畅捷通
Chanjet

暢捷通信息技術股份有限公司
CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 1588)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		**Percentage Change**
	2019	2018	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*%*
Revenue	**259,219**	246,439	5
Profit attributable to owners of the parent	**91,887**	87,972	4
Basic earnings per share (RMB)	**0.431**	0.425	1

The board (the "**Board**") of directors (the "**Directors**") of Chanjet Information Technology Company Limited (the "**Company**") did not recommend the distribution of any interim dividend for the six months ended 30 June 2019.

* *For identification purposes only*

The Board hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**") together with the comparative figures in 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**259,219**	246,439
Cost of sales and services provided	5	**(20,557)**	(14,768)
Gross profit		**238,662**	231,671
Other income and gains	4	**58,919**	65,074
Research and development costs	5	**(66,183)**	(45,583)
Selling and distribution expenses		**(89,090)**	(80,740)
Administrative expenses		**(48,206)**	(69,789)
Other expenses		**(5)**	(5,855)
Finance costs		**(409)**	–
Share of profit/(loss) of an associate	9	**3,071**	(1,792)
Profit before tax	5	**96,759**	92,986
Income tax expense	6	**(4,872)**	(5,014)
Profit for the period		**91,887**	87,972
Attributable to:			
Owners of the parent	8	**91,887**	87,972
Earnings per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	8	**43.1**	42.5
Diluted *(RMB cents)*	8	**43.0**	41.9

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**91,887**	87,972
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(80)**	(120)
Other comprehensive loss for the period, net of tax	**(80)**	(120)
Total comprehensive income for the period	**91,807**	87,852
Attributable to:		
Owners of the parent	**91,807**	87,852

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited)** ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**2,813**	1,408
Right-of-use assets		**15,601**	–
Intangible assets		**44,803**	64,124
Investment in an associate	9	**72,806**	69,735
Non-current financial assets	10	**48,786**	46,170
Deferred tax assets		**–**	173
Total non-current assets		**184,809**	181,610
Current assets			
Inventories		**626**	518
Trade receivables	11	**671**	479
Prepayments, other receivables and other assets		**28,994**	139,858
Other current financial assets	12	**223,487**	384,541
Cash and bank balances	13	**1,189,052**	803,327
Total current assets		**1,442,830**	1,328,723
Current liabilities			
Trade payables	14	**1,632**	913
Contract liabilities	15	**127,368**	109,321
Other payables and accruals	16	**168,747**	89,864
Lease liabilities		**7,024**	–
Total current liabilities		**304,771**	200,098
Net current assets		**1,138,059**	1,128,625
Total assets less current liabilities		**1,322,868**	1,310,235

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

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Non-Current liabilities		
Lease liabilities	**8,583**	–
Deferred tax liabilities	**865**	–
Total non-current liabilities	**9,448**	–
Net assets	**1,313,420**	1,310,235
Equity		
Equity attributable to owners of the parent		
Issued capital	**217,182**	217,182
Treasury shares held under employee trust benefit scheme	**(45,591)**	(75,391)
Reserves	**1,141,829**	1,168,444
Total equity	**1,313,420**	1,310,235

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group Information

Chanjet Information Technology Company Limited (the "**Company**"), formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "**PRC**") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 in the PRC and changed its name to Chanjet Information Technology Company Limited. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014. The registered office of the Company is located at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

During the reporting period, the Group was involved in the technical development, consulting, transfer, service and training of computer software, hardware and external devices, the sale of typing paper, computer consumables, computer software and hardware and external devices, and the provision of database service; information service of the second category value-added telecom business (restricted to internet information service); design, manufacturing, agency and publication of advertisement.

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

1. Corporate and Group Information *(Continued)*

Information about the subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2019 are as follows:

Name	Place and date of incorporation and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activity	Legal category
			Direct	Indirect		
Chanjet Information Technology Corporation ("**Chanjet U.S.**")	California, the United States 5 November 2012	USD15,500,000 *(note 1)*	100.00	–	Technical development of computer software	Limited liability corporation
Beijing Chanjet Yunhui Information Technology Co., Ltd. ("**Chanjet Yunhui**")	Beijing, China 12 April 2019	RMB10,000,000 *(note 2)*	100.00	–	Technical development, transfer and service of computer software	Limited liability corporation

Note 1: The paid-in capital of Chanjet U.S. as at 30 June 2019 was USD10,300,000. On 25 September 2018, the board of directors approved the deregistration of Chanjet U.S. As at 16 August 2019, the deregistration of Chanjet U.S. is still in process.

Note 2: Chanjet Yunhui was incorporated with a registered capital of RMB10,000,000. The paid-in capital of Chanjet Yunhui as at 30 June 2019 was nil.

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

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

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

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

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

IFRS 16 Leases (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

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

IFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

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

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

IFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition *(Continued)*

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase (Unaudited) *RMB'000*
Assets	
Increase in right-of-use assets	19,113
Increase in total assets	19,113
Liabilities	
Increase in lease liabilities	19,113
Increase in total liabilities	19,113

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

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

IFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) *RMB'000*
Operating lease commitments as at 31 December 2018	962
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	918
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	783
Commitments relating to leases of low-value assets	135
Add: Payments for optional extension periods not recognised as at 31 December 2018	19,113
Lease liabilities as at 1 January 2019	19,113

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

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

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

IFRS 16 Leases (Continued)

Summary of new accounting policies (Continued)

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

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

IFRS 16 Leases (Continued)

Summary of new accounting policies (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under one of its leases, to lease equipment for additional terms of one year. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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

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

IFRS 16 Leases (Continued)

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			
	Office buildings	**Other equipment**	**Total**	**Lease Liabilities**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	15,188	3,925	19,113	19,113
Depreciation charge	(2,531)	(981)	(3,512)	–
Interest expense	–	–	–	409
Payments	–	–	–	(3,915)
As at 30 June 2019	12,657	2,944	15,601	15,607

The Group recognised rental expenses from short-term leases of RMB1,975,000 for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, which is the sale of products 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 products and the provision of related services in Mainland China and 99% of the Group's identifiable non-current assets 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:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**186,240**	199,025
Rendering of services	**72,387**	46,846
Sale of purchased goods	**592**	568
	259,219	246,439
Disaggregated revenue information for revenue from contracts with customers		
Timing of revenue recognition		
Goods transferred at a point in time	**186,832**	199,593
Services transferred over time	**72,387**	46,846
Total revenue from contracts with customers	**259,219**	246,439

No impairment losses on receivables arising from contracts with customers were recognised by the Group for the six months ended 30 June 2019 and 2018.

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Value-added tax refunds	**24,218**	36,923
Government grants	**1,146**	2
Interest income	**17,035**	15,256
Other interest income from financial assets at fair value through profit or loss	**–**	1,783
Gains		
Gains on financial investments	**8,130**	2,972
Fair value gains, net:		
Non-current financial assets at fair value through profit or loss	**5,616**	2,217
Other current financial assets at fair value through profit or loss	**2,095**	4,605
Exchange gains, net	**521**	1,084
Others	**158**	232
	58,919	65,074

5. Profit Before Tax

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of products sold	**2,779**	2,864
Cost of services rendered	**17,538**	11,533
Cost of purchased goods sold	**240**	371
Total cost of sales	**20,557**	14,768
Depreciation of items of property, plant and equipment	**567**	1,737
Depreciation of right-of-use assets	**3,512**	–
Amortisation of intangible assets	**19,599**	14,974
Minimum lease payments under operating leases	**–**	7,995
Rental expenses for short-term leases and leases of low-value assets	**1,975**	–
Research and development costs *(note)*	**66,183**	45,583
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**128,261**	124,890
Equity-settled share-based expense	**6,281**	25,780
Pension scheme contributions	**13,141**	11,684
	147,683	162,354
Less: Employee benefit expenses being capitalised in intangible assets	**–**	(15,808)
	147,683	146,546

5. Profit Before Tax *(Continued)*

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Exchange gains, net	**(521)**	(1,084)
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	**(5,616)**	(2,217)
Other current financial assets at fair value through profit or loss	**(2,095)**	(4,605)

Note: During the six months ended 30 June 2019, research and development costs of approximately RMB65,141,000 (six months ended 30 June 2018: RMB44,861,000) were included in employee benefit expenses.

6. Income Tax

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**3,834**	2,525
Deferred tax	**1,038**	2,489
Total tax charge for the period	**4,872**	5,014

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Group for the six months ended 30 June 2019 and 2018.

6. Income Tax *(Continued)*

As at 30 June 2019, 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 2019, therefore it is reasonable to believe the Company would be subject to income tax at the rate of 10% and be entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2019.

The subsidiary incorporated in the United States has made no provision for profits tax as the subsidiary did not have any assessable profit during the six months ended 30 June 2018 and 2019.

7. Dividends

The proposed final cash dividends of RMB99,904,000 for the year ended 31 December 2018 were approved by the Company's shareholders on 28 May 2019.

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

The calculation of the basic earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 213,006,727 (six months ended 30 June 2018: 207,002,547) in issue during the six months ended 30 June 2019, as adjusted to reflect the target shares purchased and sold by the trustees and target shares vested under the Scheme.

The calculation of the diluted earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**91,887**	87,972

	Number of shares For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**213,006,727**	207,002,547
Adjustment for the Scheme	**819,352**	3,022,590
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**213,826,079**	210,025,137

9. Investment in an Associate

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Share of net assets	**72,806**	69,735
Provision for impairment	**–**	–
	72,806	69,735

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

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

	For the six months ended 30 June	
	2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
Share of the associate's profit/(loss) for the period	**3,071**	(1,792)
Share of the associate's total comprehensive income/(loss)	**3,071**	(1,792)
Aggregate carrying amount of the Group's investment in the associate	**72,806**	66,376

10. Non-Current Financial Assets

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments	**48,786**	46,170

Details of the unlisted investments are as follows:

Name	**Place and date of registration and operations**	**Nominal value of registered share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) ("**Happiness Yunchuang**")	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	RMB1,330,000	5.64	–	Sale and manufacture of internet communication products, computer software and hardware, and technical development

11. Trade Receivables

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Trade receivables	**671**	479
Impairment	**–**	–
	671	479

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:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Within 90 days	**200**	479
90 days to 1 year	**471**	–
	671	479

12. Other Current Financial Assets

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Financial assets at fair value through profit or loss		
Wealth investment products	**223,487**	384,541

The Group purchases various wealth investment products issued by banks in Mainland China. As at 30 June 2019, the Group purchased wealth investment products with the cost of RMB219,000,000 (31 December 2018: 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.

The details and breakdown of each of other current financial assets as at the 30 June 2019 are as follows:

Name of bank	**Nature of products**	**Type of income**	**Commencement date**	**Expiry date**	**Investment of deposit principal amount** (Unaudited) *RMB'000*	**Carrying value** (Unaudited) *RMB'000*
The Bank of East Asia	Structured deposits	Secured principal with floating income	7/10/2018	7/10/2019	35,000	36,634
The Bank of East Asia	Structured deposits	Secured principal with floating income	12/6/2018	12/6/2019	30,000	30,766
Baoshang Bank Ltd.	Structured deposits	Secured principal with floating income	8/17/2018	8/17/2019	50,000	50,252
Bank of Communications	Structured deposits	Secured principal with floating income	1/18/2019	10/18/2019	39,000	39,861
China Zheshang Bank Co., Ltd.	Structured deposits	Secured principal with floating income	4/19/2019	4/19/2020	65,000	65,974
					219,000	**223,487**

13. Cash and Bank Balances

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Cash on hand	**15**	133
Bank balances	**77,278**	61,953
Time deposits	**1,111,759**	741,241
Cash and bank balances	**1,189,052**	803,327
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(766,759)**	(616,241)
Cash equivalents as stated in prepayments, other receivables and other assets	**3,612**	1,295
Cash and cash equivalents as stated in the consolidated statement of cash flows	**425,905**	188,381

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.

As at 30 June 2019, the cash and bank balances of the Group comprised (i) time deposits with a principal of RMB335,000,000, and (ii) demand deposits with a principal of RMB4,406,000 including the interest received of RMB4,342,000 on 21 June 2019, both deposited with Baoshang Bank Ltd. Other current financial assets included a structured deposit with a principal of RMB50,000,000 deposited with Baoshang Bank Ltd.

13. Cash and Bank Balances *(Continued)*

According to the purchase and transfer of creditor's rights agreement which entered by the Company, Deposit Insurance and Fund Management Company Limited (存款保險基金管理有限責任公司) ("**DIFM**") and Baoshang Bank Ltd., takeover committee on 4 June 2019, the principal of RMB356,427,000 will be accounted for as new deposits of the Company after the takeover of Baoshang Bank Ltd., and be guaranteed in full by the People's Bank of China, China Banking and Insurance Regulatory Commission and DIFM; the remaining principal of approximately RMB28,636,000 will be subject to subsequent compensation claim in accordance with laws.

The Company has paid attention to the takeover of Baoshang Bank Ltd. and evaluated the impact on the Group's financial situation and performance thereof on a continuous basis. It will also maintain communications with the takeover committee to keep abreast of the progress concerning the takeover of Baoshang Bank Ltd. and make further judgements in due course.

14. Trade Payables

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**1,377**	755
90 days to 1 year	**195**	93
Over 1 year	**60**	65
	1,632	913

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

15. Contract Liabilities

Details of contract liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Advances received from customers		
Rendering of services	**127,368**	109,321

16. Other Payables and Accruals

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Tax payable (other than income tax)	**14,333**	17,850
Staff payroll and welfare payables	**30,045**	40,689
Dividend payables	**97,400**	–
Other payables	**26,666**	31,048
Due to the ultimate holding company	**303**	277
	168,747	89,864

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

16. Other Payables and Accruals *(Continued)*

On 29 March 2019, the board of directors has approved the adoption of the long-term employee incentive point scheme (the "**Point Scheme**") to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company. The Point Scheme shall be valid for a period of six years in total from the date on which the adoption of the Point Scheme is approved by the board of directors.

During the validity period of the Point Scheme, a certain number of points will be granted to the participants annually over a three-year period. The total number of points that can be granted during the validity period of the Point Scheme shall not exceed 150,000 points. The exact number shall be considered and approved by the board of directors based on the actual operations and incentive requirements of the Company during the year in which the points are granted to the participants pursuant to the Point Scheme.

After the conditions for the points becoming effective have been satisfied, the number of points becoming effective. The one-off calculation of the proceeds corresponding to the number of the effective points of the participants shall take place on the date on which the points become effective, being the first trading day after the expiry of 12 months from the date of the annual initial point grant, in accordance with certain factors. The calculated and confirmed point proceeds shall be distributed over a three-year period with installments of 30%, 30% and 40% in cash.

On 29 March 2019, the board of directors approved the 2019 initial grant of the points to certain participants pursuant to the Point Scheme, under which a total of 59,725 points are granted to 94 designated participants. During the six months ended 30 June 2019, the total amount of employee benefit expenses recognised in profit or loss under the Point Scheme was RMB1,253,000 (six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

During the Reporting Period, the Chinese government continued its support for the development of MSEs. On 17 January 2019, the Ministry of Finance of the PRC and the State Taxation Administration issued the Notice on Implementation of Inclusive Tax Cut Policies for MSEs (《關於實施小微企業普惠性稅收減免政策的通知》) to give a provisional 3-year tax break, which was expected to reduce an additional tax burden of approximately RMB200 billion in each year for the MSEs, and would facilitate the MSEs in reducing their entrepreneurial and innovation costs. At the executive meeting of the State Council held on 17 April 2019, initiatives on the further reduction of financing costs of MSEs were entrenched to ensure the increase in scale of financing facilities available for MSEs and exert greater supporting efforts of finance on the real economy. As the Chinese government has been improving the business environment and boosting the development momentum of MSEs through continuous introduction of tax cuts, costs reduction and financial policies, the Group enjoys a solid foundation for market development.

During the Reporting Period, with the popularization and application of cloud computing, big data, artificial intelligence, mobile Internet and other new technology, upgrade and transformation has become an inexorable course of enterprises under the era. MSEs are in sore need of intelligent analysis, intelligent marketing, intelligent sales and intelligent management to achieve digital business operations and enhance their operational capability. 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 help the MSEs effectuate the interconnectivity between finance and taxation, all-around marketing both online and offline, online management of transactions and intelligent analysis of big data, which satisfied MSEs' needs of corporate operational management upgrade and business model renovation to the utmost.

Business Review *(Continued)*

Principal operations and operational status

During the Reporting Period, the Group continued to focus on the finance and management services for MSEs, and seized opportunities in the market to continuously increase its investments in the SaaS business, improve the user experience of its cloud products and accelerate product application and innovation. In addition, the Group made active endeavors to extend from application services to operation services in respect of the finance and taxation business, upgraded its operation systems for customers, and sped 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 with the view to boosting rapid and healthy growth of the Group's business at full swing. As at the end of the Reporting Period, the accumulated enterprise users of software of the Group exceeded 1.54 million and the accumulated paying enterprise users of cloud service business reached 135,000.

During the Reporting Period, the revenue of the Group was RMB259.22 million, representing a year-on-year increase of 5%, which was mainly attributable to the year-on-year increase of 142% in income from the cloud service business. The profit for the period was RMB91.89 million, representing a year-on-year increase of 4%; profit attributable to the owners of the parent was RMB91.89 million, representing a year-on-year increase of 4%; and basic earnings per share was RMB0.43, remaining relatively stable as compared to that in the same period of last year.

Business Review *(Continued)*

Principal operations and operational status (Continued)

1. *Development of software business*

During the Reporting Period, the Group continued to implement the business strategy of seeking cost-effective growth of software business and strived to maintain steady increase of profit margin while ensuring stable income. Targeted at the market of MSEs, the Group launched 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)", in cooperation with its channel partners. Meanwhile, the Group held multi-dimensional partnership operation seminars to pass on and learn advanced operation experience in the light of the development stage, fields, geographical regions of operation of the partners so as to enhance product support and customer service operations continually and improve the end market sales capability and service competence of the channel partners. In terms of marketing, in addition to devoting greater efforts to making marketing channel layout, the Group carried on with thousands of marketing activities with the themes of "Settlement and Payment of Income Taxes (匯算清繳)", "Financial Literacy Programs (財務普及風暴)" and "520 I Love MSEs (520我愛小微企業)", effectively propagating its brand in the end market and in turn promoting end market sales of its products.

During the Reporting Period, the Group adopted an intelligence-based service mode and channeled to the users effectively via the "Service Wiz (服寶)", an intelligent robot, which enabled an instant interactive service system that integrated online and offline communications with users and facilitated the implementation of operating activities of the users. The intelligent online Q&A of Service Wiz has gradually taken the place of the service community and the customer service hotline in answering FAQs. In the first half of 2019, supporting services were provided through Service Wiz for a total of 1,022,973 person-times, representing 49% of the total services delivered. The service efficiency was enhanced substantially and user experience and satisfaction were levelled up. As for financial products under the software business, T^+ general financial products with cloud account were viewed as the focus of marketing in a bid to establish interactive connection with the customers.

Business Review *(Continued)*

Principal operations and operational status (Continued)

2. *Development of cloud service business*

During the Reporting Period, the Group accelerated the development of cloud service business by investing more resources to cloud service business, vigorously expanding diversified channel cooperation and upgrading the customer operation systems from all perspectives. It also sped 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, and proactively explored operation services for finance and taxation businesses. The Group developed partners in new types of businesses, and settled in Alibaba Cloud, Huawei Cloud, Tencent Cloud and other platforms, all having generated preliminary results. The Group rolled out an operation system covering the whole service life for the customers, which was capable of providing thousands of cloud business partners with distinctive online and offline operation support and system guarantee based on the characteristics of each partner from the perspectives of introducing visits, attracting new users, improving activeness, converting into paying users, customer operations, thereby empowering the channel partners to improve their operating capability and helping MSEs gain cloud linkage. The intelligent cloud finance learning platform has taken shape initially, and finance and taxation business operation services such as "Chanjet VIP (暢會員)" and "Chanjet School (暢課堂)" have been rolled out. The Group's cloud service business has achieved positive development.

Cloud products of the Group such as Chanjet Good Accountant, T^+ Cloud, Chanjet Good Business and Chanjet Easy Accounting Agent have all been approved by the China Academy of Information and Communications Technology as Trusted Clouds.

Business Review *(Continued)*

Principal operations and operational status (Continued)

2. Development of cloud service business (Continued)

(1) Chanjet Good Accountant

During the Reporting Period, Chanjet Good Accountant, through intelligent external linkage, continued to strengthen its basic function of finance, invoices and taxes, and further improved invoice collection efficiency by optimising mini programs for one-click invoicing, individual income tax, and intelligent photographing and identification of invoices. At the same time, the Group also launched the intelligent big data-based tax review widget to help MSEs improve tax management and reduce tax risks.

During the Reporting Period, the Group reinforced external ecological cooperation and successfully entered DingTalk of Alibaba Cloud and the cloud platform of China Mobile; developed close cooperation with Ele-Cloud (大象慧雲), Xiaowang Technology (小望科技) and other tax practitioners, thereby accomplishing product integration; and broadened the scope of cloud application and marketing channels through ecological cooperation. During the Reporting Period, newly added paying users of Chanjet Good Accountant increased by 99% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Principal operations and operational status (Continued)

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

    (2) T^+ Cloud

    During the Reporting Period, T^+ Cloud continued to enhance the enterprise management services that integrated “Personnel, Finance, Commodity and Customer”, heightened the Internet marketing edges and proactively conducted cooperation with Alibaba 1688 and Alibaba Express (阿里零售通) to help enterprises develop intelligent businesses by capitalising on the strength of platforms. The Group further cemented its supply chain financial foundation and achieved linkage of business and finance through integrated management of invoices, i.e., issuing, collecting and preserving invoices, which helped enterprises improve their financial management capability and marketing competence and reduce tax risks.

    During the Reporting Period, the Group continued to advance the “Sea of Cloud Action (雲海行動)” among its channel partners. It promoted the operation mode of exemplary partners, replicated the experience earned from successful cases of exemplary users, gave stronger support to projects of the partners, and continued to optimise the products, thereby satisfying the user demands in a better way. During the Reporting Period, newly added paying users of T^+ Cloud increased by 37% year-on-year.

Business Review ***(Continued)***

Principal operations and operational status (Continued)

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

(3) Chanjet Good Business

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 driving" as the core technical features. In respect of offline business, Good Business facilitated the transaction response pace of customers through the shortcut billing and cloud printing of WEB terminal, mobile terminal and PDA terminal; as for online business, Good Business made breakthroughs from the entry point of "micro marketing in micro shops" to attract new customers and reach out to regular customers, and in turn improved repurchase rate and customer transaction price.

(4) Chanjet Easy Accounting Agent

During the Reporting Period, while continuing to pursue the goal of becoming an "intelligent accounting agent factory", Chanjet Easy Accounting Agent was further equipped with the fast and automated scanning and collecting function capable of identifying thousands of value-added tax invoices and scores of billing certificates. In addition to automatic generation of and accounting treatment for various businesses covering purchase, sales, inventory, salary, fixed assets and fees, Chanjet Easy Accounting Agent also enabled one-click tax declaration for all tax varieties in certain geographical regions.

Business Review *(Continued)*

Principal operations and operational status (Continued)

3. *Development of employees and organizations*

As at the end of the Reporting Period, the Group had 911 employees in total. In order to bolster the development strategy of seeking structural breakthrough in respect of the cloud service business of the Group and map out an architecture suitable for its businesses, the Group implemented the cloud performance-oriented assessment in all aspects to ensure the sustainable and stable growth of cloud service business. In terms of corporate culture, the mission, vision, value outlook and code of conduct of the Company were highlighted and brought to the process of talent selection, retention and appraisal, thus enhancing the corporate cohesiveness. In terms of staffing, the Group carried out structural adjustments, further increased the proportion of cloud operation and R&D personnel, and replenished the pool of cloud operation personnel particularly. In terms of staff cultivation and development, the Group implemented the "dual-channel" career development strategy, encouraged professional development and improved its three-dimensional training system to upgrade the capabilities of employees. In the meantime, the Group strengthened mechanism of eliminating the bottom-ranked and pushed forward the cultivation of staff of all levels and functions to ensure that all positions were well staffed. In terms of staff retention and motivation, the Group carried out the long-term employee incentive point scheme. By doing so, it aimed at motivating the enthusiasm and creativity of the management team members and the core and key employees of the Company to promote the strategic transformation and enhance the performance of the Company, so as to effectively combine the shareholders' interests, the Company's profits and the employees' benefits, and such that the long-term and healthy development of the Company would become a common concern.

Development Plan for the Second Half of the Year

In the second half of 2019, the Group will continue to focus on the finance and management services of MSEs and continuously contribute more resources to cloud service business and expand the diversified channel cooperation with the view to achieving structural breakthroughs in respect of cloud service business and building itself into a top-notch brand of cloud services for MSEs and a top-notch brand of finance and taxation services for MSEs.

The Group will continue to accelerate product application and innovation. To be specific, it will further secure its position in the general intelligent cloud finance market through functional upgrades of Chanjet Good Accountant, an intelligent cloud finance application of the Group; achieve the goal of fully effectuating the operating mode of serving as an "intelligent accounting agent factory" through improvements in invoice management, bookkeeping and tax declaration robot distribution center of Chanjet Easy Accounting Agent; and attain a leading position in the finance and taxation sector through expansion of businesses such as finance and tax services and accounting trainings, as well as cooperation with numerous ecological partners in respect of finance and taxation. As for T^+ Cloud and Chanjet Good Business, the Group will further boost the application of intelligent business and continue to optimise the enablement of intelligent marketing analysis, front-end marketing and support for multiple transaction scenarios, thus helping MSEs evolve towards digital and intelligent operation.

The Group will further optimise the operation system covering the whole service life for the customers, and 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 exert greater efforts on brand propagation to improve brand recommendation and drive up end market forcefully. Meanwhile, it will carry forward cross-industry and cross-field marketing cooperation through innovative cross-sector marketing. Further, the Group will, in cooperation with its partners across the country, enhance the brand influence of Chanjet cloud service business by hosting the branding and marketing activity of the "12th Accounting Cultural Festival".

Financial Review

	For the six months ended 30 June		Change in amount	Percentage change
	2019	2018		
	(Unaudited)	(Unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**259,219**	246,439	12,780	5
Cost of sales and services provided	**(20,557)**	(14,768)	(5,789)	39
Gross profit	**238,662**	231,671	6,991	3
Gross profit margin	**92%**	94%	(2)%	
Other income and gains	**58,919**	65,074	(6,155)	(9)
R&D costs	**(66,183)**	(45,583)	(20,600)	45
Selling and distribution expenses	**(89,090)**	(80,740)	(8,350)	10
Administrative expenses	**(48,206)**	(69,789)	21,583	(31)
Other expenses	**(5)**	(5,855)	5,850	(100)
Finance costs	**(409)**	–	(409)	N/A
Share of profit/(loss) of an associate	**3,071**	(1,792)	4,863	N/A
Profit before tax	**96,759**	92,986	3,773	4
Income tax expense	**(4,872)**	(5,014)	142	(3)
Profit for the period	**91,887**	87,972	3,915	4
Attributable to:				
Owners of the parent	**91,887**	87,972	3,915	4

Financial Review *(Continued)*

Operating results

For the six months ended 30 June 2019, the revenue of the Group was RMB259.22 million, representing a year-on-year increase of 5%. The profit for the period was RMB91.89 million, representing an increase of 4% over the same period of last year. The profit attributable to the owners of the parent was RMB91.89 million, representing an increase of 4% over the same period of last year. The basic earnings per share was RMB0.43, basically flat as compared to the same period of last year.

Revenue

For the six months ended 30 June 2019, the revenue of the Group was RMB259.22 million, representing an increase of 5% as compared with the same period of last year. In particular, revenue from software business was RMB213.95 million, representing a decrease of 6% as compared with the same period of last year; and revenue from cloud service business was RMB45.27 million, representing an increase of 142% as compared with the same period of last year.

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

	For the six months ended 30 June					
	2019 ***RMB'000***	*%*	2018 *RMB'000*	*%*	Change in amount *RMB'000*	Percentage change *%*
Revenue from software business	**213,945**	**83**	227,750	92	(13,805)	(6)
Revenue from cloud service business	**45,274**	**17**	18,689	8	26,585	142
Revenue	**259,219**	**100**	246,439	100	12,780	5

Cost of sales and services provided

For the six months ended 30 June 2019, the Group's cost of sales and services provided was RMB20.56 million, representing an increase of 39% as compared with the same period of last year, mainly due to additional amortization of RMB3.59 million for R&D capitalization project of Chanjet Good Business, and the increase of RMB1.98 million in the operation and maintenance costs of cloud service business.

Financial Review *(Continued)*

Gross profit and gross profit margin

For the six months ended 30 June 2019, the Group achieved a gross profit of RMB238.66 million, representing an increase of 3% as compared with the same period of last year. The gross profit margin of the Group was 92%, representing a decrease of 2 percentage points as compared with that of the previous year.

Other income and gains

For the six months ended 30 June 2019, the Group's other income and gains were RMB58.92 million, representing a decrease of 9% as compared with the same period of last year.

Total R&D investment

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

	For the six months ended 30 June			
	2019		2018	
	(Unaudited)		(Unaudited)	
	RMB'000	*%*	*RMB'000*	*%*
R&D costs of software business	**6,802**	**10**	5,646	9
R&D costs of cloud service business	**59,381**	**90**	39,937	65
R&D costs	**66,183**	**100**	45,583	74
Additions to deferred development costs of cloud service business	**–**	**–**	16,001	26
Additions to deferred development costs	**–**	**–**	16,001	26
Total R&D investment	**66,183**	**100**	61,584	100

Financial Review *(Continued)*

Total R&D investment (Continued)

For the six months ended 30 June 2019, R&D costs of the Group amounted to RMB66.18 million, representing an increase of 45% over the same period of last year, mainly due to the additional deferred development costs of RMB16.00 million for the R&D capitalization projects of the Group initiated in the same period of last year.

For the six months ended 30 June 2019, total R&D investment of the Group increased by 7% over the same period of last year, mainly due to the increase in R&D staff as compared with the same period of last year.

Selling and distribution expenses

For the six months ended 30 June 2019, the selling and distribution expenses of the Group were RMB89.09 million, representing an increase of 10% over the same period of last year, mainly attributable to the increase in operation and promotion expenditure on cloud service business.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group were RMB48.21 million, representing a decrease of 31% over the same period of last year, mainly due to the decrease of RMB19.50 million in the expenses of the employee trust benefit scheme (the "**Employee Trust Benefit Scheme**") adopted by the Company on 8 June 2015 as compared with the same period of last year.

Income tax expense

For the six months ended 30 June 2019, the income tax expense of the Group was RMB4.87 million, representing a decrease of 3% as compared with the same period of last year.

Profit attributable to owners of the parent

For the six months ended 30 June 2019, the profit attributable to owners of the parent of the Group was RMB91.89 million, representing an increase of 4% as compared with the same period of last year.

Financial Review *(Continued)*

Liquidity and financial resources

Condensed cash flow statement

	For the six months ended 30 June		
	2019	2018	Change in
	(Unaudited)	(Unaudited)	amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**90,546**	118,462	(27,916)
Net cash flows from/(used in) investing activities	**148,484**	(206,732)	355,216
Net cash flows used in financing activities	**(1,418)**	–	(1,418)

Net cash flows from operating activities

For the six months ended 30 June 2019, net cash flows from operating activities of the Group was RMB90.55 million, representing a decrease of RMB27.92 million as compared with the same period of last year, which was mainly due to the increase in cash paid to and for the benefit of employees since the Group expanded investment in R&D and sales personnel on cloud service business.

Net cash flows from/(used in) investing activities

For the six months ended 30 June 2019, net cash flows generated from investing activities of the Group were RMB148.48 million, mainly due to the redemption of principal of bank wealth management products on maturity.

Net cash flows used in financing activities

For the six months ended 30 June 2019, the cash used in financing activities of the Group represents the enterprise income tax of RMB2.50 million withheld and paid by the Company on behalf of the H shareholders in respect of the distribution of the 2018 final dividend, and the principal and interest of RMB3.92 million paid for leases upon adoption of IFRS 16 Leases, partially offset by the RMB5.00 million in cash received from the disposal of the target shares of Chanjet U.S. in relation to the trust benefit units that are *void ab initio*.

Financial Review *(Continued)*

Working Capital

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Cash and bank balance *(RMB'000)*	**1,189,052**	803,327
Current ratio	**473%**	664%
Gearing ratio	**0%**	0%

As at 30 June 2019, the cash and bank balances of the Group was RMB1,189.05 million (as at 31 December 2018: RMB803.33 million). The increase in cash and bank balances was mainly due to the redemption of bank wealth management products on maturity.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2019 was 473% (31 December 2018: 664%). The decrease in current ratio was mainly due to the increase in current liabilities as a result of the increase of RMB97.40 million in dividend payables.

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 liabilities less restricted bank balances and cash and bank balances.

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

Capital Expenditure

For the six months ended 30 June 2019, the capital expenditure of the Group mainly included the expenditure on office equipment, furniture and fittings of RMB1.98 million (for the same period of last year: RMB0.45 million).

Financial Review *(Continued)*

Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

Charges on Assets

As at 30 June 2019 and 31 December 2018, 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 Beijing Chanjet Payment Technology Co., Ltd. ("**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, Mr. 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 at 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 the date of this announcement, 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, respectively, 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 when appropriate to alleviate foreign exchange fluctuation risks.

Interest Rate Risks

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

Staff Remuneration Policy and Training Plan

Remuneration of the staff of the Company is principally determined by taking into consideration their respective rank of positions, segment, business line, geographical region, etc. During the Reporting Period, the details of the staff remuneration which was expensed as incurred are set out in note 5 to the financial statements. The training hours scheduled for the staff of the Group amounted to 8,169 hours with an average of 9.0 hours for each employee. As at 30 June 2019, none of the staff remuneration policy and training plan had experienced significant changes. In order to attract, retain and motivate key staff needed for the achievement of the Company's strategic objectives, the Company has adopted the Employee Trust Benefit Scheme. For details please refer to "Employee Trust Benefit Scheme". In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Company has also adopted the Point Scheme. For details please refer to "Long-term Employee Incentive Point Scheme".

Employee Trust Benefit Scheme

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015. The Employee Trust Benefit Scheme is a long-term incentive scheme designed for the scheme participants of the Company and its subsidiaries, with the Company's 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. The Employee Trust Benefit Scheme has been amended at the annual general meeting convened by the Company on 18 May 2016. For details about the specific terms of and amendments to the Employee Trust Benefit Scheme, please refer to the announcements of the Company dated 13 April 2015, 8 June 2015, 31 March 2016 and 18 May 2016, respectively, and the circulars of the Company dated 23 April 2015 and 29 April 2016, respectively.

On 29 March 2019, the Board considered and approved the resolutions in relation to the third unlocking of the trust benefit units under the second grant pursuant to the Employee Trust Benefit Scheme. According to the resolutions, save and except for certain scheme participants under the second grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as employee trust benefit scheme participants, certain scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking date and certain scheme participants who have agreed to abandon his/her trust benefit units which are subject to lock-up since they have joined the Point Scheme, the unlocking conditions of the remaining scheme participants under the second grant to unlock 40% of their trust benefit units would be fulfilled on 31 March 2019. On 5 June 2019, the Board considered and approved the resolutions in relation to the second unlocking of the trust benefit units under the fourth grant pursuant to the Employee Trust Benefit Scheme. According to the resolutions, save and except for certain scheme participants under the fourth grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as employee trust benefit scheme participants, certain scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking date and certain scheme participants who have agreed to abandon his/her trust benefit units which are subject to lock-up since they have joined the Point Scheme, the unlocking conditions of the remaining scheme participants under the fourth grant to unlock 30% of their trust benefit units would be fulfilled on 5 June 2019. For details about the implementation of the Employee Trust Benefit Scheme during the Reporting Period, please refer to the announcements of the Company dated 29 March 2019 and 5 June 2019, respectively.

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.

Long-Term Employee Incentive Point Scheme

In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Board has approved the adoption of the Point Scheme on 29 March 2019. During the validity period of the Point Scheme, the Company will grant a certain number of points to the participants annually over a three-year period pursuant to the Point Scheme. After the conditions for the points becoming effective have been satisfied, the number of points actually becoming effective shall be determined in accordance with annual performance, the point proceeds shall be calculated, the points shall be redeemed in cash and the point proceeds shall be distributed to the participants in installments. The total number of points that can be granted during the validity period of the Point Scheme shall not exceed 150,000 points. In principle, the points that can be granted for each point granting year during the point granting period shall not exceed the annual quota for that point granting year, being 70,000 points, 40,000 points and 40,000 points, respectively.

On 29 March 2019, the Board considered and approved the 2019 initial point grant pursuant to the Point Scheme, under which a total of 59,725 points are granted to 94 designated participants. For details about the Point Scheme and the 2019 initial point grant, please refer to the announcement of the Company dated 29 March 2019.

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 were 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.

USE OF PROCEEDS *(Continued)*

According to the intended use of proceeds as disclosed in the Prospectus of the Company, the actual usage of the proceeds as at 30 June 2019 is detailed as follows:

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

As at 30 June 2019, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance of the capital for promotion and operation of the cloud services. The Company will continue to identify relevant business and assets compatible with our business strategies, and make 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 reputable banks in Hong Kong and Mainland China, and the Company will continue to utilize it in accordance with the planned usages of the proceeds as disclosed in the Prospectus.

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

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

MATERIAL LEGAL MATTERS

So far as the Board is aware, as at 30 June 2019, the Group was not involved in any material litigation or arbitration, and there was no pending or threatened legal litigation or claim that might pose a significant threat to the Group.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

CORPORATE GOVERNANCE CODE

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman. On 16 August 2019, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and this announcement, and concluded that such financial statements and this announcement had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This results announcement will be published on the website of the Company (www.chanjet.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The 2019 interim report of the Company containing all the information as required by the Listing Rules will be despatched by the Company to its shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

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

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