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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 2016

FINANCIAL HIGHLIGHTS			
	For the si		
	ended 3		
	2016	2015	Change
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	%
Revenue Profit/(Loss) attributable to owners of	233,654	189,456	23
	(40.566)	54.480	(174)
the parent	(40,566)	54,480	` /
Basic earnings/(loss) per share (RMB)	(0.20)	0.25	(181)

The board of directors (the "**Board**") of Chanjet Information Technology Company Limited (the "**Company**") did not recommend the distribution of any interim dividend for the six months ended 30 June 2016.

^{*} 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 2016 (the "**Reporting Period**") together with the comparative figures in 2015 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June		
	-	2016	2015	
		(Unaudited)	(Unaudited)	
	Notes	RMB'000	RMB'000	
Revenue	3	233,654	189,456	
Cost of sales and services provided	4	(21,985)	(15,269)	
Gross profit		211,669	174,187	
Other income and gains, net	3	38,937	37,216	
Research and development costs	4	(77,141)	(49,682)	
Selling and distribution expenses		(73,566)	(64,863)	
Administrative expenses	-	(138,241)	(40,561)	
Profit/(Loss) before tax	4	(38,342)	56,297	
Income tax expense	5	(6,110)	(4,745)	
Profit/(Loss) for the period		(44,452)	51,552	
Attributable to:				
Owners of the parent	7	(40,566)	54,480	
Non-controlling interests	-	(3,886)	(2,928)	
	:	(44,452)	51,552	
Earnings/(Loss) per share attributable to ordinary equity holders of the parent				
Basic and diluted (cents)	7	(20.3)	25.1	

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June		
	2016 (Unaudited) <i>RMB'000</i>	2015 (Unaudited) <i>RMB</i> '000	
Profit/(Loss) for the period	(44,452)	51,552	
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	314	(12)	
Other comprehensive income/(loss) for the period, net of tax	314	(12)	
Total comprehensive income/(loss) for the period, net of tax	(44,138)	51,540	
Attributable to: Owners of the parent Non-controlling interests	(40,252) (3,886)	54,468 (2,928)	
	(44,138)	51,540	

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 (Unaudited) <i>RMB</i> '000	31 December 2015 (Audited) <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		15,490	17,549
Intangible assets		105,190	116,277
Available-for-sale equity investments		23,650	23,650
Deferred tax assets		7,689	12,894
Total non-current assets		152,019	170,370
Current assets			
Inventories		808	662
Trade and bills receivables	8	2,612	621
Prepayments, deposits and other receivables		43,899	12,854
Customer reserves		31,512	19,088
Cash and bank balances		815,023	825,282
Available-for-sale investment		50,000	
Total current assets		943,854	858,507
Current liabilities			
Trade payables	9	3,792	3,091
Other payables and accruals		123,164	102,201
Tax payable		1,314	677
Total current liabilities		128,270	105,969
Net current assets		815,584	752,538
Total assets less current liabilities		967,603	922,908

$\begin{array}{c} \textbf{UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF} \\ \textbf{FINANCIAL POSITION} \ (continued) \end{array}$

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Non-current liabilities		
Deferred tax liabilities	268	
Total non-current liabilities	268	
Net assets	967,335	922,908
Equity attributable to owners of the parent		
Issued capital	217,182	217,182
Treasury shares held under employee		
trust benefit scheme	(232,906)	(310,136)
Reserves	950,423	979,340
	934,699	886,386
Non-controlling interests	32,636	36,522
Total equity	967,335	922,908

1. CORPORATE AND GROUP INFORMATION

Chanjet Information Technology Company Limited (the "Company"), formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "PRC") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 and changed its name to Chanjet Information Technology Company Limited. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 June 2014. The registered office of the Company is located at Block D, Building 20, No.68 Beiqing Road, Haidian District, Beijing, the PRC.

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

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 subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percen equity att to the C Direct	ributable	Principal activities
Chanjet Information Technology (Hong Kong) Limited ("Chanjet Hong Kong")	Hong Kong 22 August 2012	USD1,000,000	100.00	-	Sale of computer software and hardware
Chanjet Information Technology Corporation ("Chanjet U.S.")	California, USA 5 November 2012	USD15,500,000	100.00	-	Technical development of computer software
Beijing Chanjet Payment Technology ("Chanjet Payment")	Beijing, China 29 July 2013	RMB200,000,000	75.10	-	Internet payment services, bank card receipt services, technical development
Beijing Chanfortune Network Corporate Limited (note)	Beijing, China 9 March 2016	RMB5,000,000	_	75.10	Internet information services and data processing

Note: Beijing Chanfortune Network Corporate Limited, a wholly-owned subsidiary of Chanjet Payment, was established as a limited liability company in the PRC on 9 March 2016 with a registered capital of RMB5,000,000.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

2.2 Impact of new and amended International Financial Reporting Standards

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new and amended International Financial Reporting Standards ("IFRSs") effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income ("OCI"). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests (continued)

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Annual Improvements 2012–2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Annual Improvements 2012–2014 Cycle (continued)

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 Impact of new and amended International Financial Reporting Standards (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective International Financial Reporting Standards

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

IFRS 9	Financial Instruments ²
Amendments to IFRS 10	Sale or Contribution of Assets between an
and IAS 28	Investor and its Associate or Joint Venture ⁴
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	$Leases^3$
Amendments to IAS 7	Disclosure Initiative ¹
Amendments to IAS 12	Recognition of Deferred Tax Assets for
	Unrealised Losses ¹
Amendments to IFRS 15	Revenue from Contracts with Customers ²
Amendments to IFRS 2	Classification and Measurement of
	Share-based Payment Transactions ²

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of software	206,782	170,096
Rendering of services	26,579	18,898
Sale of purchased goods	293	462
	233,654	189,456
Other income and gains		
Value-added tax refunds	29,548	23,645
Interest income	9,355	9,099
Interest on financial investments	_	2,362
Gains on financial investments	_	2,082
Others	34	28
	38,937	37,216

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June		
_	2016	2015	
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Cost of software sold	6,189	7,028	
Cost of services rendered	15,656	7,527	
Cost of purchased goods sold	140	714	
Total cost of sales and services provided	21,985	15,269	
Depreciation	4,970	3,837	
Amortisation of intangible assets	14,704	10,578	
Minimum lease payments under operating	ŕ		
leases	8,397	5,628	
Research and development costs (note)	77,141	49,682	
Employee benefit expenses (including directors', supervisors' and chief			
executive's remuneration other than below):	117,118	96,552	
Equity-settled share-based expense	99,687	10,385	
Pension scheme contributions	11,700	9,307	
	228,505	116,244	
Less: Employee benefit expenses being			
capitalised in intangible assets	(3,100)	(15,414)	
	225,405	100,830	
-			

Note: During the six months ended 30 June 2016, research and development costs of approximately RMB73,070,000 (six months ended 30 June 2015: RMB46,264,000) was included in employee benefit expenses.

5. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax	637	5,699
Deferred tax	5,473	(954)
Total tax charge for the period	6,110	4,745

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 2015 and 2016.

The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during the six months ended 30 June 2015 and 2016. The Company, as a high and new technology enterprise, was also entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2015 and 2016.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% during the six months ended 30 June 2015 and 2016. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit arising in Hong Kong during the six months ended 30 June 2015 and 2016.

The subsidiary incorporated in the United States is subject to income tax at the rates of 23.84% and 46.35% respectively during the six months ended 30 June 2015 and 2016.

6. DIVIDENDS

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss (six months ended 30 June 2015: earnings) per share amounts is based on the loss (six months ended 30 June 2015: profit) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 199,843,961 during the six months ended 30 June 2016 in issue (six months ended 30 June 2015: 217,181,666), as adjusted to reflect the target shares purchased by the trustees and target shares vested under the employee trust benefit scheme of the Company (the "Employee Trust Benefit Scheme").

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2016 in respect of a dilution as the impact of the unlocked target shares purchased by the trustees and target shares vested under the Scheme during the period had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity		
holders of the parent used in the basic and		
diluted earnings/(loss) per share calculation	(40,566)	54,480

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and		
diluted earnings/(loss) per share calculation	199,843,961	217,181,666
TRADE AND BILLS RECEIVABLES		
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	1,102	621
Bills receivables	1,510	
	2,612	621
Less: Impairment		
	2,612	621

8.

Only a very small portion of the Group's customers could enjoy the credit policy and the average trade credit period is approximately 90 days. Other customers are required to make payments in advance. In view of the fact that the balance of trade and bills receivables is immaterial and the above balances relate to receivables for which there was no recent history of default, there is no significant concentration of credit risk.

8. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	1,036	621
90 days to 180 days	1,576	
	2,612	621

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

9. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	3,498	2,635
90 days to 1 year	256	401
Over 1 year	38	55
	3,792	3,091

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

10. SHARE-BASED PAYMENT

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

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

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

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

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

10. SHARE-BASED PAYMENT (continued)

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

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

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

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

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

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

10. SHARE-BASED PAYMENT (continued)

Particulars and movement of the target shares under the Scheme

2016

Date of grant	Notes	Fair value per share (RMB)	As at 1 January	Granted during the period	Forfeited during the period	Vesting during the period	As at 30 June
16 June 2015 2 September 2015 31 March 2016	(a) (b) (c)	24.60 10.43 9.77	17,155,000 120,000	1,515,000	(570,000)	(4,975,500) - 	11,609,500 120,000 1,485,000
			17,275,000	1,515,000	(600,000)	(4,975,500)	13,214,500
2015							
Date of grant	Note	Fair value per share (RMB)	As at 1 January	Granted during the period	Forfeited during the period	Vesting during the period	As at 30 June
16 June 2015	(a)	24.60		17,370,000		_	17,370,000

Notes:

- (a) On 16 June 2015, the Board approved the initial grant of trust benefit units subject to effective conditions to 182 Scheme participants, including one director, two supervisors, mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of the target shares under the initial grant was 17,370,000, representing approximately 8% of the issued share capital of the Company as at 16 June 2015.
- (b) On 2 September 2015, the Board also authorised the president committee of the Company to grant trust benefit units subject to effective conditions to several Scheme participants of Chanjet U.S. at nil consideration. The total number of the target shares under the grant was 120,000. During the Reporting Period, the grantees of the trust benefit units in Chanjet U.S. did not include any directors, supervisors or their respective spouses or children aged under 18.
- (c) On 31 March 2016, the Board approved the second grant of trust benefit units subject to effective conditions to 36 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the second grant was 1,515,000 shares, representing approximately 0.7% of the issued share capital of the Company as at 31 March 2016.

10. SHARE-BASED PAYMENT (continued)

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

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

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

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

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

During the six months ended 30 June 2016, the trustees entrusted by the Company acquired 1,137,400 H shares (six months ended 30 June 2015: Nil) of the Company's shares through the open market. The aggregate consideration paid to acquire the shares during the period was RMB11,122,000 (six months ended 30 June 2015: Nil).

During the six months ended 30 June 2016, 600,000 target shares under the Scheme were lapsed due to vesting condition not being fulfilled under the Scheme.

10. SHARE-BASED PAYMENT (continued)

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, the vesting conditions of the remaining Scheme participants under the initial grant to unlock 30% of their trust benefit units were fulfilled on 16 June 2016. During the six months ended 30 June 2016, 4,975,500 target shares with a purchase cost of RMB88,352,000 were unlocked under the Scheme, resulting in the transfer out of RMB121,594,000 from the share-based payment reserve, with the difference of RMB33,242,000 credited to capital reserve account.

During the six months ended 30 June 2016, the total amount of share-based payment expense was RMB99,687,000 of which an amount of RMB98,368,000 was recognised in profit or loss, and an amount of RMB1,319,000 was capitalised into deferred development costs. During the six months ended 30 June 2015, the total amount of share-based payment expense was RMB10,385,000 recognised in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

In terms of policy environment, China has sped up its supply-side structural reform, implemented the policy of replacing business tax with VAT (Value Added Tax) throughout the country and gradually introduced measures on reducing taxes and burdens of enterprises. Meanwhile, as various policies and measures for promoting "Business Startups and Creativity for the Public (大眾創業、萬眾創新)" were fully implemented, the national innovation and entrepreneurship demonstration bases were established in tandem. Accordingly, the development environment for MSEs was continually improved.

As the business system reform of "Three-in-one Licence, One Licence with One Code (三證合一、一照一碼)" continued to take effect, the numbers of newly established enterprises kept spiraling, injecting great vitality into the "Business Startups and Creativity for the Public" initiative. According to the statistics of the State Administration for Industry and Commerce, in the first half of this year, the number of various types of market entities amounted to 80,788,000 in China, of which 7,838,000 were newly registered market entities, representing an increase of 13.2% as compared with the same period of 2015. In particular, the flourish of the new industries, new business types and new models such as Creativity Space (眾創空間), Maker Workshop (創客工廠) and "Internet Plus (互聯網+)" injected new vigor into the optimization and upgrade of industrial structure.

In terms of industry environment, the contemporary Chinese enterprises are undergoing Internet-oriented and finance-based transformation following their industrialization and informatization. At the Internet-oriented stage, informatization of an enterprise has been on the social level featuring commercial innovation as the key value. As the mobile Internet is getting increasingly popular, mobile office has become the new normal of enterprises. Meanwhile, with the promotion of electronic invoices and popularity of e-commerce, the integration trend is gradually taking shape in respect of informatization application of MSEs, i.e. integration of invoices, accounting and taxes as well as integration of marketing and management. Thanks to the platform-based and big data technology, MSEs can be provided with both internal and external data services instead of the single form of internal data service.

Business Review (continued)

Principal businesses and operating condition

During the Reporting Period, the Group continued to implement the business development plan of "software and cloud (雲+端)" strategy transformation and focus on the financial and management services for MSEs. Software business enjoyed rapid growth, with its revenue increased by more than 20% as compared with the same period of the previous year and the number of accumulated enterprise users reached 1,070,000. The cloud service business has grown rapidly with a total number of more than 450,000 new enterprise users and the aggregate number of enterprise users has increased by 75% to over 1,060,000, as compared with the beginning of this year. The payment business realized rapid development, with an increase of 248% for the number of contracted merchants as compared to the beginning of 2016. The transaction volume increased by 345% compared to the same period of 2015, of which the transaction volume of the online payment business increased by 1,633% compared to the same period of 2015.

During the Reporting Period, the Group recorded a revenue of RMB233.65 million, representing an increase of 23% as compared with the same period of 2015, of which the revenues from software and services increased by 22% and 41%, respectively. The Group recorded a loss of RMB44.45 million for the Reporting Period, as compared with the profit of RMB51.55 million for the same period of last year; the loss attributable to owners of the parent was RMB40.57 million, as compared with the profit attributable to owners of the parent of RMB54.48 million for the same period of last year. The loss was mainly attributable to the increase in the costs of the Employee Trust Benefit Scheme and of R&D, operation, promotion and maintenance of cloud service business. During the Reporting Period, RMB98.37 million of expenses for the Employee Trust Benefit Scheme was recorded under the administrative expenses, as compared with RMB10.39 million of such expenses for the same period of last year. Without considering the effect of such expenses, the profit attributable to owners of the parent of the Group amounted to RMB57.80 million, representing a decrease of 11% as compared with the same period of last year, since the profit attributable to owners of the parent without considering the effect of such expenses amounted to RMB64.87 million for the same period of last year. The R&D costs of cloud service business increased by RMB19.70 million as compared with the same period of last year while the operation, promotion and maintenance costs of cloud service business increased by RMB7.72 million as compared with the same period of last year.

Business Review (continued)

Principal businesses and operating condition (continued)

1. Development of software products business

During the Reporting Period, the Group issued T+V12.1 which has access to the cloud application Biz Chat (工作圈) and the cloud application services developed by third party developers, thereby further implementing the "software and cloud" strategy, expanding the application field of T⁺ and satisfying the Internet-based management needs of MSEs. In an effort to adapt software business to the market and Internet-based development needs, the Group adopted an industry-focused strategy, developed new customers in the commercial and trading industries, explored the e-commerce and service markets, and carried out "520 I Love MSEs (520我愛小微企業)", a marketing event themed by replacement of business tax with VAT and Internet Plus informatization management; all of the software products use cloud registration for connection to cloud service platform accounts and offer enterprise users of software products access to cloud applications, so as to help enterprises improve management, expand operations and increase profitability by means of "software and cloud"; meanwhile, the Group intensified the exploration of marketing channels and developed new Internet-based business partners according to the "software and cloud" product features. The implementation of the aforesaid measures facilitated the rapid growth of software business.

2. Development of cloud service business

Chanjet Financial and Management Service Platform has provided enterprise informatization application services for 1,060,000 MSEs. The platform provides MSEs with financial OTO services and bookkeeping agencies with Internet-based bookkeeping tool — Chanjet Easy Accounting Agent (暢捷通易代賬), through which over 560,000 MSEs have used bookkeeping services; the platform provides enterprise informatization application services for MSEs to assist them in improving management efficiency; for accounting groups, the platform offers over one million accounting practitioners various services such as Q&A on fiscal and taxation knowledge and fiscal and taxation application tools through a vertical community Accountant Home; the platform is also open to third party developers, enabling them to develop and deploy cloud applications on the platform and finally provide services for MSE users.

Business Review (continued)

Principal businesses and operating condition (continued)

- 2. Development of cloud service business (continued)
 - (1) Chanjet Easy Accounting Agent and Financial OTO Service Platform (財務 OTO服務平台)

During the Reporting Period, the Group leveraged its advantage in respect of channel resources, adopted the operation mode featuring integration of online and offline resources, and increased investments in and accelerated operations to promote Chanjet Easy Accounting Agent. Thanks to such efforts, it secured strategic partnerships with over 20 associations of bookkeeping services and had approximately 2,000 bookkeeping agencies using Chanjet Easy Accounting Agent to provide bookkeeping services for hundreds of thousands of MSEs, and the one-click tax declaration service was introduced in Beijing, Jiangsu and other regions. Chanjet Easy Accounting Agent helps bookkeeping agencies to improve efficiency, enhance customer loyalty and better serve MSEs through such services as ledger exporting tool, taxation assistant and mobile customer services. During the Reporting Period, Chanjet Easy Accounting Agent was awarded the "2015-2016 China's Best Product Prize in Internet and Finance Field (2015-2016 年度中國互聯網+財務領域最佳產品獎)" granted by China Center for Information Industry Development (中國電子信息產業發展研究 院) and China Center for SME Development Promotion (中國中小企業發展 促進中心).

As at the end of the Reporting Period, more than 2,600 agencies in aggregate had joined the Financial OTO Service Platform to provide MSEs with various professional services including bookkeeping and business registration services.

Business Review (continued)

Principal businesses and operating condition (continued)

- 2. Development of cloud service business (continued)
 - (2) Chanjet Good Accountant (暢捷通好會計)

During the Reporting Period, the product functions of Chanjet Good Accountant were continuously optimised. It adopts the Internet model of co-creation by users to achieve rapid iteration, supports the integration of invoice and accounting and taxation and supports voice account keeping, SMS account keeping and other new Internet-based functions. The Group has released a mobile terminal to be inserted into the Biz Chat; through developing value-added partners in the industry, the Group preliminarily completed the channel layout; meanwhile, online operation was propelled through various ways including search engine marketing (SEM), WeChat marketing and telemarketing. During the Reporting Period, Chanjet Good Accountant won the "Award for Trustworthy Product for Internet-based Financial Services (互聯網財務服務信賴產品獎)" jointly awarded by China Software Industry Association (中國軟件行業協會) and the newspaper office of "China Information World (《中國計算機報》)".

(3) Chanjet Good Business (暢捷通好生意)

During the Reporting Period, the public beta of Chanjet Good Business was released. The application is a purchase-sale-stock cloud application service for MSEs and mainly solves the problems concerning the management of purchase, sale and stock. In view of the trend that the B2B business of MSEs in the PRC is shifting from offline to online, the Group took the lead in launching WeChat application to help enterprises develop businesses based on the WeChat platform and realise online quotation and placement of orders for B2B business, enabling enterprises to run business easily by leverage of the Internet.

Business Review (continued)

Principal businesses and operating condition (continued)

2. Development of cloud service business (continued)

(4) Biz Chat

During the Reporting Period, with the rapid iteration and optimisation of Biz Chat, a paid version integrating value-added application functions including customer relationship management, multi-party call, file cabinet and enterprise mailbox was launched, increasing both the number of MSEs users and income; in addition, the close integration of the Biz Chat with the software product T+V12.1 achieves the integrity and unity of recording and communication at the front end and business integration and data collaboration at the rear end of enterprises, which helps enterprises to improve communication and cooperation efficiency, streamline the workflow and reduce management costs. Breakthrough was made in the number of new customers. During the Reporting Period, the Group recorded 160,000 new MSEs users while the accumulated enterprise users increased by 80% as compared with that at the beginning of the year.

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

Chanjet Cloud Service Platform for MSEs was optimised continuously. The release of Open Platform V4.0 satisfies the core demands of platform for enterprise data integration and application integration, and the Group also published the HTML5 application development framework; the Intelligent Platform applies artificial intelligence technology in products to support voice search using mandarin or dialects, intelligent voice account keeping and intelligent Q&A; technologies in respect of data mining were further introduced in the big data platform so as to support various cloud application products including the comprehensive digital management of corporate internal management processes, portrayal modeling for enterprises based on enterprises data and evaluation of key indicators of enterprises including soundness of enterprise operation through modeling; the operating platform realises hierarchic management according to the activeness of customers, thus improving the efficiency of resource utilization substantially.

Business Review (continued)

Principal businesses and operating condition (continued)

3. Development of payment business

During the Reporting Period, Chanjet Payment, a controlled subsidiary of the Company, underwent rapid development of all businesses, and continued to diversity merchant pools. The number of contracted merchants increased by 248% as compared to the beginning of 2016 and the transaction volume increased by 345% compared to the same period of 2015. In particular, the transaction volume of the online payment business increased by 1,633% as compared to the same period of 2015. As the range of standard payment products of corporates has expanded, the Group launched payment solutions for a range of industry sectors including chain retailing, B2B e-commerce, Internet finance, collection of non-taxable income of government. On the basis of ever-expanding payment services and ever-closer integration between software systems and cloud services, the Group has enhanced product integration, regional positioning and resources consolidation, with an expanded regional layout.

4. Development of employees and organizations

During the Reporting Period, the Group optimised its organizational structure and increased investment of resources in order to support the development of cloud service business. As at 30 June 2016, the Group had 962 employees in total. In terms of talent development strategy, the Group further improved staff's internet skills and professional proficiency by offering professional skills training and communication within industry. Meanwhile, the Group further expanded talent recruitment channels and emphasized on recruitment of talents specialized in corporate cloud service and payment business, so as to establish a talent structure that meets the demands of the Group's business development and transformation. In terms of talent retention and motivation, the Group completed the first unlocking of the trust benefit units initially granted under the Employee Trust Benefit Scheme, and completed the second grant. The implementation of the Scheme has had positive effect on attraction, retention and motivation of talents.

Development Plan for the Second Half Year

1. Focusing on financial and management services, achieving breakthrough growth of cloud services revenue and user scale

The Group will focus on financial and management services for MSEs and take good advantage of the account keeping management tool kit, to achieve online and offline breakthrough development and make the Group as the largest account keeping service platform in the PRC; further investment will be made in the market and operation of Chanjet Good Accountant to realise large scale development in terms of number of users and revenue; the Group will launch the Chanjet Good Business and achieve rapid iteration and optimization of product to enable large scale promotion; the user experience of Biz Chat will be improved while deepening the integration of enterprise applications with a view to create enterprise Internet services on the basis of Biz Chat and achieve a breakthrough in the number of paying customers; the Group will engage in in-depth cooperation with third party developers, so as to continuously enhance the value of Chanjet cloud service platform for MSEs and to build an exosphere of financial and management services of MSEs. The Group will also increase its investment in marketing, enhance the brand recognition and increase business cooperation to support the rapid development of business.

2. Integrating cloud service and promoting the rapid growth of software business

The Group will further enhance the integration of software series products and cloud applications to expand the application field; more efforts will be exerted to promote "software and cloud" and tap deeply into the markets of commercial trading service, explore the market of e-commerce enterprises and service industry; it will also improve users' satisfaction and operating performance, and continually promote product support service to optimize its revenue structure.

Development Plan for the Second Half Year (continued)

3. Accelerating the development of payment business

The Group will accelerate the development of enterprise Internet payment products and e-bank products, strengthen the building of advertising and marketing team on a nationwide basis and realize the economies of scale of enterprise payment business. Further, it will hasten the online and offline integration of POS acquiring business to achieve rapid growth in transaction volume, boost comprehensive operational capacity and reinforce risk and compliance management.

4. Enlisting excellent talents, improving professional competence and inspiring staff's passion

Based on the outstanding performance in the first half of the year, the Group will continue to give full play to the role of Human Resource Business Partner (HRBP) and cooperate with all business departments to strength staff management and deepen corporate cultural construction. With the help of the continuous improvement of the incentive measures through objectives management and other methods, the Group will unleash the potential of excellent talents and inspire staff's passion. In order to optimise and enhance team quality, the recruitment will focus more on excellent talents in terms of research, development and operation. Moreover, the Group will continue to strengthen the construction of professional competence to improve the team's professional competence.

Financial Review

	For the six m	onths ended		
	30 June		Change	Percentage
	2016	2015	in amount	change
	(Unaudited)	(Unaudited)		_
	RMB'000	RMB'000	RMB'000	%
Revenue Cost of sales and services	233,654	189,456	44,198	23
provided	(21,985)	(15,269)	(6,716)	44
Gross profit	211,669	174,187	37,482	22
Gross profit margin	91%	92%	(1)%	
Other income and gains, net	38,937	37,216	1,721	5
R&D costs	(77,141)	(49,682)	(27,459)	55
Selling and distribution				
expenses	(73,566)	(64,863)	(8,703)	13
Administrative expenses	(138,241)	(40,561)	(97,680)	241
Profit/(Loss) before tax	(38,342)	56,297	(94,639)	(168)
Income tax expense	(6,110)	(4,745)	(1,365)	29
Profit/(Loss) for the period	(44,452)	51,552	(96,004)	(186)
Attributatble to:				
Owners of the parent	(40,566)	54,480	(95,046)	(174)
Non-controlling interests	(3,886)	(2,928)	(958)	33

Financial Review (continued)

Operating Results

For the six months ended 30 June 2016, the revenue of the Group was RMB233.65 million, representing an increase of 23% over the same period of last year. The loss before tax was RMB38.34 million and the profit before tax for the same period of last year was RMB56.30 million. The loss for the period was RMB44.45 million and the profit for the same period of last year was RMB51.55 million. The loss attributable to the owners of the parent was RMB40.57 million and the profit attributable to the owners of the parent for the same period of last year was RMB54.48 million. The basic loss per share was RMB0.20, while the basic earnings per share was RMB0.25 for the same period of last year.

The loss for the period of the Group was mainly attributable to the increase in the cost of Employee Trust Benefit Scheme and costs of R&D, operation and maintenance, and operation and promotion of cloud service business. For the six months ended 30 June 2016, the cost of Employee Trust Benefit Scheme accrued under the administrative expenses was RMB98.37 million, and such cost for the same period of last year was RMB10.39 million; after deducting such expenses, the profit attributable to the owners of the parent was RMB57.80 million, representing a decrease of 11% over the same period of last year. The costs of R&D for the cloud service business increased by RMB19.70 million and the costs of operation and maintenance, and operation and promotion of cloud service business increased by RMB7.72 million as compared with that of the same period of last year.

Revenue

For the six months ended 30 June 2016, the revenue of the Group was RMB233.65 million, representing an increase of 23% as compared with the same period of last year, mainly due to the increase in revenue from software and services. Revenue from software was RMB206.78 million, representing an increase of 22% as compared with the same period of last year; revenue from services was RMB26.58 million, representing an increase of 41% as compared with the same period of last year. Of the revenue from services, the revenue from cloud service business was RMB4.07 million, representing an increase of 489% as compared with the same period of last year; and the revenue from payment business was RMB3.62 million, representing an increase of 6% as compared with the same period of last year.

Financial Review (continued)

Cost of sales and services provided

For the six months ended 30 June 2016, the Group's cost of sales and services provided was RMB21.99 million, representing an increase of 44% as compared with the same period of last year, mainly due to the increase in costs of operation and maintenance driven by the expansion of cloud service business. Costs of operation and maintenance mainly included costs of operation and maintenance personnel, rental of cabinet and server, depreciation of server, etc.

Gross profit and gross profit margin

For the six months ended 30 June 2016, the gross profit of the Group was RMB211.67 million, representing an increase of 22% as compared with the same period of last year. This was mainly due to the increase of the Group's revenue. The gross profit margin of the Group was 91%, representing a decrease of 1 percentage point as compared with the same period of last year.

Other income and gains, net

For the six months ended 30 June 2016, the Group's other income and gains, net was RMB38.94 million, representing a growth of 5% as compared with the same period of last year, mainly due to an increase of RMB5.90 million in the refund of VAT as a result of the increase in revenue from software. The increase was partially offset by the decrease in the interest and gains on financial investments.

Financial Review (continued)

Total R&D investment

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

	For the six months ended 30 June			
	2016		2015	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
R&D costs of software business R&D costs of cloud service	20,974	26	16,956	26
business	48,082	60	28,387	43
R&D costs of payment business	8,085	10	4,339	7
R&D costs	77,141	96	49,682	76
Addition to deferred development costs of cloud service business	3,124	4	15,802	24
Additions to deferred development costs	3,124	4	15,802	24
Total R&D investment	80,265	100	65,484	100

For the six months ended 30 June 2016, R&D costs of the Group amounted to RMB77.14 million, representing an increase of 55% over the same period of last year, mainly due to the settlement of the R&D capitalization projects, resulting in more R&D investment in cloud service business included in the R&D costs. The R&D costs of cloud service business represented an increase of RMB19.70 million as compared with the same period of last year.

For the six months ended 30 June 2016, the total R&D investment of the Group amounted to RMB80.27 million, representing an increase of 23% as compared with the same period of last year, which was mainly due to the increase in the R&D investments made by the Group in cloud service business and payment business, representing an increase of 16% and 86% respectively.

Financial Review (continued)

Selling and distribution expenses

For the six months ended 30 June 2016, the selling and distribution expenses of the Group were RMB73.57 million, representing an increase of 13% as compared with the same period of last year. The increase was mainly due to the increase in operation and promotion expenditure on software business and cloud service business by the Group.

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses of the Group were RMB138.24 million, representing an increase of 241% as compared with the same period of last year, which was mainly due to the expenses of the Employee Trust Benefit Scheme incurred during the Reporting Period amounting to RMB98.37 million, representing an increase of RMB87.98 million as compared with the same period of last year. With the settlement of R&D capitalization projects, the amount for amortization of intangible assets increased by RMB4.05 million as compared with the same period of last year.

Income tax expense

For the six months ended 30 June 2016, the income tax expense of the Group was RMB6.11 million, representing an increase of 29% as compared with the same period of last year, which was mainly due to the increase in the deferred tax.

Profit/loss attributable to owners of the parent

For the six months ended 30 June 2016, the loss attributable to owners of the parent of the Group was RMB40.57 million, while the profit attributable to owners of the parent of the Group was RMB54.48 million for the same period of last year, which was mainly due to the increase in the costs of Employee Trust Benefit Scheme and the costs of R&D, operation and maintenance, and operation and promotion of cloud service business.

Loss attributable to non-controlling interests

For the six months ended 30 June 2016, the loss attributable to non-controlling interest of the Group was RMB3.89 million, representing an increase of 33% as compared with the same period of last year, which was mainly due to the increased R&D as well as operation and management input made by the Group in the payment business as the Group continued to expand payment business.

Financial Review (continued)

Liquidity and financial resources

Condensed cash flow statement

	For the six months ended 30 June		
	2017	2015	Change in
	2016	2015	amount
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	63,830	63,136	694
Net cash flows used in investing activities	(96,362)	(221,413)	125,051
Net cash flows used in financing activities	(18,938)	(205,170)	186,232

Net cash flows from operating activities

For the six months ended 30 June 2016, net cash flows from operating activities of the Group was RMB63.83 million, representing an increase of RMB0.69 million as compared with the same period of last year, which was mainly due to the significant increase in receipts from software and services which were partially offset by the increase in the expenditure on R&D and sales.

Net cash flows used in investing activities

For the six months ended 30 June 2016, net cash flows used in investing activities of the Group was RMB96.36 million, representing a decrease of RMB125.05 million as compared with the same period of last year, which was mainly due to the increase in wealth management products and non-pledged time deposit with a maturity of three months or more of RMB91.00 million, while it was RMB200.00 million for the same period of last year; and with the settlement of R&D capitalization projects, the additional deferred development costs decreased by RMB12.68 million as compared with the same period of last year.

Financial Review (continued)

Liquidity and financial resources (continued)

Net cash flows used in financing activities

For the six months ended 30 June 2016, the net cash flows used in financing activities of the Group was RMB18.94 million, representing the payment made to trustees for the Employee Trust Benefit Scheme, while it was RMB205.17 million for the same period of last year.

Working capital

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Cash and bank balance (RMB'000) Current ratio	815,023 736%	825,282 810%
Gearing ratio	0%	0%

As at 30 June 2016, the cash and bank balance of the Group was RMB815.02 million (As at 31 December 2015: RMB825.28 million).

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 30 June 2016 was 736% (As at 31 December 2015: 810%). The decrease in current ratio was mainly due to the increase in current liabilities resulting from the increase in the customer reserves from payment business.

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

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

Financial Review (continued)

Capital expenditure

For the six months ended 30 June 2016, capital expenditures of the Group mainly included deferred development costs of RMB3.12 million (for the same period of last year: RMB15.80 million); expenditure on office equipment, furniture and fittings was RMB2.95 million (for the same period of last year: RMB5.36 million).

Contingent liabilities

As at 30 June 2016 and 31 December 2015, the Group did not have any contingent liabilities or any proposals on the contingent liabilities issue.

Charges on assets

As at 30 June 2016 and 31 December 2015, the Group did not have any charges on assets.

Material investments

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

Material acquisition and disposal of assets

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

Foreign exchange risks

The Group conducted its domestic business primarily in Renminbi, which was also its functional currency. Chanjet U.S. and Chanjet Hong Kong, the subsidiaries of the Company, were settled in foreign currencies (primarily US dollars and HK dollars). In 2015, most of proceeds from the listing were converted into RMB by the Group for the convenience of use of proceeds and alleviation of the exchange fluctuation risk.

Interest rate risks

The Group bore no debt obligations with a floating interest rate, thus there was no interest rate risk related to the Group.

Staff Remuneration Policy

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 subsidy and welfare benefits, etc. The Company has paid housing fund and social insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labor and social security. In particular, social insurance includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. In order to attract, retain and motivate key talents needed for the achievement of the Company's strategic objectives, the Company has also adopted the Employee Trust Benefit Scheme. For details please refer to "Management Discussion and Analysis — Employee Trust Benefit Scheme" of this announcement.

Employee Trust Benefit Scheme

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015. The 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 is subject to effective conditions as an incentive tool and trust benefit units are determined by the trustees as unit of measurement. On 16 June 2015, the Board approved the initial grant of trust benefit unit subject to effective conditions to 182 scheme participants at nil consideration under the Scheme. The total number of the target shares under the initial grant is 17,370,000, representing approximately 8% of the issued share capital of the Company as at 16 June 2015. In addition to the above initial grant, in September 2015, the Board also authorised the president of the Company to grant trust benefit units subject to effective conditions to several scheme participants of Chanjet U.S. The total number of the target shares under the grant is 120,000. On 31 March 2016, the Board approved the second grant of trust benefit unit subject to effective conditions to 36 scheme participants at nil consideration under the Scheme. The total number of the target shares under the second grant is 1,515,000, representing approximately 0.7% of the issued share capital of the Company as at 31 March 2016. On 8 June 2016, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the initial grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the initial grant who had terminated or released his/her labour 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 30% of their trust benefit units would be fulfilled on 16 June 2016. For details, please refer to the announcements of the Company dated 13 April 2015 and 8 June 2015 and the circular of the Company dated 23 April 2015 in relation to the adoption of the Scheme, the announcement of the Company dated 16 June 2015 in relation to the initial grant of trust benefit units under the Scheme, the announcement of the Company dated 31 March 2016 in relation to the second grant of trust benefit units under the Scheme, as well as the announcement of the Company dated 8 June 2016 in relation to first unlocking of the trust benefit units under the initial grant pursuant to the Scheme. As at the end of the Reporting Period, the actual amount of proceeds used by the Company for the Employee Trust Benefit Scheme was approximately HK\$74.93 million.

USE OF PROCEEDS

The Company's H shares were listed and commenced trading on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 June 2014, from which the Company raised proceeds in the aggregate amount of HK\$900.90 million. After deducting relevant expenses of issuance, the net proceeds were HK\$854.96 million.

According to the planned use of proceeds disclosed in the prospectus of the Company dated 16 June 2014, the actual usage of the proceeds as at 30 June 2016 is detailed as follows:

Planned use	$\begin{array}{c} \textbf{Budgeted} \\ \textbf{amount} \\ HK\$ \end{array}$	Actual usage amount HK\$
For the R&D and marketing of the T ⁺	Approximately	Approximately
series software products	290.69 million	180.95 million
For the R&D of the cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million
To support the marketing and operation	Approximately	Approximately
of the cloud services	199.21 million	93.95 million
To acquire relevant business and assets	Approximately	Approximately
compatible with the business strategies	85.49 million	4.66 million
To fund the general working capital	Approximately	Approximately
	85.49 million	85.07 million
Total	Approximately	Approximately
	854.96 million	557.96 million

As at 30 June 2016, the balance of the special account for the proceeds from H shares issuance of the Company was HK\$0.12 million and RMB253.42 million (accumulating interest income of HK\$5.84 million and RMB16.64 million).

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

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

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 30 June 2016, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claim pending or to be raised that might constitute a major threat against the Group.

INTERIM DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 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.

AUDIT COMMITTEE

The Company has established an audit committee according to the provisions of the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman of the committee. On 26 August 2016, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016, and concluded that such financial statements had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2016, the Group did not have any material events which need to be brought to the attention of the Hong Kong Stock Exchange or to the shareholders of the Company.

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 2016 interim report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

By order of the Board

Chanjet Information Technology Company Limited

Wang Wenjing

Chairman

Beijing, the PRC 26 August 2016

As at the date of this announcement, the non-executive directors of the Company are Mr. Wang Wenjing and Mr. Wu Zhengping; the executive director of the Company is Mr. Zeng Zhiyong; and the independent non-executive directors of the Company are Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas.