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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
	2018	2017	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*%*
Revenue	**246,439**	279,655	(12)
Profit attributable to owners of the parent	**87,972**	47,221	86
Basic earnings per share *(RMB)*	**0.43**	0.23	87

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 2018.

* *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 2018 (the "**Reporting Period**") together with the comparative figures in 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue from contracts with customers	3	**246,439**	279,655
Cost of sales and services provided	5	**(14,768)**	(42,544)
Gross profit		**231,671**	237,111
Other income and gains	4	**65,074**	40,654
Research and development costs	5	**(45,583)**	(64,975)
Selling and distribution expenses		**(80,740)**	(77,296)
Administrative expenses		**(69,789)**	(82,423)
Other expenses		**(5,855)**	–
Share of loss of an associate	9	**(1,792)**	–
Profit before tax	5	**92,986**	53,071
Income tax expense	6	**(5,014)**	(6,375)
Profit for the period		**87,972**	46,696
Attributable to:			
Owners of the parent	8	**87,972**	47,221
Non-controlling interests		**–**	(525)
		87,972	46,696
Earnings per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	8	**42.5**	23.2
Diluted *(RMB cents)*	8	**41.9**	23.1

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**87,972**	46,696
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(120)**	(273)
Other comprehensive loss for the period, net of tax	**(120)**	(273)
Total comprehensive income for the period	**87,852**	46,423
Attributable to:		
Owners of the parent	**87,852**	46,948
Non-controlling interests	**–**	(525)
	87,852	46,423

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited)** ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**1,915**	3,322
Intangible assets		**75,991**	74,725
Investment in an associate	9	**66,376**	68,168
Available-for-sale equity investments	10	**–**	23,105
Non-current financial assets	10	**47,375**	–
Deferred tax assets		**722**	5,416
Total non-current assets		**192,379**	174,736
Current assets			
Inventories		**510**	5,932
Trade and bills receivables	11	**733**	2,358
Prepayments, deposits and other receivables		**199,496**	118,523
Available-for-sale investments	12	**–**	213,000
Other current financial assets	12	**302,649**	–
Cash and bank balances		**760,530**	762,783
Total current assets		**1,263,918**	1,102,596
Current liabilities			
Trade payables	13	**1,804**	1,081
Contract liabilities		**72,041**	–
Other payables and accruals		**94,524**	116,165
Tax payable		**–**	9,070
Total current liabilities		**168,369**	126,316
Net current assets		**1,095,549**	976,280
Total assets less current liabilities		**1,287,928**	1,151,016
Net assets		**1,287,928**	1,151,016

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Equity		
Equity attributable to owners of the parent		
Issued capital	**217,182**	217,182
Treasury shares held under employee trust benefit scheme	**(79,455)**	(180,847)
Reserves	**1,150,201**	1,114,681
	1,287,928	1,151,016
Total equity	**1,287,928**	1,151,016

NOTES TO THE 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 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. On 2 February 2018, the Company obtained the renewed business licence for corporate legal person issued by Beijing Administration for Industry and Commerce (北京市工商行政管理局), confirming the registered address of the Company had been changed from Block D, Building 20, No. 68 Beiqing Road, Haidian District, Beijing, the PRC to Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

During the Reporting Period, the Group was involved in 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; information service of the second category value-added telecom business (restricted to internet information service); design, manufacturing, agency and publication of advertisement.

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 was established in the PRC.

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

1. Corporate and Group Information *(Continued)*

Information about the subsidiary

Particulars of the Company's subsidiary as at 30 June 2018 are as follows:

Name	Place and date of incorporation and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activity	Legal category
			Direct	Indirect		
Chanjet Information Technology Corporation ("**Chanjet U.S.**")	California, the United States 5 November 2012	USD15,500,000 *(note 1)*	100.00	–	Technical development of computer software	Limited liability corporation

Note 1: The paid-in capital of Chanjet U.S. as at 30 June 2018 was USD10,300,000.

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 2018 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 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 2017.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers (Continued)*

The Group adopted IFRS 15 using the modified retrospective method of adoption. The comparative information for each of the primary financial statements was presented based on the requirements of IAS 11, IAS 18 and related interpretations. The cumulative catch-up adjustments to the opening balance of retained earnings as at 1 January 2018, only for contracts that are not completed at the date of initial application, are recognised in the statement of changes in equity for the six months ended 30 June 2018. The effect of adopting IFRS 15 is as follows:

	Balances without adoption of IFRS 15 (Audited) *RMB'000*	**Adjustments Due to IFRS 15** (Unaudited) *RMB'000*	**1 January 2018** (Unaudited) *RMB'000*
Liabilities			
Contract liabilities *(b)*	–	52,168	52,168
Other payables and accruals *(b)*	116,165	(52,168)	63,997

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers (Continued)*

The disclosure of the impact of adoption on the condensed consolidated statement of profit or loss and the related condensed consolidated statements of financial position (increase/(decrease)) was as follows:

	For the six months ended 30 June 2018		
	Balances without adoption of IFRS 15 (Unaudited) *RMB'000*	**As reported** (Unaudited) *RMB'000*	**Increase/ (decrease) of balance** (Unaudited) *RMB'000*
Condensed consolidated statements of profit or loss			
Revenue from contracts with customers *(a.i)*	259,901	246,439	(13,462)
Selling and distribution expenses *(a.i)*	94,202	80,740	(13,462)

	30 June 2018		
	Balances without adoption of IFRS 15 (Unaudited) *RMB'000*	**As reported** (Unaudited) *RMB'000*	**Increase/ (decrease) of balance** (Unaudited) *RMB'000*
Condensed consolidated statement of financial position			
Liabilities			
Contract liabilities *(b)*	–	72,041	72,041
Other payables and accruals *(b)*	166,565	94,524	(72,041)

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers (Continued)*

The Group is in the business of the sale of software, rendering of services, and sale of purchased goods. Software and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and services.

(a) Sale of software

The Group's contract for sales of software commonly involve the delivery of software as well as post-contract support services ("**PCS**"). Under IAS 18, the Group has recognised the delivery of software and PCS as two separately identifiable components in order to reflect the substance of the transaction. For deliverable of software, revenue was recognised at the point when software is delivered to customers while revenue for PCS was recognised over the PCS period. Under IFRS 15, deliverable of software and PCS are also identified as two separate performance obligations with revenue recognised consistently with previous pattern. Therefore, the adoption of IFRS 15 does not have significant impact on the Group, except for the following:

(i) Consideration payable to a customer

The Group pays consideration to the customer related to the sale of software and cloud service businesses. Prior to the adoption of IFRS 15, the consideration was expensed as incurred. Under IFRS 15, the Group shall account for the consideration payable to a customer as a deduction to the transaction price of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

(b) Advances received from customers

The Group receives advanced payments from customers related to the sale of software business and rendering of services. Prior to the adoption of IFRS 15, the Group presented these advances in other payables and accruals in the statement of financial position. Upon adoption of IFRS 15, the Group recognised contract liabilities for the advances from customers for services or sale of software yet to be rendered or delivered.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 15 *Revenue from Contracts with Customers (Continued)*

(c) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 3 for the disclosure on disaggregated revenue.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The application of IFRS 9 on 1 January 2018 had no impact on the Group's classification and measurement of financial liabilities and hedge accounting given that the Group did not have any financial liabilities designated at fair value through profit or loss nor any hedging transaction before 1 January 2018.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The Group did not restate the comparative information for the period beginning 1 January 2017. Therefore, the comparative information for each of the primary financial statements would follow the classification and measurement requirements of IAS 39. The adjustment to the opening balance of retained earnings as at 1 January 2018 is recognised in the statement of changes in equity for the six months ended 30 June 2018.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments (Continued)*

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	Measurement category		Carrying amount		
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39** (Unaudited) *RMB'000*	**IFRS 9** (Unaudited) *RMB'000*	**Difference** (Unaudited) *RMB'000*
Non-current financial assets					
Unlisted equity investments	Available-for-sale financial assets at cost	Financial assets at FVPL	23,105	45,156	22,051
Other current financial assets					
Wealth investment products	Available-for-sale financial assets	Financial assets at FVPL	213,000	214,044	1,044
Trade and bills receivables	Loans and receivables	Financial assets at amortised cost	2,358	2,358	–
Financial assets included in prepayments, deposits and other receivables	Loans and receivables	Financial assets at amortised cost	105,949	105,949	–
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	762,783	762,783	–
Total financial assets			1,107,195	1,130,290	23,095

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments (Continued)*

(a) Classification and measurement

Except for certain trade and other receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the '**SPPI criterion**').

The new classification and measurement of the Group's financial assets are as follows:

- Financial assets at FVPL comprise unlisted equity investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category also include wealth investment products whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's unlisted equity investments and wealth investment products were classified as available-for-sale financial assets.

- Other financial assets continue to be measured at amortised cost upon the initial application of IFRS 9.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments (Continued)*

(a) Classification and measurement *(Continued)*

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments (Continued)*

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables and financial assets in prepayments, deposits and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when the contractual payment is 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

There is no material impact on the Group to the opening balance of retained earnings as at 1 January 2018 for the adoption of the ECL requirements of IFRS 9.

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

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

IFRS 9 *Financial Instruments (Continued)*

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, income tax expense and retained earnings were adjusted as necessary.

The impact of transition to IFRS 9 on retained earnings is as follows:

	(Unaudited) *RMB'000*
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	30,018
Unlisted equity investments and wealth investment products from available-for-sale to FVPL	23,095
Deferred tax in relation to the above	(2,205)
Opening balance under IFRS 9 (1 January 2018)	50,908

2. Basis of Preparation and Changes to the Group's 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, which have been issued but are not yet effective, in these financial statements.

IFRS 16	*Leases*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 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 from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Type of goods or service	For the six months ended 30 June 2018 (Unaudited) *RMB'000*
Sale of software	199,025
Rendering of services	46,846
Sale of purchased goods	568
Total revenue from contracts with customers	246,439
Timing of revenue recognition	
Goods transferred at a point in time	199,593
Services transferred over time	46,846
Total revenue from contracts with customers	246,439

	For the six months ended 30 June 2017 (Unaudited) *RMB'000*
Sale of software	216,205
Rendering of services	62,745
Sale of purchased goods	705
Total revenue	279,655

No impairment losses on receivables arising from contracts with customers were recognised by the Group for the six months ended 30 June 2018 and 2017.

4. Other Income and Gains

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Value-added tax refunds	**36,923**	32,353
Interest income	**15,256**	7,000
Interest income on financial investments	**1,783**	1,142
Gains on financial investments	**2,972**	–
Government grants	**2**	13
Fair value gains, net:		
Financial assets at fair value through profit or loss	**6,822**	–
Exchange gains, net	**1,084**	–
Others	**232**	146
	65,074	40,654

5. Profit Before Tax

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of software sold	**2,864**	3,512
Cost of services rendered	**11,533**	38,729
Cost of purchased goods sold	**371**	303
Total cost of sales	**14,768**	42,544

5. Profit Before Tax *(Continued)*

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**1,737**	4,856
Amortisation of intangible assets	**14,974**	16,170
Minimum lease payments under operating leases	**7,995**	7,372
Research and development costs *(note)*	**45,583**	64,975
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**124,890**	125,887
Equity-settled share-based expense	**25,780**	31,679
Pension scheme contributions	**11,684**	11,607
	162,354	169,173
Less: Employee benefit expenses being capitalised in intangible assets	**(15,808)**	(5,961)
	146,546	163,212
Exchange (gains)/losses, net	**(1,084)**	5,221
Impairment of inventories	**5,658**	–
Fair value gains, net:		
Financial assets at fair value through profit or loss	**(6,822)**	–

Note: During the six months ended 30 June 2018, research and development costs of approximately RMB44,861,000 (six months ended 30 June 2017: RMB62,940,000) were included in employee benefit expenses.

6. Income Tax

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**2,525**	–
Deferred tax	**2,489**	6,375
Total tax charge for the period	**5,014**	6,375

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 2018 and 2017.

As at 30 June 2018, the Company was expected to enjoy a 10% income tax rate as a key software enterprise included in the state planning, which is highly probable the Company filing for the qualification of key software enterprise included in the state planning by the settlement and payment of enterprise income tax of 2018, therefore it is reasonable to believe the Company would be subject to income tax at the rate of 10% and be entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2018.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% during the six months ended 30 June 2017 and 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 2017. As at 5 June 2017, the Board approved the de-registration of the subsidiary incorporated in Hong Kong. As of 30 June 2018, the de-registration was completed.

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 and 2018.

7. Dividends

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of 207,002,547 ordinary shares (six months ended 30 June 2017: 203,669,172 ordinary shares) in issue during the six months ended 30 June 2018, 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 the "**Scheme**").

The calculation of the diluted earnings per share amounts is based on the earnings 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 earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**87,972**	47,221

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent *(Continued)*

	Number of shares For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**207,002,547**	203,669,172
Adjustment for the Scheme	**3,022,590**	615,445
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**210,025,137**	204,284,617

9. Investment in an Associate

As at 1 September 2017, the Company disposed of 55.82% equity interests in Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") to Yonyou. Chanjet Payment ceased to be a subsidiary of the Company and is treated as an investment in an associate in the consolidated statement of financial position of the Group.

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Share of net assets	**66,376**	68,168
Provision for impairment	**–**	–
	66,376	68,168

The Group has no trade receivable and payable balances with the associate.

9. Investment in an Associate *(Continued)*

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Share of the associate's loss for the period	**(1,792)**	–
Share of the associate's total comprehensive loss	**(1,792)**	–
Aggregate carrying amount of the Group's investment in the associate	**66,376**	–

10. Available-For-Sale Equity Investments and Non-Current Financial Assets

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments	**47,375**	–
Available-for-sale financial assets		
Unlisted equity investments, at cost	**–**	23,105

10. Available-For-Sale Equity Investments and Non-Current Financial Assets *(Continued)*

Details of the unlisted investments are as follows:

Name	Place and date of registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership)	Beijing, China 22 November 2013	RMB94,553,000	10.00	–	Investment and asset management
Yonyou Mobile Telecommunications Technology Service Co., Ltd.	Beijing, China 4 March 2014	RMB50,000,000	19.80	–	Mobile communication resale business
Xi’an Rongke Telecommunications Technology Co., Ltd	Xi’an, China 24 February 2012	RMB1,250,000	15.00	–	Sale and manufacture of internet communication products,computer software and hardware, and technical development

11. Trade and Bills Receivables

	30 June 2018 (Unaudited) *RMB’000*	31 December 2017 (Audited) *RMB’000*
Trade receivables	**35**	2,358
Bills receivable	**698**	–
	733	2,358
Less: Impairment	**–**	–
	733	2,358

11. 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. The Group seeks to maintain strict control over its outstanding receivables. In view of the fact that the Group's trade and bills receivables relate to 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.

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Within 90 days	**733**	707
90 days to 180 days	**–**	1,651
	733	2,358

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

12. Available-For-Sale Investments and Other Current Financial Assets

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Financial assets at fair value through profit or loss		
Wealth investment products	**302,649**	–
Available-for-sale financial assets		
Wealth investment products	**–**	213,000
	302,649	213,000

The Group purchases various wealth investment products. As at 30 June 2018, the Group purchased wealth investment products with the cost of RMB297,000,000 from commercial banks. This portion of wealth investment products have been classified as financial assets at fair value through profit or loss upon the application of IFRS 9 as these instruments did not meet the SPPI criterion. The fair value of these wealth investment products were RMB302,649,000 as at 30 June 2018.

13. Trade Payables

An ageing analysis of the trade payables as at 30 June 2018 and 31 December 2017, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Within 90 days	**1,354**	619
90 days to 1 year	**390**	419
Over 1 year	**60**	43
	1,804	1,081

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

14. 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 domestic 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.

14. 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.

14. Share-Based Payment *(Continued)*

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

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 unlock date to within three years after the unlock 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 unlock 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 8 June 2015.

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

14. Share-Based Payment *(Continued)*

Particulars and movements of the target shares under the Scheme

For the six months ended 30 June 2018

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**	**4,648,000**	**–**	**(102,000)**	**(4,546,000)**	**–**
31 March 2016	**(c)**	**9.77**	**857,500**	**–**	**(96,000)**	**(325,500)**	**436,000**
6 December 2016	**(d)**	**8.84**	**885,500**	**–**	**(56,000)**	**–**	**829,500**
5 June 2017	**(e)**	**6.98**	**3,996,000**	**–**	**(17,500)**	**(1,198,800)**	**2,779,700**
			10,387,000	**–**	**(271,500)**	**(6,070,300)**	**4,045,200**

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

14. Share-Based Payment *(Continued)*

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

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 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. 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 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 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.

(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 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 target shares under the re-grant was 4,071,000 shares, representing approximately 1.87% of the total issued share capital of the Company as at 5 June 2017.

14. Share-Based Payment *(Continued)*

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

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 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 trust benefit units granted at the date 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.

14. Share-Based Payment *(Continued)*

The fair value of the trust benefit units granted at the date of the re-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 re-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 2018, no share of the Company were acquired by the trustees entrusted by the Company (six months ended 30 June 2017: 32,400 domestic shares). The aggregate consideration paid to acquire the shares during the six months ended 30 June 2017 was RMB274,000.

During the six months ended 30 June 2018, 271,500 target shares (six months ended 30 June 2017: 3,484,000 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, the vesting conditions of the remaining Scheme participants under the initial grant to unlock 40% of their trust benefit units were fulfilled on 16 June 2018.

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, 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 31 March 2018, 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 2018.

Except for some Scheme participants under the re-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 re-grant to unlock 30% of their trust benefit units were fulfilled on 5 June 2018.

14. Share-Based Payment *(Continued)*

During the six months ended 30 June 2018, 6,070,300 target shares (six months ended 30 June 2017: 3,909,000 target shares) were unlocked under the Scheme, resulting in the transfer out of RMB120,233,000 (six months ended 30 June 2017: RMB89,060,000) from the share-based payment reserve, with RMB101,392,000 (six months ended 30 June 2017: RMB67,117,000) credited to treasury shares held under the Scheme and remaining balance of RMB18,841,000 (six months ended 30 June 2017: RMB21,943,000) credited to the capital reserve account.

During the six months ended 30 June 2018, the total amount of share-based payment expense was RMB28,170,000 (six months ended 30 June 2017: RMB31,679,000), of which an amount of RMB25,780,000 (six months ended 30 June 2017: RMB30,078,000) was recognised in profit or loss, and an amount of RMB2,390,000 (six months ended 30 June 2017: RMB1,601,000) was capitalised into intangible assets.

15. Fair Value and Fair Value Hierarchy of Financial Instruments

The fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, contract liabilities, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

15. Fair Value and Fair Value Hierarchy of Financial Instruments *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	**Significant observable inputs (Level 2) (Unaudited)** *RMB'000*	**Significant unobservable inputs (Level 3) (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Financial assets at fair value through profit or loss:				
Non-current financial assets	**–**	**47,375**	**–**	**47,375**
Other current financial assets	**–**	**302,649**	**–**	**302,649**
	–	**350,024**	**–**	**350,024**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	Significant observable inputs (Level 2) (Unaudited) *RMB'000*	Significant unobservable inputs (Level 3) (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Available-for-sale financial assets				
Available-for-sale investments	–	213,000	–	213,000

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

During the Reporting Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

During the Reporting Period, the People's Bank of China announced a targeted reserve requirement ratio cut to encourage financial institutions to develop inclusive financial services, which aimed at bolstering the healthy development of micro and small scale enterprises ("**MSEs**") by making it easy and less costly for MSEs to obtain financing. Meanwhile, the Chinese government successively introduced a number of policies to reduce the tax burdens of MSEs, so as to encourage entrepreneurship and innovation and support the development of MSEs. By March 2018, the number of market entities in the PRC had exceeded 100 million, and the number of enterprises was over 31 million, the majority of which were MSEs. The government's policy support has contributed to the continuous rise in the number and activity level of MSEs, which has provided a strong market foundation for the sustainable development of the Group.

During the Reporting Period, in order to accelerate the implementation of the Three-year Action Plan for Development of Cloud Computing (2017–2019) (《雲計算發展三年行動計劃(2017–2019年)》), the Ministry of Industry and Information Technology regarded a broader range of application a spur to the development of cloud computing industry and drove the rapid development of cloud computing industry through "Cloud Access for Enterprises (企業上雲)". Under the guidance of local governments, the "Cloud Access for Enterprises (企業上雲)" was promoted step by step as planned and MSEs became more willing to receive cloud services.

During the Reporting Period, as the finance and taxation fields increasingly tended to rely on the internet and the application of new technologies such as big data, artificial intelligence, mobile payment and electronic invoicing, finance and taxation services have been evolving toward the direction of smart financing, interconnectivity between finance and taxation, and ecological integration. The Group was able to satisfy MSEs' operation and management needs for intelligent analysis, intelligent marketing, intelligent sales and intelligent management in the new economic and retailing environment by providing them with comprehensive cloud management services that integrated "Personnel, Finance, Commodity and Customer" and cloud finance services that integrated finance, invoice and taxes.

Business Review ***(Continued)***

Principal operations and operational status

During the Reporting Period, the Group focused on the financial and management services for MSEs and fully implemented the business strategy designed to achieve scale economy of cloud service business and cost-effective growth of software business. It accelerated the expansion of cloud-based financial services, invested more resources in cloud business and proactively developed internet and resource-oriented partners. Meanwhile, it pushed traditional software users to shift to cloud services by providing scenario-based intelligent services to them.

During the Reporting Period, the revenue of the Group amounted to RMB246.44 million, representing a decrease of 12% as compared with the same period of last year. The decrease was mainly due to the exclusion of Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") from the consolidated financial statements of the Group. Eliminating the effect of the exclusion of Chanjet Payment, the Group's revenue would grow by 1% as compared with the same period of last year, of which revenue from cloud service business increased by 278% as compared with the same period of last year.

During the Reporting Period, the Group recorded profit of RMB87.97 million, representing an increase of 88% as compared with the same period of the previous year; and the profit attributable to the owners of the parent was RMB87.97 million, representing an increase of 86% as compared with the same period of the previous year. Such significant increase in profit for the period mainly due to the continuation of R&D capitalization projects newly initiated in the second quarter of 2017, the decrease in R&D costs as a result optimized R&D organization of passing the peak of R&D input required for the new generation of cloud service, and improved R&D efficiency; the increase in earnings from wealth management products of banks and interest income, and continuous improvement in the operation and management of the Group.

Business Review *(Continued)*

Principal operations and operational status (Continued)

1. *Development of software business*

During the Reporting Period, the Group firmly implemented the business strategy for facilitating cost-effective growth of software business and focused on serving MSEs. The Group empowered its channel partners by helping enhance their sales capacity through providing systematic capability improvement trainings for their sales teams. Furthermore, the Group joined hands with over 1,000 partners in the terminal market to hold over 1,000 large-scale market activities themed "Settlement and Payment of Income Taxes (匯算清繳)", "Financial Literacy Programs (財務普及風暴)" and "520 I Love MSEs (520我愛小微企業)", thereby promoting terminal sales of its products.

During the Reporting Period, the Group released a new iteration of T^+V12.3. The newly added customer management function helps improve the work efficiency of sales personnel and increase customer stickiness for companies; and the application of other newly-added functions such as Wechat marketing and Wechat mall that help enterprises enhance their marketing capability. The iteration allows connection to the national taxation systems of Beijing, Shanghai and Jiangsu and enables automatic tax declaration with just one click, thereby helping companies improve their business efficiency.

During the Reporting Period, the Group developed a service platform built on "Service Wiz Intelligent Robot (服寶智能機器人)" and "Chanjet Service Community (暢捷通服務社區)", upgrading its service model and further improving its service quality and efficiency. Through introducing the "Service Wiz Tool (服寶工具)", enhancing product support service system and optimizing long-term profit model, the Group was able to ensure the healthy, stable and efficient development of its software business.

As at the end of the Reporting Period, the accumulated enterprise users of software business of the Group exceeded 1.39 million.

Business Review *(Continued)*

Principal operations and operational status (Continued)

2. *Development of cloud service business*

During the Reporting Period, the Group continued improving its cloud management services that integrated "Personnel, Finance, Commodity and Customer" and cloud finance services that integrated finance, invoice and taxes, and accelerated the innovation in respect of product application to improve user experience and actively explore data value-added services. The Group invested more resources in cloud services, speeded up the development of cloud finance services and upgraded its business operation system to empower and guide channel partners in the transformation, developed internet and resource-oriented partners and upgrade towards cloud service business to jointly promote "Cloud Access for Enterprises (企業上雲)". Meanwhile, it pushed traditional software users to shift to cloud services through providing scenario-based intelligent services to them.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud service business of the Group exceeded 88,000.

(1) Chanjet Good Accountant (暢捷通好會計)

During the Reporting Period, Chanjet Good Accountant continued evolving towards "intelligence, connection and platform", kept closely in line with the state's tax reform, further enhanced the intelligence and convenience of tax planning and tax declaration, and launched smart tax declaration robots in a number of provinces across the country to achieve a more convenient automatic one-click tax declaration. The Group further enhanced the self-operation capability of Chanjet Good Accountant and established close cooperation with resource-based partners such as providers of fiscal and taxation services, financial training, management consulting, financial services and enterprise services in a faster pace. In order to support the ever-expanding customer base, the Group completed the upgrade of Chanjet Good Accountant based on distributed micro-service architecture, which has greatly improved user experience and will further reduce operating costs.

Business Review *(Continued)*

Principal operations and operational status (Continued)

2. Development of cloud service business (Continued)

(2) T+Cloud

During the Reporting Period, the technical operation system of T+Cloud improved and the efficiency of online performance monitoring and automated deployment was enhanced. New functions such as membership management, customer management, and smart vouchers have been released, and the functions of the Ordering Mall (訂貨商城) were improved, further enriching the cloud management services that integrated "Personnel, Finance, Commodity and Customer". By launching the "Sea of Cloud Action (雲海行動)" to empower partners, the Group made T+Cloud greatly satisfy the management requirements of small businesses for real-time online accounting, improvement of management efficiency, reduction of IT investment and enhancement of data security. Thus, the Group was able to achieve rapid growth in terminal sales of T+Cloud.

(3) Biz Chat (工作圈)

During the Reporting Period, in respect of the Biz Chat, the Group focused on optimizing T+Cloud-supporting customer management and office collaboration functions, improved the accuracy of field track and the availability in weak network environment, thereby greatly boosting user experience.

(4) Chanjet Good Business (暢捷通好生意)

During the Reporting Period, the Chanjet Good Business provided online and offline comprehensive marketing and transaction management services for MSEs in trade and commerce, with "scenario driving, data driving and intelligent marketing" as the core technical features. The Group completed the online application for angel customers, which has laid a good foundation for scaling up sales.

Business Review *(Continued)*

Principal operations and operational status (Continued)

2. Development of cloud service business (Continued)

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

During the Reporting Period, the Group continued to build the Chanjet Easy Accounting Agent into an intelligent-based "accounting agent factory" mode for accounting agent companies, in line with the state's tax reform, the Group further enhanced the intelligence and convenience of tax planning and declaration features of its products, and released the one-click tax declaration feature in regions such as Beijing, Shanghai, Shandong, and Jiangsu, etc. The mart device "CA-shared Unit (CA共用單元)" for tax declaration was released, which was used in conjunction with intelligent tax declaration robots to achieve unattended automated batch-based tax declaration.

3. Development of employees and organizations

As at the end of the Reporting Period, the Group had 840 employees in total. The Group has made multiple efforts to support the business strategy designed to achieve scale economy of cloud service business and cost-effective growth of software business. In terms of staffing, the Group increased the recruitment and deployment of cloud operation and R&D personnel and pushed for the transformation of software R&D personnel towards cloud R&D personnel. In terms of staff development, the Group continued improving the dual channel of career development, further enhanced employees' internet operation and business capabilities. In terms of staff retention and motivation, the Group proactively attracted and retained internet experts, developed corporate culture and increased incentives for employees, thereby stimulating the enthusiasm and the sense of responsibility of all employees.

Development Plan for the Second Half of the Year

In the second half of 2018, the Group will firmly implement the business strategy for achieving scale economy of cloud service business and cost-effective growth of software business, push for the breakthrough development of intelligent cloud finance business and establish a top-notch brand of intelligent cloud finance for MSEs and a top-notch brand of cloud services for MSEs.

The Group will increase its efforts for cloud application innovation, accelerate the integration of Chanjet Good Accountant and Chanjet Good Business and launch an integrated intelligent cloud service application based on intelligent analysis, intelligent marketing, intelligent sales and intelligent management for MSEs. The Group will continue improving the user experience of cloud applications such as T^+Cloud, Chanjet Good Accountant, Chanjet Good Business, Chanjet Easy Accounting Agent and Biz Chat, etc. The Group will further promote the development of data services by exploring the in-depth use of data and continue exploring data value-added services.

The Group will continue promoting marketing innovation and provide full support to upgrade the original channel partners, proactively develop new partnerships, strengthen terminal market coverage, and jointly promote "Cloud Access for Enterprises (企業上雲)". It will update cloud business operation system, carry out scale-up business opportunity acquisition, upgrade customer service operation system, launch regular customer management, and continue empowering partners. It will strengthen the open system interconnection, ecological connection and model innovation and map out data services, aiming at forming an ecosphere of cloud services for MSEs.

Financial Review

	For the six months ended 30 June			
	2018	2017	Change in amount	Percentage change
	(Unaudited)	(Unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue from contracts with customers	**246,439**	279,655	(33,216)	(12)
Cost of sales and services provided	**(14,768)**	(42,544)	27,776	(65)
Gross profit	**231,671**	237,111	(5,440)	(2)
Gross profit margin	**94%**	85%	9%	
Other income and gains	**65,074**	40,654	24,420	60
R&D costs	**(45,583)**	(64,975)	19,392	(30)
Selling and distribution expenses	**(80,740)**	(77,296)	(3,444)	4
Administrative expenses	**(69,789)**	(82,423)	12,634	(15)
Other expenses	**(5,855)**	–	(5,855)	N/A
Share of loss of an associate	**(1,792)**	–	(1,792)	N/A
Profit before tax	**92,986**	53,071	39,915	75
Income tax expense	**(5,014)**	(6,375)	1,361	(21)
Profit for the period	**87,972**	46,696	41,276	88
Attributable to:				
Owners of the parent	**87,972**	47,221	40,751	86
Non-controlling interests	**–**	(525)	525	N/A

Financial Review *(Continued)*

Operating results

For the six months ended 30 June 2018, the revenue of the Group was RMB246.44 million, representing a decrease of 12% over the same period of last year. The profit for the period was RMB87.97 million, representing an increase of 88% over the same period of last year. The profit attributable to the owners of the parent was RMB87.97 million, representing an increase of 86% over the same period of last year. The basic earnings per share of the Group was RMB0.43 as compared with RMB0.23 in the same period of last year.

The Group posted a substantial increase in profit for the Reporting Period, mainly due to the continuation of R&D capitalization projects newly initiated in the second quarter of 2017, the decrease in R&D input required for the new generation of cloud service products and the decrease in R&D costs as a result optimized R&D organization and improved R&D efficiency; the increase in earnings from wealth management products of banks and interest income, and continuous improvement in the operation and management of the Group.

Revenue

For the six months ended 30 June 2018, the revenue of the Group was RMB246.44 million, representing a decrease of 12% as compared with the same period of last year, mainly due to the exclusion of Chanjet Payment from the consolidated statements of the Group. Eliminating the effect of the exclusion of Chanjet Payment, the Group's revenue increased by 1% as compared with the same period of last year. Revenue from software business was RMB227.75 million, representing a decrease of 4% as compared with the same period of last year; and revenue from cloud service business was RMB18.69 million, representing an increase of 278% as compared with the same period of last year.

Financial Review *(Continued)*

Revenue (Continued)

The following table sets forth a breakdown of revenue of the Group by business type:

	For the six months ended 30 June					
	2018		2017		Change in amount	Percentage change
	(Unaudited)		(Unaudited)			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from software business	**227,750**	**92**	238,178	85	(10,428)	(4)
Revenue from cloud service business	**18,689**	**8**	4,943	2	13,746	278
Revenue from payment business	**–**	**–**	36,534	13	(36,534)	N/A
Revenue	**246,439**	**100**	279,655	100	(33,216)	(12)

Cost of sales and services provided

For the six months ended 30 June 2018, the Group's cost of sales and services provided was RMB14.77 million, representing a decrease of 65% as compared with the same period of last year, mainly due to the exclusion of Chanjet Payment from the consolidated statement of the Group.

Gross profit and gross profit margin

For the six months ended 30 June 2018, the Group achieved a gross profit of RMB231.67 million, representing a decrease of 2% as compared with the same period of last year, mainly attributable to the exclusion of Chanjet Payment from the consolidated statement of the Group. Eliminating the effect of the exclusion of Chanjet Payment, the Group's gross profit increased by 2% as compared to the same period of previous year. The gross profit margin of the Group was 94%, representing an increase of 9 percentage points as compared with that of the previous year, mainly due to the exclusion of the payment business with lower gross profit margin from the consolidated statement of the Group.

Other income and gains

For the six months ended 30 June 2018, the Group's other income and gains were RMB65.07 million, representing a growth of 60% as compared with the same period of last year, mainly due to increases in interest income, earnings from wealth management products of banks and VAT refunds and gain on change in fair value of financial assets.

Financial Review ***(Continued)***

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			
	2018		2017	
	(Unaudited)		(Unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
R&D costs of software business	**5,646**	**9**	22,263	32
R&D costs of cloud service business	**39,937**	**65**	39,891	56
R&D costs of payment business	**–**	**–**	2,821	4
R&D costs	**45,583**	**74**	64,975	92
Additions to deferred development costs of cloud service business	**16,001**	**26**	5,988	8
Additions to deferred development costs	**16,001**	**26**	5,988	8
Total R&D investment	**61,584**	**100**	70,963	100

For the six months ended 30 June 2018, R&D costs of the Group amounted to RMB45.58 million, representing a decrease of 30% over the same period of last year, while the total R&D investment of the Group reached RMB61.58 million, representing a decrease of 13% over the same period of last year. The decrease in total R&D investment was mainly due to the continuation of R&D capitalization projects newly initiated in the second quarter of 2017 as well as the decrease in R&D costs with R&D investment for our new generation of cloud service products declining from its peak, optimized R&D organization and improved efficiency.

Financial Review *(Continued)*

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses of the Group were RMB80.74 million, representing an increase of 4% over the same period of last year and, if eliminating the effect of the payment business, an increase of 11% over the same period of last year. The increase was mainly attributable to the operation and promotion expenditure on software business and cloud service business.

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group were RMB69.79 million, representing a decrease of 15% over the same period of last year, which was mainly due to the exclusion of Chanjet Payment from the consolidated statement of the Group and the decrease in the expenses of the Employee Trust Benefit Scheme as compared with the same period of last year.

Income tax expense

For the six months ended 30 June 2018, the income tax expense of the Group was RMB5.01 million, representing a decrease of 21% as compared with the same period of last year, which was mainly due to the increase in expenses deductible before tax recognized in respect of the unlocking of the employee trust benefit units.

Profit attributable to owners of the parent

For the six months ended 30 June 2018, the profit attributable to owners of the parent of the Group was RMB87.97 million, representing an increase of 86% as compared with the same period of last year.

Liquidity and financial resources

Condensed cash flow statement

	For the six months ended 30 June		Change in amount
	2018	2017	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**118,462**	105,266	13,196
Net cash flows used in investing activities	**(206,732)**	(270,280)	63,548
Net cash flows used in financing activities	**–**	–	–

Financial Review *(Continued)*

Liquidity and financial resources (Continued)

Net cash flows from operating activities

For the six months ended 30 June 2018, net cash flows from operating activities of the Group was RMB118.46 million, representing an increase of RMB13.20 million as compared with the same period of last year, which was mainly due to the increase in receipts from cloud service business.

Net cash flows used in investing activities

For the six months ended 30 June 2018, net cash flows used in investing activities of the Group were RMB206.73 million, representing a decrease of RMB63.55 million as compared with the same period of last year, mainly due to the redemption of wealth management products, which was partially offset by the increase in fixed-term deposits.

Net cash flows used in financing activities

During the six months ended 30 June 2018, the Group had no financing activities.

Working capital

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash and bank balance *(RMB'000)*	**760,530**	762,783
Current ratio	**751%**	873%
Gearing ratio	**0%**	0%

As at 30 June 2018, the cash and bank balance of the Group was RMB760.53 million (as at 31 December 2017: RMB762.78 million). In particular, except for RMB1.08 million denominated in United States dollars (31 December 2017: RMB5.10 million) and RMB125.58 million denominated in Hong Kong dollars (31 December 2017: RMB123.95 million), all cash and bank balances were denominated in RMB.

Financial Review *(Continued)*

Working capital (Continued)

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 30 June 2018 was 751% (as at 31 December 2017: 873%). The decrease in current ratio was mainly due to the increase in current liabilities as a result of increased contractual liabilities.

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 cash and bank balances. The Group had no interest-bearing debt.

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

Capital expenditure

For the six months ended 30 June 2018, the capital expenditure of the Group mainly included deferred development costs of RMB16.00 million (for the same period of last year: RMB5.99 million); the expenditure on office equipment, furniture and fittings of RMB0.45 million (for the same period of last year: RMB1.69 million).

Contingent liabilities

As at 30 June 2018 and 31 December 2017, the Group did not have any contingent liabilities, nor did it have any plan relating to contingent liabilities.

Charges on assets

As at 30 June 2018 and 31 December 2017, the Group did not have any charges on assets.

Significant investments

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

Financial Review *(Continued)*

Material acquisition and disposal of assets

During the Reporting Period, the Group did not have any material acquisition or disposal in relation to subsidiaries, associated companies or joint ventures.

Foreign exchange risks

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet U.S., a subsidiary of the Company, settled its transactions in US dollars. The Group, based on foreign exchange fluctuations, conducted 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 and Training Plan

Remuneration of the staff of the Company is principally determined by taking into consideration their respective rank of positions, segment, business line, region, etc. During the Reporting Period, the details of the staff remuneration which was expensed as incurred are set out in Note 5 to the financial statements. The training hours scheduled for the staff of the Group amounted to 5,286 hours with an average of 6.29 hours for each employee. As at 30 June 2018, none of the staff remuneration policy and training plan had experienced significant changes. In order to attract, retain and motivate key staff 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 "Employee Trust Benefit Scheme" in 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 30 March 2018, the Board considered and approved the resolutions in relation to the second 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, and some scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking date, 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 2018. On 5 June 2018, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the fourth grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the fourth 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 fourth grant to unlock 30% of their trust benefit units would be fulfilled on 5 June 2018. On 15 June 2018, the Board considered and approved the resolutions in relation to the third 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, the unlocking conditions of the remaining scheme participants under the initial grant to unlock 40% of their trust benefit units would be fulfilled on 16 June 2018. For details about the implementation of the Scheme during the Reporting Period, please refer to the announcements of the Company dated 30 March 2018, 5 June 2018 and 15 June 2018.

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 was HK$854.96 million. The Company disclosed in the prospectus that the net proceeds raised from the listing had been planned to be used for the following purposes within two years. To the extent that the net proceeds are not immediately applied to the purposes below, the Company intends that such proceeds will be placed in short-term interest-bearing instruments or money market funds with licensed banks or financial institutions in the PRC or Hong Kong.

According to the intended use of proceeds as disclosed in the prospectus of the Company, the actual usage of the proceeds as at 30 June 2018 is detailed as follows:

Proposed use of proceeds	**Budgeted amount** *HK$*	**Actual amount used** *HK$*	**Unutilized amount** *HK$*
For the R&D and marketing of the T^+series software products	Approximately 290.69 million	Approximately 276.36 million	Approximately 14.33 million
For the R&D of our cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million	Approximately 0.75 million
To support the marketing and operation of our cloud services	Approximately 199.21 million	Approximately 141.55 million	Approximately 57.66 million
To acquire relevant business and assets compatible with our business strategies	Approximately 85.49 million	Approximately 4.66 million	Approximately 80.83 million
To fund our general working capital	Approximately 85.49 million	Approximately 85.07 million	Approximately 0.42 million
Total	Approximately 854.96 million	Approximately 700.97 million	Approximately 153.99 million

As at 30 June 2018, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance from promotion and operation of the cloud services. As the Company currently does not identify any relevant business and assets compatible with our business strategies, and also makes arrangement of expenses used for promotion and operation of the cloud services according to its business strategies as appropriate. The unutilized balance of the net proceeds has been deposited into the reputable banks in Hong Kong and the PRC, the Company will continue to utilize it in accordance with the planned usages of the proceeds as disclosed in the prospectus.

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 2018, the Group was not involved in any material litigation or arbitration, and there was no pending or threatened legal litigation or claim that might pose a significant threat to the Group.

INTERIM DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 the Directors and the Supervisors to deal with securities in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After making specific enquiries by the Company, all Directors and Supervisors confirmed that they had fully complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee pursuant to 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 audit committee. On 10 August 2018, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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

As at the approval date of this announcement, the Group had no material events after the Reporting Period that need to be disclosed.

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 2018 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
10 August 2018

As at the date of this announcement, the non-executive Directors are Mr. Wang Wenjing and Mr. Wu Zhengping; the executive Directors are Mr. Zeng Zhiyong and Mr. Yang Yuchun; and the independent non-executive Directors are Mr. Chen, Kevin Chien-wen, Mr. Lau, Chun Fai Douglas and Mr. Chen Shuning.