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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
	2017	2016	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*%*
Revenue	**279,655**	233,654	20
Profit/(Loss) attributable to owners of the parent	**47,221**	(40,566)	N/A
Basic earnings/(loss) per share *(RMB)*	**0.23**	(0.20)	N/A

The board (the "**Board**") of directors (the "**Directors**") of Chanjet Information Technology Company Limited (the "**Company**") did not recommend the distribution of any interim dividend for the six months ended 30 June 2017.

* *For identification purposes only*

The Board hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 (the "**Reporting Period**") together with the comparative figures in 2016 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**279,655**	233,654
Cost of sales and services provided	4	**(42,544)**	(21,985)
Gross profit		**237,111**	211,669
Other income and gains, net	3	**40,654**	38,937
Research and development costs	4	**(64,975)**	(77,141)
Selling and distribution expenses		**(77,296)**	(73,566)
Administrative expenses		**(82,423)**	(138,241)
Profit/(Loss) before tax	4	**53,071**	(38,342)
Income tax expense	5	**(6,375)**	(6,110)
Profit/(Loss) for the period		**46,696**	(44,452)
Attributable to:			
Owners of the parent	7	**47,221**	(40,566)
Non-controlling interests		**(525)**	(3,886)
		46,696	(44,452)
Earnings/(Loss) per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	7	**23.2**	(20.3)
Diluted *(RMB cents)*	7	**23.1**	(20.3)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit/(Loss) for the period	**46,696**	(44,452)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(273)**	314
Other comprehensive income/(loss) for the period, net of tax	**(273)**	314
Total comprehensive income/(loss) for the period, net of tax	**46,423**	(44,138)
Attributable to:		
Owners of the parent	**46,948**	(40,252)
Non-controlling interests	**(525)**	(3,886)
	46,423	(44,138)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited)** ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**6,337**	11,240
Intangible assets		**81,159**	90,639
Available-for-sale equity investments		**23,105**	23,650
Deferred tax assets		**14,220**	20,595
Total non-current assets		**124,821**	146,124
Current assets			
Inventories		**6,137**	6,036
Trade and bills receivables	8	**1,000**	1,460
Prepayments, deposits and other receivables		**165,923**	65,246
Available-for-sale investment		**256,000**	85,000
Cash and bank balances		**416,873**	599,355
		845,933	757,097
Assets of a disposal group classified as held for sale	9	**863,364**	422,089
Total current assets		**1,709,297**	1,179,186
Current liabilities			
Trade payables	10	**2,466**	1,569
Other payables and accruals		**91,899**	103,587
Tax payable		**3,880**	5,494
		98,245	110,650
Liabilities directly associated with the assets classified as held for sale	9	**745,291**	301,906
Total current liabilities		**843,536**	412,556
Net current assets		**865,761**	766,630

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Total assets less current liabilities	**990,582**	912,754
Net assets	**990,582**	912,754
Equity		
Equity attributable to owners of the parent		
Issued capital	**217,182**	217,182
Treasury shares held under employee trust benefit scheme	**(168,608)**	(235,451)
Reserves	**912,608**	901,098
	961,182	882,829
Non-controlling interests	**29,400**	29,925
Total equity	**990,582**	912,754

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group Information

Chanjet Information Technology Company Limited (the "**Company**"), formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "**PRC**") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 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 mainly involved in technical development, consulting, transfer, service and training on computer software, hardware and external devices; the sale of typing paper and computer consumables, computer software and hardware and external devices; and the provision of database service; information service of the second category value-added telecom business (restricted to internet information service); design, manufacturing, agency and publication of advertisement; internet payment services, and bank card receipt services.

In the opinion of the directors of the Company, 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 was established in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities	Legal category
Chanjet Information Technology (Hong Kong) Limited ("**Chanjet Hong Kong**") *(note 1)*	Hong Kong 22 Aug 2012	USD1,000,000	100.00	–	Sale of computer software and hardware	Limited company
Chanjet Information Technology Corporation ("**Chanjet U.S.**")	California, the United States 5 Nov 2012	USD15,500,000	100.00	–	Technical development of computer software	Limited liability corporation

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. Corporate and Group Information *(Continued)*

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities	Legal category
Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") *(note 2)*	Beijing, the PRC 29 July 2013	RMB200,000,000	75.10	–	Internet payment, bank card receipt and technical development	Limited liability company
Beijing Chanfortune Network Corporate Limited	Beijing, the PRC 9 March 2016	RMB5,000,000	–	75.10	Internet information services and data processing	Limited liability company

Note 1: As at 5 June 2017, the Board approved the cancellation of Chanjet Hong Kong, given that Chanjet Hong Kong did not conduct any actual operations in the past three years and has no business plan for the next three years. As at 25 August 2017, the cancellation of registration of Chanjet Hong Kong is still in process.

Note 2: The Company and Yonyou entered into a disposal agreement on 21 October 2016 (the "**Disposal Agreement**"), pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire the Sale Interest, representing 55.82% of equity interest in Chanjet Payment, at the consideration of RMB195,561,000. Pursuant to the Disposal Agreement, completion of the disposal shall be conditional upon satisfaction of certain conditions, including obtaining approval from the relevant authorities (including but not limited to the People's Bank of China) regulating Chanjet Payment. All of the conditions precedent set out in the Disposal Agreement have been satisfied as of 17 July 2017. The assets and liabilities of Chanjet Payment were classified as held for sale in the consolidated statement of financial position as at 30 June 2017.

2. Basis of Preparation and Changes to the Group's Accounting Policies

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

2. Basis of Preparation and Changes to the Group's Accounting Policies *(Continued)*

2.1 Basis of preparation (Continued)

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Impact of amended International Financial Reporting Standards

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of the amendments are described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

2. Basis of Preparation and Changes to the Group's Accounting Policies *(Continued)*

2.2 Impact of amended International Financial Reporting Standards (Continued)

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014–2016

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

2. Basis of Preparation and Changes to the Group's Accounting Policies *(Continued)*

2.2 Impact of amended International Financial Reporting Standards (Continued)

Annual Improvements Cycle – 2014–2016 (Continued)

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 (Continued)*

The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the unaudited interim condensed consolidated financial statements, the Group did not provide these disclosures for its interest in Chanjet Payment, the subsidiary that was classified as held for sale as at 31 December 2016. The Group will disclose the required information in its annual financial statements for the year ending 31 December 2017.

2.3 Issued but not yet effective International Financial Reporting Standards

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

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
Annual Improvements 2014–2016 Cycle	• IFRS 1 *First-time Adoption of International Financial Reporting Standards*[1] • IAS 28 *Investments in Associates and Joint Ventures*[1]
IFRS 16	*Leases*[2]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

2. Basis of Preparation and Changes to the Group's Accounting Policies *(Continued)*

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

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

3. 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 period.

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of software	**216,205**	206,782
Rendering of services	**62,745**	26,579
Sale of purchased goods	**705**	293
	279,655	233,654
Other income and gains		
Value-added tax refunds	**32,353**	29,548
Interest income	**8,142**	9,355
Government grants	**13**	–
Others	**146**	34
	40,654	38,937

4. Profit/(Loss) Before Tax

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of software sold	**3,512**	6,189
Cost of services rendered	**38,729**	15,656
Cost of purchased goods sold	**303**	140
Total cost of sales	**42,544**	21,985
Depreciation of items of property, plant and equipment	**4,856**	4,970
Amortisation of intangible assets	**16,170**	14,704
Minimum lease payments under operating leases	**7,372**	8,397
Research and development costs *(note)*	**64,975**	77,141
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**125,887**	122,448
Equity-settled share-based expense	**31,679**	99,687
Pension scheme contributions	**11,607**	11,700
	169,173	233,835
Less: Employee benefit expenses being capitalised in intangible assets	**(5,961)**	(3,100)
	163,212	230,735

Note: During the six months ended 30 June 2017, research and development costs of approximately RMB62,940,000 (six months ended 30 June 2016: RMB73,070,000) were included in employee benefit expenses.

5. Income Tax

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**–**	637
Deferred tax	**6,375**	5,473
Total tax charge for the period	**6,375**	6,110

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Group for the six months ended 30 June 2016 and 2017.

The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during the six months ended 30 June 2016, and was entitled to deduct qualifying research and development expense from taxable profit. As at 30 June 2017, the Group had re-applied for the certificate of high and new technology enterprise, which is highly probable to be approved by the end of 2017, therefore it is reasonable to believe the Company, as a high and new technology enterprise, would be subject to income tax at the rate of 15% and be entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2017.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% during the six months ended 30 June 2016 and 2017. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit arising in Hong Kong during the six months ended 30 June 2016 and 2017.

The subsidiary incorporated in the United States has made no provision for profits tax as the subsidiary did not have any assessable profit during the six months ended 30 June 2017. The subsidiary was subject to income tax at the rate of 46.35% during the six months ended 30 June 2016.

6. Dividends

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

7. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings (six months ended 30 June 2016: loss) per share amounts is based on the profit (six months ended 30 June 2016: loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 203,669,172 (six months ended 30 June 2016: 199,843,961) in issue during the six months ended 30 June 2017, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the employee trust benefit scheme of the Company (the "**Employee Trust Benefit Scheme**" or "**Scheme**").

The calculation of the diluted earnings/(loss) per share amounts is based on the earnings/(loss) for the period 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 nil consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations	**47,221**	(40,566)

7. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent *(Continued)*

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculations	**203,669,172**	199,843,961
Adjustment for the Scheme	**615,445**	–
Weighted average number of ordinary shares for the purpose of the diluted earnings/(loss) per share calculations	**204,284,617**	199,843,961

8. Trade and Bills Receivables

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**–**	10
Bills receivable	**1,000**	1,450
	1,000	1,460
Less: Impairment	**–**	–
	1,000	1,460

8. Trade and Bills Receivables *(Continued)*

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. In view of the fact that the balance of trade and bills receivables is immaterial and the above balances relate to receivables for which there was no recent history of default, there is no significant concentration of credit risk.

An ageing analysis of the trade and bills receivables of the Group, net of impairment, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 90 days	**500**	1,460
90 days to 180 days	**500**	–
	1,000	1,460

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

9. Assets and Liabilities of a Disposal Group Classified as Held for Sale

On 21 October 2016, the Company and Yonyou entered into a Disposal Agreement, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire the 55.82% equity interest in Chanjet Payment owned by the Company, at a consideration of RMB195,561,000. As the transaction is expected to be completed within one year, the assets and liabilities of Chanjet Payment were classified as held for sale in the consolidated financial statements as at 30 June 2017 and 31 December 2016.

9. Assets and Liabilities of a Disposal Group Classified as Held for Sale *(Continued)*

The breakdown of assets and liabilities of Chanjet Payment classified as held for sale as at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Assets		
Property, plant and equipment	**2,219**	838
Intangible assets	**4,641**	2,175
Inventories	**90**	63
Trade receivables	**6,401**	11,059
Prepayments, deposits and other receivables	**11,325**	7,626
Customer reserves	**723,065**	275,899
Available-for-sale investment	**53,000**	–
Pledged deposits	**500**	40,500
Cash and bank balances	**62,123**	83,929
Assets of a disposal group classified as held for sale	**863,364**	422,089
Liabilities		
Trade payables	**11,773**	13,520
Other payables and accruals	**733,518**	288,386
Liabilities directly associated with the assets classified as held for sale	**745,291**	301,906
Net assets directly associated with the disposal group	**118,073**	120,183

10. Trade Payables

An ageing analysis of the trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Within 90 days	**1,167**	681
90 days to 1 year	**1,299**	876
Over 1 year	**–**	12
	2,466	1,569

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

11. Share-Based Payment

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.

11. Share-Based Payment *(Continued)*

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.

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 participant through an initial grant, subsequent grant(s) and re-grant(s). The 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 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.

11. Share-Based Payment *(Continued)*

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**").

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 on which the Scheme was approved at the 2014 annual general meeting of the Company on 8 June 2015.

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

Particulars and movements of the target shares under the Scheme

For the six months ended 30 June 2017

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 30 June
16 June 2015	(a)	24.60	10,720,500	–	(2,474,000)	(3,526,500)	4,720,000
2 September 2015	(b)	10.43	84,000	–	(84,000)	–	–
31 March 2016	(c)	9.77	1,325,000	–	(71,000)	(382,500)	871,500
6 December 2016	(d)	8.84	2,690,000	–	(855,000)	–	1,835,000
5 June 2017	(e)	6.98	–	4,071,000	–	–	4,071,000
			14,819,500	4,071,000	(3,484,000)	(3,909,000)	11,497,500

11. Share-Based Payment *(Continued)*

Particulars and movements of the target shares under the Scheme (Continued)

For the six months ended 30 June 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 30 June
16 June 2015	(a)	24.60	17,155,000	–	(570,000)	(4,975,500)	11,609,500
2 September 2015	(b)	10.43	120,000	–	–	–	120,000
31 March 2016	(c)	9.77	–	1,515,000	(30,000)	–	1,485,000
			17,275,000	1,515,000	(600,000)	(4,975,500)	13,214,500

Notes:

(a) On 16 June 2015, the Board 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 total issued share capital of the Company as at 16 June 2015.

(b) On 2 September 2015, the Board also authorised the president committee of the Company to grant trust benefit units subject to effective conditions to several Scheme participants of 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 of the Company or their respective spouses or children aged under 18.

(c) On 31 March 2016, the Board 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 total issued share capital of the Company as at 31 March 2016.

(d) On 6 December 2016, the Board 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.

11. Share-Based Payment *(Continued)*

Particulars and movements of the target shares under the Scheme (Continued)

Notes: (Continued)

(e) On 5 June 2017, the Board approved the re-grant of part of the trust benefit units that have become invalid from the beginning or lapsed pursuant to the Scheme subject to effective conditions to 48 Scheme participants, including directors, supervisors, mid-level and senior management, experts and core personnel of the Company, at nil consideration under the Scheme. The total number of target shares under the fourth grant was 4,071,000 shares.

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

The fair value of the shares 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 shares were granted/amended. The fair value of shares 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

The fair value of the shares 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 shares granted to several participants of Chanjet U.S. was RMB1,251,000.

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

The fair value of the trust benefit units granted at the date of the 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.

11. Share-Based Payment *(Continued)*

The fair value of the trust benefit units granted at the date of the fourth grant was estimated using the Black-Scholes Model, taking into account the terms and conditions upon which the shares were granted. The fair value of the shares granted at the date of the fourth grant date was RMB28,415,000 and was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00%
Expected volatility *(%)*	57.53%
Risk-free interest rate *(%)*	0.52%–1.058%
Expected life *(years)*	1–8
Weighted average share price *(RMB per share)*	6.98

During the six months ended 30 June 2017, the trustees entrusted by the Company acquired 32,400 domestic shares of the Company from domestic shareholders (six months ended 30 June 2016: 1,137,400 H shares acquired through the open market). The aggregate consideration paid to acquire the shares during the period was RMB274,000 (six months ended 30 June 2016: RMB11,122,000).

During the six months ended 30 June 2017, 3,484,000 (six months ended 30 June 2016: 600,000) target shares under the Scheme were lapsed due to vesting conditions not being fulfilled under the Scheme.

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, and some participants who failed to achieve their respective individual performance standard on his/her respective annual performance appraisal for the year immediately prior to 16 June 2017, 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 2017.

Except for some Scheme participants under the second grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, the vesting conditions of the remaining Scheme participants under the second grant to unlock 30% of their trust benefit units were fulfilled on 31 March 2017.

11. Share-Based Payment *(Continued)*

During the six months ended 30 June 2017, 3,909,000 (six months ended 30 June 2016: 4,975,500) target shares with a purchase cost of RMB67,117,000 (six months ended 30 June 2016: RMB88,352,000) were unlocked under the Scheme, resulting in the transfer out of RMB89,060,000 (six months ended 30 June 2016: RMB121,594,000) from the share-based payment reserve, with a difference of RMB21,943,000 (six months ended 30 June 2016: RMB33,242,000) credited to the capital reserve account.

During the six months ended 30 June 2017, the total amount of share-based payment expense was RMB31,679,000 (six months ended 30 June 2016: RMB99,687,000), of which an amount of RMB30,078,000 (six months ended 30 June 2016: RMB98,368,000) was recognised in profit or loss, and an amount of RMB1,601,000 (six months ended 30 June 2016: RMB1,319,000) was capitalised into deferred development costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

During the Reporting Period, China accelerated the reformation of fiscal and taxation system, strengthened the fiscal and taxation regulation over enterprises, and fully implemented the "Golden Tax Project Phase III (金稅工程三期)". As driven by the national policy, the MSEs, which had been featured with poor management, gained stronger interests in standardized fiscal and taxation management and had more demands for internet-based fiscal and taxation tool services as well as fiscal and taxation knowledge services. With the increasing popularity of "Internet Plus (互聯網+)", the new-type start-ups developed rapidly while the traditional enterprises were also proactively seeking for internet-based transformation. Enterprises had to achieve the transformation and upgrade of operation and management models relying on internet-based IT solutions.

During the Reporting Period, with the rapid development of the mobile internet and cloud service industry, the enterprises' acceptance of SaaS remarkably increased; the increasingly mature cloud computing technology effectively solved enterprises' concern about data security. As a result, MSEs had obviously stronger interests to accept and proactively seek for cloud service. Meanwhile, China also provided significant support to the cloud computing industry. In March 2017, the Ministry of Industry and Information Technology of the PRC promulgated the "Three-year Action Plan on Development of Cloud Computing (2017-2019) (《雲計算發展三年行動計劃（2017–2019年）》)" to encourage the leading cloud computing enterprises to speed up development and realize ecological industrialization. The aforementioned factors will drive the rapid development of cloud service business for MSEs.

During the Reporting Period, the newly registered market entities in the PRC maintained rapid increase. According to the statistical data of the State Administration for Industry and Commerce (國家工商行政管理總局), the number of the newly registered market entities in China grew at a significantly faster pace of 13.2% from the same period of last year to 8,870,000, including 2,911,000 enterprises and 5,809,000 individual businesses; as at the end of the Reporting Period, the total number of market entities exceeded 89,000,000. As the market entity exit mechanism has also been gradually established, the market environment with orderly entry and exit is conducive to the improvement of enterprises' overall quality.

Principal businesses and operating condition

During the Reporting Period, the Group focused on the financial and management services for MSEs, and accelerated the synergetic development of the software business and the cloud services business. Meanwhile, the Group integrated the online and offline resources. While reinforcing the competitiveness of software business, it continuously strengthened the construction of online operation system, expanded new type internet-based channel partners and rapidly developed paying enterprise users of cloud services business. As at the end of the Reporting Period, the newly registered enterprise users of software business exceeded 90,000, representing an increase of 12% as compared with the same period of last year; and the newly registered paying enterprise users of cloud services business exceeded 18,000.

During the Reporting Period, the revenue of the Group amounted to RMB279.66 million, representing an increase of 20% as compared with the same period of last year. The growth of the revenue was mainly due to the increase in software revenue and service revenue. The increase in software revenue was mainly derived from T^+ products while the increase in service revenue was mainly generated from payment business.

The Group recorded profit of RMB46.70 million for the Reporting Period, as compared with the loss of RMB44.45 million for the same period of the previous year, and the profit attributable to the owners of the parent was RMB47.22 million as compared with loss attributable to the owners of the parent of RMB40.57 million for the same period of the previous year. The Group recorded profit for the period, mainly due to the significant decrease in the cost of Employee Trust Benefit Scheme and the improvement of the Group's operation and management. For the six months ended 30 June 2017, RMB30.08 million of cost for the Employee Trust Benefit Scheme was recorded under the administrative expenses, representing a decrease of 69% as compared with the same period of last year. Without considering the effect of such expenses, the profit attributable to owners of the parent of the Group amounted to RMB77.30 million, representing an increase of 34% as compared with the same period of last year, mainly attributable to the increase in revenue from software and cloud services and the decrease in the loss incurred by payment business.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Principal businesses and operating condition (continued)

1. *Development of software business*

   During the Reporting Period, while further tapping the MSE market, the Group laid its stress on commerce circulation and small manufacturing market and held over one thousand large-scale marketing activities as well as commercial and trade wholesale market promotion activities including "520 I Love MSEs (520我愛小微企業)", covering nearly one million merchants, which helped MSEs to constantly level up their management and promote sales of software products. The marketing activities mainly themed by "Golden Tax Project Phase III" and "settlement and payment of income taxes" are in line with the national financial and taxation policies and are widely recognized among the accounting practitioners.

   During the Reporting Period, the Group launched T^+ V12.2, T1 V13.0 and other software products which thoroughly integrate the technical features of cloud computing, social networking services and mobile internet, to innovatively build the value idea of enterprise management centering on "personnel, finance, commodity and customers"; the release of T^+ DST (T^+電商通) V2.0 enabled customers to share the logistics and order state with their distributors; the continuous optimisation of purchase-sale-stock management, member management, production management, financial management and other modules for T^+ series software products further enhanced the integrated management level of small-sized commercial and trade enterprises, and industrial and trade enterprises.

   During the Reporting Period, the Group continuously optimised the service support mode and explored the intelligent service mode through service calls, technical support network and online service community interaction to persistently guarantee 7×15 hours service support, which further improved the service quality and efficiency. Increasing efforts were exerted to promote product support service and optimise the long-term profit-making model to ensure the sustainable, stable and sound development of software business.

   As at the end of the Reporting Period, the accumulated enterprise users of software business of the Group exceeded 1.23 million.

Business Review *(continued)*

Principal businesses and operating condition (continued)

2. *Development of cloud service business*

During the Reporting Period, given considerations to the demands for "new business, new management and new operation" of MSEs, the cloud service business of the Group integrated the collaborative office, financial management, purchase-sale-stock management and other core applications to gradually form combined application of cloud service and software, aiming to provide integrated management service of "personnel, finance, commodity and customer" for MSEs. Meanwhile, it further optimised the construction of product operation system, strengthened internet marketing capacity and proactively expanded the sales cooperation with e-commerce channels. In addition, it continued to seek for internet and resource-oriented new partners and stimulated motivation of the channel partners of the software business for sale of the combined application of cloud service and software. With the focus on the development of paying enterprise users, the Group attached importance to interactive marketing of paying enterprise users, and organized business and product training, driving the increase in revenue from cloud service business.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud service business of the Group exceeded 40,000.

(1) Chanjet Good Accountant

Chanjet Good Accountant, orienting at "intelligence, connection and platform", provides safe and convenient financial services for MSE users. It realised the functions such as analysis of tax risks, and integration of invoices, accounting and taxes. Meanwhile, the products are embedded with accounting practice training, taxation training, real-time interaction with experts and other community characteristics to realise integration of tool services and knowledge services. During the Reporting Period, the integration of products and operation was achieved through self-marketing of products, real-time message channel directly accessing users, and the mechanism of referral of users by users. In respect of development of partners, the Group constantly established close cooperative relationship with financial and taxation and enterprise service partners and proactively expanded the sale channels to promote the revenue growth of Chanjet Good Accountant.

Business Review *(continued)*

Principal businesses and operating condition (continued)

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

(2) Biz Chat

The collaborative application capacity of the Biz Chat was continuously optimised and upgraded. The further integration with T^+, T6 and T1 series software products gives rise to the in-depth connection of organizational behavior and business data and offers low-cost and efficient one-stop management services for enterprises. New functions such as the customized approval and fixed approval process are newly added, with focuses on the management of "personnel, finance, commodity and customer". The Group has strengthened offline training support for channel partners and encouraged partners to focus on T^+ enterprise user base and develop paying enterprise users of Biz Chat; online methods including telemarketing and content marketing are adopted to promote customers to thoroughly apply Biz Chat for management of their enterprises, so as to achieve efficient collaborative office.

(3) Chanjet Good Business

During the Reporting Period, the new version of Chanjet Good Business provided online and offline comprehensive marketing and transaction management services for MSEs in response to the new business forms such as remote online marketing, online transaction and online payment. With scenario driving, data driving and intelligent marketing as the core technical features, Chanjet Good Business helped MSEs to manage customers in a more effective way, enhance customer loyalty, customer's repurchase rate and per customer transaction as well as improve operational efficiency and customer experience.

Business Review *(continued)*

Principal businesses and operating condition (continued)

2. Development of cloud service business (continued)

(4) Chanjet Easy Accounting Agent

During the Reporting Period, the function of integration of finance, invoice and taxes of Chanjet Easy Accounting Agent was further optimised. A more intelligent "accounting agent factory" mode was offered including one-click import of invoices and journals, intelligent generation of vouchers and one-click tax declaration for certain regions; the Group proactively explored the method for cooperative operation with industrial resources oriented companies. As at the end of the Reporting Period, over 5,000 accounting agent companies used Chanjet Easy Accounting Agent as their online operation management system.

3. Development of payment business

During the Reporting Period, the payment business continued to diversify its merchant pools. As the range of standard payment products for enterprises has been expanded continually, the Group launched payment solutions for a range of industries.

4. Development of employees and organizations

During the Reporting Period, the Group continued to optimise the organisation and employee structure, and as at the end of the Reporting Period, the Group had 822 employees in total. In terms of talents deployment, in order to cater for the transformation of cloud application towards payment business, the Group increased the number of internet operation talents and the proportion of cloud application research and development talents. In terms of talents motivation, the Group implemented the incentive policy oriented at promoting results growth to encourage employees to overfulfil results; meanwhile, it continued to implement the Employee Trust Benefit Scheme by granting trust benefit units to 48 employees. In terms of talents development, the Group provided trainings on professional skills, cadre management, thinking reconstruction and reformation capacity by levels and stressed on rounds of enhancement and cultivation of professional capacity for sales, R&D and service personnel.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Development Plan for the Second Half of the Year

In the second half of 2017, the Group will continue to focus on the market of financial and management services for MSEs. Meanwhile, it will capitalize on opportunities to accelerate the development of cloud service products and operation businesses, enhance cooperation with resource-oriented business partners, and gradually build an ecosphere of cloud services for MSEs.

The Group will take the initiative to convene the Global Innovation-based Enterprises Conference (全球創新企業大會) to brainstorm on solutions for transformation and upgrade of management mode by the MSEs in virtue of the integration of "personnel, finance, commodity and customer" under the new economic and retail environments. It will also organize the "Accounting Cultural Festival" for the year 2017 to cater for the upgrade demands of MSEs in respect of finance and management standards. In particular, the Group will invite accounting experts from the community of Accountants Home to delve into issues concerning management upgrade in the cloud finance era, which will also enhance the brand influence of the Group in respect of cloud finance and contribute to the construction of the top-notch brand of cloud services for MSEs in China.

The Group will continue to seek innovative breakthroughs in the cloud services application, further carry forward the in-depth integration of T^+ series products and the Biz Chat, press ahead with the comprehensive implementation of "personnel, finance, commodity and customer" and realize all-rounded synergistic and integrated management of each business function of an enterprise, thereby further improving operation and management efficiency. As for Chanjet Good Accountant and Easy Accounting Agent, the Group will further strengthen the functions of the integration of invoices, accounting and taxes.

The Group will devote more efforts to accelerating the development of cloud service operation. Leveraging on the integrated sales system involving online operation, telemarketing and channel distribution, the Group will enhance the execution capability and the competence of all the staff, popularize the methodology of "personnel, finance, commodity and customer" and build a strong momentum for the marketing of T^+ series and Biz Chat using the scenario-based marketing strategy. It will introduce the operation approach of customer life cycle to enhance customer loyalty based on the integration of invoices, accounting and taxes. Meanwhile, the Group will strive to build Chanjet Good Accountant into the top-notch brand of intelligent cloud finance in China and scale up the pool of paying customers rapidly in virtue of the marketing system integrating operation, telemarketing and resource-oriented business partners.

Financial Review

	For the six months ended 30 June			
	2017	2016	Change in amount	Percentage change
	(Unaudited)	(Unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue	**279,655**	233,654	46,001	20
Cost of sales and services provided	**(42,544)**	(21,985)	(20,559)	94
Gross profit	**237,111**	211,669	25,442	12
Gross profit margin	**85%**	91%	(6%)	
Other income and gains, net	**40,654**	38,937	1,717	4
R&D costs	**(64,975)**	(77,141)	12,166	(16)
Selling and distribution expenses	**(77,296)**	(73,566)	(3,730)	5
Administrative expenses	**(82,423)**	(138,241)	55,818	(40)
Profit/(loss) before tax	**53,071**	(38,342)	91,413	N/A
Income tax expense	**(6,375)**	(6,110)	(265)	4
Profit/(loss) for the period	**46,696**	(44,452)	91,148	N/A
Attributable to:				
Owners of the parent	**47,221**	(40,566)	87,787	N/A
Non-controlling interests	**(525)**	(3,886)	3,361	(86)

Financial Review *(continued)*

Operating results

For the six months ended 30 June 2017, the revenue of the Group was RMB279.66 million, representing an increase of 20% over the same period of last year. The profit before tax was RMB53.07 million and the loss before tax for the same period of last year was RMB38.34 million. The profit for the period was RMB46.70 million and the loss for the same period of last year was RMB44.45 million. The profit attributable to the owners of the parent was RMB47.22 million and the loss attributable to the owners of the parent for the same period of last year was RMB40.57 million. The basic earnings per share of the Group was RMB0.23, while the basic loss per share was RMB0.20 for the same period of last year.

The profit for the period of the Group was mainly attributable to the significant decrease in the cost of Employee Trust Benefit Scheme and the improvement of the Group's operation and management. For the six months ended 30 June 2017, the cost of Employee Trust Benefit Scheme accrued under the administrative expenses was RMB30.08 million, and such cost for the same period of last year was RMB98.37 million. After deducting such expenses, the profit attributable to the owners of the parent was RMB77.30 million, and such profit for the same period of last year was RMB57.80 million, representing an increase of 34%, mainly due to the increase in revenue from software and cloud service business, as well as the decrease in loss incurred by payment business.

Revenue

For the six months ended 30 June 2017, the revenue of the Group was RMB279.66 million, representing an increase of 20% as compared with the same period of last year, mainly due to the increase in revenue from software and services. Revenue from software was RMB216.21 million, representing an increase of 5% as compared with the same period of last year; revenue from services was RMB62.75 million, representing an increase of 136% as compared with the same period of last year, mainly due to the increase in revenue from payment business.

Cost of sales and services provided

For the six months ended 30 June 2017, the Group's cost of sales and services provided was RMB42.54 million, representing an increase of 94% as compared with the same period of last year, mainly due to the increase in costs of payment business.

Financial Review *(continued)*

Gross profit and gross profit margin

For the six months ended 30 June 2017, the Group achieved a gross profit of RMB237.11 million, representing a growth of 12% as compared with the same period of last year, mainly attributable to the increase in revenue. The gross profit margin of the Group was 85%, representing a decrease of 6 percentage points as compared with the same period of last year. The decrease was mainly attributable to the increase in the proportion of revenue generated from payment service whose gross profit margin was approximately 27%.

Other income and gains, net

For the six months ended 30 June 2017, the Group's other income and gains, net was RMB40.65 million, representing a growth of 4% as compared with the same period of last year, mainly due to an increase of 9% in the refund of VAT as a result of the increase in revenue from software. The increase was partially offset by the decrease in the interest income from bank deposits.

Total R&D investment

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

	For the six months ended 30 June			
	2017		2016	
	(Unaudited) ***RMB'000***	*%*	(Unaudited) *RMB'000*	*%*
R&D costs of software business	**22,263**	**32**	20,974	26
R&D costs of cloud service business	**39,891**	**56**	48,082	60
R&D costs of payment business	**2,821**	**4**	8,085	10
R&D costs	**64,975**	**92**	77,141	96
Additions to deferred development costs of cloud service business	**5,988**	**8**	3,124	4
Additions to deferred development costs	**5,988**	**8**	3,124	4
Total R&D investment	**70,963**	**100**	80,265	100

Financial Review *(continued)*

Total R&D investment (continued)

For the six months ended 30 June 2017, R&D costs of the Group amounted to RMB64.98 million, representing a decrease of 16% over the same period of last year, while the total R&D investment of the Group reached RMB70.96 million, representing a decrease of 12% over the same period of last year, mainly due to more R&D investment by the Group in cloud application than that in cloud platform during the Reporting Period.

Selling and distribution expenses

For the six months ended 30 June 2017, the selling and distribution expenses of the Group were RMB77.30 million, representing an increase of 5% as compared with the same period of last 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 six months ended 30 June 2017, the administrative expenses of the Group were RMB82.42 million, representing a decrease of 40% as compared with the same period of last year, which was mainly due to the decrease of 69% in the expenses of the Employee Trust Benefit Scheme incurred during the Reporting Period as compared with the same period of last year.

Income tax expense

For the six months ended 30 June 2017, the income tax expense of the Group was RMB6.38 million, representing an increase of 4% as compared with the same period of last year.

Profit/loss attributable to owners of the parent

For the six months ended 30 June 2017, the profit attributable to owners of the parent of the Group was RMB47.22 million, while the loss attributable to owners of the parent of the Group was RMB40.57 million for the same period of last year, which was mainly due to the decrease in the costs of Employee Trust Benefit Scheme.

Financial Review *(continued)*

Loss attributable to non-controlling interests

For the six months ended 30 June 2017, the loss attributable to non-controlling interests of the Group was RMB0.53 million, representing a decrease of 86% as compared with the same period of last 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 six months ended 30 June		
	2017	2016	Change in amount
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**105,266**	63,830	41,436
Net cash flows used in investing activities	**(270,280)**	(96,362)	(173,918)
Net cash flows used in financing activities	**–**	(18,938)	18,938

Net cash flows from operating activities

For the six months ended 30 June 2017, net cash flows from operating activities of the Group was RMB105.27 million, representing an increase of RMB41.44 million as compared with the same period of last year, which was mainly due to the recovery of advance deposit of RMB40.00 million by the Group's payment business.

Net cash flows used in investing activities

For the six months ended 30 June 2017, net cash flows used in investing activities of the Group was RMB270.28 million, representing an increase of RMB173.92 million as compared with the same period of last year, which was mainly due to the increase in wealth management products and structural deposits of RMB301.00 million, while it was RMB50.00 million for the same period of last year; meanwhile, the Group has recovered the non-pledged term deposits with original maturity of more than three months of RMB34.05 million, while it was RMB41.00 million of non-pledged time deposits with original maturity of more than three months when acquired for the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Liquidity and financial resources (continued)

Net cash flows used in financing activities

For the six months ended 30 June 2017, the Group had no financing activities, while net cash flows used in financing activities for the same period of last year represented the payment made to trustees for the Employee Trust Benefit Scheme.

Working capital

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cash and bank balance *(RMB'000)*	**416,873**	599,355
Current ratio	**203%**	286%
Gearing ratio	**0%**	0%

As at 30 June 2017, the cash and bank balance of the Group was RMB416.87 million (as at 31 December 2016: RMB599.36 million).

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 30 June 2017 was 203% (as at 31 December 2016: 286%). The decrease in current ratio was mainly due to the increase in current assets and 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 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. The Group had no interest-bearing debt.

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

Financial Review *(continued)*

Capital expenditure

For the six months ended 30 June 2017, capital expenditures of the Group mainly included deferred development costs of RMB5.99 million (for the same period of last year: RMB3.12 million); expenditure on office equipment, furniture and fittings was RMB1.69 million (for the same period of last year: RMB2.95 million).

Contingent liabilities

As at 30 June 2017 and 31 December 2016, the Group did not have any contingent liabilities or any proposals on the contingent liabilities issue.

Charges on assets

As at 30 June 2017 and 31 December 2016, the Group did not have any charges on 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 by the Company to Yonyou; (ii) the capital increase to Chanjet Payment by Yonyou unilaterally; and (iii) the amendments to the noncompetition agreement entered into between Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014, and the confirmation issued by Yonyou on 11 April 2014. Upon completion of the aforementioned transactions, Chanjet Payment will be owned by the Company and Yonyou as to 15% and 85%, respectively, and it will cease to be a subsidiary of the Company. The disposal of Chanjet Payment has been approved by the People's Bank of China, whereby all of the conditions precedent set out in the Disposal Agreement have been satisfied accordingly as of 17 July 2017. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017 and the circular of the Company dated 11 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Material acquisition and disposal of assets (continued)

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 and joint ventures.

Foreign exchange risks

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet U.S. and Chanjet Hong Kong, the subsidiaries of the Company, settled in foreign currencies (primarily US dollars and HK dollars). 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.

Staff Remuneration Policy

Remuneration of the staff of the Company is principally 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 PRC laws and regulations. Allowance comprises wage subsidy, supplementary subsidy, special subsidy 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. For details please refer to "Management Discussion and Analysis – Employee Trust Benefit Scheme" of this announcement.

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 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 2017, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the second grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the second grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as scheme participants, the unlocking conditions of the remaining scheme participants under the second grant to unlock 30% of their trust benefit units would be fulfilled on 31 March 2017. On 5 June 2017, the Board approved the fourth grant of trust benefit unit subject to effective conditions to 48 scheme participants at nil consideration under the Scheme. The total number of the target shares under the fourth grant was 4,071,000. On 16 June 2017, the Board considered and approved the resolutions in relation to the second unlocking of the trust benefit units under the initial grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the initial grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as scheme participants and some scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to 16 June 2017, 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 2017. For details about the implementation of the Scheme during the Reporting Period, please refer to the announcements of the Company dated 31 March 2017, 5 June 2017 and 16 June 2017.

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.

USE OF PROCEEDS

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

According to the planned use of proceeds disclosed in the prospectus of the Company dated 16 June 2014, the actual usage as at 30 June 2017 is detailed as follows:

Planned use	**Budgeted amount** *HK$*	**Actual usage amount** *HK$*
For the R&D and marketing of the T^+ series software products	Approximately 290.69 million	Approximately 243.56 million
For the R&D of the cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million
To support the marketing and operation of the cloud services	Approximately 199.21 million	Approximately 133.44 million
To acquire relevant business and assets compatible with the business strategies	Approximately 85.49 million	Approximately 4.66 million
To fund the general working capital	Approximately 85.49 million	Approximately 85.07 million
Total	Approximately 854.96 million	Approximately 660.06 million

As at 30 June 2017, the balance of the special account for the proceeds from H Shares issuance of the Company was HK$187.22 million and RMB1.67 million (accumulating interest income of HK$7.08 million and RMB18.78 million).

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

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

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 30 June 2017, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claim pending or to be raised that might constitute a major threat against the Group.

INTERIM DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"), and requires its directors and supervisors to deal with securities in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After making specific enquiries by the Company, all its directors and supervisors confirmed that they had fully complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee according to the provisions of the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive director, Mr. Wu Zhengping, a non-executive director, and Mr. Lau, Chun Fai Douglas, an independent non-executive director, among whom, Mr. Chen, Kevin Chien-wen is the chairman of the committee. On 25 August 2017, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and this announcement, and concluded that such financial statements and this announcement had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 17 July 2017, the Group was informed of "The Notice Forwarded by the Business Management Department of the People's Bank of China of the Approval and Relevant Documents issued by the People's Bank of China regarding the Change of Equity Structure of Beijing Chanjet Payment Technology Co., Ltd." as received by Chanjet Payment that the disposal of Chanjet Payment has been approved by the People's Bank of China, whereby all of the conditions precedent set out in the Disposal Agreement have been satisfied accordingly as of 17 July 2017. For details please refer to the announcement of the Company dated 17 July 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This results announcement will be published on the website of the Company (www.chanjet.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The 2017 interim report of the Company containing all the information required by the Listing Rules will be despatched to shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

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

Beijing, the PRC
25 August 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 directors of the Company are Mr. Zeng Zhiyong and Mr. Yang Yuchun; and the independent non-executive directors of the Company are Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas.