

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

暢捷通  
Chanjet

(a joint stock company incorporated  
in the People's Republic of China with limited liability)  
Stock code: 1588

# 2017 INTERIM REPORT

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

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# CORPORATE INFORMATION

As at 30 June 2017

## DIRECTORS

### Non-executive Directors

Wang Wenjing (*Chairman*)  
Wu Zhengping

### Executive Directors

Zeng Zhiyong (*Vice Chairman*) <sup>Note 1</sup>  
Yang Yuchun (*President*) <sup>Note 1</sup>

### Independent Non-executive Directors

Liu Yunjie <sup>Note 2</sup>  
Chen, Kevin Chien-wen  
Lau, Chun Fai Douglas

## SUPERVISORS

### Shareholder Representative Supervisors

Guo Xinping (*Chairman*)  
Zhang Peilin

### Independent Supervisors

Ruan Guangli  
Ma Yongyi

### Employee Representative Supervisors

Deng Xuexin  
Cai Jingsheng <sup>Note 3</sup>

## AUDIT COMMITTEE

Chen, Kevin Chien-wen (*Chairman*)  
Wu Zhengping  
Lau, Chun Fai Douglas

## NOMINATION COMMITTEE

Liu Yunjie (*Chairman*) <sup>Note 2</sup>  
Wang Wenjing  
Chen, Kevin Chien-wen

## REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas (*Chairman*)  
Zeng Zhiyong <sup>Note 4</sup>  
Liu Yunjie <sup>Note 2</sup>

## STRATEGIC COMMITTEE

Wang Wenjing (*Chairman*)  
Zeng Zhiyong <sup>Note 4</sup>  
Liu Yunjie <sup>Note 2</sup>

## JOINT COMPANY SECRETARIES

You Hongtao  
Ngai Wai Fung

## AUTHORIZED REPRESENTATIVES

Zeng Zhiyong <sup>Note 4</sup>  
Ngai Wai Fung

*Note 1:* As approved at the Company's annual general meeting held on 18 May 2017, Mr. Zeng Zhiyong and Mr. Yang Yuchun were appointed as vice chairman of the Board of the Company and executive Director of the Company, respectively, with effect from 18 May 2017. As Mr. Zeng would focus on the vice chairman work and devote more energy to his new position upon his new appointment taking effect, Mr. Zeng resigned as the President on 9 January 2017, and Mr. Yang Yuchun has been appointed as the President of the Company with effect from 9 January 2017. For details, please refer to the announcements of the Company dated 9 January 2017 and 18 May 2017, and the circular of the Company dated 31 March 2017.

*Note 2:* Mr. Liu Yunjie did not offer himself for re-election at the EGM of the Company held on 8 September 2017 due to his other commitments which require more of his devotion and has retired from his position as an independent non-executive Director. He has also ceased to be the chairman of the Nomination Committee of the Company, the member of the Remuneration and Appraisal Committee of the Company and the member of the Strategic Committee of the Company upon his retirement. The Company has appointed Mr. Chen Shuning as an independent non-executive Director, the chairman of the Nomination Committee of the Company, the member of the Remuneration and Appraisal Committee of the Company and the member of the Strategic Committee of the Company on 8 September 2017. For details, please refer to the announcements of the Company dated 8 September 2017 and 18 July 2017, and the circular of the Company dated 24 July 2017.

*Note 3:* Mr. Zhang Wei resigned from his position as an employee representative Supervisor of the Company due to work re-allocation with effect from 17 February 2017. As elected and approved at the employee representative meeting of the Company, Mr. Cai Jingsheng succeeded Mr. Zhang Wei as an employee representative Supervisor of the Company with effect from 17 February 2017. For details, please refer to the announcement of the Company dated 17 February 2017.

*Note 4:* Mr. Zeng Zhiyong, an executive Director and vice chairman of the Board of the Company, has ceased to be a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company, but remained as an executive Director and vice chairman of the Board of the Company, with effect from 8 September 2017. Mr. Yang Yuchun, an executive Director of the Company, has been appointed as a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company, with effect from 8 September 2017. For details, please refer to the announcement of the Company dated 8 September 2017. Meanwhile, for the management purposes, the Company has changed its authorized representatives from Mr. Zeng Zhiyong and Mr. Ngai Wai Fung to Mr. Yang Yuchun and Mr. Ngai Wai Fung, with effect from 8 September 2017.

## CORPORATE INFORMATION (CONTINUED)

As at 30 June 2017

### 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 Beiqing 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

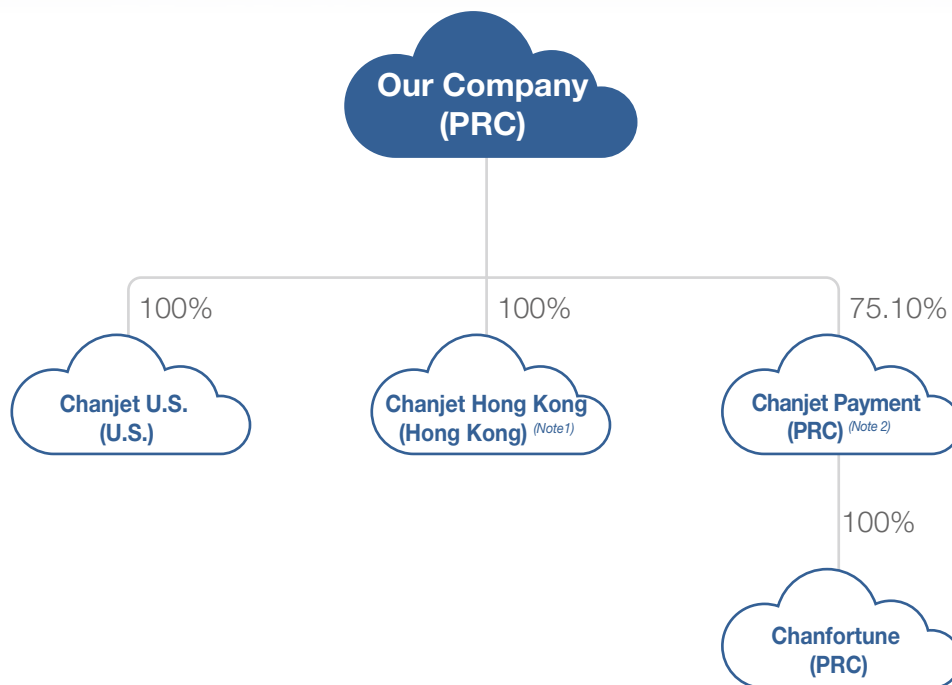
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## CORPORATE STRUCTURE

As at 30 June 2017



*Note 1:* Given that Chanjet Hong Kong did not conduct any actual operations in the past three years, and had no business plan for the next three years, the Board has agreed on the de-registration of Chanjet Hong Kong on 5 June 2017. As at the Latest Practicable Date, the de-registration of Chanjet Hong Kong are still in process and not yet completed.

*Note 2:* At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interest in Chanjet Payment by the Company to Yonyou; (ii) the capital increase to Chanjet Payment by Yonyou unilaterally; and (iii) the amendments to the non-competition agreement (the “**Non-competition Agreement**”) entered into between Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014, and the confirmation (the “**Confirmation**”) issued by Yonyou on 11 April 2014. Upon completion of the aforementioned transactions, Chanjet Payment will be owned by the Company and Yonyou as to 15% and 85%, respectively, and it will cease to be a subsidiary of the Company. As at the Latest Practicable Date, the disposal of Chanjet Payment has been completed. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017, and the circular of the Company dated 11 November 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Development trend of the industry

During the Reporting Period, China accelerated the reformation of fiscal and taxation system, strengthened the fiscal and taxation regulation over enterprises, and fully implemented the "Golden Tax Project Phase III (金税工程三期)". As driven by the national policy, the MSEs, which had been featured with poor management, gained stronger interests in standardized fiscal and taxation management and had more demands for internet-based fiscal and taxation tool services as well as fiscal and taxation knowledge services. With the increasing popularity of "Internet Plus (互聯網+)", the new-type start-ups developed rapidly while the traditional enterprises were also proactively seeking for internet-based transformation. Enterprises had to achieve the transformation and upgrade of operation and management models relying on internet-based IT solutions.

During the Reporting Period, with the rapid development of the mobile internet and cloud service industry, the enterprises' acceptance of SaaS remarkably increased; the increasingly mature cloud computing technology effectively solved enterprises' concern about data security. As a result, MSEs had obviously stronger interests to accept and proactively seek for cloud service. Meanwhile, China also provided significant support to the cloud computing industry. In March 2017, the Ministry of Industry and Information Technology of the PRC promulgated the "Three-year Action Plan on Development of Cloud Computing (2017–2019) (《雲計算發展三年行動計劃(2017–2019年)》)" to encourage the leading cloud computing enterprises to speed up development and realize ecological industrialization. The aforementioned factors will drive the rapid development of cloud service business for MSEs.

During the Reporting Period, the newly registered market entities in the PRC maintained rapid increase. According to the statistical data of the State Administration for Industry and Commerce (國家工商管理總局), the number of the newly registered market entities in China grew at a significantly faster pace of 13.2% from the same period of last year to 8,870,000, including 2,911,000 enterprises and 5,809,000 individual businesses; as at the end of the Reporting Period, the total number of market entities exceeded 89,000,000. As the market entity exit mechanism has also been gradually established, the market environment with orderly entry and exit is conducive to the improvement of enterprises' overall quality.

### Principal businesses and operating condition

During the Reporting Period, the Group focused on the financial and management services for MSEs, and accelerated the synergetic development of the software business and the cloud services business. Meanwhile, the Group integrated the online and offline resources. While reinforcing the competitiveness of software business, it continuously strengthened the construction of online operation system, expanded new type internet-based channel partners and rapidly developed paying enterprise users of cloud services business. As at the end of the Reporting Period, the newly registered enterprise users of software business exceeded 90,000, representing an increase of 12% as compared with the same period of last year; and the newly registered paying enterprise users of cloud services business exceeded 18,000.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the revenue of the Group amounted to RMB279.66 million, representing an increase of 20% as compared with the same period of last year. The growth of the revenue was mainly due to the increase in software revenue and service revenue. The increase in software revenue was mainly derived from T<sup>+</sup> products while the increase in service revenue was mainly generated from payment business.

The Group recorded profit of RMB46.70 million for the Reporting Period, as compared with the loss of RMB44.45 million for the same period of the previous year, and the profit attributable to the owners of the parent was RMB47.22 million as compared with loss attributable to the owners of the parent of RMB40.57 million for the same period of the previous year. The Group recorded profit for the period, mainly due to the significant decrease in the cost of Employee Trust Benefit Scheme and the improvement of the Group's operation and management. For the six months ended 30 June 2017, RMB30.08 million of cost for the Employee Trust Benefit Scheme was recorded under the administrative expenses, representing a decrease of 69% as compared with 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 RMB77.30 million, representing an increase of 34% as compared with the same period of last year, mainly attributable to the increase in revenue from software and cloud services and the decrease in the loss incurred by payment business.

### **1. Development of software business**

During the Reporting Period, while further tapping the MSE market, the Group laid its stress on commerce circulation and small manufacturing market and held over one thousand large-scale marketing activities as well as commercial and trade wholesale market promotion activities including "520 I Love MSEs (520我愛小微企業)", covering nearly one million merchants, which helped MSEs to constantly level up their management and promote sales of software products. The marketing activities mainly themed by "Golden Tax Project Phase III" and "settlement and payment of income taxes" are in line with the national financial and taxation policies and are widely recognized among the accounting practitioners.

During the Reporting Period, the Group launched T<sup>+</sup> V12.2, T1 V13.0 and other software products which thoroughly integrate the technical features of cloud computing, social networking services and mobile internet, to innovatively build the value idea of enterprise management centering on "personnel, finance, commodity and customers"; the release of T<sup>+</sup> DST (T<sup>+</sup>電商通) V2.0 enabled customers to share the logistics and order state with their distributors; the continuous optimisation of purchase-sale-stock management, member management, production management, financial management and other modules for T<sup>+</sup> series software products further enhanced the integrated management level of small-sized commercial and trade enterprises, and industrial and trade enterprises.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the Group continuously optimised the service support mode and explored the intelligent service mode through service calls, technical support network and online service community interaction to persistently guarantee 7 × 15 hours service support, which further improved the service quality and efficiency. Increasing efforts were exerted to promote product support service and optimise the long-term profit-making model to ensure the sustainable, stable and sound development of software business.

As at the end of the Reporting Period, the accumulated enterprise users of software business of the Group exceeded 1.23 million.

### **2. Development of cloud service business**

During the Reporting Period, given considerations to the demands for “new business, new management and new operation” of MSEs, the cloud service business of the Group integrated the collaborative office, financial management, purchase-sale-stock management and other core applications to gradually form combined application of cloud service and software, aiming to provide integrated management service of “personnel, finance, commodity and customer” for MSEs. Meanwhile, it further optimised the construction of product operation system, strengthened internet marketing capacity and proactively expanded the sales cooperation with e-commerce channels. In addition, it continued to seek for internet and resource-oriented new partners and stimulated motivation of the channel partners of the software business for sale of the combined application of cloud service and software. With the focus on the development of paying enterprise users, the Group attached importance to interactive marketing of paying enterprise users, and organized business and product training, driving the increase in revenue from cloud service business.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud service business of the Group exceeded 40,000.

#### *(1) Chanjet Good Accountant*

Chanjet Good Accountant, orienting at “intelligence, connection and platform”, provides safe and convenient financial services for MSE users. It realised the functions such as analysis of tax risks, and integration of invoices, accounting and taxes. Meanwhile, the products are embedded with accounting practice training, taxation training, real-time interaction with experts and other community characteristics to realise integration of tool services and knowledge services. During the Reporting Period, the integration of products and operation was achieved through self-marketing of products, real-time message channel directly accessing users, and the mechanism of referral of users by users. In respect of development of partners, the Group constantly established close cooperative relationship with financial and taxation and enterprise service partners and proactively expanded the sale channels to promote the revenue growth of Chanjet Good Accountant.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (2) *Biz Chat*

The collaborative application capacity of the Biz Chat was continuously optimised and upgraded. The further integration with T<sup>+</sup>, T6 and T1 series software products gives rise to the in-depth connection of organizational behavior and business data and offers low-cost and efficient one-stop management services for enterprises. New functions such as the customized approval and fixed approval process are newly added, with focuses on the management of "personnel, finance, commodity and customer". The Group has strengthened offline training support for channel partners and encouraged partners to focus on T<sup>+</sup> enterprise user base and develop paying enterprise users of Biz Chat; online methods including telemarketing and content marketing are adopted to promote customers to thoroughly apply Biz Chat for management of their enterprises, so as to achieve efficient collaborative office.

### (3) *Chanjet Good Business*

During the Reporting Period, the new version of Chanjet Good Business provided online and offline comprehensive marketing and transaction management services for MSEs in response to the new business forms such as remote online marketing, online transaction and online payment. With scenario driving, data driving and intelligent marketing as the core technical features, Chanjet Good Business helped MSEs to manage customers in a more effective way, enhance customer loyalty, customer's repurchase rate and per customer transaction as well as improve operational efficiency and customer experience.

### (4) *Chanjet Easy Accounting Agent*

During the Reporting Period, the function of integration of finance, invoice and taxes of Chanjet Easy Accounting Agent was further optimised. A more intelligent "accounting agent factory" mode was offered including one-click import of invoices and journals, intelligent generation of vouchers and one-click tax declaration for certain regions; the Group proactively explored the method for cooperative operation with industrial resources oriented companies. As at the end of the Reporting Period, over 5,000 accounting agent companies used Chanjet Easy Accounting Agent as their online operation management system.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **3. *Development of payment business***

During the Reporting Period, the payment business continued to diversify its merchant pools. As the range of standard payment products for enterprises has been expanded continually, the Group launched payment solutions for a range of industries.

### **4. *Development of employees and organizations***

During the Reporting Period, the Group continued to optimise the organisation and employee structure, and as at the end of the Reporting Period, the Group had 822 employees in total. In terms of talents deployment, in order to cater for the transformation of cloud application towards paid business, the Group increased the number of internet operation talents and the proportion of cloud application research and development talents. In terms of talents motivation, the Group implemented the incentive policy oriented at promoting results growth to encourage employees to overfulfil results; meanwhile, it continued to implement the Employee Trust Benefit Scheme by granting trust benefit units to 48 employees. In terms of talents development, the Group provided trainings on professional skills, cadre management, thinking reconstruction and reformation capacity by levels and stressed on rounds of enhancement and cultivation of professional capacity for sales, R&D and service personnel.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

In the second half of 2017, the Group will continue to focus on the market of financial and management services for MSEs. Meanwhile, it will capitalize on opportunities to accelerate the development of cloud service products and operation businesses, enhance cooperation with resource-oriented business partners, and gradually build an ecosphere of cloud services for MSEs.

The Group will take the initiative to convene the Global Innovation-based Enterprises Conference (全球創新企業大會) to brainstorm on solutions for transformation and upgrade of management mode by the MSEs in virtue of the integration of “personnel, finance, commodity and customer” under the new economic and retail environments. It will also organize the “Accounting Cultural Festival” for the year 2017 to cater for the upgrade demands of MSEs in respect of finance and management standards. In particular, the Group will invite accounting experts from the community of Accountants Home to delve into issues concerning management upgrade in the cloud finance era, which will also enhance the brand influence of the Group in respect of cloud finance and contribute to the construction of the top-notch brand of cloud services for MSEs in China.

The Group will continue to seek innovative breakthroughs in the cloud services application, further carry forward the in-depth integration of T+ series products and the Biz Chat, press ahead with the comprehensive implementation of “personnel, finance, commodity and customer” and realize all-rounded synergistic and integrated management of each business function of an enterprise, thereby further improving operation and management efficiency. As for Chanjet Good Accountant and Easy Accounting Agent, the Group will further strengthen the functions of the integration of invoices, accounting and taxes.

The Group will devote more efforts to accelerating the development of cloud service operation. Leveraging on the integrated sales system involving online operation, telemarketing and channel distribution, the Group will enhance the execution capability and the competence of all the staff, popularize the methodology of “personnel, finance, commodity and customer” and build a strong momentum for the marketing of T+ series and Biz Chat using the scenario-based marketing strategy. It will introduce the operation approach of customer life cycle to enhance customer loyalty based on the integration of invoices, accounting and taxes. Meanwhile, the Group will strive to build Chanjet Good Accountant into the top-notch brand of intelligent cloud finance in China and scale up the pool of paying customers rapidly in virtue of the marketing system integrating operation, telemarketing and resource-oriented business partners.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

	For the six months ended 30 June		Change in amount	Percentage change
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000		
Revenue	<b>279,655</b>	233,654	46,001	20
Cost of sales and services provided	<b>(42,544)</b>	(21,985)	(20,559)	94
Gross profit	<b>237,111</b>	211,669	25,442	12
Gross profit margin	<b>85%</b>	91%	(6%)	
Other income and gains, net	<b>40,654</b>	38,937	1,717	4
R&D costs	<b>(64,975)</b>	(77,141)	12,166	(16)
Selling and distribution expenses	<b>(77,296)</b>	(73,566)	(3,730)	5
Administrative expenses	<b>(82,423)</b>	(138,241)	55,818	(40)
Profit/(Loss) before tax	<b>53,071</b>	(38,342)	91,413	N/A
Income tax expense	<b>(6,375)</b>	(6,110)	(265)	4
Profit/(Loss) for the period	<b>46,696</b>	(44,452)	91,148	N/A
Attributable to:				
Owners of the parent	<b>47,221</b>	(40,566)	87,787	N/A
Non-controlling interests	<b>(525)</b>	(3,886)	3,361	(86)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Operating results

For the six months ended 30 June 2017, the revenue of the Group was RMB279.66 million, representing an increase of 20% over the same period of last year. The profit before tax was RMB53.07 million and the loss before tax for the same period of last year was RMB38.34 million. The profit for the period was RMB46.70 million and the loss for the same period of last year was RMB44.45 million. The profit attributable to the owners of the parent was RMB47.22 million and the loss attributable to the owners of the parent for the same period of last year was RMB40.57 million. The basic earnings per share of the Group was RMB0.23, while the basic loss per share was RMB0.20 for the same period of last year.

The profit for the period of the Group was mainly attributable to the significant decrease in the cost of Employee Trust Benefit Scheme and the improvement of the Group's operation and management. For the six months ended 30 June 2017, the cost of Employee Trust Benefit Scheme accrued under the administrative expenses was RMB30.08 million, and such cost for the same period of last year was RMB98.37 million. After deducting such expenses, the profit attributable to the owners of the parent was RMB77.30 million, and such profit for the same period of last year was RMB57.80 million, representing an increase of 34%, mainly due to the increase in revenue from software and cloud service business, as well as the decrease in loss incurred by payment business.

### Revenue

For the six months ended 30 June 2017, the revenue of the Group was RMB279.66 million, representing an increase of 20% as compared with the same period of last year, mainly due to the increase in revenue from software and services. Revenue from software was RMB216.21 million, representing an increase of 5% as compared with the same period of last year; revenue from services was RMB62.75 million, representing an increase of 136% as compared with the same period of last year, mainly due to the increase in revenue from payment business.

### Cost of sales and services provided

For the six months ended 30 June 2017, the Group's cost of sales and services provided was RMB42.54 million, representing an increase of 94% as compared with the same period of last year, mainly due to the increase in costs of payment business.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Gross profit and gross profit margin

For the six months ended 30 June 2017, the Group achieved a gross profit of RMB237.11 million, representing a growth of 12% as compared with the same period of last year, mainly attributable to the increase in revenue. The gross profit margin of the Group was 85%, representing a decrease of 6 percentage points as compared with the same period of last year. The decrease was mainly attributable to the increase in the proportion of revenue generated from payment service whose gross profit margin was approximately 27%.

### Other income and gains, net

For the six months ended 30 June 2017, the Group's other income and gains, net was RMB40.65 million, representing a growth of 4% as compared with the same period of last year, mainly due to an increase of 9% 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 income from bank deposits.

### 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			
	2017		2016	
	(Unaudited) RMB'000	%	(Unaudited) RMB'000	%
R&D costs of software business	22,263	32	20,974	26
R&D costs of cloud service business	39,891	56	48,082	60
R&D costs of payment business	2,821	4	8,085	10
<b>R&amp;D costs</b>	<b>64,975</b>	<b>92</b>	<b>77,141</b>	<b>96</b>
Additions to deferred development costs of cloud service business	5,988	8	3,124	4
<b>Additions to deferred development costs</b>	<b>5,988</b>	<b>8</b>	<b>3,124</b>	<b>4</b>
<b>Total R&amp;D investment</b>	<b>70,963</b>	<b>100</b>	<b>80,265</b>	<b>100</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2017, R&D costs of the Group amounted to RMB64.98 million, representing a decrease of 16% over the same period of last year, while the total R&D investment of the Group reached RMB70.96 million, representing a decrease of 12% over the same period of last year, mainly due to more R&D investment by the Group in cloud application than that in cloud platform during the Reporting Period.

### **Selling and distribution expenses**

For the six months ended 30 June 2017, the selling and distribution expenses of the Group were RMB77.30 million, representing an increase of 5% 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 2017, the administrative expenses of the Group were RMB82.42 million, representing a decrease of 40% as compared with the same period of last year, which was mainly due to the decrease of 69% in the expenses of the Employee Trust Benefit Scheme incurred during the Reporting Period as compared with the same period of last year.

### **Income tax expense**

For the six months ended 30 June 2017, the income tax expense of the Group was RMB6.38 million, representing an increase of 4% as compared with the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Profit/loss attributable to owners of the parent

For the six months ended 30 June 2017, the profit attributable to owners of the parent of the Group was RMB47.22 million, while the loss attributable to owners of the parent of the Group was RMB40.57 million for the same period of last year, which was mainly due to the decrease in the costs of Employee Trust Benefit Scheme.

### Loss attributable to non-controlling interests

For the six months ended 30 June 2017, the loss attributable to non-controlling interest of the Group was RMB0.53 million, representing a decrease of 86% as compared with the same period of last year, which was mainly due to the decrease in the loss of payment business of the Group.

### Liquidity and financial resources

#### Condensed cash flow statement

	<u>For the six months ended 30 June</u>		Change in amount
	<b>2017</b> <b>(Unaudited)</b> <b>RMB'000</b>	2016 (Unaudited) RMB'000	
Net cash flows from operating activities	<b>105,266</b>	63,830	41,436
Net cash flows used in investing activities	<b>(270,280)</b>	(96,362)	(173,918)
Net cash flows used in financing activities	-	(18,938)	18,938

#### Net cash flows from operating activities

For the six months ended 30 June 2017, net cash flows from operating activities of the Group was RMB105.27 million, representing an increase of RMB41.44 million as compared with the same period of last year, which was mainly due to the recovery of advance deposit of RMB40.00 million by the Group's payment business.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Net cash flows used in investing activities

For the six months ended 30 June 2017, net cash flows used in investing activities of the Group was RMB270.28 million, representing an increase of RMB173.92 million as compared with the same period of last year, which was mainly due to the increase in wealth management products and structural deposits of RMB301.00 million, while it was RMB50.00 million for the same period of last year; meanwhile, the Group has recovered the non-pledged term deposits with original maturity of more than three months of RMB34.05 million, while it was RMB41.00 million of non-pledged time deposits with original maturity of more than three months when acquired for the same period of last year.

### Net cash flows used in financing activities

For the six months ended 30 June 2017, the Group had no financing activities, while net cash flows used in financing activities for the same period of last year represented the payment made to trustees for the Employee Trust Benefit Scheme.

### Working capital

	<b>As at 30 June 2017 (Unaudited)</b>	As at 31 December 2016 (Audited)
Cash and bank balance ( <i>RMB'000</i> )	<b>416,873</b>	599,355
Current ratio	<b>203%</b>	286%
Gearing ratio	<b>0%</b>	0%

As at 30 June 2017, the cash and bank balance of the Group was RMB416.87 million (as at 31 December 2016: RMB599.36 million).

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 30 June 2017 was 203% (as at 31 December 2016: 286%). The decrease in current ratio was mainly due to the increase in current assets and 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 2017, capital expenditures of the Group mainly included deferred development costs of RMB5.99 million (for the same period of last year: RMB3.12 million); expenditure on office equipment, furniture and fittings was RMB1.69 million (for the same period of last year: RMB2.95 million).

### **Contingent liabilities**

As at 30 June 2017 and 31 December 2016, the Group did not have any contingent liabilities or any proposals on the contingent liabilities issue.

### **Charges on assets**

As at 30 June 2017 and 31 December 2016, the Group did not have any charges on assets.

### **Material investments**

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **Material acquisition and disposal of assets**

At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interest in Chanjet Payment by the Company to Yonyou; (ii) the capital increase to Chanjet Payment by Yonyou unilaterally; and (iii) the amendments to the non-competition agreement entered into between Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014, and the confirmation issued by Yonyou on 11 April 2014. Upon completion of the aforementioned transactions, Chanjet Payment will be owned by the Company and Yonyou as to 15% and 85%, respectively, and it will cease to be a subsidiary of the Company. As at the Latest Practicable Date, the disposal of Chanjet Payment has been completed. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017 and the circular of the Company dated 11 November 2016.

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

### **Foreign exchange risks**

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet U.S. and Chanjet Hong Kong, the subsidiaries of the Company, settled in foreign currencies (primarily US dollars and HK dollars). The Group will, subject to the foreign exchange fluctuation, conduct foreign exchange settlement and foreign exchange swap for the balance of proceeds raised in due course to alleviate foreign exchange fluctuation risks.

### **Interest rate risks**

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Events after the Reporting Period

On 17 July 2017, the Group was informed by “The Notice Forwarded by the Business Management Department of the People’s Bank of China of the Approval and Relevant Documents issued by the People’s Bank of China regarding the Change of Equity Structure of Beijing Chanjet Payment Technology Co., Ltd.” as received by Chanjet Payment that the Disposal of Chanjet Payment has been approved by the People’s Bank of China, whereby all of the conditions precedent set out in the Disposal Agreement have been satisfied accordingly as of 17 July 2017. For details please refer to the announcement of the Company dated 17 July 2017. As at the Latest Practicable Date, the disposal of Chanjet Payment has been completed.

### STAFF REMUNERATION POLICY

Remuneration of the staff of the Company is principally 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 PRC laws and regulations. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEE TRUST BENEFIT SCHEME

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015. This Scheme is a long-term incentive scheme designed for the scheme participants of the Company and its subsidiaries, with Domestic Shares and/or H Shares as target shares, trust beneficial right subject to effective conditions as incentive tool and trust benefit units determined by the trustees as unit of measurement. This Scheme has been amended at the annual general meeting convened by the Company on 18 May 2016. For details about the specific terms of and amendments to the Employee Trust Benefit Scheme, please refer to the announcements of the Company dated 13 April 2015, 8 June 2015, 31 March 2016 and 18 May 2016, and the circulars of the Company dated 23 April 2015 and 29 April 2016.

On 31 March 2017, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the second grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the second grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as scheme participants, the unlocking conditions of the remaining scheme participants under the second grant to unlock 30% of their trust benefit units would be fulfilled on 31 March 2017. On 5 June 2017, the Board approved the fourth grant of trust benefit unit subject to effective conditions to 48 scheme participants at nil consideration under the Scheme. The total number of the target shares under the fourth grant was 4,071,000. On 16 June 2017, the Board considered and approved the resolutions in relation to the second unlocking of the trust benefit units under the initial grant pursuant to the Scheme. According to the resolutions, save and except for some scheme participants under the initial grant who had terminated or released his/her labor contract with the Company, which has disqualified themselves as scheme participants and some scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to 16 June 2017, 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 2017. For details about the implementation of the Scheme during the Reporting Period, please refer to the announcements of the Company dated 31 March 2017, 5 June 2017 and 16 June 2017.

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 2017, 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/ Supervisors	Nature of interest	Relevant corporation (including associated corporation)	Number and class of shares of the relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/relevant corporation (including associated corporation) <sup>(1)</sup>	Approximate percentage of shareholdings in the relevant class of share capital of the Company <sup>(2)</sup>
<b>Directors</b>					
Mr. Wang	Interest in a controlled corporation <sup>(3)</sup>	the Company	153,853,258 Domestic Shares	70.84%	94.86%
	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>	60% <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
	Beneficial owner	Happiness Investment <sup>(5)</sup>	N/A <sup>(5)</sup>	15% <sup>(5)</sup>	N/A
Mr. Zeng <sup>(8)</sup>	Interest in a controlled corporation	the Company	2,061,008 Domestic Shares	0.95%	1.27%
Mr. Yang Yuchun	Beneficial owner	Yonyou <sup>(4)</sup>	40,900 Shares	0.00%	N/A
<b>Supervisors</b>					
Mr. Guo Xinping <sup>(9)</sup>	Interest in a controlled corporation	Yonyou <sup>(4)</sup>	68,298,923 Shares	4.66%	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 2017.
- (2) The calculation is based on the total number of 162,181,666 Domestic Shares in issue of the Company as at 30 June 2017.
- (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有限公司), respectively, which in turn hold approximately 28.64%, 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 2017, Yonyou held 153,853,258 Domestic Shares which accounted for approximately 70.84% 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 60%, 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 3,450,000 Domestic Shares, representing approximately 1.59% 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 partnerships 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 Xiping 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 4.66% of the issued shares of Yonyou. Therefore, Mr. Guo Xiping 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 2017, 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	Beneficial owner		
	4,120,784 Domestic Shares	Interest in a controlled corporation		
	Total: 153,853,258 Domestic Shares		70.84%	94.86%
UBS Group AG	8,789,600 H Shares (L)	Interest in a controlled corporation	4.05%	15.98%
UBS AG	22,203 H Shares (L)	Beneficial owner		
	22,200 H Shares (S)	Beneficial owner		
	9,675,800 H Shares (L)	Interest in a controlled corporation		
	Total: 9,698,003 H Shares (L)		4.47%	17.63%
	22,200 H Shares (S)		0.01%	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 of the Company as at 30 June 2017.
- (3) The calculation was based on the number of 162,181,666 Domestic Shares in issue and 55,000,000 H Shares in issue of the Company as at 30 June 2017, respectively.
- (4) As at 30 June 2017, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 4,120,784 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.



## OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2017, 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.

### 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 of the proceeds as at 30 June 2017 is set out below:

<b>Planned use</b>	<b>Budgeted amount</b> <i>HK\$</i>	<b>Actual usage amount</b> <i>HK\$</i>
For the R&D and marketing of the T <sup>+</sup> series software products	Approximately 290.69 million	Approximately 243.56 million
For the R&D of the cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million
To support the marketing and operation of the cloud services	Approximately 199.21 million	Approximately 133.44 million
To acquire relevant business and assets compatible with the business strategies	Approximately 85.49 million	Approximately 4.66 million
To fund the general working capital	Approximately 85.49 million	Approximately 85.07 million
	<hr/>	<hr/>
Total	Approximately 854.96 million	Approximately 660.06 million
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2017, the balance of the special account for the proceeds from H Shares issuance of the Company was HK\$187.22 million and RMB1.67 million (accumulating interest income of HK\$7.08 million and RMB18.78 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)

### MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 30 June 2017, 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 2017 (six months ended 30 June 2016: 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.

### 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 pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman of the audit committee. On 25 August 2017, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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

		<u>For the six months ended 30 June</u>	
		2017	2016
		<b>(Unaudited)</b>	(Unaudited)
		<b>RMB'000</b>	RMB'000
	<i>Notes</i>		
<b>Revenue</b>	3	<b>279,655</b>	233,654
Cost of sales and services provided	4	<b>(42,544)</b>	(21,985)
<b>Gross profit</b>		<b>237,111</b>	211,669
Other income and gains, net	3	<b>40,654</b>	38,937
Research and development costs	4	<b>(64,975)</b>	(77,141)
Selling and distribution expenses		<b>(77,296)</b>	(73,566)
Administrative expenses		<b>(82,423)</b>	(138,241)
<b>Profit/(Loss) before tax</b>	4	<b>53,071</b>	(38,342)
Income tax expense	5	<b>(6,375)</b>	(6,110)
<b>Profit/(Loss) for the period</b>		<b>46,696</b>	(44,452)
<b>Attributable to:</b>			
Owners of the parent	7	<b>47,221</b>	(40,566)
Non-controlling interests		<b>(525)</b>	(3,886)
		<b>46,696</b>	(44,452)
<b>Earnings/(Loss) per share attributable to ordinary equity holders of the parent</b>			
Basic ( <i>RMB cents</i> )	7	<b>23.2</b>	(20.3)
Diluted ( <i>RMB cents</i> )	7	<b>23.1</b>	(20.3)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Profit/(Loss) for the period</b>	<b>46,696</b>	(44,452)
<b>Other comprehensive income/(loss)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(273)</b>	314
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(273)</b>	314
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>46,423</b>	(44,138)
<b>Attributable to:</b>		
Owners of the parent	<b>46,948</b>	(40,252)
Non-controlling interests	<b>(525)</b>	(3,886)
	<b>46,423</b>	(44,138)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June</b>	31 December
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>6,337</b>	11,240
Intangible assets	9	<b>81,159</b>	90,639
Available-for-sale equity investments	10	<b>23,105</b>	23,650
Deferred tax assets		<b>14,220</b>	20,595
		<hr/>	<hr/>
Total non-current assets		<b>124,821</b>	146,124
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>6,137</b>	6,036
Trade and bills receivables	11	<b>1,000</b>	1,460
Prepayments, deposits and other receivables	12	<b>165,923</b>	65,246
Available-for-sale investment	13	<b>256,000</b>	85,000
Cash and bank balances	14	<b>416,873</b>	599,355
		<hr/>	<hr/>
		<b>845,933</b>	757,097
Assets of a disposal group classified as held for sale	15	<b>863,364</b>	422,089
		<hr/>	<hr/>
Total current assets		<b>1,709,297</b>	1,179,186
		<hr/>	<hr/>

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

			30 June 2017 (Unaudited) <i>RMB'000</i>	31 December 2016 (Audited) <i>RMB'000</i>
	<i>Notes</i>			
<b>Current liabilities</b>				
Trade payables	16		2,466	1,569
Other payables and accruals	17		91,899	103,587
Tax payable			3,880	5,494
			<u>98,245</u>	<u>110,650</u>
Liabilities directly associated with the assets classified as held for sale	15		745,291	301,906
			<u>843,536</u>	<u>412,556</u>
Total current liabilities			<u>843,536</u>	<u>412,556</u>
<b>Net current assets</b>			<u>865,761</u>	<u>766,630</u>
<b>Total assets less current liabilities</b>			<u>990,582</u>	<u>912,754</u>
<b>Net assets</b>			<u><u>990,582</u></u>	<u><u>912,754</u></u>
<b>Equity</b>				
Equity attributable to owners of the parent				
Issued capital			217,182	217,182
Treasury shares held under employee trust benefit scheme			(168,608)	(235,451)
Reserves			912,608	901,098
			<u>961,182</u>	<u>882,829</u>
<b>Non-controlling interests</b>			<u>29,400</u>	<u>29,925</u>
<b>Total equity</b>			<u><u>990,582</u></u>	<u><u>912,754</u></u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent											
	Treasury shares held under employee trust benefit scheme <i>(i)</i>	Capital reserve	Merger reserve	Share-based payment reserve <i>(i)</i>	Capital contribution	Statutory reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests <i>(ii)</i>	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2016</b>	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 <i>(note 18)</i>	-	(11,122)	-	-	-	-	-	-	-	(11,122)	-	(11,122)
Share-based payment <i>(note 18)</i>	-	-	-	-	99,687	-	-	-	-	99,687	-	99,687
Shares vested under employee trust benefit scheme <i>(note 18)</i>	-	88,352	33,242	-	(121,594)	-	-	-	-	-	-	-
<b>As at 30 June 2016 (unaudited)</b>	<b>217,182</b>	<b>(232,906)</b>	<b>904,037</b>	<b>(4)</b>	<b>105,078</b>	<b>545</b>	<b>51,415</b>	<b>2,115</b>	<b>(112,763)</b>	<b>934,699</b>	<b>32,636</b>	<b>967,335</b>

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

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Treasury shares held under employee		Share-based				Exchange			Non- controlling		Total equity
	Issued capital	trust benefit scheme (ii)	Capital reserve	Merger reserve	payment reserve (i)	Capital contribution	Statutory reserve	fluctuation reserve	Accumulated losses	Total	interests (iii)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2017</b>	217,182	(235,451)	903,829*	(4)*	137,572*	545*	51,415*	2,548*	(194,807)*	882,829	29,925	912,754
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	47,221	47,221	(525)	46,696
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(273)	-	(273)	-	(273)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(273)	47,221	46,948	(525)	46,423
Shares purchased for employee trust benefit scheme (note 18)	-	(274)	-	-	-	-	-	-	-	(274)	-	(274)
Share-based payment (note 18)	-	-	-	-	31,679	-	-	-	-	31,679	-	31,679
Shares vested under employee trust benefit scheme (note 18)	-	67,117	21,943	-	(89,060)	-	-	-	-	-	-	-
<b>As at 30 June 2017 (unaudited)</b>	<b>217,182</b>	<b>(168,608)</b>	<b>925,772*</b>	<b>(4)*</b>	<b>80,191*</b>	<b>545*</b>	<b>51,415*</b>	<b>2,275*</b>	<b>(147,586)*</b>	<b>961,182</b>	<b>29,400</b>	<b>990,582</b>

\* These reserve accounts comprise the consolidated reserves of RMB912,608,000 (31 December 2016: RMB901,098,000) in the consolidated statement of financial position.



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

*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 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. The Company and Yonyou entered into a disposal agreement on 21 October 2016, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire the 55.82% equity interest in Chanjet Payment owned by the Company, at the consideration of RMB195,561,000. Pursuant to the disposal agreement, completion of the disposal shall be conditional upon satisfaction of certain conditions, including obtaining approval from the relevant authorities (including but not limited to the People’s Bank of China) regulating Chanjet Payment. All of the conditions precedent set out in the disposal agreement have been satisfied as of 17 March 2017, which is described in note 22 to the financial statements. The assets and liabilities of Chanjet Payment were classified as held for sale in the consolidated statement of financial position as at 30 June 2017.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>For the six months ended 30 June</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>RMB'000</b>	<i>RMB'000</i>
<b>Operating activities</b>			
	Profit/(Loss) before tax	<b>53,071</b>	(38,342)
	Adjustments for:		
	Exchange (gains)/loss, net	<b>5,221</b>	(211)
	Interest income	<b>(8,142)</b>	(9,355)
	Share-based payment expense	<b>30,078</b>	98,368
	Depreciation of property, plant and equipment	<b>4,856</b>	4,970
	Amortisation of intangible assets	<b>16,170</b>	14,704
	Gain on disposal of property, plant and equipment	<b>(30)</b>	–
		<b>101,224</b>	70,134
	(Increase)/decrease in financial assets	<b>18,916</b>	(22,546)
	Increase/(decrease) in financial liabilities	<b>(15,744)</b>	9,393
	Others	<b>(127)</b>	(146)
		<b>104,269</b>	56,835
	Cash generated from operations	<b>104,269</b>	56,835
	Interest received	<b>2,611</b>	6,995
	Income taxes paid	<b>(1,614)</b>	–
		<b>105,266</b>	63,830
	Net cash flows from operating activities	<b>105,266</b>	63,830

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

		<u>For the six months ended 30 June</u>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>RMB'000</b>	<i>RMB'000</i>
<b>Investing activities</b>			
	Additions to intangible assets	<b>(6,227)</b>	(2,291)
	Purchases of financial investments	<b>(301,000)</b>	(50,000)
	Refund/(Purchase) of non-pledged time deposits with original maturity of more than three months when acquired	<b>34,053</b>	(41,000)
	Recovery of available-for-sale equity investments	<b>545</b>	–
	Others	<b>2,349</b>	(3,071)
	Net cash flows used in investing activities	<b>(270,280)</b>	(96,362)
<b>Financing activities</b>			
	Share purchase fund held by the trustee for share-based payment	–	(7,816)
18	Shares purchased for employee trust benefit scheme	–	(11,122)
	Net cash flows used in financing activities	–	(18,938)
	<b>Net decrease in cash and cash equivalents</b>	<b>(165,014)</b>	(51,470)
	Cash and cash equivalents at the beginning of period	<b>268,797</b>	641,282
	Changes in cash and cash equivalents included in assets held for sale	<b>21,806</b>	–
	Effect of foreign exchange rate changes, net	<b>(5,221)</b>	211
	<b>Cash and cash equivalents at the end of period</b>	<b>120,368</b>	590,023

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

		<b>For the six months ended 30 June</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Analysis of balances of cash and cash equivalents</b>			
	Cash and bank balances as stated in the statement of financial position	14 <b>416,873</b>	815,023
	Non-pledged time deposits with original maturity of more than three months when acquired	14 <b>(296,505)</b>	(225,000)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>		<b>120,368</b>	590,023

# 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 Hong Kong Limited 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 technical development, consulting, transfer, service and training on 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; information service of the second category value-added telecom business (restricted to internet information service); design, manufacturing, agency and publication of advertisement; 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.

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

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities	Legal category
			Direct	Indirect		
Chanjet Information Technology (Hong Kong) Limited ("Chanjet Hong Kong") (note 1)	Hong Kong 22 August 2012	USD1,000,000	100.00	–	Sale of computer software and hardware	Limited company
Chanjet Information Technology Corporation ("Chanjet U.S.")	California, the United States 5 November 2012	USD15,500,000	100.00	–	Technical development of computer software	Limited liability corporation
Chanjet Payment (note 2)	Beijing, the PRC 29 July 2013	RMB200,000,000	75.10	–	Internet payment, bank card receipt and technical development	Limited liability company
Beijing Chanfortune Network Corporate Limited	Beijing, the PRC 9 March 2016	RMB5,000,000	–	75.10	Internet information services and data processing	Limited liability company

*Note 1:* As at 5 June 2017, the board of directors approved the cancellation of Chanjet Hong Kong, given that Chanjet Hong Kong did not conduct any actual operations in the past three years and has no business plan for the next three years. As at the 25 August 2017, the cancellation of registration of Chanjet Hong Kong is still in process.

*Note 2:* For details, please refer to note iii) to the interim condensed consolidated statement of changes in equity.

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

## 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 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

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

### 2.2 Impact of 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 2016, except for the adoption of the amendments standards effective as of 1 January 2017. 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 amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of the amendments are described below:

# 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 amended International Financial Reporting Standards (Continued)

#### **Amendments to IAS 7 Statement of *Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

#### **Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.



## 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 amended International Financial Reporting Standards (Continued)

##### ***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses (Continued)***

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

##### **Annual Improvements Cycle – 2014–2016**

*Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the unaudited interim condensed consolidated financial statements, the Group did not provide these disclosures for its interest in Chanjet Payment, the subsidiary that was classified as held for sale as at 31 December 2016. The Group will disclose the required information in its annual consolidated financial statements for the year ending 31 December 2017.

## 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>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> <sup>1</sup>
Amendments to IAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
<i>Annual Improvements 2014–2016 Cycle</i>	<ul style="list-style-type: none"> <li>• IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i><sup>1</sup></li> <li>• IAS 28 <i>Investments in Associates and Joint Ventures</i><sup>1</sup></li> </ul>
IFRS 16	<i>Leases</i> <sup>2</sup>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</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>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

## 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>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Sale of software	<b>216,205</b>	206,782
Rendering of services	<b>62,745</b>	26,579
Sale of purchased goods	<b>705</b>	293
	<u><b>279,655</b></u>	<u>233,654</u>
<b>Other income and gains</b>		
Value-added tax refunds	<b>32,353</b>	29,548
Interest income	<b>8,142</b>	9,355
Government grants	<b>13</b>	–
Others	<b>146</b>	34
	<u><b>40,654</b></u>	<u>38,937</u>

## 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>2017</b> <b>(Unaudited)</b> <b>RMB'000</b>	2016 (Unaudited) RMB'000
Cost of software sold	<b>3,512</b>	6,189
Cost of services rendered	<b>38,729</b>	15,656
Cost of purchased goods sold	<b>303</b>	140
	<b>42,544</b>	21,985
Total cost of sales	<b>42,544</b>	21,985
Depreciation of items of property, plant and equipment	<b>4,856</b>	4,970
Amortisation of intangible assets	<b>16,170</b>	14,704
Minimum lease payments under operating leases	<b>7,372</b>	8,397
Research and development costs ( <i>note</i> )	<b>64,975</b>	77,141
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	<b>125,887</b>	122,448
Equity-settled share-based expense	<b>31,679</b>	99,687
Pension scheme contributions	<b>11,607</b>	11,700
	<b>169,173</b>	233,835
Less: Employee benefit expenses being capitalised in intangible assets	<b>(5,961)</b>	(3,100)
	<b>163,212</b>	230,735

*Note:* During the six months ended 30 June 2017, research and development costs of approximately RMB62,940,000 (six months ended 30 June 2016: RMB73,070,000) were 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>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Current tax	–	637
Deferred tax	<b>6,375</b>	5,473
Total tax charge for the period	<b><u>6,375</u></b>	<b><u>6,110</u></b>

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 2016 and 2017.

The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15%, and was entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2016. As at 30 June 2017, the Company had re-applied for the certificate of high and new technology enterprise, which is highly probable to be approved by the end of 2017, therefore it is reasonable to believe the Company would be subject to income tax at the rate of 15% and be entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2017.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% during the six months ended 30 June 2016 and 2017. 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 2016 and 2017.

The subsidiary incorporated in the United States has made no provision for profits tax as the subsidiary did not have any assessable profit during the six months ended 30 June 2017, The subsidiary was subject to income tax at the rate of 46.35% during the six months ended 30 June 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 any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

The calculation of the basic earnings (six months ended 30 June 2016: loss) per share amounts is based on the profit (six months ended 30 June 2016: loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 203,669,172 (six months ended 30 June 2016: 199,843,961) in issue during the six months ended 30 June 2017, 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.

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<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 calculations	<b>47,221</b>	(40,566)

## 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	
	2017 (Unaudited)	2016 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculations	203,669,172	199,843,961
Adjustment for the Scheme	<u>615,445</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of the diluted earnings/(loss) per share calculations	<u><u>204,284,617</u></u>	<u><u>199,843,961</u></u>

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment at a cost of RMB1,691,000 (six months ended 30 June 2016: RMB2,953,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB338,000 (six months ended 30 June 2016: RMB35,000) were disposed of by the Group during the six months ended 30 June 2017, with a net gain of RMB30,000 on disposal (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2017, the total amount of depreciation of property, plant and equipment was RMB4,877,000, of which an amount of RMB4,856,000 was charged to profit or loss, and an amount of RMB21,000 was capitalised into deferred development costs.

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.

As at 30 June 2017, the total cost of property, plant and equipment possessed by Chanjet Payment was RMB4,759,000, and the accumulated depreciation of those property, plant and equipment was RMB2,540,000, of which a net cost amount of RMB2,219,000 was classified as held for sale (as at 30 June 2016: Nil).

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

### 9. INTANGIBLE ASSETS

During the six months ended 30 June 2017, the amount of the addition of intangible assets was RMB9,156,000 (six months ended 30 June 2016: RMB3,617,000).

During the six months ended 30 June 2017, the total amount of amortisation of intangible assets was RMB16,170,000 (six months ended 30 June 2016: RMB14,704,000) charged to profit or loss.

As at 30 June 2017, the total cost of the intangible assets possessed by Chanjet Payment was RMB5,374,000 and the accumulated amortisation of the intangible assets was RMB733,000, of which a net amount of RMB4,641,000 was classified as held for sale (as at 30 June 2016: Nil).

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

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Unlisted equity investments, at cost	<b><u>23,105</u></b>	<u>23,650</u>



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

### 10. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (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 Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) (" <b>Happiness Yunchuang</b> ") ( <i>note</i> )	Beijing, China 22 November 2013	RMB94,553,000	10.00	–	Investment and asset management
Yonyou Mobile Telecommunications Technology Service Co., Ltd. (" <b>Yonyou Mobile</b> ")	Beijing, China 4 March 2014	RMB50,000,000	19.80	–	Mobile communication resale business
Xi'an Rongke Telecommunications Technology Co., Ltd.	Xi'an, China 24 February 2012	RMB1,250,000	15.00	–	Sale and manufacture of internet communication products, computer software and hardware, and technical development

*Note:* As at 19 January 2017, all partnership representatives of Happiness Yunchuang, including the Company, had agreed to the allocation repayment plan (the "**plan**") proposed during the 2016 annual partnership meeting. The plan required Happiness Yunchuang to repay the capital contribution to each partner first by the cash profit generated according to the partnership agreement assigned in 2013, limited to the amount of original registered capital. During the six months ended 30 June 2017, Happiness Yunchuang had allocated cash profit of RMB545,000 (six months ended 30 June 2016: Nil) to the Company, representing 10% of the ownership in Happiness Yunchuang. As at 30 June 2017, the nominal value of registered capital decreased to RMB94,553,000 as a result of such cash distribution.

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

### 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Trade receivables	–	10
Bills receivable	<u>1,000</u>	<u>1,450</u>
	<b>1,000</b>	1,460
Less: Impairment	<u>–</u>	<u>–</u>
	<u><b>1,000</b></u>	<u><b>1,460</b></u>

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 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Within 90 days	<b>500</b>	1,460
90 days to 180 days	<u>500</u>	<u>–</u>
	<u><b>1,000</b></u>	<u><b>1,460</b></u>

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

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Staff advances	<b>168</b>	298
Share purchase fund held by the trustee for share-based payment ( <i>note</i> )	<b>4,413</b>	4,687
Prepayments	<b>1,404</b>	1,344
Deposits and other receivables	<b>159,938</b>	58,917
	<b>165,923</b>	65,246
Less: Impairment	<b>—</b>	—
	<b>165,923</b>	65,246

*Note:* 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.

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

### 13. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2017, the Group held seven wealth investment products, including two purchased from Bank of Jiangsu with amounts of RMB50,000,000 and RMB13,000,000 each, two purchased from Industrial and Commercial Bank of China with amounts of RMB35,000,000 and RMB28,000,000 each, one purchased from China Merchants Bank with an amount of RMB53,000,000, one purchased from China Construction Bank with an amount of RMB64,000,000, and one purchased from China Guangfa Bank with an amount of RMB 13,000,000. All products consist of secured principle and floating income. Anticipated yields for the aforementioned products, which could only be redeemed upon maturity, vary from 3.05% to 4.15%.

As at 31 December 2016, the Group held two wealth investment products. One was purchased from Bank of Jiangsu with an amount of RMB50,000,000, and the other was purchased from Industrial and Commercial Bank of China with an amount of RMB35,000,000, respectively. Both products consist of secured principle and floating income. Anticipated yields for the aforementioned products, which could only be redeemed upon maturity, are 3.05% and 3.30% respectively.

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

### 14. CASH AND BANK BALANCES

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Cash on hand	<b>1,266</b>	31
Bank balances	<b>33,017</b>	72,013
Time deposits	<b>382,590</b>	527,311
	<hr/>	<hr/>
Cash and bank balances	<b>416,873</b>	599,355
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(296,505)</b>	(330,558)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of cash flows	<b>120,368</b>	268,797
	<hr/> <hr/>	<hr/> <hr/>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods 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 2017, the Group's non-pledged time deposits with original maturity of more than three months when acquired were three term deposits from China Construction Bank (Asia) and one term deposit from Bank of Tianjin.

As at 31 December 2016, the Group's non-pledged time deposits with original maturity of more than three months when acquired were three term deposits from China Construction Bank (Asia) and two term deposits from Bank of Tianjin.

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

### 15. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 21 October 2016, the Company and Yonyou entered into a disposal agreement, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire the 55.82% equity interest in Chanjet Payment owned by the Company, at a consideration of RMB195,561,000. As the transaction is expected to be completed within one year, the assets and liabilities of Chanjet Payment were classified as held for sale in the consolidated statement of financial position as at 30 June 2017 and 31 December 2016.

The major classes of assets and liabilities of Chanjet Payment classified as held for sale as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
<b>Assets</b>		
Property, plant and equipment	2,219	838
Intangible assets	4,641	2,175
Inventories	90	63
Trade receivables	6,401	11,059
Prepayments, deposits and other receivables	11,325	7,626
Customer reserves	723,065	275,899
Available-for-sale investment	53,000	–
Pledged deposits	500	40,500
Cash and bank balances	<u>62,123</u>	<u>83,929</u>
Assets of a disposal group classified as held for sale	<u>863,364</u>	<u>422,089</u>
<b>Liabilities</b>		
Trade payables	11,773	13,520
Other payables and accruals	<u>733,518</u>	<u>288,386</u>
Liabilities directly associated with the assets classified as held for sale	<u>745,291</u>	<u>301,906</u>
Net assets directly associated with the disposal group	<u><u>118,073</u></u>	<u><u>120,183</u></u>

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

### 16. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2017 and 31 December 2016, based on the invoice date, is as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Within 90 days	<b>1,167</b>	681
90 days to 1 year	<b>1,299</b>	876
Over 1 year	<b>–</b>	12
	<b><u>2,466</u></b>	<b><u>1,569</u></b>

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

### 17. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Advances from customers	<b>49,371</b>	44,111
Tax payable (other than income tax)	<b>10,391</b>	12,208
Staff payroll and welfare payables	<b>23,360</b>	39,412
Other payables	<b>8,777</b>	7,856
	<b><u>91,899</u></b>	<b><u>103,587</u></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 Group. The Scheme became effective on 8 June 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

The Company engaged or through its subsidiary engaged three separate qualified agents which are independent from each other to act as the trustees under the Scheme to set up three trusts, which include a connected trust that holds domestic shares only for the benefit of the Scheme participants who are connected persons of the Company and two non-connected trusts (one for 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 an initial grant, subsequent grant(s) and re-grant(s). The initial grant and subsequent grant(s) shall be completed by 31 December 2016 and re-grant(s) shall be completed within two years from the date of approval of the Scheme at the 2014 annual general meeting.

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



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

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

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

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

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

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

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

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

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

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

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

For the six months ended 30 June 2017

Date of grant	Notes	Fair value per share (RMB)	As at 1 January	Granted during the period	Forfeited during the period	Vested during the period	As at 30 June
16 June 2015	(a)	24.60	10,720,500	-	(2,474,000)	(3,526,500)	4,720,000
2 September 2015	(b)	10.43	84,000	-	(84,000)	-	-
31 March 2016	(c)	9.77	1,325,000	-	(71,000)	(382,500)	871,500
6 December 2016	(d)	8.84	2,690,000	-	(855,000)	-	1,835,000
5 June 2017	(e)	6.98	-	4,071,000	-	-	4,071,000
			<u>14,819,500</u>	<u>4,071,000</u>	<u>(3,484,000)</u>	<u>(3,909,000)</u>	<u>11,497,500</u>

For the six months ended 30 June 2016

Date of grant	Notes	Fair value per share (RMB)	As at 1 January	Granted during the period	Forfeited during the period	Vested during the period	As at 30 June
16 June 2015	(a)	24.60	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 movements of the target shares under the Scheme (Continued)

*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.
- (d) On 6 December 2016, the board of directors of the Company approved the third grant of trust benefit units subject to effective conditions to 30 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the third grant was 2,690,000 shares, representing approximately 1.24% of the total issued share capital of the Company as at 6 December 2016.
- (e) On 5 June 2017, the board of directors approved the re-grant of part of the trust benefit units that have become invalid from the beginning or lapsed pursuant to the Scheme subject to effective conditions of 48 Scheme participants, including directors, supervisors, mid-level and senior management, experts and core personnel of the Company, at nil consideration under the Scheme. The total number of target shares under the fourth grant was 4,071,000 shares.

## 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 grant/amended date. The fair value of the second grant was RMB14,795,000.

The fair value of the trust benefit units granted at the date of the third grant was calculated based on the market price of the Company's shares at the grant date. The fair value of trust benefit units granted under the third grant was RMB23,786,000.

The fair value of the trust benefit units granted at the date of the fourth grant was estimated using the Black-Scholes Model, taking into account the terms and conditions upon which the shares were granted. The fair value of the shares granted at the date of the fourth grant date was RMB28,415,000 and was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00%
Expected volatility (%)	57.53%
Risk-free interest rate (%)	0.52%–1.058%
Expected life (years)	1–8
Weighted average share price (RMB per share)	6.98

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

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

During the six months ended 30 June 2017, the trustees entrusted by the Company acquired 32,400 domestic shares of the Company from domestic shareholders (six months ended 30 June 2016: 1,137,400 H Shares acquired through the open market). The aggregate consideration paid to acquire the shares during the period was RMB274,000 (six months ended 30 June 2016: RMB11,122,000).

During the six months ended 30 June 2017, 3,484,000 (six months ended 30 June 2016: 600,000) target shares under the Scheme were lapsed due to vesting conditions not being fulfilled under the Scheme.

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, and some participants who failed to achieve their respective individual performance standard on his/her respective annual performance appraisal for the year immediately prior to 16 June 2017, 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 2017.

Except for some Scheme participants under the second grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, the vesting conditions of the remaining Scheme participants under the second grant to unlock 30% of their trust benefit units were fulfilled on 31 March 2017.

During the six months ended 30 June 2017, 3,909,000 (six months ended 30 June 2016: 4,975,500) target shares with a purchase cost of RMB67,117,000 (six months ended 30 June 2016: RMB88,352,000) were unlocked under the Scheme, resulting in the transfer out of RMB89,060,000 (six months ended 30 June 2016: RMB121,594,000) from the share-based payment reserve, with a difference of RMB21,943,000 (six months ended 30 June 2016: RMB33,242,000) credited to the capital reserve account.

During the six months ended 30 June 2017, the total amount of share-based payment expense was RMB31,679,000 (six months ended 30 June 2016: RMB99,687,000), of which an amount of RMB30,078,000 (six months ended 30 June 2016: RMB98,368,000) was recognised in profit or loss, and an amount of RMB1,601,000 (six months ended 30 June 2016: RMB1,319,000) was capitalised into deferred development costs.

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

### 19. OPERATING LEASE 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 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
Within one year	<b>4,494</b>	756
In the second to fifth years, inclusive	<b>1,989</b>	385
	<b>6,483</b>	1,141

## 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 2016 and 2017, the Group entered into the following significant transactions with related parties:

	<u>For the six months ended 30 June</u>	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Sales of goods and services to</i>		
<b>Fellow subsidiaries of the holding company</b>		
Shenzhen Qianhai UFIDA Lihe Financial Transaction Services Co., Ltd. (深圳前海用友力合金融服务有限公司)	<u>57</u>	<u>–</u>
<i>Purchases of goods and services from</i>		
<b>The holding company</b>		
Yonyou	2,100	425
<b>Fellow subsidiaries of the holding company</b>		
Yonyou Mobile	663	1,568
Yonyou Audit Software Co., Ltd.	–	94
Shanghai Bingjun Network Technology Co., Ltd. (Bingjun WangLuo) (上海秉鈞網絡科技股份有限公司)	<u>3</u>	<u>–</u>
	<u>2,766</u>	<u>2,087</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>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<i>Rental expenses paid to</i>		
<b>The holding company</b>		
Yonyou	<b>2,409</b>	3,179
<b>Fellow subsidiary of the holding company</b>		
Yonyou (Nanchang) Industry Base Development Co., Ltd.	<u>444</u>	<u>367</u>
	<u><b>2,853</b></u>	<u><b>3,546</b></u>

The above related party transactions were conducted 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 related parties*

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
<b>The holding company</b>		
Yonyou	6	126
<b>Trade related:</b>		
<b>Fellow subsidiary of the holding company</b>		
Yonyou Mobile	<u>100</u>	<u>29</u>
	<b><u>106</u></b>	<b><u>155</u></b>

The amounts due from a related parties were unsecured, interest-free and repayable on demand.

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

### 20. RELATED PARTY DISCLOSURES (CONTINUED)

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

##### *Due to related parties*

	<b>30 June 2017 (Unaudited) RMB'000</b>	31 December 2016 (Audited) RMB'000
<b>Trade related:</b>		
<b>The holding company</b>		
Yonyou	2,140	–
<b>Fellow subsidiaries of the holding company</b>		
Bingjun Wangluo	5	2
Yonyou Mobile	200	300
	2,345	302

#### (c) Loan from a related party

2016

	Amount <i>RMB'000</i>	Beginning date	Repayment date	Interest rate	Finance costs <i>RMB'000</i>
<b>The holding company</b>					
Yonyou	90,000	2016/9/28	2016/9/29	4.35%	11
Yonyou	300,000	2016/9/30	2016/10/8	4.35%	290
	390,000				301

During the six months ended 30 June 2017, no loan was borrowed from related parties.

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

### 20. RELATED PARTY DISCLOSURES (CONTINUED)

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

	<u>For the six months ended 30 June</u>	
	<b>2017</b> <b>(Unaudited)</b> <b>RMB'000</b>	2016 (Unaudited) RMB'000
Short term employee benefits	<b>5,128</b>	4,871
Pension scheme contributions	<b>355</b>	262
Total compensation paid to key management personnel	<b><u>5,483</u></b>	<b><u>5,133</u></b>

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 the above table, during the period from 2016 to 2017, 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 six months ended 30 June 2017, the total amount of the share-based payments relating to the trust benefit units granted to the key management personnel was approximately RMB5,371,000 (six months ended 30 June 2016: RMB37,831,000).

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

### 20. RELATED PARTY DISCLOSURES (CONTINUED)

#### (e) Disposal and capital increase

The Company and Yonyou entered into a Disposal Agreement on 21 October 2016, pursuant to which the Company has conditionally agreed to sell and Yonyou has conditionally agreed to acquire the 55.82% equity interest in Chanjet Payment, at a consideration of RMB195,561,000. The Company, Yonyou and Chanjet Payment entered into the capital increase agreement on 21 October 2016, pursuant to which, Yonyou has conditionally agreed to make a capital contribution to Chanjet Payment unilaterally in the amount of RMB100,000,000, among which, RMB57,087,000 shall be contributed to the registered capital of Chanjet Payment and the remaining RMB42,913,000 shall be contributed to the capital reserve of Chanjet Payment. The above transactions were approved at the extraordinary general meeting of the Company held on 30 December 2016. Upon completion of the above transactions, Chanjet Payment will be owned by the Company and Yonyou as to 15% and 85%, respectively and it will cease to be a subsidiary of the Company. As at 25 August 2017, the Company has not received the above consideration of RMB195,561,000, the transactions have not yet been completed.

### 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 from 3.05% to 4.15% 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.

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

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

The board of directors announced that the Company was informed by “The Notice Forwarded by the Business Management Department of the People’s Bank of China of the Approval and Relevant Documents issued by the People’s Bank of China regarding the Change of Equity Structure of Beijing Chanjet Payment Technology Co., Ltd.” that the disposal of Chanjet Payment has been approved by the People’s Bank of China, whereby all of the conditions precedent set out in the disposal agreement have been satisfied accordingly as of 17 July 2017.

### **23. CONTINGENT LIABILITIES**

As at 30 June 2017 and 31 December 2016, 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 25 August 2017.

## 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
“Chanfortune”	Beijing Chanfortune Network Co., Ltd. (北京暢捷優財網絡有限公司), a company established in the PRC with limited liability on 9 March 2016 with a registered capital of RMB5 million and a wholly-owned subsidiary of Chanjet Payment
“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), a company established in the PRC with limited liability on 29 July 2013
“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
“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 company incorporated in the PRC with limited liability, whose H Shares are 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 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 60% 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
“Latest Practicable Date”	15 September 2017, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained herein
“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 vice chairman
“MSE(s)”	micro and small scale enterprise(s)

## DEFINITIONS (CONTINUED)

“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 dated 16 June 2014
“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
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended 30 June 2017
“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 modified from time to time
“Shareholder(s)”	holders of the Shares of the Company
“Share(s)”	share(s) of the Company with nominal value of RMB1.00 each
“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
“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



## DEFINITIONS (CONTINUED)

“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 company incorporated in the PRC with limited liability 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