material aspects are conducted on the terms in the relevant agreement of such transactions; and
4. The independent non-executive Directors of the Company shall conduct annual reviews on the proposed continuing connected transactions under the Property Leasing Framework Agreement to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

v. Reasons for and Benefit of Entering into the Property Leasing Framework Agreement

As the Group has been using the properties of Yonyou Group historically as office units, it is in the interests of the Group in terms of cost, time and stability to enter into the Property Leasing Framework Agreement instead of finding and relocating to alternative properties.

The Directors (including independent non-executive Directors) are of the view that the transactions under the Property Leasing Framework Agreement are conducted on normal commercial terms or better, the Property Leasing Framework Agreement is entered into in the ordinary and usual course of business of the Company, and the terms and conditions thereof are fair and reasonable and are in line with the overall development strategy of the Group as well as in the interests of the Company and its shareholders as a whole. The abovementioned annual caps of the Long-term Leases under the Property Leasing Framework Agreement for each of the three years ending 31 December 2024 are also fair and reasonable.

II. HONG KONG LISTING RULES IMPLICATIONS

Yonyou is the controlling shareholder of the Company. Therefore, Yonyou is a connected person of the Company as defined under Rule 14A.07 of the Hong Kong Listing Rules. Accordingly, the continuing transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company pursuant to the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.77 of the Hong Kong Listing Rules), calculated based on the annual caps of the Long-term Lease transaction under the Property Leasing Framework Agreement, exceed 0.1% but are all less than 5%, the Long-term Lease transaction under the Property Leasing Framework Agreement is only subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Directors of the Company, Mr. Wang Wenjing and Mr. Wu Zhengping, who are also directors of Yonyou or its subsidiaries, are deemed to have material interests in the transactions contemplated under the Property Leasing Framework Agreement and have abstained from voting on the relevant resolution at the Board meeting. Save as disclosed above, none of the other Directors has any material interests in the above transactions or is required to abstain from voting on the relevant resolution at the Board meeting.

To the best of the Directors' knowledge, information and belief, having made all reasonable inquiry, save as disclosed above, there is no other connected transaction entered into by any member of the Group and Yonyou Group and their ultimate beneficial owner(s) or persons otherwise related thereto, which would be, together with the transactions contemplated under the Property Leasing Framework Agreement, aggregated under Rule 14A.81 of the Hong Kong Listing Rules.

III. GENERAL INFORMATION OF THE PARTIES

The Company

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

Yonyou

Yonyou, a leading cloud service and software provider for large and medium scale enterprises and public organizations in China, was established in January 1995 and listed on the Shanghai Stock Exchange in May 2001.

IV. DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it by the Hong Kong Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it by the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Yonyou in relation to leasing of the Property on 28 December 2018
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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 Hong Kong Listing Rules) any Directors, supervisors, executive officers or substantial shareholders (as defined in the Hong Kong Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Long-term Lease(s)”	refers to leases with a lease term of over 12 months and to which the Group applies a single recognition and measurement approach for right-of-use assets and lease liabilities in accordance with IFRS16 - Leasing
“Market Price”	refers to prices determined in the following priority order: (1) the rent then charged for leasing such similar properties in the locality or its neighboring areas by Independent Third Parties on normal commercial terms; or (2) the rent then charged for leasing such properties or such similar properties to Independent Third Parties on normal commercial terms
“Property”	the property of Yonyou Group to be leased/leased by the Group under the Property Leasing Framework Agreement /Existing Property Leasing Framework Agreement
“Property Leasing Framework Agreement”	the property leasing framework agreement renewed by the Company and Yonyou in relation to leasing of the Property on 6 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Short-term Lease(s)”	refers to leases with a lease term of 12 months or less
“subsidiary(ies)”	has the meaning ascribed to it by the Hong Kong Listing Rules
“Yonyou”	Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), a joint stock company incorporated in the PRC on 18 January 1995 with limited liability, the shares of which are listed and traded on the Shanghai Stock Exchange (Stock Code: 600588) and is the controlling shareholder of the Company

“Yonyou Group”

Yonyou and its subsidiaries (other than the Group)

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

Beijing, the PRC
6 December 2021

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. Yang Yuchun; and the independent non-executive directors of the Company are Mr. Chen, Kevin Chien-wen, Mr. Lau, Chun Fai Douglas, and Mr. Chen Shuning.

* *For identification purposes only*