畅捷通
Chanjet

暢捷通信息技術股份有限公司

CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED*

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

(Stock code: 1588)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017	Percentage
	RMB'000	*RMB'000*	Change
Revenue	**428,941**	498,595	(14)
Profit attributable to owners of the parent for the year	**106,812**	224,913	(53)
Basic earnings per share *(RMB)*	**0.510**	1.095	(53)

The board (the "**Board**") of directors ("**Directors**") of Chanjet Information Technology Company Limited (the "**Company**") recommends the payment of a final dividend of RMB0.46 per share (tax inclusive) for the year ended 31 December 2018 with a total of approximately RMB99.90 million ("**Final Dividend**"). The profit distribution proposal is subject to approval by the shareholders of the Company at the forthcoming 2018 Annual General Meeting ("**AGM**").

* *For identification purpose only*

The Board hereby announces the audited consolidated results of the Company and its subsidiary (collectively referred to as the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	4	**428,941**	498,595
Cost of sales and services provided	5	**(29,999)**	(71,752)
Gross profit		**398,942**	426,843
Other income and gains	4	**114,357**	255,572
Research and development costs	5	**(107,306)**	(107,356)
Selling and distribution expenses		**(169,571)**	(164,621)
Administrative expenses		**(121,619)**	(160,180)
Other expenses		**(6,162)**	(8,103)
Share of profits of an associate	9	**1,567**	622
Profit before tax	5	**110,208**	242,777
Income tax expense	6	**(3,396)**	(19,940)
Profit for the year		**106,812**	222,837
Attributable to:			
Owners of the parent	8	**106,812**	224,913
Non-controlling interests		**–**	(2,076)
		106,812	222,837
Earnings per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	8	**51.0**	109.5
Diluted *(RMB cents)*	8	**50.3**	106.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**106,812**	222,837
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(283)**	(350)
Other comprehensive income for the year, net of tax	**(283)**	(350)
Total comprehensive income for the year	**106,529**	222,487
Attributable to:		
Owners of the parent	**106,529**	224,563
Non-controlling interests	**–**	(2,076)
	106,529	222,487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,408**	3,322
Intangible assets		**64,124**	74,725
Investment in an associate	9	**69,735**	68,168
Available-for-sale equity investments	10	**–**	23,105
Non-current financial assets	10	**46,170**	–
Deferred tax assets		**173**	5,416
Total non-current assets		**181,610**	174,736
Current assets			
Inventories		**518**	5,932
Trade receivables	11	**479**	2,358
Prepayments, other receivables and other assets		**139,858**	118,523
Available-for-sale investments	12	**–**	213,000
Other current financial assets	12	**384,541**	–
Cash and bank balances	13	**803,327**	762,783
Total current assets		**1,328,723**	1,102,596
Current liabilities			
Trade payables	14	**913**	1,081
Contract liabilities	15	**109,321**	–
Other payables and accruals	16	**89,864**	116,165
Tax payable		**–**	9,070
Total current liabilities		**200,098**	126,316
Net current assets		**1,128,625**	976,280
Total assets less current liabilities		**1,310,235**	1,151,016
Net assets		**1,310,235**	1,151,016
Equity			
Equity attributable to owners of the parent			
Issued capital		**217,182**	217,182
Treasury shares held under the employee trust benefit scheme		**(75,391)**	(180,847)
Reserves		**1,168,444**	1,114,681
Total equity		**1,310,235**	1,151,016

NOTES TO 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 year, 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 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.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

Notes:

(a) No audited financial statements have been prepared for this entity since its establishment, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. The paid-in capital of Chanjet U.S. as at 31 December 2018 was USD10,300,000. On 25 September 2018, the board of directors approved the deregistration of Chanjet U.S. As at 15 March 2019, the deregistration of Chanjet U.S. is still in process and not yet completed.

(b) On 5 June 2017, the board of directors approved the deregistration of Chanjet Information Technology (Hong Kong) Limited ("**Chanjet Hong Kong**"), given that Chanjet Hong Kong did not conduct any actual operations in the past three years and had no business plan for the next three years. As at 13 April 2018, the deregistration of Chanjet Hong Kong has been completed.

2. Basis of Preparation and Principal Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for trust benefit units and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

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

2.1 Basis of preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

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

2.2 Changes in accounting policies and disclosures (Continued)

Except for the amendments to IFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) 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.

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

2.2 Changes in accounting policies and disclosures (Continued)

(b) *(Continued)*

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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

2.2 Changes in accounting policies and disclosures (Continued)

(b) *(Continued)*

Classification and measurement (Continued)

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

		IAS 39 Measurement					IFRS 9 Measurement	
	Notes	Category	Amount	Re-classification	ECL	Other	Amount	Category
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Available-for-sale equity investments		AFS[1] at cost	23,105	(23,105)	–	–	–	N/A
To: Non-current financial assets	(i)			(23,105)	–	–		
Non-current financial assets		N/A	–	23,105	–	22,051	45,156	FVPL[4]
From: Available-for-sale equity investments	(i)			23,105	–	–		
Trade receivables		L&R[2]	2,358	–	–	–	2,358	AC[3]
Financial assets included in prepayments, other receivables and other assets		L&R	105,949	–	–	–	105,949	AC
Available-for-sale investments	(ii)	AFS	213,000	(213,000)	–	–	–	N/A
To: Other current financial assets	(ii)			(213,000)	–	–		
Other current financial assets		N/A	–	213,000	–	1,044	214,044	FVPL
From: Available-for-sale investments				213,000	–	–		
Cash and bank balances		L&R	762,783	–	–	–	762,783	AC
			1,107,195	–	–	23,095	1,130,290	
Other assets								
Deferred tax assets			5,416	–	–	(2,205)	3,211	
Total assets			1,277,332	–	–	20,890	1,298,222	

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

2.2 Changes in accounting policies and disclosures (Continued)

(b) *(Continued)*

Classification and measurement (Continued)

	IAS 39 Measurement					IFRS 9 Measurement	
	Category	Amount	Re-classification	ECL	Other	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities							
Trade payables	AC	1,081	–	–	–	1,081	AC
Financial liabilities included in other payables and accruals	AC	7,597	–	–	–	7,597	AC
Due to the ultimate holding company	AC	736	–	–	–	736	AC
		9,414	–	–	–	9,414	
Total liabilities		126,316	–	–	–	126,316	

1 AFS: Available-for-sale investments
2 L&R: Loans and receivables
3 AC: Financial assets or financial liabilities at amortised cost
4 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has not elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

Impairment

There was no material impact on the opening balance of retained profits of the Group as at 1 January 2018 upon the adoption of the ECL requirements of IFRS 9.

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

2.2 Changes in accounting policies and disclosures (Continued)

(b) *(Continued)*

Hedge accounting

The Group has applied hedge accounting under IFRS 9 prospectively. The adoption of the hedge accounting requirements of IFRS 9 has had no impact on the Group's financial statements given that the Group did not have any hedging transaction before 1 January 2018.

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Retained profits *RMB'000*
Retained profits	
Balance as at 31 December 2017 under IAS 39	30,018
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	23,095
Deferred tax in relation to the above	(2,205)
Transfer from retained profits	(2,089)
Balance as at 1 January 2018 under IFRS 9	48,819

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

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

2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Note	**Increase/ (decrease)** *RMB'000*
Liabilities		
Contract liabilities		52,168
Other payables and accruals	(ii)	(52,168)
Total liabilities		–

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

2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
	Notes	**IFRS 15**	**Previous IFRS**	**Increase/ (decrease)**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	(i)	428,941	451,628	(22,687)
Gross profit	(i)	398,942	421,629	(22,687)
Selling and distribution expenses	(i)	169,571	192,258	(22,687)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	**IFRS 15**	**Previous IFRS**	**Increase/ (decrease)**
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	(ii)	109,321	–	109,321
Other payables and accruals	(ii)	89,864	199,185	(109,321)

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

2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Sale of software

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

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 has accounted for the consideration payable to the 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.

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

2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received for services or sale of software yet to be rendered or delivered from customers in advance as advances received from customers which are included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB52,168,000 from other payables and accruals to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB109,321,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for services or sale of software yet to be rendered or delivered.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

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

2.2 Changes in accounting policies and disclosures (Continued)

(e) IFRIC Interpretation 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. Operating Segment Information

For management purposes, the Group's operating activities are attributable to a single operating segment, which is the sale of software and the provision of related services as well as other related products. Therefore, no analysis by operating segment is presented.

Geographical information

Since all of the Group's revenue was generated from the sale of software and the provision of related services in Mainland China and 99% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about a major customer

Since no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer during the year, including sales to a group of entities which are known to be under common control with any customer, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

4. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Revenue from contracts with customers		
Sale of software	**331,512**	382,152
Rendering of services	**96,266**	115,218
Sale of purchased goods	**1,163**	1,225
	428,941	498,595

4. Revenue, Other Income and Gains *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018
	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**332,675**
Services transferred over time	**96,266**
Total revenue from contracts with customers	**428,941**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Rendering of services	**51,338**

4. Revenue, Other Income and Gains *(Continued)*

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of software

The performance obligation is satisfied upon delivery and customer acceptance of software and payment in advance is normally required. No contract provides customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	72,358
More than one year	36,963
	109,321

The remaining performance obligations expected to be recognised in more than one year relate to services that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year.

4. Revenue, Other Income and Gains *(Continued)*

An analysis of other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other income		
Value-added tax refunds	**54,286**	51,215
Government grants	**1,600**	13
Interest income	**29,817**	17,182
Other interest income from financial assets at fair value through profit or loss	**1,977**	3,268
Gains		
Gains on financial investments	**6,416**	3,821
Fair value gains, net:		
Non-current financial assets at fair value through profit or loss	**2,252**	–
Other current financial assets at fair value through profit or loss	**10,541**	–
Gain on disposal of a subsidiary	**–**	179,169
Exchange gains, net *(note)*	**6,333**	–
Others	**1,135**	904
	114,357	255,572

Note:

During the year ended 31 December 2017, net exchange losses of approximately RMB10,690,000 was included in administrative expenses.

5. Profit Before Tax

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

	2018	2017
	RMB'000	*RMB'000*
Cost of software sold	**6,141**	8,081
Cost of services provided	**23,256**	63,293
Cost of purchased goods sold	**602**	378
Total cost of sales	**29,999**	71,752
Depreciation of items of property, plant and equipment	**2,688**	7,752
Amortisation of intangible assets	**35,450**	31,204
Minimum lease payments under operating leases	**16,010**	14,266
Research and development costs *(note)*	**107,306**	107,356
Auditor's remuneration	**1,840**	1,250
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**246,382**	233,980
Equity-settled share-based expense	**31,800**	62,444
Pension scheme contributions	**26,103**	23,241
	304,285	319,665
Less: Employee benefit expenses being capitalised in intangible assets	**(18,069)**	(17,395)
	286,216	302,270

5. Profit Before Tax *(Continued)*

		2018	2017
		RMB'000	*RMB'000*
Exchange (gains)/losses, net	4	**(6,333)**	10,690
Impairment of financial assets, net:			
Impairment of financial assets included in other receivables, net		**–**	77
Impairment of assets of a disposal group classified as held for sale		**–**	4,864
Impairment of intangible assets		**–**	2,640
Write-down of inventories to net realisable value		**5,658**	–
Fair value gains, net:			
Non-current financial assets at fair value through profit or loss	4	**2,252**	–
Other current financial assets at fair value through profit or loss	4	**10,541**	–
Gain on disposal of a subsidiary	4	**–**	179,169

Note:

During the year ended 31 December 2018, research and development costs of approximately RMB104,534,000 (2017: RMB103,300,000) were included in employee benefit expenses.

6. Income Tax

	2018	2017
	RMB'000	*RMB'000*
Current tax	**358**	4,761
Deferred tax	**3,038**	15,179
Total tax charge for the year	**3,396**	19,940

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 years ended 31 December 2017 and 2018.

6. Income Tax *(Continued)*

As at 31 December 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 year ended 31 December 2018.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% for the year ended 31 December 2017 and the period from 1 January 2018 to 13 April 2018. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the year ended 31 December 2017 and the period from 1 January 2018 to 13 April 2018.

The subsidiary incorporated in the United States was subject to income tax at the rates of 15.00% and 21.00% for the years ended 31 December 2017 and 2018.

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

	Year ended 31 December 2018					
	Mainland China		USA		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	117,519		(7,311)		110,208	
Tax at the applicable tax rate	29,380	25.0	(1,536)	21.0	27,844	25.3
Expenses not deductible for tax *(note 1)*	757	0.6	103	(1.4)	860	0.8
Effect of tax incentives *(note 2)*	(25,210)	(21.5)	–	–	(25,210)	(22.9)
Effect of differential income tax rate *(note 3)*	(5,125)	(4.4)	–	–	(5,125)	(4.7)
Adjustments in respect of current tax of previous periods	392	0.3	(413)	5.6	(21)	(0.1)
Profits attributable to an associate	(392)	(0.3)	–	–	(392)	(0.4)
Tax losses and deductible temporary differences not recognised	4,007	3.4	1,433	(19.6)	5,440	4.9
Tax charge/(credit) at the Group's effective rate	3,809	3.2	(413)	5.6	3,396	3.1

6. Income Tax *(Continued)*

	Year ended 31 December 2017							
	Mainland China		Hong Kong		USA		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	251,676		(46)		(8,853)		242,777	
Tax at the applicable tax rate	62,919	25.0	(8)	16.5	(1,328)	15.0	61,583	25.4
Expenses not deductible for tax *(note 1)*	9,482	3.8	–	–	(185)	2.1	9,297	3.8
Effect of tax incentives *(note 2)*	(14,919)	(5.9)	–	–	–	–	(14,919)	(6.1)
Effect of differential income tax rate *(note 3)*	(20,549)	(8.2)	–	–	–	–	(20,549)	(8.5)
Adjustments in respect of current tax of previous periods	–	–	–	–	(624)	7.0	(624)	(0.3)
Effect on opening deferred tax of decrease in rates	6,865	2.7	–	–	–	–	6,865	2.8
Profits attributable to an associate	(156)	(0.1)	–	–	–	–	(156)	(0.1)
Tax losses and deductible temporary differences not recognised	1,135	0.5	8	(16.5)	1,513	(17.1)	2,656	1.1
Income not subject to tax *(note 4)*	(24,213)	(9.6)	–	–	–	–	(24,213)	(10.0)
Tax charge/(credit) at the Group's effective rate	20,564	8.2	–	–	(624)	7.0	19,940	8.2

Notes:

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

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

During the years for 2017 and 2018, upon approval, the Company was entitled to an additional 50% and 75% of deduction of research and development expenditure for tax declaration, respectively.

6. Income Tax *(Continued)*

Notes: (Continued)

(3) The effect of differential income tax rate represented the reduced amount of tax payment due to income tax exemption in the year. The Company enjoyed a 10% income tax rate during the year ended 31 December 2017. The Company is expected to enjoy a 10% income tax rate for the year ended 31 December 2018 after submitting the filing to the tax bureau.

(4) The income not subject to tax represented the difference of the gain resulting from the loss of control of Chanjet Payment recognised in the financial statements of the Company and in the consolidated financial statements.

The share of tax attributable to an associate amounting to RMB1,567,000 (2017: RMB622,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss.

7. Dividends

	2018
	RMB'000
Proposal final dividend – RMB0.46 (2017:Nil) per ordinary share	**99,904**

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profits for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 209,385,795 (2017: 205,423,250) in issue during the year, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the employee trust benefit scheme (the "**Scheme**" or "**Employee Trust Benefit Scheme**").

The calculation of the diluted earnings per share amount is based on the profits for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the year, 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:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**106,812**	224,913

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**209,385,795**	205,423,250
Adjustment for the Scheme	**2,914,304**	4,900,406
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**212,300,099**	210,323,656

9. Investment in an Associate

On 1 September 2017, Chanjet Payment ceased to be a subsidiary of the Company and has been treated as an investment in an associate in the consolidated statement of financial position of the Group.

	2018	2017
	RMB'000	*RMB'000*
Share of net assets	**69,735**	68,168
Provision for impairment	**–**	–
	69,735	68,168

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

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

	2018	2017
	RMB'000	*RMB'000*
Share of the associate's profit for the year	**1,567**	622
Share of the associate's total comprehensive income	**1,567**	622
Aggregate carrying amount of the Group's investment in the associate	**69,735**	68,168

10. Non-Current Financial Assets/available-for-Sale Equity Investments

	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	**46,170**	–
Available-for-sale financial assets		
Unlisted equity investments, at cost	**–**	23,105

The above equity investments as at 31 December 2018 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

10. Non-Current Financial Assets/available-for-Sale Equity Investments *(Continued)*

Details of the unlisted investments 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		Principal activities
			Direct	Indirect	
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) ("**Happiness Yunchuang**") *(note)*	Beijing, China 22 November 2013	RMB82,173,000	10.00	–	Investment and asset management
Yonyou Mobile Telecommunications Technology Service Co,. Ltd. ("**Yonyou Mobile**")	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

Note: On 17 January 2018, all partnership representatives of Happiness Yunchuang, including the Company, had agreed to the capital repayment plan (the "**plan**") proposed during the 2017 annual partnership meeting. The plan required Happiness Yunchuang to repay the capital contribution to each partner first with the cash profit generated according to the partnership agreement signed in 2013, limited to the amount of original registered capital. During the year ended 31 December 2018, Happiness Yunchuang had distributed cash profit of RMB1,238,000 (2017: RMB545,000) to the Company, based on 10% of the ownership held by the Company in Happiness Yunchuang. As at 31 December 2018, the nominal value of registered capital of Happiness Yunchuang decreased to RMB82,173,000 (2017: RMB94,553,000) as a result of such cash distribution.

11. Trade Receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**479**	2,358
Impairment	**–**	–
	479	2,358

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 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 receivable balances. Trade receivables are non-interest-bearing. Amounts included in trade receivables were denominated in RMB.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**479**	707
90 days to 180 days	**–**	1,651
	479	2,358

11. Trade Receivables *(Continued)*

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The gross carrying amount at the end of the reporting period of trade receivables are mainly due from a related party. The credit risk exposure and expected credit loss for amount due from a related party was immaterial as at 31 December 2018. The gross carrying amount of trade receivables due from third parties are immaterial as at 31 December 2018.

Impairment under IAS 39 for the year ended 31 December 2017

No provision for individually impaired trade receivables was included in the above provision for impairment of trade receivables as at 31 December 2017, which was measured based on incurred credit losses under IAS 39.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	707
Less than 1 month past due	1,651
	2,358

11. Trade Receivables *(Continued)*

Impairment under IAS 39 for the year ended 31 December 2017 (Continued)

Receivables that were neither past due nor impaired related to diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a customer that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of this balance as there had not been a significant change in credit quality and the balance were still considered fully recoverable.

12. Other Current Financial Assets/available-for-Sale Investments

	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Wealth investment products	**384,541**	–
Available-for-sale financial assets		
Wealth investment products	**–**	213,000
	384,541	213,000

The Group purchases various wealth investment products issued by banks in Mainland China. As at 31 December 2018, the Group purchased wealth investment products with the cost of RMB374,000,000 from commercial banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

12. Other Current Financial Assets/available-for-Sale Investments *(Continued)*

The details and breakdown of each of other current financial assets as at the 31 December 2018 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Investment of deposit principal amount *RMB'000*	Carrying value *RMB'000*
Industrial Bank Co. Ltd.	Structured deposits	Secured principal with guaranteed fixed income together with floating income	3/14/2018	3/11/2019	12,000	12,458
Xiamen International Bank	Bank financial management	Secured principal with floating income	3/16/2018	3/15/2019	57,000	59,489
Nanjing Bank	Structured deposits	Secured principal with floating income	4/13/2018	4/12/2019	60,000	62,207
Ningbo Bank	Structured deposits	Secured principal with floating income	6/15/2018	6/12/2019	45,000	46,357
Ningbo Bank	Structured deposits	Secured principal with floating income	6/28/2018	6/26/2019	15,000	15,391
The Bank of East Asia	Structured deposits	Secured principal with floating income	7/10/2018	7/10/2019	35,000	36,000
The Bank of East Asia	Structured deposits	Secured principal with floating income	12/6/2018	12/6/2019	30,000	30,218
Baoshang Bank Ltd.	Structured deposits	Secured principal with floating income	8/17/2018	8/17/2019	50,000	51,175
Standard Chartered Bank	Structured deposits	Secured principal with floating income	10/24/2018	4/23/2019	70,000	71,246
					374,000	384,541

13. Cash and Bank Balances

	2018	2017
	RMB'000	*RMB'000*
Cash on hand	**133**	531
Bank balances	**61,953**	43,947
Time deposits	**741,241**	718,305
Cash and bank balances	**803,327**	762,783
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(616,241)**	(573,305)
Cash equivalents as stated in prepayments, other receivables and other assets	**1,295**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**188,381**	189,478

Cash at banks earns interest at floating rates based on daily bank deposit rates. Term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

The Group's cash and bank balances are denominated in the following currencies:

	2018	2017
	RMB'000	*RMB'000*
RMB	**671,007**	633,737
HK$	**131,933**	123,951
US$	**387**	5,095
	803,327	762,783

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

14. Trade Payables

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**755**	619
90 days to 1 year	**93**	419
Over 1 year	**65**	43
	913	1,081

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

15. Contract Liabilities

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Rendering of services	**109,321**	52,168

Contract liabilities include short-term advances received from the rendering of services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision during the year.

16. Other Payables and Accruals

	2018	2017
	RMB'000	*RMB'000*
Tax payable (other than income tax)	**17,850**	18,842
Staff payroll and welfare payables	**40,689**	30,839
Other payables	**31,048**	65,748
Due to the ultimate holding company	**277**	736
	89,864	116,165

Other payables and accruals are non-interest-bearing and have no fixed terms of repayment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development Trend of the Industry

During the Reporting Period, in order to further bolster the healthy development of micro and small enterprises ("**MSEs**"), the Chinese government continued to support innovation and entrepreneurship by introducing various preferential tax policies and cutting tax burdens by approximately RMB50 billion, which played an active role in stabilizing the operation of MSEs and promoting the healthy development of the market. Meanwhile, the People's Bank of China released RMB200 billion through a targeted reserve requirement ratio cut to support the development of MSEs. Besides, the People's Bank of China, China Banking and Insurance Regulatory Commission (CBIRC), China Securities Regulatory Commission (CSRC), the National Development and Reform Commission (NDRC) and the Ministry of Finance jointly issued the Opinions on Further Deepening Financial Services for Micro and Small-sized Enterprises (《關於進一步深化小微企業金融服務的意見》) (Yin Fa [2018] No. 162) to make it easier and less costly for MSEs to obtain financing. The support of national tax and financial policies is conducive to the continuous improvement of the business environment for MSEs.

During the Reporting Period, China initiated a new wave of entrepreneurship and innovation as a result of the synergistic effects of China's commercial system reform and policies on supporting mass entrepreneurship and innovation. There are over 110 million market entities of different types and 34.74 million enterprises across the country, most of which are MSEs. The rapid growth of MSEs and other market entities provided a solid market development foundation for the Group.

During the Reporting Period, the popularization and application of the new-generation information technology represented by cloud computing, big data, artificial intelligence and mobile Internet facilitated the rapid growth of enterprises and accelerated the integration of traditional and emerging business forms. MSEs hope to strengthen their ability of survival and development in the new economic and retail environment by improving the management of intelligent analysis, intelligent marketing, intelligent sales and intelligent management. It is an inevitable choice for enterprises to optimize resources allocation, enhance operation capacity and improve management efficiency through "cloud adoption". With the application of new technologies such as big data, artificial intelligence, mobile payment and electronic invoicing, the Group provides MSEs with comprehensive cloud management services integrating "Personnel, Finance, Commodity and Customer" and cloud finance services integrating finance, invoices and taxes to satisfy MSEs' needs for operation and management upgrading.

Business Review ***(Continued)***

Major Risks and Uncertainties

In respect of industry competition, the number of innovative services providers in the domestic enterprise cloud services market has been on the rise and Internet magnates have devoted greater efforts to enterprise cloud services to preempt the market, which resulted in an intensifying competition in the enterprise cloud services market. The Group, steadfastly fixating on the field of finance and management services for MSEs, continued to increase resource input and responded to the industrial challenges in a proactive manner in virtue of its profound understanding of enterprise cloud services and extensive experience drawn from years of services for MSEs in informatization.

In respect of human resources, the competition for R&D and operation professionals on enterprise cloud services was further intensified and the costs for retaining and attracting capable employees had been increasing consequently. The Group continued to increase its efforts on the employer brand building and recruiting cloud services specialists, adopted targeted measures to retain and motivate staff and encouraged the professional development of talented employees.

Principal Business and Operating Conditions

1. *Development of software business*

   During the Reporting Period, the Group released a new iteration of T^+ V12.3. The newly-added functions such as Wechat marketing, Wechat mall and intelligent selection of products that help enterprises to achieve the people-oriented socialized marketing and enhance their marketing capability; the newly added customer management function helps improve the sales efficiency and increase customer stickiness; and the newly-added mobile warehouse management function through the imbedding of intelligent handheld terminal contributes to the timely and efficient warehouse management.

Business Review *(Continued)*

Principal Business and Operating Conditions (Continued)

1. *Development of software business (Continued)*

During the Reporting Period, the Group firmly implemented the business strategy for facilitating cost-effective growth of software business and focused on serving MSEs. It joined hands with nearly 2,000 channel partners in initiating three marketing campaigns, namely "Chanjet Wolf Warrior Action (暢捷通戰狼行動)", "Chanjet Mars Action (暢捷通戰神行動)" and "Chanjet New Power Action (暢捷通新勢力行動)". The Group empowered its channel partners by helping enhance their sales capacity through providing systematic capability improvement in terminal sales, online operation, product support and customer service to enhance user experience and satisfaction. "Chanjet Wolf Warrior Action (暢捷通戰狼行動)" helps partners enhance their marketing capacities, develop their team potential and consolidate their practical capacity. "Chanjet Mars Action (暢捷通戰神行動)" assists partners in developing and training telephone sales teams and helps regular customers enhance their business operation capacity. "Chanjet New Power Action (暢捷通新勢力行動)" supports partners in establishing large sales teams, making breakthroughs in new businesses and setting up benchmark partners across the country. In respect of marketing, the Group focused on developing terminal market and held thousands of marketing activities themed "Settlement and Payment of Income Taxes (匯算清繳)", "Financial Literacy Programs (財務普及風暴)", "520 I Love MSEs (520我愛小微企業)" and "the 11th Accounting Cultural Festival", thereby promoting terminal sales of its products.

During the Reporting Period, the Group upgraded the service support system for software business to an intelligence-based cloud service mode with the "Service Wiz (服寶)" as service access point, connecting products, communities and WeChat official account and providing users with on-demand services. It effectuated real-time connection with over 100,000 software users through the "cloud plus terminal" mode and utilized data platforms to launch user operation activities, which effectively improved service efficiency, enhanced service value and facilitated software users in moving to the cloud.

As at the end of the Reporting Period, the accumulated enterprise users of software of the Group exceeded 1.47 million.

Business Review ***(Continued)***

Principal Business and Operating Conditions (Continued)

2. *Development of cloud service business*

During the Reporting Period, the Group continued to devote more efforts to advance the development of cloud service business. Intelligent cloud finance services that integrated finance, invoices and taxes showed a sound development momentum, and cloud management services that integrated "Personnel, Finance, Commodity and Customer" for small-sized enterprises made breakthroughs in the transformation from software package to cloud-based services. The Group strived to improve the operation system of cloud service business and initiated the "Sea of Cloud Action (雲海行動)", empowering channel partners to seek joint development and win-win outcomes. As a result, preliminary results were achieved in the establishment of diversified channels based on cloud service business. Moreover, it concentrated resources on achieving rapid breakthroughs. It rolled out a new version of Chanjet Good Business for business management of MSEs and strived to improve user experience through continuous iterative optimization, speeding up users' cloud adoption or cloud migration.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud services of the Group achieved 113,000.

(1) Chanjet Good Accountant (暢捷通好會計)

During the Reporting Period, Chanjet Good Accountant, developing towards "intelligence, connection and ecology", steadily consolidated its position as a top-notch brand of intelligent cloud finance by using artificial intelligence technology. Closely in line with the state's tax reform, it further perfected the integration of finance, invoices and taxes and has become a cloud finance product that effectuates automatic calculation, accounting and reporting management of value-added tax, income tax and individual income tax. Meanwhile, based on the big data-based intelligent audit, it adopts the prediction mechanism of the "Golden Tax Project Phase III" and generates tax-related risk control reports to help enterprises further manage and control tax-related risks and reasonably reduce taxes, bringing into full play the rapid, intelligent and automatic features of intelligent cloud finance.

Business Review ***(Continued)***

Principal Business and Operating Conditions (Continued)

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

(1) Chanjet Good Accountant (暢捷通好會計)

During the Reporting Period, Chanjet Good Accountant further adopted artificial intelligence technology to enhance intelligent financial accounting capacity, extending the scope of automatic accounting from invoices, daily journals and fixed assets to fees, salaries and purchase-sale-stock accounts. Through continuous machine learning, the accuracy of automatic financial accounting has been further improved and the efficiency of financial accounting has been increased.

(2) T^+ Cloud

During the Reporting Period, T^+ Cloud further enhanced the enterprise management services that integrated "Personnel, Finance, Commodity and Customer". It helped enterprises to make breakthroughs in attracting, retaining and activating users, converting free trial users to paying customers and on-going operation through "Customer Management plus Ordering Mall (訂貨商城)" and "WeChat members plus WeChat marketing plus WeChat Mall" and assisted MSEs in establishing a new type of business social networks and marketing relationship, boosting their operating results and becoming "intelligent companies" under the intelligent business paradigm.

During the Reporting Period, T^+ Cloud integrated the functions of the Biz Chat (工作圈). It further strengthened the mobile office feature, improved the technical operation and supporting systems and enhanced the efficiency of online performance monitoring and automated deployment, providing MSEs with easy-to-use enterprise cloud services and resolving their concerns over installation, deployment and on-going operation and maintenance.

Business Review *(Continued)*

Principal Business and Operating Conditions (Continued)

2. Development of cloud service business (Continued)

(3) Chanjet Good Business (暢捷通好生意)

During the Reporting Period, 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. Chanjet Good Business offered services covering the whole process of intelligent analysis, intelligent marketing, intelligent sales and intelligent management of MSEs. Through in-depth customer analysis and product analysis, it provided MSEs with a basis for customized and differentiated marketing campaigns, enabling MSEs to launch comprehensive marketing and promotion activities for bestsellers, poor-selling products and new products through diversified marketing means and activities. It provided MSEs with online and offline comprehensive marketing and transaction management services, covering transactions effectuated through online malls, WeChat groups or Moments to offline face-to-face transactions. The implementation of intelligent business paradigms effectively promoted the shift of traditional MSEs in trade and commerce towards the Internet-based intelligent business operation model.

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

During the Reporting Period, Chanjet Easy Accounting Agent continued to evolve towards an "intelligent accounting agent factory" for accounting agent companies and effectively strengthened the automatic collection of bills and the automatic accounting of invoices, daily journals, fixed assets and salaries. Meanwhile, 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, Jiangsu and Sichuan. The smart 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. In addition to assisting accounting agent companies in improving work efficiency, Chanjet Easy Accounting Agent further enhanced the work quality and provided effective guarantee for customer hierarchy and operation improvement of accounting agent companies.

Business Review *(Continued)*

Principal Business and Operating Conditions (Continued)

3. *Development of brand and market*

During the Reporting Period, the Company was shortlisted for the "2017 Most Preferred Service Providers for SMEs in China (2017中國中小企業首選服務商)" jointly issued by the China Center for Promotion of SME Development of the Ministry of Industry and Information Technology and China International Cooperation Association of Small and Medium Enterprises. Chanjet Good Accountant was awarded the title of "2018 Best Product in Cloud Computing-based Finance and Tax Services in China (2018年中國雲計算財稅領域最佳產品)" by China Information Industry Trade Association and www.infosws.cn (信軟網).

During the Reporting Period, the Group organized and held "520 I Love MSEs (520我愛小微企業)", the "11th Accounting Cultural Festival" and other marketing activities. It initiated and hosted the 2nd Global Innovative Corporation Conference (GICC 2018), which deeply analyzed the concept of "intelligent companies" and proposed the "six-step intelligent commerce", which meant to leverage on the dual engines of data driving and network-based synergy, capitalize on the four core control systems including intelligent analysis, intelligent marketing, intelligent sale and intelligent management, and integrate innovation-based technologies to help MSEs increase revenue, reduce cost and improve efficiency through application of cloud services.

Financial Review

	For the year ended 31 December		Change in amount	Percentage change
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**428,941**	498,595	(69,654)	(14)
Cost of sales and services provided	**(29,999)**	(71,752)	41,753	(58)
Gross profit	**398,942**	426,843	(27,901)	(7)
Gross profit margin	**93%**	86%	7%	
Other income and gains	**114,357**	255,572	(141,215)	(55)
Research and development costs	**(107,306)**	(107,356)	50	0
Selling and distribution expenses	**(169,571)**	(164,621)	(4,950)	3
Administrative expenses	**(121,619)**	(160,180)	38,561	(24)
Other expenses	**(6,162)**	(8,103)	1,941	(24)
Share of profit of an associate	**1,567**	622	945	152
Profit before tax	**110,208**	242,777	(132,569)	(55)
Income tax expense	**(3,396)**	(19,940)	16,544	(83)
Profit for the year	**106,812**	222,837	(116,025)	(52)
Attributable to:				
Owners of the parent	**106,812**	224,913	(118,101)	(53)
Non-controlling interests	**–**	(2,076)	2,076	N/A

Operating Results

For the year ended 31 December 2018, the revenue of the Group was RMB428.94 million, representing a year-on-year decrease of 14%. The profit for the year was RMB106.81 million, representing a year-on-year decrease of 52%; and profit attributable to the owners of the parent was RMB106.81 million, representing a year-on-year decrease of 53%. The basic earnings per share of the Group for the year was RMB0.510, compared with the basic earnings per share of RMB1.095 for the previous year.

Financial Review *(Continued)*

Operating Results (Continued)

The decrease in the revenue for the Reporting Period was mainly due to the exclusion of Chanjet Payment from the consolidated financial statements of the Group and the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. Eliminating the effects of the above factors, the Group's revenue for the year would have a year-on-year increase of 1%, of which the revenue generated from cloud services would have a year-on-year increase of 55%. The decrease in the profit for the Reporting Period was mainly due to the fact that the Group recorded investment gain of RMB179.17 million from the disposal of 55.82% of equity interests in Chanjet Payment in the previous year while there were no such gains for the year. Eliminating the effect of the investment gain, the Group's revenue for the year would have a year-on-year increase of 145%, mainly due to sustained improvement in the Group's operations, decreases in the cost of the Employee Trust Benefit Scheme and income tax expenses, as well as increases in interest income and income from bank wealth management products.

Revenue

For the year ended 31 December 2018, the revenue of the Group was RMB428.94 million, representing a year-on-year decrease of 14%, mainly due to the exclusion of Chanjet Payment from the consolidated statements of the Group and the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. Eliminating the effects of the above factors, the Group's revenue for the year would have a year-on-year increase of 1%, of which the revenue from cloud services would have a year-on-year increase of 55%. Details of the adoption of International Financial Reporting Standards 15 are set out in note 2 to the financial statements.

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

	For the twelve months ended 31 December				Change in amount	Percentage change
	2018		2017			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from software business	**391,423**	**91**	423,966	85	(32,543)	(8)
Revenue from cloud service business	**37,518**	**9**	25,254	5	12,264	49
Revenue from payment business	**–**	**–**	49,375	10	(49,375)	N/A
Revenue	**428,941**	**100**	498,595	100	(69,654)	(14)

Financial Review *(Continued)*

Cost of Sales and Services Provided

For the year ended 31 December 2018, the Group's cost of sales and services provided was RMB30.00 million, representing a year-on-year decrease of 58%, mainly due to the exclusion of Chanjet Payment from the consolidated financial statements of the Group. Eliminating the effect of the exclusion of Chanjet Payment, the Group's cost of sales and services provided would have a year-on-year decrease of 10%.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, the Group achieved a gross profit of RMB398.94 million, representing a decrease of 7% as compared with that of the previous year, mainly attributable to the decrease in the revenue from software business as a result of the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. The gross profit margin of the Group was 93%, representing an increase of 7 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 financial statements of the Group during the Reporting Period and the increase in the gross profit margin of cloud service business as compared with that of the previous year.

Other Income and Gains

For the year ended 31 December 2018, the Group's other income and gains was RMB114.36 million, representing a decrease of 55% as compared with that of the previous year. The decrease was mainly due to the investment gain of RMB179.17 million from the disposal of 55.82% of equity interests in Chanjet Payment in the previous year. Eliminating the effect of the investment gain, other income and gains would have a year-on-year increase of 50%, mainly attributable to the increases in interest income, earnings from bank wealth management products 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 year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
R&D costs of software business	**18,767**	**15**	44,169	35
R&D costs of cloud service business	**88,539**	**70**	59,555	48
R&D costs of payment business	**–**	**–**	3,632	3
R&D costs	**107,306**	**85**	107,356	86
Additions to deferred development costs of cloud service business	**18,317**	**15**	17,566	14
Additions to deferred development costs	**18,317**	**15**	17,566	14
Total R&D investment	**125,623**	**100**	124,922	100

For the year ended 31 December 2018, R&D costs of the Group amounted to RMB107.31 million, basically flat as compared with that of the previous year, of which, the R&D costs of cloud service business increased by 49%, which was mainly due to the structural adjustment to R&D staff for the purpose of advancing the transformation of software R&D talents into cloud service R&D talents while building up R&D strength of cloud service business. The total R&D investment of the Group was RMB125.62 million, representing an increase of 1% as compared with that of the previous year.

Selling and distribution expenses

For the year ended 31 December 2018, the selling and distribution expenses of the Group was RMB169.57 million, representing an increase of 3% as compared with that of the previous year, mainly attributable to the increase in the operation and promotion expenditure on cloud service business.

Financial Review *(Continued)*

Administrative Expenses

For the year ended 31 December 2018, the administrative expenses of the Group was RMB121.62 million, representing a decrease of 24% as compared with that of the previous year. The decrease was mainly due to that the costs of the Employee Trust Benefit Scheme incurred during the Reporting Period decreased by RMB28.90 million as compared with those of the previous year.

Income Tax Expense

For the year ended 31 December 2018, the income tax expense of the Group was RMB3.40 million, representing a decrease of 83% as compared with that of the previous year, which was mainly due to the decrease in profit before tax and deferred income tax expense as compared with that of the previous year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2018, the profit attributable to owners of the parent of the Group was RMB106.81 million, representing a decrease of 53% as compared with that of the previous year.

Loss Attributable to Non-controlling Interests

For the year ended 31 December 2018, the Group did not have any loss attributable to non-controlling interests of the Group (2017: RMB2.08 million).

Financial Review ***(Continued)***

Liquidity and Financial Resources

Condensed cash flow statement

	For the year ended 31 December		Change in amount
	2018	2017	
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**197,484**	182,953	14,531
Net cash flows used in investing activities	**(198,443)**	(324,035)	125,592
Net cash flows used in financing activities	**–**	(18,547)	18,547

Net cash flows from operating activities

For the year ended 31 December 2018, net cash flows from operating activities of the Group was RMB197.48 million, representing an increase of RMB14.53 million as compared with that of the previous year. The increase was mainly due to the increase in receipts in advance from cloud service business of the Group.

Net cash flows used in investing activities

For the year ended 31 December 2018, the net cash flows used in investing activities of the Group was RMB198.44 million, representing a decrease of RMB125.59 million as compared with that of the previous year. The decrease was mainly due to the decrease in the time deposits of the Group newly added during the Reporting Period.

Net cash flows used in financing activities

For the year ended 31 December 2018, there were no net cash flows used in financing activities of the Group, and the cash flows used in financing activities of the Group in the previous year mainly represented the payment for shares purchased under the Employee Trust Benefit Scheme.

Financial Review *(Continued)*

Working Capital

	As at 31 December	
	2018	2017
Cash and bank balance *(RMB'000)*	**803,327**	762,783
Current ratio	**664%**	873%
Gearing ratio	**0%**	0%

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 31 December 2018 was 664% (31 December 2017: 873%). The decrease in current ratio was mainly due to the increase in current liabilities as a result of the increased contract liabilities brought about by rising receipts in advance for cloud services business.

The Group's gearing ratio was nil. Gearing ratio was calculated based on the net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing debts less restricted bank balances and cash and bank balances. As at 31 December 2018, the Group had no interest-bearing debt.

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

Capital Expenditure

For the year ended 31 December 2018, the significant capital expenditure of the Group included deferred development costs of RMB18.32 million (2017: RMB17.57 million), the expenditure on office equipment, furniture and fittings of RMB0.97 million (2017: RMB0.43 million), additional expenditure on software licenses of RMB0.24 million (2017: Nil).

Contingent Liabilities

As at 31 December 2018 and 31 December 2017, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

Financial Review *(Continued)*

Charges on Assets

As at 31 December 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.

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 interests in Chanjet Payment to Yonyou by the Company, (ii) the unilateral capital increase in Chanjet Payment by Yonyou, and (iii) the amendments to the Non-competition Agreement executed by Yonyou, Wang Wenjing and the Company on 17 February 2014 and the Confirmation issued by Yonyou on 11 April 2014. Upon completion of the above-mentioned transactions, Chanjet Payment will be held as to 15% and 85%, respectively by the Company and Yonyou and it will no longer be a subsidiary of the Company. As of 1 September 2017, the disposal of Chanjet Payment as mentioned in sub-item (i) above had been completed. Thereafter, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company. As at 15 March 2019, the transaction concerning the capital increase as mentioned in sub-item (ii) above has not been completed yet. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017, as well as the circular of the Company dated 11 November 2016.

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

Financial Review *(Continued)*

Foreign Exchange Risks

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet U.S., a subsidiary of the Company, settled in US dollars. The Group, subject to the foreign exchange fluctuation, conducted foreign exchange settlement and foreign exchange for the balance of proceeds raised in due course to alleviate foreign exchange fluctuation risks.

Interest Rate Risks

The Group did not assume any debt obligations with a floating interest rate, and thus there was no interest rate risk related to the Group.

Employee and Organization Guarantee

As at 31 December 2018, the Group had 929 employees in total (31 December 2017: 802 employees). The Group has made multiple efforts to support the business strategy designed to achieve economies of scale of cloud service business and cost-effective growth of software business. In terms of staffing, the Group increased the proportion of cloud operation and R&D personnel. In terms of staff cultivation and development, the Group continued improving training system for new staff and pushed forward the cultivation of staff of all levels and functions so as to guarantee the availability of back-up personnel for key positions, the job rotation it advocated also made young and capable personnel stand out. In terms of staff retention and motivation, the Group optimized and perfected the medium-term and long-term incentive mechanism in order to attract, motivate and retain core personnel.

Training Programs

In pursuance with the Training Management Policy, the Group has established a training system integrating internal and external training to develop the post competencies of employees and boost their growth and development.

The Group has set up "Chanjet School (暢學堂)", an internal training platform which, on the basis of the Group's development strategy and research findings on training needs, offers trainings at different levels on professional quality and standards, professional knowledge and regulations, general technology and ability, leadership and other aspects for employees of different business lines and posts. Meanwhile, relying on the teachers of "Yonyou University (用友大學)", the Company provides more diversified training courses for employees.

The Group has engaged external professional mentors to provide training for employees and dispatched employees to attend non-curricula education on professional skills and on-the-job curricula education, etc. to help employees get access to cutting-edge technologies and improve professional literacy and comprehensive skills. At the same time, the Group actively encourages employees to acquire qualification certifications in job-related areas; priority is given for approval of the training applications for qualification certifications within a certain scope, and the related training expenses will be reimbursed.

In 2018, the Group introduced the online UMU learning platform to provide employees with training courses on professional and general skills to help their learning and growth; the Group launched customized training courses such as new staff training, debate and speech skills training, etc., and also held internal sharing activities regularly; the Group invested a total of RMB432,600 in training and education, realizing 12,748 training hours with a participation rate of 100% and an average of approximately 13.72 hours of training per employee.

Remuneration Policy

A Remuneration and Appraisal Committee was established under the Board, which is mainly responsible for reviewing the appraisal on and remuneration of the Directors and senior management, and providing advice and recommendations. Directors (other than independent non-executive Directors) and supervisors of the Company (the "**Supervisors**") (other than independent Supervisors) do not receive any remuneration from the Company for their directorships or supervisorships. The allowances of independent non-executive Directors and independent Supervisors are considered and determined at the general meeting of the Company. Each independent non-executive Director is entitled to receive an allowance of RMB150,000 (tax inclusive) per year while each independent Supervisor is entitled to receive an allowance of RMB80,000 (tax inclusive) per year. The Remuneration and Appraisal Committee will consider the remunerations of senior management and then proposed to the Board for approval. Such remunerations are determined mainly based on the position value, remuneration condition in the market, individual ability as well as the operating results and performance target of the Company.

Remuneration of the staff of the Company is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based salary and allowance. Staff's salary comprises basic salary and performance-based salary. In particular, basic salary is payable monthly while performance-based salary is payable in appropriate forms based on each appraisal period and specific management requirements of the Company pursuant to the relevant laws and regulations of the PRC. Allowance comprises wage subsidy, supplementary subsidy, special allowance and welfare benefits, etc. The Company has paid housing fund and social insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labor and social security. In particular, social insurance includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. During the Reporting Period, details of the remuneration of the staff charged of the Group were set out in the note 5 to the financial statements. 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 "Employee Trust Benefit Scheme".

Employee Trust Benefit Scheme

The Company adopted the Employee Trust Benefit Scheme (the "**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 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, and 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 day, the unlocking conditions of the remaining scheme participants under the second grant to unlock 30% of their trust benefit units were fulfilled on 31 March 2018.

On 5 June 2018, the Board considered and approved the resolutions in relation to the first unlocking of trust benefit units under the fourth grant pursuant to the Scheme, and 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 were 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, and 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 has 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 were fulfilled on 16 June 2018.

On 6 December 2018, the Board considered and approved the resolutions in relation to the second unlocking of the trust benefit units under the third grant pursuant to the Scheme, and according to the resolutions, save and except for some Scheme participants under the third grant who had terminated or released his/her labor contract with the Company, which has disqualified themselves as Scheme participants, the unlocking conditions of the remaining Scheme participants under the third grant to unlock 30% of their trust benefit units were fulfilled on 6 December 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, 15 June 2018 and 6 December 2018.

Employee Trust Benefit Scheme *(Continued)*

As at 31 December 2018, trust benefit units of Directors and Supervisors are set out as follows:

Name	Position	Proportion of the trust benefit unit granted to the total trust benefit units granted in the initial grant
Zeng Zhiyong	Executive director, vice chairman of the Board	11.51%
Cai Jingsheng	Supervisor	0.12%

Name	Position	Proportion of the trust benefit unit granted to the total trust benefit units granted in the re-grant
Yang Yuchun	Executive director, president	47.55%
Cai Jingsheng	Supervisor	0.49%

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.

PROSPECTS

In 2019, the Group will focus on the finance and management services for MSEs, and seize opportunities to make structural breakthroughs in cloud service business and expand market share, so as to build itself into a top-notch brand of finance and taxation services for MSEs and a top-notch brand of cloud services for MSEs. While consolidating and continuously strengthening its SaaS business, the Group will, based on its finance and taxation services and data services, gradually develop business operation services for MSEs.

The Group will continue to accelerate product application and innovation, and based on micro-service architecture, promote rapid iteration and innovative research and development, with a focus on expanding finance and taxation services. Besides, the Group will continue to enhance the application of intelligent marketing solutions that are based on big data and machine learning technology in Chanjet Good Business and T^+ Cloud products, further increase the application of integrated intelligent services for MSEs, and help MSEs to transform towards digital and intelligent operation. The Group will continue to promote data-based value-added services and strengthen its own data-based ecological operation capability. Furthermore, the Group will keep improving the user experience of such cloud applications as Chanjet Good Accountant, T^+ Cloud, Chanjet Good Business and Easy Accounting Agent, and accelerate research and development of new products.

The Group will further accelerate the development of cloud service business by investing more resources, so as to extend from application services to operation services in respect of the finance and taxation business, and strive for rapid growth of the cloud service business. In addition, the Group will continue to implement the diversified channel development strategy, upgrade its operation systems for customers from service operation to user operation, and build a unified business operation center, so as to speed up the cloud adoption of new customers and cloud migration of existing customers as well as the cloud-based transformation of data-based value-added services.

The Group will strengthen the operation of corporate websites to attract online traffic, strengthen brand communication to improve brand recommendation, pursue cross-industry and cross-field marketing cooperation through in-depth marketing, and continue to promote crossover marketing innovation. Further, the Group will enhance the brand influence of Chanjet cloud service business through organizing and holding the GICC 2019 (第三屆全球小微企業創新大會), “520 I Love MSEs (520我愛小微企業)”, the “12th Accounting Cultural Festival”and other branding and marketing activities.

The Group will further implement the “dual-channel” career development strategy, encourage professional development and improve its three-dimensional training system to upgrade the capabilities of employees. Also, the Group will continue to improve the long-term incentive mechanisms to motivate and inspire employees, and further promote corporate culture to enhance corporate cohesion and facilitate the long-term and healthy development of the Group.

USE OF PROCEEDS

The Company's H Shares were listed and commenced trading on The Stock Exchange of Hong Kong Limited (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 dated 16 June 2014 (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 use of proceeds disclosed in the Prospectus of the Company, the actual usage as at 31 December 2018 are detailed as follows:

Planned use	**Budgeted amount**	**Actual amount used**	**Unutilized amount**
	HK$	*HK$*	*HK$*
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 31 December 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, mainly due to the fact that 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.

DIVIDEND AND TAXATION

A Board meeting was held on 15 March 2019, at which the relevant resolution was passed to recommend the payment of a final dividend of RMB0.46 per share (tax inclusive) for the year ended 31 December 2018 (2017: nil) with a total of approximately RMB99.90 million (2017: nil). The profit distribution proposal shall be subject to approval by the shareholders at the AGM. During the Reporting Period, there is no arrangement made by any Shareholder on waiving or agreeing to waive any dividends. The final dividend for the year ended 31 December 2018 is expected to be paid to the Shareholders whose name appeared on the Company's share register on Saturday, 8 June 2019 on 18 July 2019.

According to the articles of association of the Company, the final dividends will be denominated and declared in RMB. Dividends on domestic shares of the Company will be paid in RMB and dividends on H shares of the Company will be paid in Hong Kong dollars. The amount of the dividends payable in Hong Kong dollars shall be calculated based on the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to 28 May 2019 (being the date of declaration of the final dividend).

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-share Shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (國稅函[2008]897號), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. According to this, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to overseas non-resident enterprise Shareholders as appeared on the H share register of members of the Company. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Pursuant to the applicable provisions of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and their implementation regulations and the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation [2015] No. 60) (《國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》(國家稅務總局公告2015年第60號)) ("Notice of Tax Treaty"), the Company will implement the following arrangements in relation to the withholding of individual income tax for the individual shareholders of H Shares:

DIVIDEND AND TAXATION *(Continued)*

For individual shareholders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold individual income tax at the rate of 10% on behalf of the individual shareholders of H Shares in the distribution of final dividend;

For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company shall temporarily withhold individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of final dividend. If the relevant individual holders of H shares wish to reclaim the extra amount withheld, the Company can apply for the relevant preferential treatment on behalf of them pursuant to the Notice of Tax Treaty provided that eligible shareholders submit power of attorney and all application materials required by the Notice of Tax Treaty to the Register at the Company's H share register, Computershare Hong Kong Investor Services Limited, in a timely manner; The Company will assist with the tax refund after the approval of the competent tax authority;

For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of over 10% but less than 20%, the Company shall withhold individual income tax at the agreed actual rate in accordance with the relevant tax treaty on behalf of such individual shareholders of H Shares in the distribution of final dividend; For individual holders of H shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold the individual income tax at a rate of 20% on behalf of such individual shareholders of H Shares in the distribution of final dividend.

The Company will implement the abovementioned arrangements in relation to the withholding of individual income tax for the individual shareholders of H Shares, subject to arrangements as otherwise required by tax authorities.

CLOSURE OF REGISTER OF MEMBERS

The 2018 AGM of the Company will be held on Tuesday, 28 May 2019 at 2:00 p.m. at Meeting Room E103, Building 8, Central District of Yonyou Industrial Park (Beijing), 68 Beiqing Road, Haidian District, Beijing, the PRC. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") in due course.

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming 2018 AGM, and entitlement to the Final Dividend, the Company's register of members will be closed as set out below:

(i) For determining eligibility to attend and vote at the 2018 AGM:

– Latest time to lodge transfer documents for registration with our Company's registrar	At 4:30 pm on 26 April 2019 (Friday)
– Closure of Register of Members	28 April 2019 (Sunday) to 28 May 2019 (Tuesday) (both dates inclusive)
– Record date	28 May 2019 (Tuesday)

(ii) For determining entitlement to the Final Dividend:

– Ex-dividend date	30 May 2019 (Thursday)
– Latest time to lodge transfer documents for registration with our Company's registrar	At 4:30 pm on 31 May 2019 (Friday)
– Closure of Register of Members	3 June 2019 (Monday) to 8 June 2019 (Saturday) (both dates inclusive)
–Record date	8 June 2019 (Saturday)

In order to be qualified to attend and vote at the AGM, and to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares), or to the Board Office of the Company in PRC, at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC (for holders of Domestic Shares), no later than the aforementioned latest time.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

MATERIAL LEGAL MATTERS

As at 31 December 2018, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending which might significantly threaten or be raised against the Group.

EVENTS AFTER THE REPORTING PERIOD

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, and requires Directors and Supervisors 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.

THE AUDIT COMMITTEE

The audit committee of the Company 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 during the Reporting Period, among whom, Mr. Chen, Kevin Chien-wen was the chairman of the audit committee. The audit committee and the management of the Company had reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the matters on, among others, the internal control, enterprises risk evaluation and financial statements, including the review of audited annual results for the year of 2018, which they had no dissenting opinion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018, neither the Company nor its subsidiary purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Company (www.chanjet.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The 2018 annual report and the notice of the AGM will be despatched to shareholders of the Company and published on the websites of the Company and the Hong Kong Stock Exchange within the time provided by the Listing Rules and as required by the Hong Kong Stock Exchange.

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

Beijing, the PRC
15 March 2019

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. Chen, Kevin Chien-wen, Mr. Lau, Chun Fai Douglas and Mr. Chen Shuning.