



# 2016 • Interim Report

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





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## CORPORATE INFORMATION

As at 30 June 2016

### DIRECTORS

#### Non-executive Directors

Wang Wenjing (*Chairman*)

Wu Zhengping

#### Executive Director

Zeng Zhiyong (*President*)

#### Independent Non-executive Directors

Liu Yunjie

Chen, Kevin Chien-wen

Lau, Chun Fai Douglas

### SUPERVISORS

#### Shareholder Representative Supervisors

Guo Xinping (*Chairman*)

Zhang Peilin<sup>Note</sup>

#### Independent Supervisors

Ruan Guangli

Ma Yongyi

#### Employee Representative Supervisors

Deng Xuexin

Zhang Wei

### AUDIT COMMITTEE

Chen, Kevin Chien-wen (*Chairman*)

Wu Zhengping

Lau, Chun Fai Douglas

### NOMINATION COMMITTEE

Liu Yunjie (*Chairman*)

Wang Wenjing

Chen, Kevin Chien-wen

### REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas (*Chairman*)

Zeng Zhiyong

Liu Yunjie

### STRATEGIC COMMITTEE

Wang Wenjing (*Chairman*)

Zeng Zhiyong

Liu Yunjie

### JOINT COMPANY SECRETARIES

You Hongtao

Ngai Wai Fung

### AUTHORIZED REPRESENTATIVES

Zeng Zhiyong

Ngai Wai Fung

*Note:* Mr. Wang Jialiang resigned from his position as a shareholder representative Supervisor due to change of job, with effect from 12 January 2016. As approved at the general meeting of the Company, Mr. Zhang Peilin succeeded Mr. Wang Jialiang as a shareholder representative Supervisor from 18 May 2016. For details, please refer to the relevant announcements dated 12 January 2016, 18 March 2016 and 18 May 2016 published by the Company on the website of the Hong Kong Stock Exchange and the website of the Company.

## CORPORATE INFORMATION (continued)

*As at 30 June 2016*

### AUDITORS

#### International Auditor

Ernst & Young

#### PRC Auditor

Ernst & Young Hua Ming LLP

### LEGAL ADVISERS

*As to Hong Kong law:*

Paul Hastings (普衡律師事務所)

*As to PRC law:*

Tian Yuan Law Firm (天元律師事務所)

### REGISTERED OFFICE AND HEADQUARTERS

Unit D, Building 20

68 Beijing Road

Haidian District

Beijing

the PRC

### PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### H SHARE REGISTRAR

Computershare Hong Kong

Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

### STOCK CODE

1588

### COMPANY WEBSITE

[www.chanjet.com](http://www.chanjet.com)

### CONTACT INFORMATION FOR INVESTORS

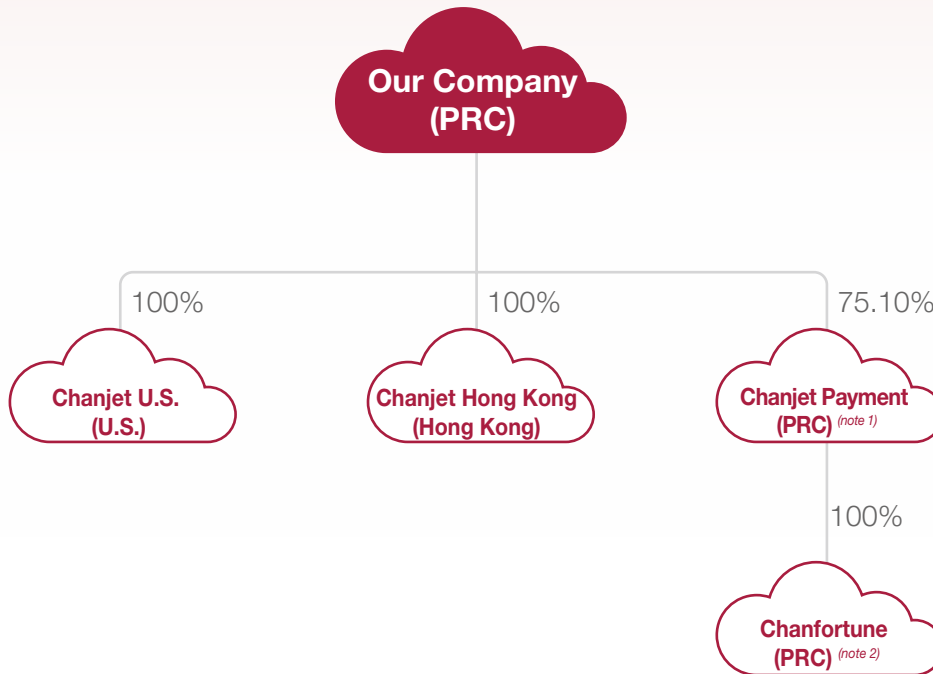
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## CORPORATE STRUCTURE

As at 30 June 2016



*Note 1:* Chanjet Payment was held as to 75.1% and 24.9% respectively by the Company and Yonyou.

*Note 2:* Chanfortune is a limited liability company incorporated in the PRC on 9 March 2016 and a wholly-owned subsidiary of Chanjet Payment.

## 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 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.

#### 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 exceeded 1,070,000. The cloud service business has grown rapidly with a total number of 450,000 new enterprise users and the aggregate number of enterprise users has increased by 75% to 1,060,000, as compared with the beginning

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 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.

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

#### (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.



## MANAGEMENT DISCUSSION AND ANALYSIS (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.

(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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(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.

### **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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

### 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 strengthen 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL REVIEW

|                                     | For the six months<br>ended 30 June |                                | Change<br>in amount | Percentage<br>change |
|-------------------------------------|-------------------------------------|--------------------------------|---------------------|----------------------|
|                                     | 2016<br>(Unaudited)<br>RMB'000      | 2015<br>(Unaudited)<br>RMB'000 |                     |                      |
| Revenue                             | 233,654                             | 189,456                        | 44,198              | 23                   |
| Cost of sales and services 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)                |
| Attributable to:                    |                                     |                                |                     |                      |
| Owners of the parent                | (40,566)                            | 54,480                         | (95,046)            | (174)                |
| Non-controlling interests           | (3,886)                             | (2,928)                        | (958)               | 33                   |

## MANAGEMENT DISCUSSION AND ANALYSIS (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, mainly due to that 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.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

### 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)<br>RMB'000           | %          | (Unaudited)<br>RMB'000 | %          |
| R&D costs of software business                                   | 20,974                           | 26         | 16,956                 | 26         |
| R&D costs of cloud service business                              | 48,082                           | 60         | 28,387                 | 43         |
| R&D costs of payment business                                    | 8,085                            | 10         | 4,339                  | 7          |
| <b>R&amp;D costs</b>   | <b>77,141</b>                    | <b>96</b>  | <b>49,682</b>          | <b>76</b>  |
| Addition to deferred development costs of cloud service business | 3,124                            | 4          | 15,802                 | 24         |
| <b>Additions to deferred development costs</b>                   | <b>3,124</b>                     | <b>4</b>   | <b>15,802</b>          | <b>24</b>  |
| <b>Total R&amp;D investment</b>                                  | <b>80,265</b>                    | <b>100</b> | <b>65,484</b>          | <b>100</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

### **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.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

### Liquidity and financial resources

#### Condensed cash flow statement

|   | <u>For the six months ended 30 June</u> |                                | Change<br>in amount |
|---|---|--------------------------------|---------------------|
|   | 2016<br>(Unaudited)<br>RMB'000          | 2015<br>(Unaudited)<br>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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

### 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

|                                 | <b>As at<br/>30 June<br/>2016<br/>(Unaudited)</b> | As at<br>31 December<br>2015<br>(Audited) |
|---------------------------------|---|---|
| Cash and bank balance (RMB'000) | <b>815,023</b>                                    | 825,282                                   |
| Current ratio                   | <b>736%</b>                                       | 810%                                      |
| Gearing ratio                   | <b>0%</b>   | 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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 report.

### 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 units 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,

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

save and except for some scheme participants under the initial grant who had terminated or released his/her labor contract with the Company, which has disqualified themselves as scheme participants, the unlocking conditions of the remaining scheme participants under the initial grant to unlock 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.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

#### Interests and short positions of Directors, Supervisors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2016, the interests or short positions of the Directors, Supervisors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange are as follows:

| Name of Directors/<br>Supervisors | Nature of interest                                  | Relevant corporation<br>(including associated<br>corporation) | Number and<br>class of shares<br>of the relevant<br>corporation<br>(including associated<br>corporation) held | Approximate<br>percentage of<br>shareholdings in<br>the total share<br>capital of the<br>Company/relevant<br>corporation<br>(including associated<br>corporation) <sup>(1)</sup> | Approximate<br>percentage of<br>shareholdings in<br>the relevant class<br>of share capital of<br>the Company <sup>(2)</sup> |
|-----------------------------------|---|---|---|--|---|
| <b>Directors</b>                  |   |   |   |  |   |
| Mr. Wang                          | Interest in a controlled corporation <sup>(3)</sup> | the Company   | 153,588,258<br>Domestic Shares  | 70.72%   | 94.70%  |
|                                   | Interest in a controlled corporation <sup>(3)</sup> | Yonyou <sup>(4)</sup>   | 656,291,265 Shares  | 44.82%   | N/A   |
|                                   | Interest in a controlled corporation                | Happiness Investment <sup>(5)</sup>                           | N/A <sup>(5)</sup>  | 64% <sup>(5)</sup>   | N/A   |
|                                   | Interest in a controlled corporation                | Yonyou Chuangxin Investment <sup>(6)</sup>                    | N/A <sup>(6)</sup>  | 100% <sup>(6)</sup>  | N/A   |
| Mr. Wu Zhengping <sup>(7)</sup>   | Beneficial owner                                    | Yonyou <sup>(4)</sup>   | 1,119,682 Shares  | 0.08%  | N/A   |
|                                   | Interest in a controlled corporation                | Yonyou <sup>(4)</sup>   | 42,000,000 Shares   | 2.87%  | N/A   |
| Mr. Zeng <sup>(8)</sup>           | Beneficial owner                                    | Happiness Investment <sup>(5)</sup>                           | N/A <sup>(5)</sup>  | 15% <sup>(5)</sup>   | N/A   |
|                                   | Interest in a controlled corporation                | the Company   | 2,093,408<br>Domestic Shares  | 0.96%  | 1.29%   |
| <b>Supervisors</b>                |   |   |   |  |   |
| Mr. Guo Xinping <sup>(9)</sup>    | Interest in a controlled corporation                | Yonyou <sup>(4)</sup>   | 70,157,688 Shares   | 4.79%  | N/A   |
| Mr. Zhang Peilin                  | Beneficial owner                                    | Yonyou <sup>(4)</sup>   | 655,681 Shares  | 0.04%  | N/A   |

## OTHER INFORMATION (continued)

Notes:

- (1) The calculation is based on the total number of 217,181,666 Shares in issue of the Company as at 30 June 2016.
- (2) The calculation is based on the total number of 162,181,666 Domestic Shares in issue of the Company as at 30 June 2016.
- (3) Mr. Wang is the beneficial owner of 100%, 85.14% and 76.26% equity interest of Beijing Yonyou Technology Co., Ltd. (北京用友科技有限公司), Shanghai Yonyou Consultant Co., Ltd. (上海用友科技諮詢有限公司) and Beijing Yonyou Enterprise Management Research Co., Ltd. (北京用友企業管理研究所有限公司), respectively, which in turn hold approximately 28.63%, 12.19% and 4.00% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang is deemed to be interested in the Shares held by Yonyou.
- (4) Yonyou is the holding company of the Company and therefore an associated corporation of the Company. As at 30 June 2016, Yonyou held 153,588,258 Domestic Shares which accounted for approximately 70.72% of the total share capital of the Company.
- (5) Happiness Investment is a limited liability company incorporated in the PRC with a registered capital of RMB6.25 million and does not have any issued shares under the PRC laws. As the shareholding percentage of Yonyou in Happiness Investment is 64%, Happiness Investment is deemed as a controlled corporation of Mr. Wang. In addition, the shareholding of Mr. Wu Zhengping in Happiness Investment is 15%. Happiness Investment holds 670,784 Domestic Shares, representing approximately 0.31% of the total share capital of the Company.
- (6) Yonyou Chuangxin Investment is a limited partnership incorporated in the PRC with the total amount of subscription and capital contribution of RMB200 million and does not have any issued shares under the PRC laws. Yonyou Chuangxin Investment is owned by Yonyou and Happiness Investment as to 99% and 1%, respectively. Therefore, Yonyou Chuangxin Investment is deemed as a controlled corporation of Mr. Wang. Yonyou Chuangxin Investment holds 3,185,000 Domestic Shares, representing approximately 1.47% of the total share capital of the Company.
- (7) Mr. Wu Zhengping directly holds 1,119,682 shares of Yonyou. Meanwhile, he is the beneficial owner of 80% equity interest of Gongqingcheng Youfu Investment Management Partnership Enterprise (LLP) (共青城優富投資管理合夥企業(有限合夥)) (“**Gongqingcheng Youfu**”) which in turn holds 2.87% of the issued shares of Yonyou. Therefore, Mr. Wu Zhengping is deemed to be interested in the shares of Yonyou held by Gongqingcheng Youfu.
- (8) Mr. Zeng is a general partner of Huiyun Jiechang Investment, Yuntong Changda Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Huicai Juneng Investment and has a beneficial interest in the above limited liability partnership as to approximately 0.51%, 15.44%, 48.73%, 20.07% and 75.28%, respectively. Therefore, by virtue of Part XV of SFO, Mr. Zeng is deemed to be interested in the Domestic Shares held by Huiyun Jiechang Investment, Yuntong Changda Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Huicai Juneng Investment in the Company, respectively.
- (9) Mr. Guo Xinping is the beneficial owner of 90% equity interest of Shanghai Yibei Management Consulting Co., Ltd. (上海益倍管理諮詢有限公司) (“**Shanghai Yibei**”), which in turn holds 4.79% of the issued shares of Yonyou. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.

## OTHER INFORMATION (continued)

### Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares of the Company

As at 30 June 2016, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the substantial Shareholders (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

| Name of Shareholders  | Number and class of Shares held  | Nature of interest   | Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup> | Approximate percentage of shareholdings in the relevant class of Shares <sup>(3)</sup> |
|-----------------------|--|--|--|--|
| Yonyou <sup>(4)</sup> | 149,732,474 Domestic Shares<br>3,855,784 Domestic Shares<br>Total: 153,588,258 Domestic Shares                               | Beneficial owner<br>Interest in a controlled corporation                     | 70.72%   | 94.70%   |
| UBS Group AG          | 9,209,200 H Shares (L)   | Interest in a controlled corporation   | 4.24%  | 16.74%   |
| UBS AG                | 22,203 H Shares (L)<br>22,200 H Shares (S)<br>9,675,800 H Shares (L)<br>Total: 9,698,003 H Shares (L)<br>22,200 H Shares (S) | Beneficial owner<br>Beneficial owner<br>Interest in a controlled corporation | 4.47%<br>0.01%   | 17.63%<br>0.04%  |

*Notes:*

- (1) (L) – long position; (S) – short position.
- (2) The calculation was based on the total number of 217,181,666 Shares in issue as at 30 June 2016.
- (3) The calculation was based on the number of 162,181,666 Domestic Shares in issue and 55,000,000 H Shares in issue as at 30 June 2016, respectively.
- (4) As at 30 June 2016, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 3,855,784 Domestic Shares through Happiness Investment and Yonyou Chuangxin Investment, respectively. As Happiness Investment and Yonyou Chuangxin Investment were both controlled corporations of Yonyou, Yonyou was deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Chuangxin Investment.

Save as disclosed above, as at 30 June 2016, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.



## OTHER INFORMATION (continued)

### USE OF PROCEEDS

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

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

| Planned use   | Budgeted<br>amount<br><i>HK\$</i> | Actual usage<br>amount<br><i>HK\$</i> |
|---|-----------------------------------|---------------------------------------|
| For the R&D and marketing of the T+ series software products                    | Approximately<br>290.69 million   | Approximately<br>180.95 million       |
| For the R&D of the cloud platform and innovative application products           | Approximately<br>194.08 million   | Approximately<br>193.33 million       |
| To support the marketing and operation of the cloud services                    | Approximately<br>199.21 million   | Approximately<br>93.95 million        |
| To acquire relevant business and assets compatible with the business strategies | Approximately<br>85.49 million    | Approximately<br>4.66 million         |
| To fund the general working capital   | Approximately<br>85.49 million    | Approximately<br>85.07 million        |
|   | <hr/>                             | <hr/>                                 |
| Total   | Approximately<br>854.96 million   | Approximately<br>557.96 million       |
|   | <hr/> <hr/>                       | <hr/> <hr/>                           |

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.

## OTHER INFORMATION (continued)

### CHANGES IN DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

Changes in directors' and supervisors' biographical details since the date of the 2015 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

| Name of Director/Supervisor | Details of changes  |
|-----------------------------|---|
| <b>Directors</b>            |   |
| Wang Wenjing                | <ul style="list-style-type: none"> <li>Appointed as the chairman of the board of directors of Chanfortune since March 2016</li> </ul> |
| Wu Zhengping                | <ul style="list-style-type: none"> <li>Appointed as the director of Chanfortune since March 2016</li> </ul>                           |
| Zeng Zhiyong                | <ul style="list-style-type: none"> <li>Appointed as the director of Chanfortune since March 2016</li> </ul>                           |
| <b>Supervisors</b>          |   |
| Guo Xinping                 | <ul style="list-style-type: none"> <li>Appointed as the director of Chanfortune since March 2016</li> </ul>                           |
| Zhang Peilin                | <ul style="list-style-type: none"> <li>Appointed as the supervisor of Chanfortune since March 2016</li> </ul>                         |

### 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 Listing Rules.

## OTHER INFORMATION (continued)

### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted 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 this report, and concluded that such financial statements and this report had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |              | 30 June<br>2016<br>(Unaudited)<br><i>RMB'000</i> | 31 December<br>2015<br>(Audited)<br><i>RMB'000</i> |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>Non-current assets</b>                    |              |  |  |
| Property, plant and equipment                | 8            | 15,490   | 17,549   |
| Intangible assets                            | 9            | 105,190  | 116,277  |
| Available-for-sale equity investments        | 10           | 23,650   | 23,650   |
| Deferred tax assets                          |              | 7,689  | 12,894   |
|  |              | <u>152,019</u>                                   | <u>170,370</u>                                     |
| <b>Total non-current assets</b>              |              |  |  |
| <b>Current assets</b>                        |              |  |  |
| Inventories                                  |              | 808  | 662  |
| Trade and bills receivables                  | 11           | 2,612  | 621  |
| Prepayments, deposits and other receivables  | 12           | 43,899   | 12,854   |
| Customer reserves                            | 13           | 31,512   | 19,088   |
| Cash and bank balances                       | 14           | 815,023  | 825,282  |
| Available-for-sale investment                | 15           | 50,000   | –  |
|  |              | <u>943,854</u>                                   | <u>858,507</u>                                     |
| <b>Total current assets</b>                  |              |  |  |
| <b>Current liabilities</b>                   |              |  |  |
| Trade payables                               | 16           | 3,792  | 3,091  |
| Other payables and accruals                  | 17           | 123,164  | 102,201  |
| Tax payable                                  |              | 1,314  | 677  |
|  |              | <u>128,270</u>                                   | <u>105,969</u>                                     |
| <b>Total current liabilities</b>             |              |  |  |
| <b>Net current assets</b>                    |              |  |  |
|  |              | <u>815,584</u>                                   | <u>752,538</u>                                     |
| <b>Total assets less current liabilities</b> |              |  |  |
|  |              | <u>967,603</u>                                   | <u>922,908</u>                                     |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2015*

|  | Attributable to owners of the parent |                                      |                                     |   |   |  |  |  |                         |  |                                |
|--|--------------------------------------|--------------------------------------|-------------------------------------|---|---|--|--|--|-------------------------|--|--------------------------------|
|  | Issued<br>capital<br><i>RMB'000</i>  | Capital<br>reserve<br><i>RMB'000</i> | Merger<br>reserve<br><i>RMB'000</i> | Share-based<br>payment<br>reserve (i)<br><i>RMB'000</i> | Capital<br>contribution<br><i>RMB'000</i> | Statutory<br>reserve<br><i>RMB'000</i> | Exchange<br>fluctuation<br>reserve<br><i>RMB'000</i> | Retained<br>profits*<br><i>RMB'000</i> | Total<br><i>RMB'000</i> | Non-<br>controlling<br>interests (iii)<br><i>RMB'000</i> | Total equity<br><i>RMB'000</i> |
| <b>As at 1 January 2015</b>                                  | 217,182                              | 870,795                              | (4)                                 | -   | 545                                       | 51,415                                 | (182)  | 85,121                                 | 1,224,872               | 19,207   | 1,244,079                      |
| Profit for the period  | -                                    | -                                    | -                                   | -   | -   | -                                      | -  | 54,480                                 | 54,480                  | (2,928)  | 51,552                         |
| Other comprehensive loss for the period:                     |                                      |                                      |                                     |   |   |  |  |  |                         |  |                                |
| Exchange differences on translation<br>of foreign operations | -                                    | -                                    | -                                   | -   | -   | -                                      | (12)   | -                                      | (12)                    | -  | (12)                           |
| Total comprehensive income/(loss)<br>for the period          | -                                    | -                                    | -                                   | -   | -   | -                                      | (12)   | 54,480                                 | 54,468                  | (2,928)  | 51,540                         |
| Share-based payment (note 18)                                | -                                    | -                                    | -                                   | 10,385  | -   | -                                      | -  | -                                      | 10,385                  | -  | 10,385                         |
| Final 2014 dividend declared                                 | -                                    | -                                    | -                                   | -   | -   | -                                      | -  | (84,701)                               | (84,701)                | -  | (84,701)                       |
| <b>As at 30 June 2015 (unaudited)</b>                        | <b>217,182</b>                       | <b>870,795</b>                       | <b>(4)</b>                          | <b>10,385</b>   | <b>545</b>                                | <b>51,415</b>                          | <b>(194)</b>   | <b>54,900</b>                          | <b>1,205,024</b>        | <b>16,279</b>  | <b>1,221,303</b>               |

\* Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current period's presentation.



## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2016

|  | Attributable to owners of the parent              |                  |                 |                                |                      |                   |                              |                  |                   |                              |               |                |
|--|---|------------------|-----------------|--------------------------------|----------------------|-------------------|------------------------------|------------------|-------------------|------------------------------|---------------|----------------|
|  | Treasury shares held under employee trust benefit | Capital reserve  | Merger reserve  | Share-based payment reserve // | Capital contribution | Statutory reserve | Exchange fluctuation reserve | Accumulated loss | Total             | Non-controlling interests // | Total equity  |                |
|  | RMB'000   | RMB'000          | RMB'000         | RMB'000                        | RMB'000              | RMB'000           | RMB'000                      | RMB'000          | RMB'000           | RMB'000                      | RMB'000       |                |
| As at 1 January 2016   | 217,182   | (310,136)        | 870,795*        | (4)*                           | 126,985*             | 545*              | 51,415*                      | 1,801*           | (72,197)*         | 886,386                      | 36,522        | 922,908        |
| Loss for the period  | -   | -                | -               | -                              | -                    | -                 | -                            | -                | (40,566)          | (40,566)                     | (3,886)       | (44,452)       |
| Other comprehensive income for the period:                   |   |                  |                 |                                |                      |                   |                              |                  |                   |                              |               |                |
| Exchange differences on translation of foreign operations    | -   | -                | -               | -                              | -                    | -                 | -                            | 314              | -                 | 314                          | -             | 314            |
| Total comprehensive income/(loss) for the period             | -   | -                | -               | -                              | -                    | -                 | -                            | 314              | (40,566)          | (40,252)                     | (3,886)       | (44,138)       |
| Shares purchased for employee trust benefit scheme (note 18) | -   | (11,122)         | -               | -                              | -                    | -                 | -                            | -                | -                 | (11,122)                     | -             | (11,122)       |
| Share-based payment (note 18)                                | -   | -                | -               | -                              | 99,687               | -                 | -                            | -                | -                 | 99,687                       | -             | 99,687         |
| Shares vested under employee trust benefit scheme (note 18)  | -   | 88,352           | 33,242          | -                              | (121,594)            | -                 | -                            | -                | -                 | -                            | -             | -              |
| As at 30 June 2016 (unaudited)                               | <u>217,182</u>                                    | <u>(232,906)</u> | <u>904,037*</u> | <u>(4)*</u>                    | <u>106,078*</u>      | <u>545*</u>       | <u>51,415*</u>               | <u>2,115*</u>    | <u>(112,763)*</u> | <u>934,699</u>               | <u>32,636</u> | <u>967,335</u> |

\* These reserve accounts comprise the consolidated reserves of RMB950,423,000 (31 December 2015: RMB979,340,000) in the consolidated statement of financial position.

### Notes:

- (i) Share-based payment reserve represents the cost of equity-settled transactions under an employee trust benefit scheme (the “**Scheme**”), which is described in note 18 to the financial statements.
- (ii) Treasury shares held under employee trust benefit scheme represent the shares held by the trustees for the implementation of the Scheme which the Company entrusted the trustees to successively purchase from domestic shareholders or open market.
- (iii) Beijing Chanjet Payment Technology Co., Ltd. (“**Chanjet Payment**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 29 July 2013 with a registered capital of RMB200,000,000, and was owned as to 75.1% and 24.9% by the Company and Yonyou Network Technology Co., Ltd. (“**Yonyou**”), respectively.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | <i>Note</i> | <u>For the six months ended 30 June</u>             |                                |
|---|-------------|---|--------------------------------|
|   |             | <b>2016</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | 2015<br>(Unaudited)<br>RMB'000 |
| <b>Operating activities</b>                       |             |   |                                |
| Profit/(Loss) before tax                          |             | <b>(38,342)</b>                                     | 56,297                         |
| Adjustments for:                                  |             |   |                                |
| Exchange gains                                    |             | <b>(211)</b>  | (4,902)                        |
| Interest income                                   |             | <b>(9,355)</b>                                      | (9,099)                        |
| Share-based payment expense                       | 18          | <b>98,368</b>                                       | 10,385                         |
| Depreciation of property, plant and equipment     |             | <b>4,970</b>  | 3,837                          |
| Amortisation of intangible assets                 |             | <b>14,704</b>                                       | 10,578                         |
| Gain on disposal of property, plant and equipment |             | -   | (7)                            |
| Interest on financial investments                 |             | -   | (2,362)                        |
| Gains on financial investments                    |             | -   | (2,082)                        |
|   |             | <b>70,134</b>                                       | 62,645                         |
| (Increase)/decrease in financial assets           |             | <b>(22,546)</b>                                     | 12,628                         |
| Increase/(decrease) in financial liabilities      |             | <b>9,393</b>  | (14,180)                       |
| Others  |             | <b>(146)</b>  | 618                            |
| Cash generated from operations                    |             | <b>56,835</b>                                       | 61,711                         |
| Interest received                                 |             | <b>6,995</b>  | 9,420                          |
| Income taxes paid                                 |             | -   | (7,995)                        |
| Net cash flows from operating activities          |             | <b>63,830</b>                                       | 63,136                         |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

|  |  | <u>For the six months ended 30 June</u> |                       |
|--|--|---|-----------------------|
|  |  | 2016                                    | 2015                  |
|  |  | (Unaudited)                             | (Unaudited)           |
| Notes  |  | <i>RMB'000</i>                          | <i>RMB'000</i>        |
| <b>Investing activities</b>                              |  |   |                       |
|  | Additions to intangible assets   | (2,291)                                 | (16,364)              |
|  | Purchases of financial investments   | (50,000)                                | (450,000)             |
|  | Proceeds from disposal of financial investments  | -                                       | 330,000               |
|  | Purchase of non-pledged time deposits with original maturity of more than three months when acquired | (41,000)                                | (20,000)              |
|  | Increase of other restricted deposit   | -                                       | (60,000)              |
|  | Others   | (3,071)                                 | (5,049)               |
|  | Net cash flows used in investing activities  | <u>(96,362)</u>                         | <u>(221,413)</u>      |
| <b>Financing activities</b>                              |  |   |                       |
|  | Share purchase fund held by the trustee for share-based payment                                      | 12 (7,816)                              | (205,170)             |
|  | Shares purchased for employee trust benefit scheme   | 18 (11,122)                             | -                     |
|  | Net cash flows used in financing activities  | <u>(18,938)</u>                         | <u>(205,170)</u>      |
|  | <b>Net decrease in cash and cash equivalents</b>   | <b>(51,470)</b>                         | <b>(363,447)</b>      |
|  | Cash and cash equivalents at the beginning of period   | 641,282                                 | 1,171,430             |
|  | Effect of foreign exchange rate changes, net   | 211                                     | 4,902                 |
|  | <b>Cash and cash equivalents at the end of period</b>  | <b><u>590,023</u></b>                   | <b><u>812,885</u></b> |
| <b>Analysis of balances of cash and cash equivalents</b> |  |   |                       |
|  | Cash and bank balances as stated in the statement of financial position                              | 14 815,023                              | 892,885               |
|  | Non-pledged time deposits with original maturity of more than three months when acquired             | 14 (225,000)                            | (20,000)              |
|  | Other restricted deposit   | -                                       | (60,000)              |
|  | <b>Cash and cash equivalents as stated in the statement of cash flows</b>                            | <b><u>590,023</u></b>                   | <b><u>812,885</u></b> |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

Chanjet Information Technology Company Limited (the “**Company**”), formerly known as Chanjet Software Company Limited, was established in the 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 the 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 and the ultimate holding company of the Company is Beijing Yonyou Technology Co., Ltd. which was established in the PRC.

#### Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

| Name   | Place and date of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company |          | Principal activities   |
|--|--|--|--|----------|--|
|  |  |  | Direct   | Indirect |  |
| Chanjet Information Technology (Hong Kong) Limited                   | Hong Kong<br>22 August 2012                                  | USD1,000,000   | 100.00   | –        | Sale of computer software and hardware                                       |
| Chanjet Information Technology Corporation (“ <b>Chanjet U.S.</b> ”) | California, USA<br>5 November 2012                           | USD15,500,000  | 100.00   | –        | Technical development of computer software                                   |
| Chanjet Payment  | Beijing, China<br>29 July 2013                               | RMB200,000,000   | 75.10  | –        | Internet payment services, bank card receipt services, technical development |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 1. CORPORATE AND GROUP INFORMATION (continued)

#### Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

| Name  | Place and date of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company |          | Principal activities                              |
|---|--|--|--|----------|---|
|   |  |  | Direct   | Indirect |   |
| Beijing Chanfortune Network Corporate Limited <sup>(note)</sup> | Beijing, China<br>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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### 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.

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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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*

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.

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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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.



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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.

##### ***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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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 (continued)*

- 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.

##### *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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> 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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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:

|                                   | <u>For the six months ended 30 June</u>             |                                |
|-----------------------------------|---|--------------------------------|
|                                   | <b>2016</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | 2015<br>(Unaudited)<br>RMB'000 |
| <b>Revenue</b>                    |   |                                |
| Sale of software                  | 206,782   | 170,096                        |
| Rendering of services             | 26,579  | 18,898                         |
| Sale of purchased goods           | <u>293</u>  | <u>462</u>                     |
|                                   | <b><u>233,654</u></b>                               | <b><u>189,456</u></b>          |
| <b>Other income and gains</b>     |   |                                |
| 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                            | <u>34</u>   | <u>28</u>                      |
|                                   | <b><u>38,937</u></b>                                | <b><u>37,216</u></b>           |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. PROFIT/(LOSS) BEFORE TAX

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

|  | <b>For the six months ended 30 June</b>             |  |
|--|---|--|
|  | <b>2016</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | 2015<br><b>(Unaudited)</b><br><b>RMB'000</b> |
| 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  | <b>21,985</b>                                       | 15,269                                       |
| Depreciation   | 4,970   | 3,837  |
| Amortisation of intangible assets  | 14,704  | 10,578                                       |
| Minimum lease payments under operating leases  | 8,397   | 5,628  |
| Research and development costs <sup>(note)</sup>   | 77,141  | 49,682                                       |
| Employee benefit expenses (including directors', supervisors'<br>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  |
|  | <b>228,505</b>                                      | 116,244                                      |
| Less: Employee benefit expenses<br>being capitalised in intangible assets  | <b>(3,100)</b>                                      | (15,414)                                     |
|  | <b>225,405</b>                                      | 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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. INCOME TAX

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

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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. DIVIDENDS

The board of directors of the Company 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 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:

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



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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<br>(Unaudited)              | 2015<br>(Unaudited) |
| <b>Shares</b>   |                                  |                     |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation | <u>199,843,961</u>               | <u>217,181,666</u>  |

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a cost of RMB2,953,000 (six months ended 30 June 2015: RMB5,362,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB35,000 (six months ended 30 June 2015: RMB3,000) were disposed of by the Group during the six months ended 30 June 2016, with no net gain on disposal (six months ended 30 June 2015: net gain of RMB7,000).

During the six months ended 30 June 2016, the total amount of depreciation of property, plant and equipment was RMB4,977,000, of which an amount of RMB4,970,000 was charged to profit or loss, and an amount of RMB7,000 was capitalised into deferred development costs.

During the six months ended 30 June 2015, the total amount of depreciation of property, plant and equipment was RMB3,965,000, of which an amount of RMB3,837,000 was charged to profit or loss, and an amount of RMB128,000 was capitalised into deferred development costs.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. INTANGIBLE ASSETS

During the six months ended 30 June 2016, the amount of the addition of intangible assets was RMB3,617,000 (six months ended 30 June 2015: RMB15,835,000).

During the six months ended 30 June 2016, the total amount of amortisation of intangible assets was RMB14,704,000 charged to profit or loss.

During the six months ended 30 June 2015, the total amount of amortisation of intangible assets was RMB10,582,000, of which an amount of RMB10,578,000 was charged to profit or loss, and an amount of RMB4,000 was capitalised into deferred development costs.

### 10. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

|                                      | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|--------------------------------------|---|---|
| Unlisted equity investments, at cost | <b>23,650</b>                                       | 23,650                                      |

| Name  | Place and date of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company |          | Principal activities   |
|---|--|--|--|----------|--|
|   |  |  | Direct   | Indirect |  |
| Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) | Beijing, China<br>22 November<br>2013                        | RMB100,000,000   | 10.00  | –        | Investment and asset management  |
| Yonyou Mobile Telecommunications Technology Service Co., Ltd. (“Yonyou Mobile”)             | Beijing, China<br>4 March 2014                               | RMB50,000,000  | 19.80  | –        | Mobile communication resale business   |
| Xi'an Rongke Telecommunications Technology Co., Ltd.  | Xi'an, China<br>24 February<br>2012                          | RMB1,250,000   | 15.00  | –        | Sale and manufacture of internet communication products, computer software and hardware, and technical development |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. TRADE AND BILLS RECEIVABLES

|                   | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|-------------------|---|---|
| Trade receivables | <b>1,102</b>  | 621   |
| Bills receivables | <b>1,510</b>  | –   |
|                   | <b>2,612</b>  | 621   |
| Less: Impairment  | <b>–</b>  | –   |
|                   | <b>2,612</b>  | 621   |

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

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

|                     | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|---------------------|---|---|
| Within 90 days      | <b>1,036</b>  | 621   |
| 90 days to 180 days | <b>1,576</b>  | –   |
|                     | <b>2,612</b>  | 621   |

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|  | 30 June<br>2016<br>(Unaudited)<br><i>RMB'000</i> | 31 December<br>2015<br>(Audited)<br><i>RMB'000</i> |
|--|--|--|
| Staff advances   | 343  | 176  |
| Share purchase fund held by the trustee<br>for share-based payment | 7,816  | –  |
| Prepayments  | 6,569  | 1,898  |
| Deposit and other receivables                                      | 29,171   | 10,780   |
|  | 43,899   | 12,854   |
| Less: Impairment   | –  | –  |
|  | 43,899   | 12,854   |

The share purchase fund held by the trustee for share-based payment was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Scheme.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

### 13. CUSTOMER RESERVES

|                   | 30 June<br>2016<br>(Unaudited)<br><i>RMB'000</i> | 31 December<br>2015<br>(Audited)<br><i>RMB'000</i> |
|-------------------|--|--|
| Customer reserves | 31,512   | 19,088   |

Customer reserves represent the client's reserves received by Chanjet Payment via providing payment service, which are transferred to client's own account on the next day.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. CASH AND BANK BALANCES

|  | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|--|---|---|
| Cash on hand   | 254   | 49  |
| Bank balances  | 147,824   | 391,691                                     |
| Non-pledged time deposits  | <u>666,945</u>                                      | <u>433,542</u>                              |
| Cash and bank balances   | <b>815,023</b>                                      | 825,282                                     |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired | <u>(225,000)</u>                                    | <u>(184,000)</u>                            |
| Cash and cash equivalents as stated in the statement of cash flows                             | <u><b>590,023</b></u>                               | <u><b>641,282</b></u>                       |

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

As at 30 June 2016, the Group's non-pledged time deposits with original maturity of more than three months when acquired were two term deposits from Bank of Tianjin held by the Company.

As at 31 December 2015, the Group's non-pledged time deposits with original maturity of more than three months when acquired were an intelligent deposit from China Merchants Bank held by Chanjet Payment, a non-wholly-owned subsidiary of the Company, and a term deposit from Bank of Tianjin held by the Company.

### 15. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2016, a current guaranteed floating income product amounting to RMB50,000,000 purchased from the China Guangfa Bank by the Company with an expected interest rate of 3.5%, depending on the exchange rate between United States dollar and Hong Kong dollar, could not be redeemed in advance and its original maturity was more than three months from the date of purchase.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. 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:

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

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

### 17. OTHER PAYABLES AND ACCRUALS

|                                     | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|-------------------------------------|---|---|
| Advances from customers             | 39,356  | 24,842                                      |
| Tax payable (other than income tax) | 13,911  | 8,071                                       |
| Staff payroll and welfare payables  | 30,360  | 41,964                                      |
| Other payables                      | 39,537  | 27,324                                      |
|                                     | <b>123,164</b>                                      | <b>102,201</b>                              |

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. SHARE-BASED PAYMENT

The Company operates an employee trust benefit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme (including certain directors and supervisors) shall be employees of the Group including mid-level and senior management, experts and core personnel who are essential for realising the strategic goal of the 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.

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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. SHARE-BASED PAYMENT (continued)

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.

#### Particulars and movement of the target shares under the Scheme

2016

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



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. SHARE-BASED PAYMENT (continued)

#### Particulars and movement of the target shares under the Scheme (continued)

2015

| Date of grant | Note | Fair value<br>per share<br>(RMB) | As at 1<br>January | Granted<br>during<br>the period | Forfeited<br>during<br>the period | Vesting<br>during<br>the period | As at<br>30 June |
|---------------|------|----------------------------------|--------------------|---------------------------------|-----------------------------------|---------------------------------|------------------|
| 16 June 2015  | (a)  | 24.60                            | –                  | 17,370,000                      | –                                 | –                               | 17,370,000       |

Notes:

- (a) On 16 June 2015, the board of directors of the Company 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 of directors of the Company 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 of directors of the Company 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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. 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 granted/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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. SHARE-BASED PAYMENT (continued)

Except for some Scheme participants under the initial grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as Scheme participants, the 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.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. OPERATING LEASES ARRANGEMENTS

#### As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms initially ranging from one to three years.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|                                | <b>30 June</b>     | 31 December |
|--------------------------------|--------------------|-------------|
|                                | <b>2016</b>        | 2015        |
|                                | <b>(Unaudited)</b> | (Audited)   |
|                                | <b>RMB'000</b>     | RMB'000     |
| Within 1 year                  | <b>4,679</b>       | 1,569       |
| In the 2 to 5 years, inclusive | <b>371</b>         | 215         |
|                                | <b>5,050</b>       | 1,784       |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. RELATED PARTY DISCLOSURES

#### (a) Transactions with related parties

During the six months ended 30 June 2015 and 2016, the Group entered into the following significant transactions with related parties:

|   | <u>For the six months ended 30 June</u> |                                |
|---|---|--------------------------------|
|   | 2016<br>(Unaudited)<br>RMB'000          | 2015<br>(Unaudited)<br>RMB'000 |
| <i>Purchases of goods and services from</i>       |   |                                |
| <b>The holding company</b>                        |   |                                |
| Yonyou  | 425                                     | 377                            |
| <b>Fellow subsidiaries of the holding company</b> |   |                                |
| Yonyou Mobile                                     | 1,568                                   | 26                             |
| Yonyou Audit Software Co., Ltd.                   | 94                                      | —                              |
|   | <u>2,087</u>                            | <u>403</u>                     |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. RELATED PARTY DISCLOSURES (continued)

#### (a) Transactions with related parties (continued)

|  | <b>For the six months ended 30 June</b> |             |
|--|---|-------------|
|  | <b>2016</b>                             | 2015        |
|  | <b>(Unaudited)</b>                      | (Unaudited) |
|  | <b>RMB'000</b>                          | RMB'000     |
| <i>Rental expenses paid to</i>                           |   |             |
| <b>The holding company</b>                               |   |             |
| Yonyou   | <b>3,179</b>                            | 2,052       |
| <b>Fellow subsidiary of the holding company</b>          |   |             |
| Yonyou (Nanchang) Industry<br>Base Development Co., Ltd. | <b>367</b>                              | 446         |
|  | <b>3,546</b>                            | 2,498       |

The purchases from related parties as well as the rental expenses paid to related parties are made on terms equivalent to those that prevail in arm's length transactions.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. RELATED PARTY DISCLOSURES (continued)

#### (b) Outstanding balances with related parties

An analysis of the balances with related parties is as follows:

##### *Due from a related party*

|                            | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|----------------------------|---|---|
| <b>The holding company</b> |   |   |
| Yonyou                     | <u>6</u>  | <u>6</u>                                    |

The amount due from a related party was unsecured, interest-free and repayable on demand.

##### *Due to related parties*

|   | <b>30 June<br/>2016<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2015<br>(Audited)<br>RMB'000 |
|---|---|---|
| <b>The holding company</b>                      |   |   |
| Yonyou  | 425   | –   |
| <b>Fellow subsidiary of the holding company</b> |   |   |
| Yonyou Mobile                                   | <u>1,022</u>  | <u>120</u>                                  |
|   | <u><b>1,447</b></u>                                 | <u><b>120</b></u>                           |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. RELATED PARTY DISCLOSURES (continued)

#### (c) Compensation of key management personnel of the Group

|   | <b>For the six months ended 30 June</b> |              |
|---|---|--------------|
|   | <b>2016</b>                             | 2015         |
|   | <b>(Unaudited)</b>                      | (Unaudited)  |
|   | <b>RMB'000</b>                          | RMB'000      |
| Short term employee benefits                        | <b>4,871</b>                            | 4,333        |
| Pension Scheme contributions                        | <b>262</b>                              | 191          |
| Total compensation paid to key management personnel | <b><u>5,133</u></b>                     | <u>4,524</u> |

The key management personnel mentioned above contain directors, supervisors, the chief executive and other key management personnel.

In addition to the key management compensation shown in above table, during the period from 2015 to 2016, trust benefit units were granted to the above key management personnel, excluding non-executive directors, independent non-executive directors, shareholder representative supervisors and independent supervisors, in respect of their services under the Scheme of the Group, further details of which are set out in note 18 to the unaudited interim condensed consolidated financial statements. During the period, the total amount of the share-based payments relating to the trust benefit units granted to the key management personnel was approximately RMB37,831,000 (six months ended 30 June 2015: RMB3,269,000).



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

### **21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

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

The fair value of available-for-sale investments which are categorised under Level 2 fair value hierarchy has been estimated by discounting the expected future cash flows using an equivalent market interest rate of 3.5% for a similar available-for-sale investment.

The Group reassessed the categorisation of the available-for-sale investments at the end of the interim period and determined that there was no transfer occurred between levels in the hierarchy.

### **22. EVENTS AFTER THE REPORTING PERIOD**

As at the approval date of the financial statement, the Group had no significant events after the reporting period which need to be disclosed.

### **23. CONTINGENT LIABILITIES**

As at 30 June 2016 and 31 December 2015, the Group had no significant contingent liabilities.

### **24. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2016.

## DEFINITIONS

*In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings.*

|                            |   |
|----------------------------|---|
| “Board”                    | the board of Directors of the Company   |
| “B2B”                      | Business-to-Business, a business model under which the enterprises exchange and transfer information and data as well as carry out business activities through private networks or the Internet                           |
| “Chanjet Hong Kong”        | Chanjet Information Technology (Hong Kong) Limited (暢捷通信息技術(香港)有限公司), a company incorporated in Hong Kong with limited liability on 22 August 2012 and a wholly-owned subsidiary of the Company                           |
| “Chanjet Payment”          | Beijing Chanjet Payment Technology Co., Ltd. (北京暢捷通支付技術有限公司) was established in the PRC on 29 July 2013 with limited liability and was owned as to 75.1% by the Company   |
| “Chanjet U.S.”             | Chanjet Information Technology Corporation, a company incorporated in California on 5 November 2012 under the laws of the State of California of the United States and a wholly-owned subsidiary of the Company           |
| “Chanfortune”              | Beijing Chanfortune Network Co., Ltd. (北京暢捷優財網絡有限公司) is a limited liability company incorporated in the PRC on 9 March 2016 with a registered capital of RMB5 million and a wholly-owned subsidiary of Chanjet Payment    |
| “Company” or “our Company” | Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares were listed and traded on the Hong Kong Stock Exchange                              |
| “Director(s)”              | member(s) of the Board, including all executive, non-executive and independent non-executive directors of the Company   |
| “Domestic Share(s)”        | ordinary share(s) of the Company’s capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange |
| “Group”                    | the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)   |
| “H Share(s)”               | overseas listed foreign invested ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange                                    |

## DEFINITIONS (continued)

|                              |   |
|------------------------------|---|
| “Happiness Investment”       | Happiness Investment Co., Ltd. (北京用友幸福投資管理有限公司), a company established in the PRC with limited liability on 12 May 2010 and one of the promoters of the Company and a holding subsidiary of Yonyou, in which Yonyou holds 64% of shares   |
| “HK\$” or “HK dollars”       | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong” or “HK”          | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Kong Stock Exchange”   | The Stock Exchange of Hong Kong Limited   |
| “Huicai Juneng Investment”   | Beijing Huicai Juneng Investment Management Centre (Limited Partnership) (北京匯才聚能投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners     |
| “Huiyun Jiechang Investment” | Beijing Huiyun Jiechang Investment Management Centre (Limited Partnership) (北京匯雲捷暢投資管理中心(有限合夥)), a limited partnership established in the PRC on 26 November 2012 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners |
| “Listing Rules”              | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time   |
| “Model Code”                 | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules   |
| “Mr. Wang”                   | Mr. Wang Wenjing, the Chairman, non-executive Director and the ultimate controlling Shareholder   |
| “Mr. Zeng”                   | Mr. Zeng Zhiyong, the executive Director and the president  |
| “MSE(s)”                     | micro and small scale enterprise(s)   |
| “OTO”                        | Online to Offline, the e-commerce model that purchase goods and services and make payment online, but receive relevant services offline   |

## DEFINITIONS (continued)

|   |   |
|---|---|
| “POS”                                       | Point of sale, a multi-functional terminal which can realise the autotransfer of electronic fund upon being installed by the contracted merchants of credit cards or in the outlets and being connected to the computer network. It supports consumption, preauthorization, balance enquiry, transfer and other functions |
| “Puyun Huitian Investment”                  | Beijing Puyun Huitian Investment Management Centre (Limited Partnership) (北京普雲慧天投資管理中心(有限合夥)), a limited partnership established in the PRC on 29 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners                             |
| “PRC” or “China”                            | the People’s Republic of China and, except where the context otherwise requires, references in this report to the PRC or China do not apply to Hong Kong, Macau Special Administration Region of the PRC or Taiwan  |
| “Prospectus”                                | the prospectus of the Company published on 16 June 2014   |
| “Reporting Period”                          | the six months ended 30 June 2016   |
| “Renminbi” or “RMB”                         | Renminbi, the lawful currency of the PRC  |
| “Scheme” or “Employee Trust Benefit Scheme” | the employee trust benefit scheme of the Company adopted on 8 June 2015   |
| “SFO”                                       | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Share(s)”                                  | share(s) of the Company with nominal value of RMB1.00 each  |
| “Shareholder(s)”                            | holders of the Shares of the Company  |
| “Substantial Shareholder(s)”                | has the meaning ascribed to it in the SFO   |
| “Supervisor(s)”                             | the member(s) of the Supervisory Committee  |
| “Supervisory Committee”                     | the supervisory committee of the Company  |

## DEFINITIONS (continued)

|                               |  |
|-------------------------------|--|
| “Tongyun Jitian Investment”   | Beijing Tongyun Jitian Investment Management Centre (Limited Partnership) (北京通雲濟天投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company as limited partners |
| “US dollars”                  | United States dollars, the lawful currency for the time being of the United States   |
| “VAT”                         | Value Added Tax, a kind of turnover tax levied on the newly-added value in the course of production and circulation of goods and provision of labor services, or on the added value of goods   |
| “Yonyou”                      | Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), a joint stock limited company incorporated in the PRC on 18 January 1995, the shares of which are listed on the Shanghai Stock Exchange (上海證券交易所) (Stock Code: 600588). It is our controlling Shareholder                                  |
| “Yonyou Chuangxin Investment” | Beijing Yonyou Chuangxin Investment Centre (Limited Partnership) (北京用友創新投資中心(有限合夥)), a limited partnership established in the PRC on 23 June 2010 and owned by Yonyou and Happiness Investment as to 99% and 1% respectively   |
| “Yuntong Changda Investment”  | Beijing Yuntong Changda Investment Management Centre (Limited Partnership) (北京雲通暢達投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management and employees of the Company as limited partners              |
| “%”                           | percent  |