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畅捷通
Chanjet

暢捷通信息技術股份有限公司
CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1588)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Percentage
	RMB'000	*RMB'000*	Change
Revenue	**430,784**	345,796	25%
Loss attributable to owners of the parent for the year	**(122,610)**	(72,617)	69%
Basic loss per share *(RMB cents/share)*	**(60.8)**	(34.5)	76%

The board (the "**Board**") of directors ("**Directors**") of Chanjet Information Technology Company Limited (the "**Company**") did not recommend the distribution of final dividend for the year ended 31 December 2016.

* *For identification purpose only*

The Board hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016 (the "**Reporting Period**") together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	4	**430,784**	345,796
Cost of sales and services provided	5	**(71,763)**	(29,783)
Gross profit		**359,021**	316,013
Other income and gains	4	**65,394**	68,858
Research and development costs	5	**(158,879)**	(125,329)
Selling and distribution expenses		**(174,332)**	(153,347)
Administrative expenses		**(224,927)**	(194,984)
Other expenses		**(2,879)**	(32)
Finance costs		**(301)**	–
Loss before tax	5	**(136,903)**	(88,821)
Income tax credit	6	**7,696**	8,619
Loss for the year		**(129,207)**	(80,202)
Attributable to:			
Owners of the parent	8	**(122,610)**	(72,617)
Non-controlling interests		**(6,597)**	(7,585)
		(129,207)	(80,202)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB cents)*	8	**(60.8)**	(34.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Loss for the year	**(129,207)**	(80,202)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**747**	1,983
Other comprehensive income for the year, net of tax	**747**	1,983
Total comprehensive loss for the year	**(128,460)**	(78,219)
Attributable to:		
Owners of the parent	**(121,863)**	(70,634)
Non-controlling interests	**(6,597)**	(7,585)
	(128,460)	(78,219)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**11,240**	17,549
Intangible assets		**90,639**	116,277
Available-for-sale equity investments		**23,650**	23,650
Deferred tax assets	9	**20,595**	12,894
Total non-current assets		**146,124**	170,370
Current assets			
Inventories		**6,036**	662
Trade and bills receivables	10	**1,460**	621
Prepayments, deposits and other receivables		**65,246**	12,854
Customer reserves		**–**	19,088
Available-for-sale investments		**85,000**	–
Cash and bank balances		**599,355**	825,282
		757,097	858,507
Assets of a disposal group classified as held for sale		**422,089**	–
Total current assets		**1,179,186**	858,507

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 December 2016

	Notes	**2016** **RMB'000**	2015 *RMB'000*
Current liabilities			
Trade payables	11	**1,569**	3,091
Other payables and accruals		**103,587**	102,201
Tax payable		**5,494**	677
		110,650	105,969
Liabilities directly associated with the assets classified as held for sale		**301,906**	–
Total current liabilities		**412,556**	105,969
Net current assets		**766,630**	752,538
Total assets less current liabilities		**912,754**	922,908
Net assets		**912,754**	922,908
Equity			
Equity attributable to owners of the parent			
Issued capital		**217,182**	217,182
Treasury shares held under the employee trust benefit scheme	12	**(235,451)**	(310,136)
Reserves		**901,098**	979,340
		882,829	886,386
Non-controlling interests		**29,925**	36,522
Total equity		**912,754**	922,908

NOTES TO FINANCIAL STATEMENTS

1. Corporate and Group Information

Chanjet Information Technology Company Limited, 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 Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014. The registered office of the Company is located at Block D, Building 20, No. 68 Beiqing Road, Haidian District, Beijing, the PRC.

The Group is involved in the internet information services (excluding news, publication, education, medical care, medicine and medical devices, and including electronic bulletin service); the technical development, consulting, transfer, service and training of computer software, hardware and external devices; the sale of typing paper; computer consumables, computer software and hardware and external devices; and the provision of database service; internet payment service, and bank card receipt service.

In the opinion of the directors, the holding company of the Company is Yonyou Network Technology Co., Ltd. ("**Yonyou**") and the ultimate holding company of the Company is Beijing Yonyou Technology Co., Ltd. which is established in the PRC.

2. Basis of Preparation and Principal Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standard ("**IASs**") and Interpretations) issued by the International Accounting Standard Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for trust benefit units and available-for-sale investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") 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 Group for the year ended 31 December 2016. 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 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 comprehensive income are 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

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.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.2 Changes in accounting policies and disclosures (Continued)

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 1, amendments to IAS 16 and IAS 38, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.2 Changes in accounting policies and disclosures (Continued)

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012–2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014–2016 Cycle	• IFRS 12 *Disclosure of Interests in Other Entities*[1] • IFRS 1 *First-time Adoption of International Financial Reporting Standards*[2] • IAS 28 Investments in *Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2. Basis of Preparation and Principal Accounting Policies *(Continued)*

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. Operating Segment Information

For management purposes, the Group's operating activities are attributable to a single operating segment, which is the sale of software and the provision of related 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 of software and the provision of related services 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 no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer during the year, no major customer segment information is presented in accordance with IFRS 8 *Operating Segments*.

4. Revenue, Other Income And Gains

Revenue represents the net invoiced value of software sold, after allowances for returns and trade discounts, and excludes sales taxes; and the value of services rendered during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of software	**340,945**	302,093
Rendering of services	**89,283**	42,986
Sale of purchased goods	**556**	717
	430,784	345,796
Other income and gains		
Value-added tax refunds	**45,153**	41,663
Government grants	**13**	18
Interest income	**17,615**	16,832
Interest income on financial investments	**–**	5,579
Gains on financial investments	**1,438**	4,639
Others	**1,175**	127
	65,394	68,858

5. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	2016 *RMB'000*	2015 *RMB'000*
Cost of software sold	**8,973**	11,406
Cost of service rendered	**62,590**	17,552
Cost of purchased goods sold	**200**	825
Total cost of sales	**71,763**	29,783
Depreciation of items of property, plant and equipment	**10,134**	8,378
Amortisation of intangible assets	**30,498**	23,040
Minimum lease payments under operating leases	**16,274**	10,929
Research and development costs *(note)*	**158,879**	125,329
Auditor's remuneration	**1,300**	1,420
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**291,641**	220,203
Equity-settled share-based expense	**132,557**	126,985
Pension scheme contributions	**24,522**	20,354
	448,720	367,542
Less: Employee benefit expenses being capitalised in intangible assets	**(3,100)**	(28,179)
	445,620	339,363
Impairment of other receivables	**2,875**	–

Note:

During the year ended 31 December 2016, research and development costs of approximately RMB150,594,000 (2015: RMB118,529,000) were included in employee benefit expenses.

6. Income Tax

	2016	2015
	RMB'000	*RMB'000*
Current tax	**5**	582
Deferred tax	**(7,701)**	(9,201)
Total tax credit for the year	**(7,696)**	(8,619)

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group for the years ended 31 December 2015 and 2016.

The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during years ended 31 December 2015 and 2016. The Company, as a high and new technology enterprise, was also entitled to deduct qualifying research and development expenses from taxable profits during the years ended 31 December 2015 and 2016.

The subsidiary incorporated in Hong Kong is subject to profits tax at the rate of 16.5% for the years ended 31 December 2015 and 2016. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the years ended 31 December 2015 and 2016.

The subsidiary incorporated in the United States is subject to income tax at the rates of 33.02% and 33.80% respectively for the years ended 31 December 2015 and 2016.

6. Income Tax *(Continued)*

A reconciliation of the income tax credit applicable to loss before tax at the respective applicable rates for the Group to the income tax expense at the effective tax rate is as follows:

	Year ended 31 December 2016							
	China		Hong Kong		USA		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Loss before tax	(135,042)		(36)		(1,825)		(136,903)	
Tax at the applicable tax rate	(33,760)	25.0	(6)	16.5	(616)	33.8	(34,382)	25.1
Expenses not deductible for tax *(note 1)*	33,483	(24.8)	–	–	1,320	(72.3)	34,803	(25.4)
Effect of tax incentives *(note 2)*	(18,318)	13.6	–	–	–	–	(18,318)	13.4
Effect of differential income tax rate *(note 3)*	5,134	(3.8)	–	–	–	–	5,134	(3.8)
Utilisation of previously unrecognised temporary differences	–	–	–	–	(2,866)	157.0	(2,866)	2.1
Tax losses not recognised	5,760	(4.3)	6	(16.5)	2,167	(118.7)	7,933	(5.8)
Income tax expense/(credit) for the year	(7,701)	5.7	–	–	5	(0.3)	(7,696)	5.6

6. Income Tax *(Continued)*

	Year ended 31 December 2015							
	China		Hong Kong		USA		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Loss before tax	(73,317)		(34)		(15,470)		(88,821)	
Tax at the applicable tax rate	(18,329)	25.0	(6)	16.5	(5,108)	33.0	(23,443)	26.4
Expenses not deductible for tax *(note 1)*	10,696	(14.6)	–	–	5,690	(36.8)	16,386	(18.4)
Effect of tax incentives *(note 2)*	(15,184)	20.7	–	–	–	–	(15,184)	17.1
Effect of differential income tax rate *(note 3)*	7,619	(10.4)	–	–	–	–	7,619	(8.6)
Effect on opening deferred tax of increase in rates	(1,846)	2.5	–	–	–	–	(1,846)	2.1
Tax losses not recognised	7,843	(10.7)	6	(16.5)	–	–	7,849	(8.8)
Income tax expense/(credit) for the year	(9,201)	12.5	–	–	582	(3.8)	(8,619)	9.7

Notes:

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

(2) Effect of tax incentives represented income tax benefits on research and development expenditure. High-technology enterprises were also entitled to deduct qualifying research and development expenses from taxable profits.

During the years for 2015 and 2016, upon approval, the Company was entitled to an additional 50% deduction of research and development expenditure for tax declaration.

(3) Effect of differential income tax rate represented the reduced amount of tax payment due to income tax exemption in the year. The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during the years ended 31 December 2015 and 2016.

7. Dividends

The board of directors of the Company did not recommend the distribution of final dividend for the years ended 31 December 2015 and 2016. No dividend proposed before the financial statements were authorised for issue.

8. Loss Per Share Attributable to Ordinary Equity Holders of The Parent

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 201,612,103 (2015: 210,445,073) in issue during the year, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the employee trust benefit scheme (the "**Scheme**" or "**Employee Trust Benefit Scheme**").

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the period, as used in the basic loss 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.

No adjustment has been made to the basic loss per share amounts presented for the year in respect of a dilution as the impact of the unlocked and forfeited target shares purchased by the trustees and target shares vested under the Scheme during the period had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2016	2015
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculations	**(122,610)**	(72,617)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**201,612,103**	210,445,073

9. Deferred Tax Assets

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

	Accrued payroll *RMB'000*	Accrued expenses *RMB'000*	Deferred revenue *RMB'000*	Employee trust benefit scheme *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
At 1 January 2015	2,626	884	960	–	–	4,470
Deferred tax credited/ (charged) to profit or loss during the year	(2,311)	(753)	(865)	7,792	4,561	8,424
At 31 December 2015	315	131	95	7,792	4,561	12,894
Deferred tax credited/ (charged) to profit or loss during the year	34	626	35	(2,921)	9,927	7,701
At 31 December 2016	**349**	**757**	**130**	**4,871**	**14,488**	**20,595**

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

	2016 ***RMB'000***	2015 *RMB'000*
Tax losses not recognised	**85,308**	55,862

The Group has tax losses of RMB36,000 which arose in Hong Kong in 2016 that are available indefinitely for offsetting against future taxable profits of a company in which the losses arose (2015: RMB35,000).

The Group has tax losses of RMB6,372,000 which arose in the United States in 2016 that will expire in twenty years for offsetting against future taxable profits of a company in which the losses arose (2015: Nil).

The Group has tax losses of RMB23,038,000 which arose in Mainland China in 2016 that will expire in one to five years for offsetting against future taxable profits (2015: RMB31,376,000).

Deferred tax assets have not been recognised in respect of these losses 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.

10. Trade And Bills Receivables

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**10**	621
Bills receivable	**1,450**	–
	1,460	621
Less: Impairment	**–**	–
	1,460	621

Only a very small portion of the Group's customers could enjoy the credit policy and the average trade credit period is approximately 90 days. Other customers are required to make payments in advance. The Group seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing. Amounts included in trade and bills receivables were denominated in RMB.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**1,460**	621

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,460**	621

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.

11. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**681**	2,635
90 days to 1 year	**876**	401
Over 1 year	**12**	55
	1,569	3,091

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

12. Share-Based Payments

The Company operates an employee trust benefit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme (including certain directors and supervisors) shall be employees of the Group including mid-level and senior management, experts and core personnel who are essential for realising the strategic goal of the Group. The Scheme became effective on 8 June 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

The Company engaged or through its subsidiary engaged three separate qualified agents which are independent from each other to act as the trustees under the Scheme to set up three trusts, which include a connected trust that holds domestic shares only for the benefit of the Scheme participants who are connected persons of the Company and two non-connected trusts (one for mainland China Scheme participants and one for overseas Scheme participants) that hold domestic shares and/or H shares for the benefit of the Scheme participants who are not connected persons of the Company.

The trust fund paid by the Company or through its subsidiary to each trustee for setting up the connected trust and non-connected trusts comes from the internal funds as well as its initial public offering proceeds that can be used in this regard.

12. Share-Based Payments *(Continued)*

The total number of the target shares to be purchased by the trustees under the Scheme shall be 10% of the total share capital of the Company in issue as at the date of approval of the Scheme at the 2014 annual general meeting, being 21,718,166 shares out of 217,181,666 shares. Trust benefit units subject to the effective conditions will be granted to the Scheme participants through initial grant, subsequent grant(s) and re-grant(s). Initial grant and subsequent grant(s) shall be completed by 31 December 2016 and re-grant(s) shall be completed within two years from the date of approval of the Scheme at the 2014 annual general meeting.

Target shares purchased by the trustees from domestic shareholders or on the open market are held in trusts for the relevant participants until such shares are vested with the relevant participants in accordance with the provisions of the Scheme. The target shares granted and held by the trustees until unlocking are referred to as the treasury shares and each treasury share shall represent one ordinary share of the Company.

During the term of the Scheme, the total number of the target shares will be subject to adjustment in accordance with the adjustment mechanisms stated in the rules of the Scheme following capitalising the common reserves, bonus issues, share sub-divisions, share consolidation, etc. In the event of rights issue, the board of directors of the Company will be authorised by the general meeting to decide whether actions shall be taken by the Company to adjust the total number of target shares under the Scheme to 10% of the enlarged total share capital of the Company so that the ratio of target shares in the total share capital of the Company under the Scheme remains unchanged.

For each grant, there are three unlocking dates, being the expiry dates of the first anniversary, second anniversary and third anniversary of the grant date, subject to the vesting conditions and upon expiry of which, 30%, 30% and 40% of the trust benefit units granted to each Scheme participant shall be unlocked. The lock-up period is from the grant date to each of the aforesaid unlocking dates, during which the disposal of the trust benefit units is prohibited.

Pursuant to a resolution approved by the shareholders at the 2015 annual general meeting on 18 May 2016, the Scheme was amended in relation to the extension of the exercise period and the term of the Scheme (the "**Amendment**").

12. Share-Based Payments *(Continued)*

The exercise period for the Scheme participants excluding directors, supervisors and senior management of the Company has been extended from within one year after the unlocking date to within three years after the unlocking date, during which they have the right to apply for exercising their trust benefit units. The exercise period for the Scheme participants who are directors, supervisors and senior management of the Company shall remain the same, in which they can apply for exercising the trust benefit units from the unlocking date to the date of liquidation of the trusts as prescribed in the trust deeds between the Company and the trustees.

The terms of the Scheme have been extended from six years to eight years from the date the Scheme was approved at the 2014 annual general meeting of the Company which was held on 8 June 2015.

The Scheme participants are entitled to the dividends attached to the target shares.

Particulars and movement of the target shares under the Scheme

2016

Date of grant	*Notes*	**Fair value per share *(RMB)***	**As at 1 January**	**Granted during the period**	**Forfeited during the period**	**Vested during the period**	**As at 31 December**
16 June 2015	(a)	24.60	17,155,000	–	(1,459,000)	(4,975,500)	10,720,500
2 September 2015	(b)	10.43	120,000	–	–	(36,000)	84,000
31 March 2016	(c)	9.77	–	1,515,000	(190,000)	–	1,325,000
6 December 2016	(d)	8.84	–	2,690,000	–	–	2,690,000
			17,275,000	4,205,000	(1,649,000)	(5,011,500)	14,819,500

2015

Date of grant	*Notes*	Fair value per share *(RMB)*	As at 1 January	Granted during the period	Forfeited during the period	Vested during the period	As at 31 December
16 June 2015	(a)	24.60	–	17,370,000	(215,000)	–	17,155,000
2 September 2015	(b)	10.43	–	120,000	–	–	120,000
			–	17,490,000	(215,000)	–	17,275,000

12. Share-Based Payments *(Continued)*

Notes:

(a) On 16 June 2015, the board of directors of the Company approved the initial grant of trust benefit units subject to effective conditions to 182 Scheme participants, including one director, two supervisors, mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of the target shares under the initial grant was 17,370,000, representing approximately 8% of the issued share capital of the Company as at 16 June 2015.

(b) On 2 September 2015, the board of directors of the Company also authorised the president committee of the Company to grant trust benefit units subject to effective conditions to several Scheme participants of Chanjet Information Technology Corporation ("**Chanjet U.S.**") at nil consideration. The total number of the target shares under the grant was 120,000. During the reporting period, the grantees of the trust benefit units in Chanjet U.S. did not include any directors, supervisors or their respective spouses or children aged under 18.

(c) On 31 March 2016, the board of directors of the Company approved the second grant of trust benefit units subject to effective conditions to 36 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the second grant was 1,515,000 shares, representing approximately 0.7% of the issued share capital of the Company as at 31 March 2016.

(d) On 6 December 2016, the board of directors of the Company approved the third grant of trust benefit units subject to effective conditions to 30 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the third grant was 2,690,000 shares, representing approximately 1.24% of the total issued share capital of the Company as at 6 December 2016.

The Amendment had no incremental effect on the fair value of the trust benefit units granted, using the measurement method as described below.

The fair value of the trust benefit units granted/amended at the date of initial grant/amended was estimated using the Black-Scholes Model and the Monte Carlo method, taking into account the terms and conditions upon which the trust benefit units were granted/amended. The fair value of trust benefit units granted at the initial grant date was RMB427,285,000 and was estimated on the date of grant using the following assumptions:

Dividend yield *(%)*	0.00%
Expected volatility *(%)*	51.50%–63.20%
Risk-free interest rate *(%)*	0.157%–1.815%
Expected life *(years)*	1–10
Weighted average share price *(RMB per share)*	24.60

12. Share-Based Payments *(Continued)*

The fair value of the trust benefit units granted/amended to several participants of Chanjet U.S. was calculated based on the market price of the Company's shares at the grant/amended date. The fair value of the trust benefit units granted to several participants of Chanjet U.S. was RMB1,251,000.

The fair value of the trust benefit units granted at the date of second grant was calculated based on the market price of the Company's shares at the grant/amended date. The fair value of trust benefit units granted under the second grant was RMB14,795,000.

The fair value of the trust benefit units granted at the date of third grant was calculated based on the market price of the Company's shares at the grant date. The fair value of trust benefit units granted under the third grant was RMB23,786,000.

During the year ended 31 Decemer 2016, the trustees entrusted by the Company acquired 1,482,600 H shares of the Company through the open market (2015:10,990,000 H shares; 6,500,000 domestic shares). The aggregate consideration paid to acquire the shares during the year was RMB14,251,000 (2015: RMB310,136,000).

During the year ended 31 December 2016, 1,649,000 (2015: 215,000) target shares under the Scheme were lapsed due to the vesting condition not being fulfilled under the Scheme.

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contracts with the Company, which have disqualified themselves as Scheme participants, the vesting conditions of the remaining Scheme participants under the initial grant to unlock 30% of their trust benefit units were fulfilled on 16 June 2016. On 2 September 2016, the vesting conditions of the Scheme participants under the grant of Chanjet U.S. to unlock 30% of their trust benefit units were fulfilled. During the year ended 31 Decemer 2016, 5,011,500 target shares with a purchase cost of RMB88,936,000 were unlocked under the Scheme, resulting in the transfer out of RMB121,970,000 from the share-based payment reserve, with the difference of RMB33,034,000 credited to the capital reserve account.

During the year ended 31 December 2016, the total amount of share-based payment expense was RMB132,557,000 (2015: RMB126,985,000), of which an amount of RMB131,238,000 (2015: RMB119,407,000) was recognised in profit or loss, and an amount of RMB1,319,000(2015: RMB7,578,000) was capitalised into deferred development costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

During the Reporting Period, China further promoted business startups and creativity for the public (大眾創業、萬眾創新) and increased support for real economy, particularly for MSEs. Meanwhile, it accelerated implementation of reform of fiscal and tax system and pushed ahead the replacement of business tax with VAT in an all-round way. With the launch of a new round of national pilot scheme for comprehensive reform of the service industry, the modern service industry developed rapidly. In addition, the state boosted the professional development of Creativity Space (眾創空間) and implemented the innovation-driven development strategy to provide low-cost and all-round professional services for business startups and creativity for the public, which released more vitality for business startups and creativity throughout the society, and further motivated the market momentum.

With the rapid development of "Internet Plus (互聯網+)" and cloud computing, the business model, operation model and management model of MSEs also underwent changes in an all-round way. MSEs were able to make full use of Internet, cloud computing and other technologies to increase income, reduce costs, improve efficiency and control risks. The development of mobile internet and the popularization of intelligent terminal increased users' acceptance of cloud services, while the increasingly mature cloud technology effectively solved the problem of data safety. MSEs' consciousness of Internet-oriented development has been enhanced continuously and their willingness to accept and proactively seek for cloud service also increased gradually. All the aforementioned factors will drive the rapid development of cloud service business for MSEs.

During the Reporting Period, the market entities maintained rapid development in China. According to the statistical data of the State Administration for Industry and Commerce (國家工商行政管理總局), as at the end of 2016, the number of various types of market entities amounted to 87,054,000 in China, including 25,961,000 enterprises, 59,300,000 individual businesses and 1,794,000 specialized farmer cooperatives. The number of newly registered market entities amounted to 16,513,000, representing a year-on-year increase of 11.6%. The further expansion of the market size of MSEs and the continuous progress of replacement of business tax with VAT have created new growth opportunities for the fiscal and tax market of MSEs.

Business Review ***(Continued)***

Major risks and uncertainties factors

In respect of industry, economic structural adjustment in the PRC and more economic downturn pressure may bring adverse impact on the business and operating results of the Group. Internet giants increased their investment in enterprise cloud service to seize market share while the newly established Internet enterprise service companies backed by venture investment entered the market in succession, resulting in fiercer industrial competition in the enterprise cloud service market. The Group, leveraging on its rich experience obtained after years of development in the field of financial and management service for MSEs and profound understanding of traditional enterprises' appeal for Internet-based transformation and the demands of enterprise users, plans to proactively cope with industrial challenges by enhancing the research and development of products and capitalizing on the advantages of its existing channels.

In terms of human resources, the costs incurred for retaining and attracting talents will increase due to the intensified competition for Internet talents. The Group intends to attract talents through devoting more efforts in building of the employer brand, strengthening the cultivation of internal talents, innovating in the performance appraisal system, exerting the incentive function of the Employee Trust Benefit Scheme, and leveraging on the Company's vision for providing cloud services for millions of MSEs, so as to enhance the sense of mission and cohesiveness of the staff.

Principal businesses and operating condition

1. *Development of software business*

   During the Reporting Period, while further tapping the MSE market, the Group continued to intensify the promotion of the market strategy of small-sized experience-sharing seminars and financial software popularization, and continued to guide and support channel partners to facilitate them to increase employees and improve service capacity. In addition to further optimizing channel system and carrying out construction of various types of channels and layouts, the Group achieved good progress in the channel cooperation with Internet companies and fiscal and taxation service companies, which reinforced the channel coverage of financial popularization market. Various large market activities including "Financial Literacy Programs (財務普及風暴)", "520 I Love MSEs (520我愛小微企業)", "The Ninth Session of the Accounting Cultural Festival (第九屆會計文化節)" were further held to help MSEs to improve their management continuously. Meanwhile, these activities enhanced the Company's brand influence and promoted sales of software products.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Principal businesses and operating condition (Continued)

1. Development of software business (Continued)

During the Reporting Period, the Group issued T+ V12.1 and T+ V12.2 series products, which fully integrate the characteristics of three major technologies, i.e. mobile internet, social networking services and cloud computing and satisfy the requirements on MSEs' information-based management and collaboration; the release of T+ DST (T+電商通) achieved the data and information connection between T+ and B2C e-commerce platform. The newly launched Order Mall (訂貨商城) allowed customers to share the logistics and order state with distributors; further, the Group optimised and improved procurement management, sales management, inventory management, member management, production management, financial management and other modules to enhance the integrated management of small-sized commercial and trade enterprises, industrial enterprises and industrial and trade enterprises.

During the Reporting Period, in respect of guarantee for user service support, the Group offered the more convenient online community-based service and took the lead in providing 7×15 hours service support, which improved the service quality and efficiency. Further efforts were exerted to promote product support service and optimise the long-term profit-making model to ensure the stable, continued and sound development of software business.

As at 31 December 2016, the accumulated enterprise users of software business of the Group exceeded 1.14 million, and income from software business recorded a rapid growth as compared with that of last year.

2. Development of cloud service business

The cloud service business of Chanjet is committed to providing one-stop financial and management services for MSEs. It fully connects the "personnel, finance, commodity and customer" data of MSEs and integrates collaborative office, financial management, purchase-sale-stock management, customer management, and other applications. It covers the whole process from identifying customers, contacting customers to serving customers and provides enterprises with socialized, personalized, service-oriented and small scaled business management support.

As at 31 December 2016, the accumulated enterprise users of cloud service business of the Group exceeded 2.25 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review ***(Continued)***

Principal businesses and operating condition (Continued)

2. *Development of cloud service business (Continued)*

(1) Biz Chat (工作圈)

With the rapid iteration and optimisation of Biz Chat, the basic collaboration functions including announcement, approval, attendance check, etc. were improved, and the close integration of the Biz Chat with the software product T^{+} V12.2 achieves the integrity and unity of recording and communication at the front end and business integration and data collaboration at the rear end of enterprises, which helps enterprises to improve communication and cooperation efficiency, streamline the workflow and reduce management costs.

(2) Chanjet Good Accountant (暢捷通好會計)

Chanjet Good Accountant, as a professional, smart, convenient and safe Internet-based financial application, realised synchronization of PC terminal, mobile terminal and WeChat terminal, and voice account keeping, SMS account keeping, WeChat sharing and other functions. It is the first in the industry to achieve connection of invoice, accounting and taxation data, one-click invoice taking and import, invoice tax calculation and one-click tax declaration for certain cities. The construction of online operation system and the layout of offline financial and tax channels have been preliminarily completed. In respect of online operation, the number of users increased rapidly due to the cooperation with a number of resource platforms based on the professional financial and tax contents, training, activity and product operation. The offline strategic cooperation with scores of financial and tax partners contributed to the preliminary completion of channel layout and assisted partners in establishing their customer operation system.

Business Review *(Continued)*

Principal businesses and operating condition (Continued)

2. *Development of cloud service business (Continued)*

(3) Chanjet Good Business (暢捷通好生意)

During the Reporting Period, the public beta of Chanjet Good Business was released. This application is a purchase-sale-stock cloud application service for MSEs. As MSEs tend to use the Internet-based methods to manage their businesses, this application addresses the issues on management of purchase, sale and stock of enterprises.

(4) Chanjet Easy Accounting Agent (暢捷通易代賬)

During the Reporting Period, the enterprise version of Chanjet Easy Accounting Agent was added with new functions including one-click tax declaration, staff performance management, operation analysis, bill management and contract management, which optimised the operation process of bookkeeping agencies and greatly improved their working efficiency. The Company secured strategic partnerships with over 30 associations of bookkeeping services and had over 5,000 bookkeeping agencies using Easy Accounting Agent to provide bookkeeping services for over one million MSEs.

Business Review *(Continued)*

Principal businesses and operating condition (Continued)

2. Development of cloud service business (Continued)

(5) Chanjet Cloud Service Platform for MSEs (暢捷通小微企業雲服務平台)

During the Reporting Period, Chanjet Cloud Service Platform for MSEs was optimised continuously and basically fulfilled the platform planning goal. The release of Open Platform V4.0 satisfied the demands for enterprise data integration and application integration. The Group also published the HTML5 application development framework and developed the visual designer framework and bill printing template designer for HTML5 version. The Intelligent Platform applied the artificial intelligence technology in products to support voice search using mandarin or dialects, intelligent voice account keeping and intelligent Q&A. For the operation platform, the functions including customer authentication, charging, accounting of revenue and expenditure that support the development of cloud service business were further optimised. For the operating platform, the hierarchic management according to the activeness of customers was realised, thus improving the efficiency of resource utilization substantially.

Business Review (Continued)

Principal businesses and operating condition (Continued)

3. *Development of payment business*

   During the Reporting Period, Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") continued to diversify its merchant pools. As the range of standard payment products for enterprises has been expanded, the Group launched payment solutions for a range of industries including chain retailing, B2B e-commerce, Internet finance, collection of non-taxable income of government. On the basis of ever-expanding payment services and ever-closer integration between software systems and cloud services, the Group enhanced product integration, regional deployment and resources consolidation to continually expand the regional layout.

4. *Development of brand and market*

   During the Reporting Period, the Group was awarded the "No. 1 in Respect of User Satisfaction in Financial Management Cloud Service for MSEs (小微企業財務管理雲服務用戶滿意度第一)" by the Users Committee under China Association for Quality, and was rated as "The Most Preferred Service Provider for SMEs in China (中國中小企業首選服務商)" by China International Cooperation Association of Small and Medium Enterprises. The products of the Group were appraised as "Trustworthy Products for Internet-based Financial Services (互聯網財務服務信賴產品)" by China Software Industry Association and as "Best Products in the Internet Plus Finance Field in China (中國互聯網+財務領域最佳產品)" jointly by China Center for Information Industry Development (中國電子信息產業發展研究院) and China Center for Promotion of SME Development (中國中小企業發展促進中心).

   During the Reporting Period, the Group, together with over 50 successful entrepreneurs in the circle of Internet-based business start-up, held the cross-industry marketing activity "Looking for Experienced Entrepreneurs Throughout the City (全城尋找創業圈老司機)", which strengthened the presence and influence of Chanjet brand. The first selection activity themed "Serving Business Startups and Creativity for the Public, Looking for the Best Service Provider in 2016 (服務雙創，尋找2016最美服務商)" held by the Group attracted over 1 million participants in total.

Financial Review

	For the year ended 31 December			
	2016	2015	Change in amount	Percentage change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**430,784**	345,796	84,988	25
Cost of sales and services provided	**(71,763)**	(29,783)	(41,980)	141
Gross profit	**359,021**	316,013	43,008	14
Gross profit margin	**83%**	91%	(8)%	
Other income and gains	**65,394**	68,858	(3,464)	(5)
R&D costs	**(158,879)**	(125,329)	(33,550)	27
Selling and distribution expenses	**(174,332)**	(153,347)	(20,985)	14
Administrative expenses	**(224,927)**	(194,984)	(29,943)	15
Finance costs	**(301)**	–	(301)	100
Other expenses	**(2,879)**	(32)	(2,847)	8,897
Loss before tax	**(136,903)**	(88,821)	(48,082)	54
Income tax credit	**7,696**	8,619	(923)	(11)
Loss for the year	**(129,207)**	(80,202)	(49,005)	61
Attributable to:				
Owners of the parent	**(122,610)**	(72,617)	(49,993)	69
Non-controlling interests	**(6,597)**	(7,585)	988	(13)

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Operating results

For the year ended 31 December 2016, the revenue of the Group was RMB430.78 million, representing a year-on-year increase of 25%. The loss before tax was RMB136.90 million as compared with the loss before tax of RMB88.82 million for the previous year. The loss for the year was RMB129.21 million whilst the loss for the previous year was RMB80.20 million. The loss attributable to the owners of the parent was RMB122.61 million as compared with the loss attributable to the owners of the parent of RMB72.62 million for the previous year and the basic loss per share of the Group was RMB0.61 as compared with the loss per share of RMB0.35 for the previous year.

The increase in loss of the Group for the year was mainly attributable to the increases in R&D costs in relation to cloud service business, selling and distribution expenses and the additional cost of Employee Trust Benefit Scheme. For the year ended 31 December 2016, the cloud services business recorded an increase of RMB23.05 million in R&D costs as compared with the previous year. Selling and distribution expenses increased by RMB20.99 million as compared with the previous year and the costs for the Employee Trust Benefit Scheme, which were recorded under the administrative expenses, increased by RMB11.83 million as compared with the previous year.

Revenue

For the year ended 31 December 2016, the revenue of the Group was RMB430.78 million, representing an increase of 25% as compared with that of the previous year. The increase in the revenue was mainly due to the increases in software revenue and service revenue. The increase in software revenue was mainly due to an increase of 119% in T6 revenue. The increase in service revenue was mainly attributable to an increase of 429% in revenue from payment service and an increase of 61% in revenue from cloud service as compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Revenue (Continued)

The following table sets forth a breakdown of revenue of the Group by products and types of service:

	For the year ended 31 December					
	2016		2015		Change in amount	Percentage change
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
T1 series software products	**14,434**	**3**	13,694	4	740	5
T3 series software products	**102,338**	**24**	96,981	28	5,357	6
T6 series software products	**40,891**	**9**	18,710	5	22,181	119
T^+ series software products	**161,933**	**38**	155,500	45	6,433	4
Other software	**21,349**	**5**	17,208	5	4,141	24
Total software revenue	**340,945**	**79**	302,093	87	38,852	13
Product support services	**30,927**	**7**	25,903	7	5,024	19
Cloud service	**9,091**	**2**	5,664	2	3, 427	61
Payment services	**46,498**	**11**	8,796	3	37,702	429
Other services	**2,767**	**1**	2,623	1	144	5
Total service revenue	**89,283**	**21**	42,986	13	46,297	108
Sales of purchased goods	**556**	**0**	717	0	(161)	(22)
Revenue	**430,784**	**100**	345,796	100	84,988	25

Cost of sales and services provided

For the year ended 31 December 2016, the Group's cost of sales and services provided was RMB71.76 million, representing an increase of 141% over the previous year. The increase was mainly due to that the costs of payment service and cloud service increased by RMB27.19 million and RMB17.63 million respectively as a result of the increases in the revenues of the Group's payment service and cloud service.

Financial Review *(Continued)*

Gross profit and gross profit margin

For the year ended 31 December 2016, the Group achieved a gross profit of RMB359.02 million, representing a growth of 14% over the previous year, mainly attributable to the increase in revenue. The gross profit margin of the Group was 83%, representing a decrease of 8 percentage points as compared with that of the previous year. The decrease was mainly attributable to the increase in the proportion of revenue generated from payment service and cloud service businesses whose gross profit margin was lower than that of software business.

Other income and gains

For the year ended 31 December 2016, the Group's other income and gains was RMB65.39 million, representing a decrease of 5% as compared with that of the previous year. The decrease was mainly due to the decrease in the gains and interest income on financial investments by RMB8.78 million as compared with that of the previous year, partially offset by the increase in value-added tax refunds.

Total R&D investment

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

	For the year ended 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
R&D costs of software business	**44,146**	**27**	37,221	24
R&D costs of cloud service business	**100,551**	**62**	77,506	50
R&D costs of payment business	**14,182**	**9**	10,602	7
R&D costs	**158,879**	**98**	125,329	81
Additions to deferred development costs of cloud service business	**3,124**	**2**	28,830	19
Additions to deferred development costs	**3,124**	**2**	28,830	19
Total R&D investment	**162,003**	**100**	154,159	100

Financial Review *(Continued)*

Total R&D investment (Continued)

For the year ended 31 December 2016, R&D costs of the Group amounted to RMB158.88 million, representing an increase of 27% over the previous year, mainly due to the increase in the R&D costs of cloud service business by RMB23.05 million as compared with that of the previous year as a result of the settlement of the R&D capitalization projects and more R&D investment in cloud service business included in the R&D costs.

For the year ended 31 December 2016, the Group achieved a total R&D investment of RMB162.00 million, representing an increase of 5% as compared with that of the previous year, which was mainly due to the increase in the Group's investment in R&D of software and payment businesses.

Selling and distribution expenses

For the year ended 31 December 2016, the selling and distribution expenses of the Group was RMB174.33 million, representing an increase of 14% as compared with that of the previous year. The increase was mainly due to the increase in operation and promotion expenditure on software business and cloud service business by the Group.

Administrative expenses

For the year ended 31 December 2016, the administrative expenses of the Group was RMB224.93 million, representing an increase of 15% as compared with that of the previous year. The increase was mainly due to the costs of the Employee Trust Benefit Scheme incurred in the Reporting Period in the amount of RMB131.24 million, representing an increase of RMB11.83 million as compared with that of the previous year. With the settlement of R&D capitalization projects, the amount for amortization of intangible assets increased by RMB7.46 million.

Income tax credit

For the year ended 31 December 2016, the income tax credit of the Group was RMB7.70 million, representing a decrease of 11% as compared with that of RMB8.62 million of the previous year, which was mainly due to the decrease in deferred income tax recognised for share-based payment expense as compared with that of the previous year.

Financial Review ***(Continued)***

Loss attributable to owners of the parent

For the year ended 31 December 2016, the loss attributable to owners of the parent of the Group was RMB122.61 million, and the loss attributable to owners of the parent for the previous year was RMB72.62 million. The increase in the loss during the Reporting Period was mainly due to the increase in the R&D costs of cloud service business, selling and distribution expenses and the cost of Employee Trust Benefit Scheme.

Loss attributable to non-controlling interests

For the year ended 31 December 2016, the loss attributable to non-controlling interest of the Group was RMB6.60 million, representing a decrease of 13% as compared with the previous year, which was mainly due to the decrease in the loss of payment business of the Group.

Liquidity and financial resources

Condensed cash flow statement

	For the year ended 31 December		
	2016	2015	Change in amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**17,215**	54,304	(37,089)
Net cash flows used in investing activities	**(288,809)**	(215,047)	(73,762)
Net cash flows used in financing activities	**(19,239)**	(369,937)	350,698

Net cash flows from operating activities

For the year ended 31 December 2016, net cash flows from operating activities of the Group was RMB17.22 million, representing a decrease of RMB37.09 million as compared with that of the previous year. The decrease was mainly due to advance deposit payment of the Group's payment business of RMB40.50 million.

Financial Review *(Continued)*

Liquidity and financial resources (Continued)

Net cash flows used in investing activities

For the year ended 31 December 2016, net cash flows used in investing activities of the Group was RMB288.81 million, representing an increase of RMB73.76 million as compared with that of the previous year. The increase was mainly due to that the wealth investment products held by the Group which were yet not due as at the end of the Reporting Period increased by RMB134.00 million as compared with that of the previous year.

Net cash flows used in financing activities

For the year ended 31 December 2016, the net cash flows used in financing activities of the Group was RMB19.24 million, mainly representing the Group's payment of RMB18.94 million for share purchase pursuant to the Employee Trust Benefit Scheme. The net cash flows used in financing activities of the last year mainly included the Group's payment for share purchase pursuant to the Employee Trust Benefit Scheme and the payment of dividend for 2014.

Financial Review *(Continued)*

Liquidity and financial resources (Continued)

Working capital

	As at 31 December	
	2016	2015
Cash and bank balance *(RMB'000)*	**599,355**	825,282
Current ratio	**286%**	810%
Gearing ratio	**0%**	0%

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 31 December 2016 was 286% (31 December 2015: 810%). The decrease in current ratio was mainly due to the increase in current liabilities resulting from the increase in the customer reserves from payment business.

The Group's gearing ratio was nil. Gearing ratio was calculated based on the net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing debts less restricted bank balances and cash and bank balances. As at 31 December 2016, the Group had no interest-bearing debt.

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

Capital expenditure

For the year ended 31 December 2016, the significant capital expenditure of the Group included deferred development costs of RMB3.12 million (2015: RMB28.83 million), expenditure on office equipment, furniture and fittings of RMB4.85 million (2015: RMB10.19 million). For the year ended 31 December 2016, the Group had additional expenditure on software license of RMB2.30 million, and there was no such expenditure during the previous year.

Financial Review *(Continued)*

Contingent liabilities

As at 31 December 2016 and 31 December 2015, the Group did not have any contingent liabilities, nor does it have any proposal on contingent liabilities issue.

Charges on assets

As at 31 December 2016 and 31 December 2015, the Group did not have any charge on group assets.

Material investments

During the Reporting Period, the Group did not have any material investment.

Material acquisition and disposal of assets

At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interest in Chanjet Payment to Yonyou by the Company, (ii) the unilateral capital increase in Chanjet Payment by Yonyou, and (iii) the amendments to the non-competition agreement and the confirmation. Upon completion of the above-mentioned transactions, Chanjet Payment will be held as to 15% and 85%, respectively, by the Company and Yonyou and will no longer be a subsidiary of the Company. As of the date of this announcement, the aforementioned disposal and the capital increase have not been completed and Chanjet Payment was still held as to 75.10% by the Company. For details, please refer to the announcements of the Company dated 21 October 2016 and 30 December 2016 and the circular of the Company dated 11 November 2016.

Save as disclosed above, during the Reporting Period, the Group did not have any material acquisition or disposal of assets in relation to subsidiaries, associated companies or joint ventures.

Financial Review *(Continued)*

Foreign exchange risks

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet Information Technology Corporation and Chanjet Information Technology (Hong Kong) Limited, the subsidiaries of the Company, settled in foreign currencies (primarily US dollars and HK dollars). The Group will, subject to the foreign exchange fluctuation, conduct foreign exchange settlement and foreign exchange swap for the balance of proceeds raised in due course to alleviate foreign exchange fluctuation risks.

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.

Employee and Organization Guarantee

As at 31 December 2016, the Group had 963 employees in total (31 December 2015: 861 employees). During the Reporting Period, the Group optimized its organizational structure in order to accelerate the development of cloud service business. In terms of talent development, the Group established an Internet-based talent introduction system to accelerate the introduction of high-end Internet talents, and encouraged the existing employees to study and share knowledge internally in order to enhance their capabilities of cloud service business. In terms of talent motivation, the Group granted trust benefit units to 66 employees in two batches under the Employee Trust Benefit Scheme, and optimized its performance evaluation mechanism to encourage the employees to overfulfill their quotas. In terms of talent retaining, the Group continued to implement the dual-channel talent development strategy, design the form and content of training based on the needs for career development management and with a goal of meeting post competency and achieving our employees' self-development, optimize the employee training system and organize various team-building activities to enhance employees' sense of belonging and cohesion.

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 supervisors 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 propose 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. In order to attract, retain and motivate key talents needed for the achievement of the Company's strategic objectives, the Company has also adopted the Employee Trust Benefit Scheme.

Employee Trust Benefit Scheme

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015. This scheme is a long-term incentive scheme designed for the scheme participants of the Company and its subsidiaries, with domestic shares and/or H shares of the Company as target shares, trust beneficial right subject to effective conditions as incentive tool and trust benefit units determined by the trustees as unit of measurement. This scheme has been amended at the annual general meeting convened by the Company on 18 May 2016. For details about the specific terms of and amendments to the Employee Trust Benefit Scheme, please refer to the announcements of the Company dated 13 April 2015, 8 June 2015, 31 March 2016 and 18 May 2016, and the circulars of the Company dated 23 April 2015 and 29 April 2016.

On 31 March 2016, the Board approved the second grant of trust benefit unit subject to effective conditions to 36 scheme participants at nil consideration under this scheme. The total number of the target shares under the second grant was 1,515,000, representing approximately 0.7% of the issued share capital of the Company as at 31 March 2016. On 8 June 2016, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the initial grant pursuant to this scheme. According to such resolutions, save and except for some scheme participants under the initial grant who had terminated or released his/her labor contract with the Company and hence disqualified themselves as scheme participants, the unlocking conditions of the remaining scheme participants under the initial grant to unlock 30% of their trust benefit units would be fulfilled on 16 June 2016. On 6 December 2016, the Board approved the third grant of trust benefit unit subject to effective conditions to 30 scheme participants at nil consideration under the scheme. The total number of the target shares under the third grant was 2,690,000, representing approximately 1.24% of the issued share capital of the Company as at 6 December 2016. None of the scheme participants under the second and third grant of trust benefit unit were Directors, supervisors, the chief executive, the substantial shareholders of the Company or their respective associates. For details about the implementation of the scheme during the Reporting Period, please refer to the announcements of the Company dated 31 March 2016, 8 June 2016 and 6 December 2016.

Employee Trust Benefit Scheme ***(Continued)***

As at 31 December 2016, trust benefit units of Directors and supervisors of the Company are set out as follows:

Name	Position	Proportion of the trust benefit unit granted to the total trust benefit units granted in the initial grant
Zeng Zhiyong	Executive Director, president	11.51%
Zhang Wei	Supervisor	1.04%
Deng Xuexin	Supervisor	0.35%

As at the end of the Reporting Period, the actual amount of proceeds used by the Company for the Employee Trust Benefit Scheme was approximately HK$74.93 million.

PROSPECT

In 2017, the Group will devote to the synergetic development of the software business and the cloud services business so as to achieve an efficient growth. Focusing on MSEs, the Group will intensify the combination of software products and cloud services and develop the enterprise applications that cover all aspects of the business management. Meanwhile, it will integrate the superior resources in the offline channels to accelerate the promotion of its cloud services business while strengthening its competitiveness in the software business. The cooperation between the online operation and the e-commerce channels will be enhanced to speed up the development of the paying enterprise users. The Group will boost the business development in the purchase-sale-stock market with an aim to taking the lead in the market of the said industry, and it will expand the ecological partnership cooperation to gradually build an ecosphere of cloud services for MSEs.

PROSPECT ***(Continued)***

The Group aims for the innovative breakthrough in the cloud services application. In response to the user demands under the new circumstance of the Internet-based development of enterprises, the Group will focus on the development of cloud application services with a view to building a quality cloud application for the management of "personnel, finance, commodities and customers". It will consummate its product functions, accelerate the iteration of its products and improve the user experience. In respect of Biz Chat, the Group will give priority to the enhancement of its basic collaboration functions geared to MSEs and the business synergy and integration with software products, so as to improve the operation and management efficiency of the enterprises. In respect of Chanjet Good Accountant and Easy Accounting Agent, the Group will focus on breakthrough in the unified integration of finance, invoice and taxes and achieve seamless connection between the financial information and bank cash, invoices, taxes and other information, which will help the MSEs to standardize a complete package of their financial data in a convenient manner and provide support for the intelligent operation analysis and decisions. In respect of Chanjet Good Business, the Group will make efforts to establish a new Internet-based business management mode in consideration of the new business features of MSEs, namely being socialized, personalized, service-oriented and small scaled.

The Group will endeavor to build itself into the top-notch brand of cloud services for MSEs in China. Leveraging on the opportunity in the wake of the explosive Internet-based development of enterprises, it will unify its brand image. In combination with the internal and external resources of the Group, the Group will establish an integrated marketing system, create a customer-oriented promotion mode and thereby constantly enhance the brand value of Chanjet. Accordingly, the Group will guide the development direction of cloud services for MSEs in China and facilitate the rapid development of cloud services business.

The Group will embrace the business transformation and make innovations in the talents development. In light of the goal of efficient growth, it will optimize its organizational and personnel structure, renovate the performance incentive and appraisal system, and enhance the performance-based appraisal to tap potentials of employees. Meanwhile, it will consummate the system of employee development and reinforce the solicitude to the employees, the team building and innovation management so as to motivate the creativity and working effectiveness of the employees of the Company.

DIVIDENDS

The Board did not recommend the distribution of final dividend for the year ended 31 December 2016 (2015: nil).

CORPORATE GOVERNANCE

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group has no significant events after the Reporting Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, and requires directors and supervisors of the Company 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 of the Company confirmed that they had fully complied with the Model Code during the Reporting Period.

THE AUDIT COMMITTEE

The audit committee of the Company consists of Mr. Chen, Kevin Chien-wen, an independent non-executive director of the Company, Mr. Wu Zhengping, a non-executive director of the Company and Mr. Lau, Chun Fai Douglas, an independent non-executive director of the Company during the Reporting Period, among whom, Mr. Chen, Kevin Chien-wen was the chairman of the Committee. The audit committee and the management of the Company had reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the matters on, among others, the internal control and financial statements, including the review of audited annual results for the year of 2016, which they had no dissenting opinion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of holding the annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from Tuesday, 18 April 2017 to Thursday, 18 May 2017 (both days inclusive), during which period no transfer of shares will be registered.

In order to be qualified to attend and vote at the AGM to be convened on 18 May 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Center, 183 Queens Road East, Wan Chai, Hong Kong (for holders of H Shares), or to the Board Office of the Company in PRC at Unit D, Building 20, Yonyou Industrial Park (Beijing), 68 Beiqing Road, Haidian District, Beijing, the PRC (for holders of Domestic Shares), by no later than 4:30 p.m. on Thursday, 13 April 2017.

The shareholders whose names appear on the register of members of the Company on Tuesday, 18 April 2017 are entitled to attend and vote at the AGM.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Company (www.chanjet.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The 2016 annual report and the notice of the AGM will be despatched to shareholders of the Company and published on the websites of the Company and the Hong Kong Stock Exchange within the time provided by the Listing Rules and as required by the Hong Kong Stock Exchange.

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

Beijing, the PRC
17 March 2017

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.