畅捷通

Chanjet

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

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

Stock code: 1588

2017
ANNUAL REPORT

Contents

CORPORATE INFORMATION

As at 31 December 2017

DIRECTORS

Non-executive Directors

Wang Wenjing *(Chairman)*
Wu Zhengping

Executive Directors

Zeng Zhiyong *(Vice Chairman)*[Note 1]
Yang Yuchun *(President)*[Note 1]

Independent Non-executive Directors

Chen, Kevin Chien-wen
Lau, Chun Fai Douglas
Chen Shuning[Note 2]

SUPERVISORS

Shareholder Representative Supervisors

Guo Xinping *(Chairman)*
Zhang Peilin

Independent Supervisors

Ruan Guangli
Ma Yongyi

Employee Representative Supervisors

Deng Xuexin
Cai Jingsheng[Note 3]

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Chen Shuning *(Chairman)*[Note 2]
Wang Wenjing
Chen, Kevin Chien-wen

REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas *(Chairman)*
Yang Yuchun[Note 1]
Chen Shuning[Note 2]

STRATEGIC COMMITTEE

Wang Wenjing *(Chairman)*
Yang Yuchun[Note 1]
Chen Shuning[Note 2]

JOINT COMPANY SECRETARIES

You Hongtao
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 the vice chairman of the Board and an executive Director, respectively, with effect from 18 May 2017. As Mr. Zeng would focus on the work as the vice chairman of the Board 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 with effect from 9 January 2017. Mr. Zeng Zhiyong has ceased to be a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company with effect from 8 September 2017, and the Board approved the appointment of Mr. Yang Yuchun as a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company on 8 September 2017. For details, please refer to the announcements of the Company dated 9 January 2017, 18 May 2017 and 8 September 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 extraordinary general meeting 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, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company upon his retirement. The Company appointed Mr. Chen Shuning as an independent non-executive Director, the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company on 8 September 2017. For details, please refer to the announcements of the Company dated 18 July 2017 and 8 September 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 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.

CORPORATE INFORMATION (Continued)

As at 31 December 2017

AUTHORIZED REPRESENTATIVES *Note 4*

Yang Yuchun
Ngai Wai Fung

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 *Note 5*

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

CONTACT INFORMATION FOR INVESTORS

Tel: (8610) 6243 4214
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Note 4: For the management purposes of the Company, the Board approved the change of the authorized representatives of the Company from Mr. Zeng Zhiyong and Mr. Ngai Wai Fung to Mr. Yang Yuchun and Mr. Ngai Wai Fung on 8 September 2017.

Note 5: On 2 February 2018, the Company obtained the renewed business license for corporate legal person issued by Beijing Administration for Industry and Commerce (北京市工商行政管理局), confirming the registered address of the Company has been changed to "Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing".

CORPORATE PROFILE

As a subsidiary of Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), the Company was established in March 2010 and was listed on the Main Board of the Hong Kong Stock Exchange on 26 June 2014 (Stock code: 1588). Taking "facilitating MSEs' development through information technology" as its mission and striving for the vision of becoming a worldwide leading provider of financial and management services of MSEs, the Company is committed to providing platform services, application services, data services and financial services for MSEs in the PRC, with a focus on financial and management services.

The Company had been regarded as the "Key Software Enterprises under the National Planning Layout (國家規劃佈局內重點軟件企業)" for years. In 2017, the Company was awarded the "2017 Team Award in Respect of the Ecological Cooperation for Chinese Enterprise Service (2017中國企業服務生態合作年度團隊獎)" at the China Software Eco Conference (中國軟件生態大會). Its relevant services and products successfully passed the safety certification of "Trusted Cloud ("可信雲")" in 2017 and was granted with the "Enterprise-class SaaS Service Award (企業級SaaS服務獎)" by "Trusted Cloud ("可信雲")". The Company was also shortlisted for the "2017 Most Preferred Service Providers for SMEs in China" jointly issued by the China Center for Promotion of SME Development of the Ministry of Industry and Information Technology and China International Cooperation Association of Small and Medium Enterprises.

CORPORATE STRUCTURE

As at 31 December 2017

Notes:

(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 resolved to deregister 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.

(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 1 September 2017, the disposal of Chanjet Payment has been completed. Thereafter, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and ceased to be a subsidiary of the Company. As at the Latest Practicable Date, the transaction concerning the aforesaid capital increase has not been completed yet. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017, and the circular of the Company dated 11 November 2016.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**498,595**	430,784	345,796	335,075	311,929
Gross profit	**426,843**	359,021	316,013	309,560	284,916
Profit/(Loss) before tax	**242,777**	(136,903)	(88,821)	106,235	131,187
Profit/(Loss) for the year	**222,837**	(129,207)	(80,202)	96,925	120,150
In which: Profit/(Loss) for the year attributable to owners of the parent	**224,913**	(122,610)	(72,617)	101,640	121,128
Basic earnings/(loss) per share *(cents/share)*[note]	**109.5**	(60.8)	(34.5)	53.3	74.7

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,277,332**	1,325,310	1,028,877	1,343,439	685,343
Total liabilities	**126,316**	412,556	105,969	99,360	114,701
Total equity	**1,151,016**	912,754	922,908	1,244,079	570,642
In which: Equity attributable to owners of the parent	**1,151,016**	882,829	886,386	1,224,872	546,720
Net assets per share *(RMB/share)*[note]	**5.6**	4.5	4.2	6.4	3.4

Note: Basic earnings/(loss) per share and net assets per share were based on weighted average share capital during the Reporting Period.

CHAIRMAN'S STATEMENT

Wang Wenjing
Chairman

Dear honorable Shareholders,

On behalf of the Board, I hereby present the Shareholders with the 2017 annual report of the Group and report the 2017 results and the development plan of the Group for 2018 for the Shareholders' perusal.

During the Reporting Period, the Group focused on the financial and management services for MSEs, and steadfastly carried forward the synergetic development of the software business and the cloud service business. Through continuous integration of the online and offline resources while steadily promoting the cost-effective growth of its software business, it devoted greater efforts to seeking for breakthroughs in the operation of its cloud service business at a higher speed and actively developed partners in this regard, targeting on the development of paying enterprise users. The newly registered paying enterprise users of cloud service business exceeded 50,000, representing a year-on-year increase of 200%.

During the Reporting Period, the revenue of the Group amounted to RMB498.60 million, representing a year-on-year increase of 16%. The revenue growth was mainly due to the increase in revenue from software business and cloud service business. The increase in revenue from software business was mainly due to an increase of 28% in revenue from T^+ software (an increase of 4 percentage points in contribution to the total revenue) as the Group concentrated on the promotion of the "personnel, finance, commodity and customer" – integrated management mode which effectively facilitated the sales of T^+ series products. The increase in revenue from cloud service business was mainly due to the substantial increase in the number of the newly registered paying enterprise users of cloud service business, which resulted in an increase of 178% in the revenue accordingly.

During the Reporting Period, the Group recorded profit of RMB222.84 million for the year, as compared with the loss of RMB129.21 million for the previous year, and the profit attributable to the owners of the parent was RMB224.91 million as compared with loss attributable to the owners of the parent of RMB122.61 million for the previous year. The profit of the Group for the year was principally attributable to the increase in revenue from software and cloud service business, the investment income received from the disposal of 55.82% equity interests in Chanjet Payment, the significant decrease in the cost of the Employee Trust Benefit Scheme and the improvement of the operation and management of the Group.

During the Reporting Period, the Group effectuated the cost-effective growth in respect of software business. To be specific, the Group continued to tap the MSEs market and fully popularized the "personnel, finance, commodity and customer"- integrated management products among MSEs in cooperation with nearly 2,000 channel partners so as to facilitate the cost reduction and efficiency improvement of MSEs; meanwhile, it thoroughly integrated the technical features of cloud computing, social networking services and mobile internet into software products so as to innovatively provide enterprises with management services centering on "personnel, finance, commodity and customers"; furthermore, it proceeded to level up the mode of product support services, thereby optimizing the long-term profit-making mode.

During the Reporting Period, in response to the consumption upgrade under the new economic and retailing environment, the Group provided MSEs with cloud management services that integrated "personnel, finance, commodity and customer" and cloud finance services that integrated finance, invoice and taxes in line with the "new business, new management, new operation" needs and through integrating financial management, purchase-sale-stock management, collaborative office, client management and other core applications; furthermore, it placed its focus on the development of paying enterprise users, which drove the increase in the number of paying enterprise users and the revenue of cloud service business.

PROSPECTS

In 2018, the Group will continue to focus on the financial and management services for MSEs, build the top-notch brand of intelligent cloud finance for MSEs and the topnotch brand of cloud services for MSEs and develop faddish cloud service products, with the view to achieving scale economy of cloud service business and cost-effective growth of software business.

The Group will continue to accelerate the product application and innovation with greater efforts and proceed to improve user experience through concentrated resource and rapid breakthrough in accordance with the structure of Chanjet cloud service business. As for Chanjet Good Business, the Group will continue to underline the "online, connecting, data-based and intelligent" features and improve the linkage to external business platforms and payment platforms in the data-driven mode and in accordance with different transaction scenarios of the clients so as to facilitate the closed-loop intelligent business practice of MSEs. As for Chanjet Good Accountant, the Group will deeply expand the finance and taxation integration function and further improve user experience based on the concept of intelligent cloud finance. Besides, it will roll out an integrated intelligent cloud service application for MSEs by integrating Chanjet Good Accountant and Chanjet Good Business so as to materialize the "Intelligent Company (智公司)" management concept featuring intelligent analysis, intelligent marketing, intelligent sale and intelligent management. As for T^+ Cloud, the characteristics of cloud services will be further ameliorated and measures will be taken to reinforce supporting for new retailing and multi-channel sales, thereby helping enterprises to further improve effectiveness of their business operation. Moreover, the Group will carry forward the development of data services at a higher pace and push ahead the further application of data and keep on the exploratory development of digital value-added services.

The Group will energetically promote the development of the cloud service business, improve the operation systems of cloud business and empower and guide the channel partners in the transformation and upgrade towards cloud service business; continue to develop partners in the internet, resource-based and financial industries; and accelerate the upgrade from traditional software users to cloud users, thus providing millions of MSEs with "Cloud Access (上雲)". Meanwhile, it will strengthen the open system interconnection, ecological connection and mode innovation, map out date services and level up the user operation systems, aiming for forming an ecosphere of cloud services for MSEs.

The Group will capitalize on the opportunities arising from the accounting transformation in the industry in the cloud finance era to improve the user operation systems and build new marketing mode featuring "linkage, interaction, trust, value demonstration and transformation"; meanwhile, it will enhance the branding influence of Chanjet through the GICC 2018 (2018年度全球小微企業創新大會), "520 I Love MSEs (520我愛小微企業)", "Accounting Cultural Festival" and other branding promotion activities.

The Group will continue to foster and introduce talents specialized in cloud operation and cloud development and procure the transformation of outstanding software development talents into cloud development talents; it will establish the result-oriented incentive system to give more generous rewards to strivers with high performance; and the innovative structural mode of "Mini Team (微團隊)" will be adopted to strengthen the endogenous driving forces of the staff.

On behalf of the Board, I sincerely express my gratitude to the support of all Shareholders and investors. I would also express my genuine appreciation to the wholehearted efforts made by the management and all employees for the development of the Group.

Wang Wenjing
Chairman
23 March 2018

BUSINESS REVIEW

Development Trend of the Industry

During the Reporting Period, as driven by the continuous effects of China's commercial system reform and the ongoing improvement of the market access standards, competition conditions and consumption environment, the market was injected with more vitalities and operated in an increasingly orderly manner. The newly registered market entities maintained a relative rapid growth in China. According to the State Administration for Industry and Commerce, the newly registered market entities in China amounted to 19,249,000 in 2017, representing a year-on-year increase of 16.6%; the newly registered enterprises amounted to 6,074,000, representing a year-on-year increase of 9.9%; the newly registered individual businesses amounted to 12,898,000, representing a year-on-year increase of 20.7%; as at the end of the Reporting Period, the total market entities exceeded 98,148,000, comprising 30,337,000 enterprises and 65,794,000 individual businesses. As the majority of newly registered market entities were MSEs, the Group has been bolstered up with market base for its continuous development.

During the Reporting Period, in order to further promote the healthy and rapid development of cloud computing, the Ministry of Industry and Information Technology 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)》)", which set forth the development goal that "we aim to effectuate an industry scale of RMB430 billion in cloud computing, master a batch of core technologies and be capable of providing internationally advanced cloud computing services by 2019, whereby considerably driving the development of the new generation of information technology." Under the guidance of the said plan, the Ministry of Industry and Information Technology and its local counterparts viewed further utilization as a spur to the development of cloud computing industry and drove the rapid development of cloud computing industry through "cloud access for enterprises (企業上雲)". As guided by the local governments and through gradually promoting the "cloud access for enterprises (企業上雲)" as planned, MSEs were conspicuously more willing to receive cloud services than ever before.

During the Reporting Period, technologies such as mobile internet, big data, artificial intelligence, block chain and internet of things enjoyed a rapid development, the consumption had been upgrading under the new economic and retailing environment and mobile payment were widely utilized. Under such changes in the external commercial environment, MSEs were also going through an intense reform in respect of the business and operation modes. MSEs intended to make the best of digitalization technologies to accomplish their goals of income growth, cost reduction, efficiency improvement and risk control. MSEs were more willing to receive and in direr need of new cloud applications than expected, which procured the providers of cloud services for MSEs to cater to the development and changes of the market and their clients in a prompt manner by rolling out new products and employing new operation modes.

Major Risks and Uncertainties

In respect of the industry, Internet magnates devoted greater efforts to enterprise cloud services to preempt the market, which resulted in increasingly fierce industrial competition. The Group, steadfastly fixating on the field of financial and management service for MSEs, responded to the industrial challenges in a proactive manner by accelerating its pace to create faddish intelligent cloud finance products and building itself into the top-notch brand of intelligent cloud finance and the top-notch brand of cloud services for MSEs in virtue of its extensive experience drawn from years of services for MSEs and profound understanding of enterprise cloud services.

In respect of human resources, the rapid development of cloud computing stoked up more intensifying personnel competition and the costs for retaining and attracting capable staff had been increasing consequently. The Group continued to increase its efforts on the employer brand building, reinforced the transformation of outstanding R&D personnel from software development to cloud development and adopted targeted measures in regard of staff retention and rewarding.

Principal Business and Operating Conditions

1. Development of software business

During the Reporting Period, the Group launched T^+ V12.2, T^+ V12.3 and other software products which thoroughly integrated the technical features of cloud computing, social networking services and mobile internet, to innovatively build the idea of enterprise management centering on "personnel, finance, commodity and customer"; further developed the mobile applications to keep the managers fully informed of the operating updates of their enterprises on the mobile phone whenever possible; supplemented the sales management modes such as promotion sales, on-stream carting sales, e-commerce and online orders so as to provide enterprises with management support for their multi-channel sales; and adopted new technologies such as electronic invoicing and e-logistics, whereby the business efficiency and benefits had been leveled up substantially.

During the Reporting Period, the Group continued to tap the MSEs market and fully popularized the "personnel, finance, commodity and customer"-integrated management products among MSEs in cooperation with nearly 2,000 channel partners so as to facilitate the cost reduction and efficiency improvement of MSEs. As for marketing, the Group carried out thousands of "personnel, finance, commodity and customer" training sessions and various market promotion campaigns themed by "Golden Tax Project Phase III (金稅工程三期)", "settlement and payment of income taxes (匯算清繳)", "share of cloud management through intelligent cloud finance (智能雲財務，共享雲管理)", "520 I Love MSEs (520我愛小微企業)" and the "Tenth Session of the Accounting Cultural Festival", which drove the sales of software products while improving capabilities of accounting practitioners via such training sessions.

During the Reporting Period, the Group continuously optimized the service support mode by ongoing consummation of the Chanjet Service Community, wherein the users had their problems in respect of product application solved and learned professional knowledge on finance, taxation as well as enterprise digitalization. Meanwhile, it explored the intelligent service mode and launched the "service wiz intelligent robot (服寶智能機器人)" to provide 7×24 hours intelligent service, which further improved the service quality and efficiency. In addition, it continued to advance product support services and optimize the long-term profit-making model so as to ensure the stable, sustained 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 1.31 million.

2. *Development of cloud service business*

During the Reporting Period, the Group devoted more efforts to accelerate the development of cloud service operation. Meanwhile, it proactively sought for internet and resource-oriented partners and inspired the enthusiasm of channel partners for sale of cloud services. Moreover, it developed and adopted the business operation supporting system that integrated online operation and offline channel marketing, thus effectuating operation management for clients throughout the service life. Besides, it fixated the focus on the development of paying enterprises users, which boosted the increase in the number of paying enterprise users and the revenue of cloud service business.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud service business of the Group exceeded 70,000.

(1) *Chanjet Good Accountant (暢捷通好會計)*

During the Reporting Period, Chanjet Good Accountant fully realized the intelligent financial accounting and the integration of invoices, accounting and taxes by orienting at "intelligence, connection and platform" based on artificial intelligence technology. The intelligent financial accounting facilitated enterprises to improve the efficiency of financial accounting, and the management accounting helped level up management and operation standards of enterprises through visualized analysis and the integration of invoices, accounting and taxes enabled enterprises to control tax-related risks and save taxes in a reasonable manner. Meanwhile, the products are embedded with accounting practice training, taxation training, real-time interaction with experts and other community characteristics so as to promote the leveling up of financial and taxation management standards and capability in accounting business of enterprises and achieve the simultaneous growth of MSEs and their accounting personnel. Furthermore, it continued to replenish the online and offline operating modes through proactively expanding the cooperation channels and seeking for more accesses to business opportunities in virtue of its business operating supporting system, thus effectively stimulating the rapid growth in the customer number and the revenue of Chanjet Good Accountant.

(2) *T^+ Cloud*

During the Reporting Period, the Group developed and rolled out T^+ Cloud based on cloud computing, mobile internet, big data and other technologies. The SaaS mode was introduced into the T^+ Cloud to satisfy the real-time online financial accounting, business management and business efficiency improvement needs of small enterprises, thereby reducing IT expenditures and maintenance costs of enterprises and improving data safety. Since its official launch in September 2017, T^+ Cloud has been well received by the end users and business partners in a short time and has maintained a favorable sale performance.

(3) *Biz Chat (工作圈)*

During the Reporting Period, the capacities in collaborative application and integration of enterprise businesses of Biz Chat was further optimized and upgraded while its full integration with T^+, T6, T1 and T^+ Cloud series products was completed. Targeted at the integration of "personnel, finance, commodity and customer", Biz Chat gave rise to the in-depth connection between the enterprise organizational behavior and the operation procedures and business data, thus providing low-cost and efficient one-stop management services for enterprises.

(4) *Chanjet Good Business (暢捷通好生意)*

During the Reporting Period, in response to the new business forms such as online marketing, online transaction and online payment, the Group developed and rolled out the new version of Chanjet Good Business, which employed the fire-new cloud service technology and the micro-service structure as well as core technologies characterized by scenario driving, data driving and intelligent marketing, thus providing online and offline comprehensive marketing and transaction management services for MSEs.

(5) *Chanjet Easy Accounting Agent (暢捷通易代賬)*

During the Reporting Period, upholding the gist of "concise, convenient, automated and intelligent", the Group continued to build the Chanjet Easy Accounting Agent into an intelligence-based "accounting agent factory" for accounting agent companies and effectuated the one-click tax declaration in certain regions. Chanjet Easy Accounting Agent facilitated the overall efficiency improvement and the reduction of tax-related risks for accounting agent companies in virtue of its automated accounting and intelligent tax-related risk control functions. As for ecological cooperation, it made proactive efforts to explore methods for cooperative operation with industrial resource-oriented companies so as to further scale up the enterprise user base.

3. *Development of brand and market*

During the Reporting Period, the Company was shortlisted for the "2017 Most Preferred Service Providers for SMEs in China (2017中國中小企業首選服務商)" jointly issued by the China Center for Promotion of SME Development of the Ministry of Industry and Information Technology and China International Cooperation Association of Small and Medium Enterprises.

During the Reporting Period, the Group also organized and carried out market promotion activities such as "520 I Love MSEs (520我愛小微企業)" and the "Tenth Session of the Accounting Cultural Festival". It also invited experts in the accounting field to participate in the in-depth discussions over issues concerning accounting transformation in the cloud finance era on the website of Accounting Home so as to guide the refreshment of consumption concepts of the customers and improve the brand influence of the intelligent cloud finance of Chanjet, i.e., Chanjet Good Accountant.

During the Reporting Period, the Group initiated and hosted the GICC (全球小微企業創新大會). It also came up with the idea of "Intelligent Company (智公司)", which meant to leverage on the driving effects of data and internet synergy, capitalize on the four kernel controlling systems including intelligent analysis, intelligent marketing, intelligent sale and intelligent management, and integrate innovation-based technologies to facilitate the MSEs in income increases, cost reduction and efficiency improvement through cloud service application.

FINANCIAL REVIEW

	For the year ended 31 December		Change	Percentage
	2017	2016	in amount	change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**498,595**	430,784	67,811	16
Cost of sales and services provided	**(71,752)**	(71,763)	11	0
Gross profit	**426,843**	359,021	67,822	19
Gross profit margin	**86%**	83%	3%	
Other income and gains	**255,572**	65,394	190,178	291
Research and development costs	**(107,356)**	(158,879)	51,523	(32)
Selling and distribution expenses	**(164,621)**	(174,332)	9,711	(6)
Administrative expenses	**(160,180)**	(224,927)	64,747	(29)
Other expenses	**(8,103)**	(2,879)	(5,224)	181
Finance costs	**–**	(301)	301	–
Share of profit of an associate	**622**	–	622	–
Profit/(loss) before tax	**242,777**	(136,903)	379,680	N/A
Income tax credit/(expense)	**(19,940)**	7,696	(27,636)	N/A
Profit/(loss) for the year	**222,837**	(129,207)	352,044	N/A
Attributable to:				
Owners of the parent	**224,913**	(122,610)	347,523	N/A
Non-controlling interests	**(2,076)**	(6,597)	4,521	(69)

Operating Results

For the year ended 31 December 2017, the revenue of the Group was RMB498.60 million, representing a year-on-year increase of 16%. The profit before tax was RMB242.78 million as compared with the loss before tax of RMB136.90 million for the previous year; the profit for the year was RMB222.84 million whilst the loss for the previous year was RMB129.21 million. The profit attributable to the owners of the parent was RMB224.91 million as compared with the loss attributable to the owners of the parent of RMB122.61 million for the previous year and the basic earnings per share of the Group was RMB1.095 as compared with the basic loss per share of RMB0.608 for the previous year.

The profit for the year was mainly attributable to the increase in revenue from software and cloud services business, the investment gain received from the disposal of 55.82% equity interests in Chanjet Payment, the significant decrease in the cost of the Employee Trust Benefit Scheme as compared with that of the previous year and the improvement of the operation and management of the Group. For the year ended 31 December 2017, the investment gain of the Group from the disposal of 55.82% of equity interests in Chanjet Payment amounted to RMB179.17 million; the costs for the Employee Trust Benefit Scheme, which were recorded under the administrative expenses, decreased by RMB73.06 million as compared with that of the previous year; and the revenue from software and cloud service business recorded an increase of RMB64.94 million as compared with the previous year.

Revenue

For the year ended 31 December 2017, the revenue of the Group was RMB498.60 million, representing an increase of 16% as compared with that of the previous year. The increase in the revenue was mainly due to the increases in revenue from the software business and cloud service business. The increase in software business revenue was mainly due to an increase of 28% in T^+ software products revenue. The increase in cloud service business revenue was mainly attributable to the significant increase in the newly registered paying enterprise users, which resulted in a revenue increase of 178% accordingly.

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

	For the year ended 31 December				Change in amount	Percentage change
	2017		2016			
	RMB'000	**%**	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from software business	**423,966**	**85**	375,188	87	48,778	13
Revenue from cloud service business	**25,254**	**5**	9,091	2	16,163	178
Revenue from payment business	**49,375**	**10**	46,505	11	2,870	6
Revenue	**498,595**	**100**	430,784	100	67,811	16

Cost of Sales and Services Provided

For the year ended 31 December 2017, the Group's cost of sales and services provided was RMB71.75 million, basically remaining flat as compared with the previous year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the Group achieved a gross profit of RMB426.84 million, representing a growth of 19% over the previous year, mainly attributable to the increase in revenue. The gross profit margin of the Group was 86%, representing an increase of 3 percentage points as compared with that of the previous year, mainly because the gross profit margin of cloud service business turned positive.

Other Income and Gains

For the year ended 31 December 2017, the Group's other income and gains was RMB255.57 million, representing an increase of 291% as compared with that of the previous year. The increase was mainly due to the investment gain of RMB179.17 million from disposal of 55.82% of equity interests in Chanjet Payment.

Total R&D Investment

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

	For the year ended 31 December			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
R&D costs of software business	**44,169**	**35**	44,146	27
R&D costs of cloud service business	**59,555**	**48**	100,551	62
R&D costs of payment business	**3,632**	**3**	14,182	9
R&D costs	**107,356**	**86**	158,879	98
Additions to deferred development costs of cloud service business	**17,566**	**14**	3,124	2
Additions to deferred development costs	**17,566**	**14**	3,124	2
Total R&D investment	**124,922**	**100**	162,003	100

For the year ended 31 December 2017, R&D costs and total R&D investment of the Group amounted to RMB107.36 million and RMB124.92 million, representing a decrease of 32% and 23% over the previous year respectively. The decrease in total R&D investment was mainly because the Group cut the R&D investment of cloud platform after it met the planning target and focused on the R&D investment of cloud application.

Selling and Distribution Expenses

For the year ended 31 December 2017, the selling and distribution expenses of the Group was RMB164.62 million, representing a decrease of 6% as compared with that of the previous year. The decrease was mainly due to the fact that the Group only recognized the selling and distribution expenses of Chanjet Payment for the first eight months of the year since it ceased to be a subsidiary of the Group from September 2017.

Administrative Expenses

For the year ended 31 December 2017, the administrative expenses of the Group was RMB160.18 million, representing a decrease of 29% as compared with that of the previous year. The decrease was mainly due to the costs of the Employee Trust Benefit Scheme incurred in the Reporting Period in the amount of RMB58.18 million, representing a decrease of RMB73.06 million as compared with that of the previous year.

Income Tax Credit/Expense

For the year ended 31 December 2017, the income tax expenses of the Group was RMB19.94 million as compared with the income tax credit of RMB7.70 million for the previous year.

Profit/Loss Attributable to Owners of the Parent

For the year ended 31 December 2017, the profit attributable to owners of the parent of the Group was RMB224.91 million, and the loss attributable to owners of the parent for the previous year was RMB122.61 million. The profit recorded during the Reporting Period was mainly due to the increase in revenue from software and cloud service business, the investment gain from the disposal of 55.82% of equity interests in Chanjet Payment, the significant decrease in the cost of the Employee Trust Benefit Scheme and the improvement of the operation and management of the Group.

Loss Attributable to Non-controlling Interests

For the year ended 31 December 2017, the loss attributable to non-controlling interests of the Group was RMB2.08 million, representing a decrease of 69% as compared with that of the previous year, which was mainly due to the decrease in the loss of Chanjet Payment in 2017.

Liquidity and Financial Resources

Condensed cash flow statement

	For the year ended 31 December		Change
	2017	2016	in amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**182,953**	17,215	165,738
Net cash flows used in investing activities	**(324,035)**	(288,809)	(35,226)
Net cash flows used in financing activities	**(18,547)**	(19,239)	692

Net cash flows from operating activities

For the year ended 31 December 2017, net cash flows from operating activities of the Group was RMB182.95 million, representing an increase of RMB165.74 million as compared with that of the previous year. The increase was mainly due to the increase in revenue of the Group, the decrease in expenses for operating activities arising from improvement of the operation and management, as well as the recovery of deposits of RMB40.00 million by the Group's payment business (as compared with payment of the deposit of RMB40.50 million for the previous year).

Net cash flows used in investing activities

For the year ended 31 December 2017, net cash flows used in investing activities of the Group was RMB324.04 million, representing an increase of RMB35.23 million as compared with that of the previous year. The increase was mainly due to the increase in the wealth investment products held by the Group which were yet not due, structural deposits and time deposits with a term of over 3 months as at the end of the Reporting Period as compared with that of the previous year, which were partially offset by the consideration received from disposal of 55.82% of equity interest in Chanjet Payment.

Net cash flows used in financing activities

For the year ended 31 December 2017, the net cash flows used in financing activities of the Group was RMB18.55 million (as compared with RMB19.24 million for the previous year), mainly representing the Group's payment for share purchased under the Employee Trust Benefit Scheme.

Working Capital

	As at 31 December	
	2017	2016
Cash and bank balance *(RMB'000)*	**762,783**	599,355
Current ratio	**873%**	286%
Gearing ratio	**0%**	0%

The current ratio (calculated based on total current assets divided by the total current liabilities) of the Group as at 31 December 2017 was 873% (31 December 2016: 286%). The increase in current ratio was mainly due to the exclusion of Chanjet Payment which has a very low current ratio from the scope of consolidation as at 31 December 2017.

The Group's gearing ratio was nil. Gearing ratio was calculated based on the net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing debts less restricted bank balances and cash and bank balances. As at 31 December 2017, the Group had no interest-bearing debt.

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

Capital Expenditure

For the year ended 31 December 2017, the significant capital expenditure of the Group included deferred development costs of RMB17.57 million (2016: RMB3.12 million), the expenditure on office equipment, furniture and fittings of RMB0.43 million (2016: RMB4.85 million), there was no additional expenditure on software copyrights and licenses for the year (2016: RMB2.30 million).

Contingent Liabilities

As at 31 December 2017 and 31 December 2016, the Group did not have any contingent liabilities, nor does it have any proposal on contingent liabilities issue.

Charges on Assets

As at 31 December 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.

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

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

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, subject to the foreign exchange fluctuation, conducted 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Non-executive Directors

Mr. Wang Wenjing (王文京), aged 53, has been the Chairman of the Board and a non-executive Director since 19 March 2010. He is primarily responsible for providing guidance and supervision regarding the business and operation of our Group. Mr. Wang is one of the co-founders of Yonyou, which is the controlling Shareholder. He has over 30 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wang served as the chairman of the board of directors of Yonyou since December 1988. Mr. Wang has been the chairman of the board of directors of Yonyou Auto since July 2010, the chairman of the board of directors of Yonyou Fintech since May 2012 and a director of Chanjet U.S. since December 2012, the chairman of the board of directors of Chanjet Payment since July 2013, and the chairman of the board of directors of Seentao Technology from June 2015 to January 2018. Mr. Wang was elected as a member of the 9th, 10th, 11th and 12th session of the NPC for a term from March 1998 to March 2018. Mr. Wang served as the vice chairman of China Software Industry Association (中國軟件行業協會) and the vice chairman of the 10th All-China Federation of Industry & Commerce (中華全國工商業聯合會). He is currently the executive director of Internet + Development Association of China (中國產業互聯網發展聯盟). Mr. Wang graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi College of Finance and Economics) with a bachelor's degree in economics in July 1983.

Mr. Wu Zhengping (吳政平), aged 53, has been a non-executive Director since 19 March 2010. He is primarily responsible for providing strategic advice to the business and operation of the Group. He has over 25 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wu worked for China Building Materials Academy (中國建築材料科學研究總院) from August 1983 to May 1992, and he has been a director of Yonyou since 1992. Mr. Wu has also been a director of Yonyou Fintech since May 2012 and a director of Chanjet U.S. since December 2012, a director of Chanjet Payment since July 2013, a director of Yonyou Auto since June 2015 and a director of Seentao Technology from June 2015 to February 2018. Mr. Wu was a member of the 6th and 7th sessions of the Chinese People's Political Consultative Conference of Haidian District, Beijing from January 1999 to December 2006. Mr. Wu graduated from China Europe International Business School with a master's degree in business administration in September 2007.

Executive Directors

Mr. Zeng Zhiyong (曾志勇), aged 49, has been an executive Director since 19 March 2010 and the vice chairman since 18 May 2017. He is primarily responsible for providing strategic opinions relating to our Group's business and operation. He has over 20 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Zeng served as various positions of Yonyou, including general manager of Yonyou Nanjing branch from January 1996 to July 2000, general manager of Yonyou North China Division from July 2000 to December 2004, general manager of the small management software department of Yonyou, vice president and senior vice president of Yonyou from January 2005 to March 2010, and the president of the Company from 19 March 2010 to 9 January 2017. Mr. Zeng has been a director and the CEO of Chanjet U.S. since December 2012 and January 2016, respectively. He has been a director of Chanjet Payment since July 2013 and served as a director of Yonyou Mobile from March 2014 to June 2017. Mr. Zeng graduated from China Europe International Business School with a master's degree in business administration in September 2005.

Mr. Yang Yuchun (楊雨春), aged 45, has been the President since 9 January 2017 and an executive Director since 18 May 2017. He is mainly responsible for the overall management of business operation of the Group. Mr. Yang has over 20 years of working experience in the PRC software industry. Mr. Yang joined Yonyou in August 1997, where he has served different positions at the financial accounting software development department, product management headquarters and small-scale management software department. Mr. Yang was the vice president of the Company and the general manager of the Company's research and development center from March 2010 to August 2012. From August 2012 to December 2013, Mr. Yang was the senior vice president of the Company, while he continued to serve as the general manager for the research and development center during the period. Mr. Yang served as both the assistant president of Youyou as well as the general manager of Yonyou's business planning and development department from January 2014 to January 2016. From January 2016 to January 2017, he served as the vice president of Yonyou and the general manager of Yonyou's business planning and development department. Mr. Yang graduated from Shi Jia Zhuang University of Economics in July 1996 and obtained his bachelor degree in economics. He graduated from Peking University in July 2003 and obtained the bachelor degree in management. Later, he obtained his EMBA from Guanghua School of Management at Peking University in July 2012.

Independent non-executive Directors

Mr. Chen, Kevin Chien-wen (陳建文), aged 63, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Group. Mr. Chen has been a professor in accounting since July 1999 and head of Department of Accounting of The Hong Kong University of Science and Technology from July 2007 to June 2016 and was reappointed since July 2017. In addition, he served as a member of the Review Panel of the Financial Reporting Council of Hong Kong. Mr. Chen graduated from the University of Illinois at Urbana-Champaign with a PhD degree in accounting in May 1985. Mr. Chen passed the examination for Chartered Accountant of Taiwan in August 1976.

Mr. Lau, Chun Fai Douglas (劉俊輝), aged 45, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment, particularly those with regard to the financial aspects of the Group, to the Board. Mr. Lau joined Ernst & Young in March 1993 and served as an audit partner from July 2004 to June 2009. He then served as the regional director, Greater China of The Institute of Chartered Accountants in England and Wales from November 2010 to September 2012. Mr. Lau has been a senior adviser of Sky CPA & Co. since January 2013. Mr. Lau has also been serving as an independent non-executive director of Ausnutria Dairy Corporation Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 1717), since January 2015 and an independent non-executive director of GME Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 8188), since February 2017. Mr. Lau graduated from the University of New South Wales in Sydney, Australia with a bachelor of Commerce degree in accounting and finance in October 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a member of the Australian Society of Certified Practising Accountants and a member of the Institute of Chartered Accountants in Australia.

Mr. Chen Shuning (陳淑宁), aged 54, has been an independent non-executive Director since 8 September 2017. He is primarily responsible for providing independent opinion and judgment to the Board. Mr. Chen has over 25 years of working experience in the PRC software industry. Mr. Chen joined Great Wall Computer Group Co., Ltd (長城計算機公司) in 1989, founded VanceInfo Technologies Inc (文思創新軟件技術有限公司) in 1995, where he served as the chief executive officer till 2012 and subsequently served as the chairman of the board of directors till 2015. Mr. Chen founded Chinasoft Saibo Chinese Technology Limited (中軟賽博中文技術有限公司) (currently known as Chinasoft International Limited) in 1995, where he served as the chief technology officer till 2001. Mr. Chen joined Sequoia and Broadband Cross-border Digital Fund (紅杉寬帶跨境數字基金) in 2016 and has served as a managing partner ever since. Mr. Chen obtained his bachelor degree in engineering from Tsinghua University in June 1986 and obtained his master degree in engineering from Huazhong Polytechniques University (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in June 1989.

SUPERVISORS

Mr. Guo Xinping (郭新平), aged 54, has been the chairman of the Supervisory Committee and a shareholder representative Supervisor since 8 September 2011. Mr. Guo worked for MOF from August 1985 to July 1989, and has been a director of Yonyou from November 1999, and the chairman of the supervisory committee of Yonyou Auto since June 2015, the chairman of the supervisory committee of Seentao Technology from June 2015 to February 2018 and a director of Yonyou Fintech since May 2016. Mr. Guo has been an independent non-executive director of CCID Consulting Company Limited (賽迪顧問股份有限公司), a company listed on the Growing Enterprise Market of the Hong Kong Stock Exchange (Stock Code: 8235) since May 2002. He has also been an independent director of Sound Environmental Resources Co., Ltd. (啟迪桑德環境資源股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000826) from April 2012 to October 2015 and an independent director of Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002410), since April 2017. Mr. Guo graduated from The Hong Kong University of Science and Technology with a master's degree in business administration in November 2007. He is a senior accountant recognized by the Personnel Department of Hubei Province in January 1998.

Mr. Zhang Peilin (章培林), aged 53, has been a shareholder representative supervisor of the Company since 18 May 2016. Mr. Zhang also served as a shareholder representative supervisor of the Company from April 2013 to January 2014. Mr. Zhang previously worked in Wa Fangdian Bearing Factory (瓦房店軸承廠), System Software Union (China) Co., Ltd. (系統軟件聯合(中國)有限公司), Siemens Ltd., China and Deloitte Consulting LLP. Mr. Zhang joined Yonyou in 2001 and has served at different positions in Yonyou, including vice general manager from January 2001 to December 2002, vice president from January 2003 to April 2005, senior vice president from April 2005 to July 2012, executive vice president and chief financial officer from July 2012 to March 2014, President from March 2014 to January 2016 and chief financial officer since January 2016. Mr. Zhang is also the director or supervisor of numerous subsidiaries of Yonyou and has been the chairman of the supervisory committee of Yonyou Fintech since May 2016, a director of Sinotone Consulting Co. Ltd (漢唐信通(北京)諮詢股份有限公司), a company listed on National Equities Exchange And Quotations (Stock Code: 836204), since June 2017 and a director of Seentao Technology since February 2018. Mr. Zhang graduated from Tsinghua University with a master's degree in management engineering in July 1992.

Mr. Ruan Guangli (阮光立), aged 70, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ruan served as the head of production and finance department and deputy head of finance bureau of China National Nuclear Company (中國核工業總公司) (later reorganized as China National Nuclear Corporation (中國核工業集團公司)) from April 1988 to July 1999 as well as the director of finance and audit department and then finance and accounting department at China National Nuclear Corporation from July 1999 to March 2008. Mr. Ruan retired in March 2008 and was rehired as an executive commissioner of science and technology committee at China National Nuclear Corporation from 2008 to 2015. Mr. Ruan has also been a supervisor of Seentao Technology since June 2015. Mr. Ruan graduated from Fudan University majoring in industry economics in July 1976. He is a senior accountant recognized by the human resources bureau of China National Nuclear Company in December 1994. Mr. Ruan also received the special government allowance from the State Council in 2007.

Mr. Ma Yongyi (馬永義), aged 53, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ma has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004. He was also an independent director of Glodon Software Co., Ltd. (廣聯達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410) from April 2008 to April 2014, an independent director of Inner Mongolia Yuanxing Energy Co., Ltd. (內蒙古遠興能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000683) from April 2009 to April 2013, an independent director of Xiamen Comfort Science & Technology Group Co., Ltd. (廈門蒙發利科技(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002614) from November 2010 to March 2012, an independent director of San'an Optoelectronics Co., Ltd. (三安光電股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600703) from July 2011 to December 2013, an independent director of Cachet Pharmaceutical Co., Ltd. (嘉事堂藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002462) from August 2012 to August 2014, an independent director of Zhejiang DUNAN Artificial Environment Co., LTD (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011) since April 2016 and an external supervisor of China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1606), since February 2018. Mr. Ma has been granted recognition of professor by the MOF since October 2009. He has also been a director of the Accounting Society for Foreign Economic Relations and Trade of China (中國對外經濟貿易會計學會) since November 2010, a member of the education and training committee of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會教育培訓委員會) since December 2010 and a director of the Accounting Society of China (中國會計學會) since March 2014, respectively. Mr. Ma obtained a PhD degree in management from Central University of Finance and Economics (中央財經大學) in July 2003.

Mr. Deng Xuexin (鄧學鑫), aged 36, has been a member of the Supervisory Committee since 2 January 2014. He is the employee representative Supervisor. Mr. Deng joined our Company in March 2010 and was as a staff in the sales centre from March 2010 to January 2012. He was a staff in the operation management department from February 2012 to December 2014, and has served as the manager of the enterprise management department since January 2015. Before joining the Company, Mr. Deng served in Beijing Jiangmin New Science & Technology Co., Ltd. (北京江民新科技術有限公司). Mr. Deng graduated from Pingyuan University (now known as Xinxiang University) majoring in electric machinery in July 2005.

Mr. Cai Jingsheng (蔡京勝), aged 49, has become a member of the Supervisory Committee as an Employee Representative Supervisor since 17 February 2017. Mr. Cai joined the Group in April 2010 and has been working as the manager of the commercial department of the Company. Prior to joining the Group, Mr. Cai worked as an employee at the commercial department of Yonyou from February 1997 to March 2010. Mr. Cai graduated from Electronic Engineering United University (電子工程聯合大學) in June 1992, majoring in radio technology and information technology system.

SENIOR MANAGEMENT

Mr. Yang Yuchun (楊雨春), for details of Mr. Yang please refer to the biographies set out in the "EXECUTIVE DIRECTOR" of this section.

Mr. Sun Guoping (孫國平), aged 49, has been our senior vice president since 8 September 2011. He is primarily responsible for marketing business of the Group. Mr. Sun joined Yonyou in March 1995 and served as various positions including general manager of Yonyou Hangzhou branch from December 1997 to December 2001, manager of the financial management department (財務通業務部) of Yonyou from January 2002 to December 2004, deputy general manager and sales manager of the small management software department of Yonyou from January 2005 to December 2006, deputy general manager of the small management software department and assistant president of Yonyou from January 2007 to December 2009. Mr. Sun joined our Group on 19 March 2010 and served as our vice president from 19 March 2010 to 7 September 2010. Mr. Sun graduated from Beijing Union University majoring in computer science in July 1990 and China Europe International Business School with a master's degree in business administration in October 2011.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Ms. Zou Dan (鄒丹), aged 44, has been our senior vice president and chief financial officer since 16 January 2014. She is primarily responsible for overall work on planning, budget, finance and other work of the Group. Ms. Zou joined Yonyou in February 2002 and served as various positions such as deputy general manager of finance department and general manager of budget department from February 2002 to December 2009, vice president and general manager of finance and budget management general department from July 2012 to December 2012 and the senior vice president and the general manager of finance and budget management general department from January 2013 to December 2013. Ms. Zou joined our Group in January 2014. Ms. Zou graduated from Renmin University with a bachelor's degree in economics in July 1995.

Ms. Zhang Hong (張紅), aged 42, has been the product director of the Company since January 2010, and the vice president of the Company since 2 February 2015. She is primarily responsible for prospective study of the market, customer research, business design, product planning, product development and product life management of the Company. Ms. Zhang Hong served as an engineer of the information department of Beijing Urban-Rural Trade Centre (北京城鄉貿易中心) from September 1996 to August 1998, and the product director of Beijing Sinovatech Network Technology Co., Ltd. (北京炎黃新星網絡科技有限公司) from December 1999 to February 2003, the product director of the northern region of Zhuhai Wanjiada Technology Co., Ltd. (珠海萬佳達科技有限公司) from February 2003 to September 2005. Ms. Zhang Hong joined Yonyou in October 2005 and served as the product manager of the product management department under the small management software division of Yonyou from October 2005 to December 2007, and then as the department manager of the product management department under the small management software division of Yonyou from January 2008 to December 2009. Ms. Zhang graduated from China Europe International Business School with a master's degree in business administration in July 2017.

Mr. You Hongtao (尤宏濤), aged 39, has been the secretary to the board of our Company since 8 September 2011, one of our joint company secretaries since 15 November 2011 and a vice president of the Company since 2 February 2015. He is primarily responsible for organizing Board meetings and Shareholders' meetings, information disclosure and general compliance issues. Mr. You worked at the office of president of Advanced Technology & Materials Co., Ltd. (安泰科技股份有限公司) from July 2001 to May 2008. He joined Yonyou in May 2008 and served as a senior business manager of the office of the board from May 2008 to June 2011. In addition, Mr. You became a joint member of the Hong Kong Institute of Chartered Secretaries since September 2011. Mr. You graduated from Jiangxi University of Finance and Economics with a bachelor's degree in law and a bachelor's degree in economics in July 2001 and Beijing University of Aeronautics & Astronautics with a master's degree in engineering in January 2012.

Mr. Ru Hai (茹海先生), aged 43, has been a vice president of the Company since 18 March 2016. He is mainly responsible for the channel sales work of software and cloud products of the Company. Mr. Ru joined Yonyou in December 1997 and served as a service engineer of the maintenance department, head of the maintenance department, department manager of the market department, channel manager of Beijing Branch of Yonyou and manager of Beijing office of channel department of small-sized enterprise division of Yonyou. Mr. Ru joined the Company in March 2010 and served as the department manager of Service and Operation Department from March to December 2010, the department manager of CRM/HR Business Department from January to December 2011, the department manager of HR Business Department from January to December 2012, the department manager of Cloud Business Synergy Department (協同雲業務部) from January to June 2013, the nationwide business supervisor of Marketing Service Center (營銷服務中心) from July to December 2013, the manager of Beijing Division of Marketing Service Center from January to December 2014 and the manager of Beijing-Tianjin-Hubei Division of Software Center from January to December 2015. Mr. Ru graduated from Zhongguancun College of Software and Management (中關村軟件管理學院) in September 2005 with a junior college diploma in software engineering.

Mr. Li Junhui (李均會), aged 44, has been a vice president of the Company since 17 March 2017. He is primarily responsible for research and development. Mr. Li joined Yonyou in July 2002, successively held various positions in the supply chain development department for U8 production line, overall design department for U8, and overall design department for NC production line. Mr. Li served as U8 design director from January 2006 to December 2012, NC design director form January 2013 to January 2016. Mr. Li also served as the chief application architect of the Company from February 2016 to August 2016 and the research and development director of the Company's micro-enterprise cloud division from September 2016 to December 2016. Mr. Li graduated from Wuhan Institute of Technology (formerly known as Wuhan Institute of Chemical Technology) with a bachelor's degree in mechanical engineering in July 1995.

Mr. Liu Zhidong (劉志東), aged 39, has been a vice president of the Company since 17 March 2017. He is primarily responsible for channel sales. Mr. Liu joined Changsha Yonyou Software Development Co., Ltd. (長沙用友軟件開發有限公司) as the manager of the management department of its subsidiary in September 2002, and served as the manager of the channel marketing department of Yonyou Hunan Branch from March 2004 to January 2005. He was transferred to the small management software division of Yonyou in January 2005 and held various positions successively. Mr. Liu served as the general manager of the Company's Hunan representative office from March 2010 to January 2012, the general manager of the Company's Central China Division from January 2012 to January 2015, the assistant president of the Company and the general manager of the Central China Division from January 2015 to January 2016, and the assistant president of the Company and the general manager of the West China Division from January 2016 to January 2017. Mr. Liu graduated from business administration department of Hunan University of Commerce with a bachelor's degree in management in June 2001.

Mr. Peng Zhenbin (彭振斌), aged 51, has been a vice president of the Company since 17 March 2017. He is primarily responsible for sales. Mr. Peng became an agent of Yonyou's software in 1994, joined Ningbo Yonyou Software Co., Ltd. (寧波用友軟件公司) in 1998 and joined Yonyou in 2001. He successively held various positions in Yonyou Ningbo Branch and the small management software division. Mr. Peng served as the general manager of Zhejiang Office of the small management software division of Yonyou from January 2005 to December 2009, the general manager of the Company's East China Division from January 2010 to December 2012, the assistant president of the Company and the general manager of the North China Division from January 2013 to December 2014, and the assistant president of the Company and the general manager of the Zhejiang-Fujian Division from January 2015 to December 2015. Mr. Peng has been the assistant president of the Company, the general manager of the East China Division and the general manager of the South Support Centre (南方支持中心) since January 2016. Mr. Peng graduated from the Correspondence College of the Party School of the Central Committee of the Communist Party of China in June 2007, majoring in economic management, and obtained a college diploma.

JOINT COMPANY SECRETARIES

Mr. You Hongtao (尤宏濤) was appointed as one of our joint company secretaries on 15 November 2011. For his biographical details please refer to the biographies set out in the "SENIOR MANAGEMENT" of this section.

Mr. Ngai Wai Fung (魏偉峰), aged 56, was appointed as a joint company secretary of our Company on 15 November 2011. Mr. Ngai currently is the director and chief executive officer of SW Corporate Services Group Limited, the managing director of MNCOR Consulting Limited and the president of the Hong Kong Institute of Chartered Secretaries from 2014 to 2015. Mr. Ngai has many years' experiences in the position of company secretary. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries, a fellow member of the Institute of Chartered Secretaries and Administrators, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai was appointed by the Chief Executive of the Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission in January 2013 and appointed as a member of the Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants. Mr. Ngai was appointed as an expert in accounting consultation of the Ministry of Finance in June 2016. Mr. Ngai obtained a master's degree in business administration from Andrews University of the United States in August 1992, a bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom in October 1994, a master's degree in corporate finance from the Hong Kong Polytechnic University in November 2002 and a doctorate of economics from the Shanghai University of Finance and Economics in June 2011. He is not a full-time employee of our Company.

The Board hereby presents the annual report for the year ended 31 December 2017, together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL OPERATIONS

The core business of the Group is to provide financial and management service to MSEs via internet technology. Details of businesses of the major subsidiaries of the Company are set out in note 1 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the financial information of the Group as at 31 December 2017 are set out in the audited consolidated financial statements of this report.

BUSINESS REVIEW

Business review during the Reporting Period and discussion on the future business development of the Group are set out in the Chairman's Statement on pages 7 to 10 and the Management Discussion and Analysis on pages 11 to 15 of this annual report. Description of principal risks and uncertainties that the Group may be confronted with and the policy responses and potential opportunities of the Group are set out in the "Major Risks and Uncertain Factors" of the Management Discussion and Analysis on page 12 and in "PROSPECT" of the Chairman's Statement on pages 9 to 10 of this annual report, while financial risk management objectives and policies of our Group are set out in the note 32 to the financial statements. As at the Latest Practicable Date, the Group had no significant discloseable events after the Reporting Period. Performance analysis of the Group within the year based on key financial performance indicators are set out in the Management Discussion and Analysis on pages 16 to 23 of this annual report. Policy and performance in relation to environmental protection of the Group are contained in this Report of Directors on page 60 and the Environmental, Social and Governance Report to be published by the Company. Information related to investor relationship are set out in the Corporate Governance Report on page 83, and compliance with relevant laws and regulations that have a significant impact on the Group are set out in this Report of Directors on page 60. Explanation on the relationship between the Company and its employees, customers, suppliers and those who have a significant impact on the Group are set out in the "EMPLOYEE AND ORGANIZATION GUARANTEE", "REMUNERATION POLICY", "PENSION SCHEME", "EMPLOYEE TRUST BENEFIT SCHEME" and "MAJOR CLIENTS AND SUPPLIERS" of this Report of Directors as well as the Environmental, Social and Governance Report to be published by the Company.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2017 is as follows:

Class of Shares	Number of Shares	Approximate percentage of the total issued share capital
Domestic Shares	162,181,666	74.68%
H Shares	55,000,000	25.32%
Total	217,181,666	100%

ISSUE OF NEW SHARES AND DEBENTURES

The Company did not issue any new shares or debentures for the year ended 31 December 2017.

DIVIDENDS

The Board did not recommend the distribution of final dividend for the year ended 31 December 2017 (2016: nil).

PUBLIC FLOAT

As at the Latest Practicable Date, based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules.

DIRECTORS AND SUPERVISORS

The table below sets out certain information of Directors and Supervisors during the Reporting Period and as at the Latest Practicable Date:

Name	Position
Wang Wenjing (王文京) *Note1*	Chairman, non-executive Director
Wu Zhengping (吴政平) *Note1*	Non-executive Director
Zeng Zhiyong (曾志勇) *Note 1 and Note 2*	Executive Director, vice chairman
Yang Yuchun (楊雨春) *Note 1 and Note 2*	Executive Director, President
Chen, Kevin Chien-wen (陳建文) *Note 1*	Independent non-executive Director
Lau, Chun Fai Douglas (劉俊輝) *Note 1*	Independent non-executive Director
Chen Shuning (陳淑宁) *Note 3*	Independent non-executive Director
Guo Xinping (郭新平) *Note 4*	Chairman of the Supervisory Committee, Shareholder representative Supervisor
Zhang Peilin (章培林) *Note 4*	Shareholder representative Supervisor
Ruan Guangli (阮光立) *Note 4*	Independent Supervisor
Ma Yongyi (馬永義) *Note 4*	Independent Supervisor
Deng Xuexin (鄧學鑫) *Note 5*	Employee representative Supervisor
Cai Jingsheng (蔡京勝) *Note 5*	Employee representative Supervisor

The personal information of Directors and Supervisors is set out in the section headed "BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

Note 1: The re-elections of Mr. Wang Wenjing and Mr. Wu Zhengping as non-executive Directors, Mr. Zeng Zhiyong and Mr. Yang Yuchun as executive Directors, and Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas as independent non-executive Directors were approved at the extraordinary general meeting of the Company held on 8 September 2017. For details, please refer to the announcements of the Company dated 18 July 2017 and 8 September 2017 and the circular of the Company dated 24 July 2017.

Note 2: As approved at the annual general meeting of the Company held on 18 May 2017, Mr. Zeng Zhiyong served as the vice chairman of the Board from 18 May 2017. As Mr. Zeng would focus on the work as vice chairman of the Board 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 was succeeded by Mr. Yang Yuchun as the President on 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 3: At the extraordinary general meeting of the Company held on 8 September 2017, Mr. Liu Yunjie retired from his position as an independent non-executive Director of the Company, and Mr. Chen Shuning was appointed as an independent non-executive Director of the Company. For details, please refer to the announcements of the Company dated 18 July 2017 and 8 September 2017 and the circular of the Company dated 24 July 2017.

Note 4: The re-elections of Mr. Guo Xinping and Mr. Zhang Peilin as Shareholder representative Supervisors of the Company, and re-elections of Mr. Ruan Guangli and Mr. Ma Yongyi as independent Supervisors were approved at the extraordinary general meeting of the Company held on 8 September 2017. For details, please refer to the announcements of the Company dated 18 July 2017 and 8 September 2017 and the circular of the Company dated 24 July 2017.

Note 5: Mr. Zhang Wei resigned from his position as an employee representative Supervisor due to change of job with effect from 17 February 2017. As elected and approved by the employee representative meeting of the Company, Mr. Cai Jingsheng succeeded Mr. Zhang Wei as an employee representative Supervisor with effect from 17 February 2017. For details, please refer to the announcement of the Company dated 17 February 2017. The re-elections of Mr. Deng Xuexin and Mr. Cai Jingsheng as employee representative Supervisors were approved at the employee representative meeting of the Company held on 25 August 2017.

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 31 December 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 underlying 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)[1]	Approximate percentage of shareholdings in the relevant class of share capital of the Company[2]
Directors					
Mr. Wang	Interest in a controlled corporation[3]	the Company	154,201,210 Domestic Shares	71.00%	95.08%
	Interest in a controlled corporation[3]	Yonyou[4]	656,291,265 shares	44.82%	N/A
	Interest in a controlled corporation	Happiness Investment[5]	N/A[5]	60%[5]	N/A
	Interest in a controlled corporation	Yonyou Chuangxin Investment[6]	N/A[6]	100%[6]	N/A

Name of Directors/ Supervisors	Nature of interest	Relevant corporation (including associated corporation)	Number and class of underlying 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)(1)	Approximate percentage of shareholdings in the relevant class of share capital of the Company(2)
Mr. Wu Zhengping(7)	Beneficial owner	Yonyou(4)	1,119,682 shares	0.08%	N/A
	Interest in a controlled corporation	Yonyou(4)	42,000,000 shares	2.87%	N/A
	Beneficial owner	Happiness Investment(5)	N/A(5)	15%(5)	N/A
Mr. Zeng(8)	Interest in a controlled corporation	the Company	533,056 Domestic Shares	0.25%	0.33%
Mr. Yang Yuchun	Beneficial owner	Yonyou(4)	39,000 Shares	0.00%	N/A
Supervisors					
Mr. Guo Xinping(9)	Interest in a controlled corporation	Yonyou(4)	67,091,923 shares	4.58%	N/A
Mr. Zhang Peilin(10)	Beneficial owner	Yonyou(4)	1,155,681 shares	0.08%	N/A

Notes:

(1) The calculation is based on the total number of 217,181,666 Shares in issue of the Company as at 31 December 2017.

(2) The calculation is based on the total number of 162,181,666 Domestic Shares in issue of the Company as at 31 December 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所有限公司), respectively, which in turn holds 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 31 December 2017, Yonyou held 154,201,210 Domestic Shares which accounted for approximately 71.00% of the total share capital of the Company.

(5) Happiness Investment is a limited liability company incorporated in the PRC with a total 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 was 60%, Happiness Investment is deemed as a controlled corporation of Mr. Wang. In addition, the shareholding percentage of Mr. Wu Zhengping in Happiness Investment was 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 RMB230 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 3,797,952 Domestic Shares, representing approximately 1.75% 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 Tongyun Jitian Investment and Huicai Juneng Investment and has a beneficial interest in the above limited liability partnership as to approximately 9.50% and 2.63%, respectively. Therefore, by virtue of Part XV of SFO, Mr. Zeng is deemed to be interested in the Domestic Shares held by Tongyun Jitian Investment and Huicai Juneng Investment in the Company, respectively.

(9) Mr. Guo Xinping is the beneficial owner of 90% equity interest of Shanghai Yibei Management Consulting Co., Ltd. (上海益倍管理諮詢有限公司) (“**Shanghai Yibei**”), which in turn holds 4.58% of the issued shares of Yonyou. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.

(10) Among the 1,155,681 shares of Yonyou which Mr. Zhang Peilin is interested in, 333,330 shares were granted by Yonyou under a share option scheme, and the registration for underling shares granted was completed on 4 August 2017. Mr. Zhang Peilin may exercise his option at the price of RMB15.88 in accordance with the relevant arrangement of the share option scheme during the period from 6 August 2018 to 3 August 2021.

Directors' and Supervisors' rights in the subscription of Shares or debentures

As at 31 December 2017, Directors Mr. Zeng Zhiyong and Mr. Yang Yuchun, Supervisors Mr. Deng Xuexin and Mr. Cai Jingsheng had trust benefit units under the Employee Trust Benefit Scheme. For details, please refer to "Employee Trust Benefit Scheme" in this Report of Directors.

Save as disclosed above, no right to subscribe for the Shares in or debentures of the Company or other corporations was granted by the Company, subsidiaries of the Company, the parent Company and/or its subsidiaries to any Director, Supervisor of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

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

As at 31 December 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(2)	Approximate percentage of shareholdings in the relevant class of Share(3)
Mr. Wang(4)	154,201,210 Domestic Shares	Interest in a controlled corporation	71.00%	95.08%
Yonyou(5)	149,732,474 Domestic Shares	Beneficial owner		
	4,468,736 Domestic Shares	Interest in a controlled corporation		
	Total: 154,201,210 Domestic Shares		71.00%	95.08%
UBS Group AG	8,858,500 H Shares (L)	Interest in a controlled corporation	4.08%	16.11%
	270,600 H Shares (S)	Interest in a controlled corporation	0.12%	0.49%

Notes:

(1) (L) – long position; (S) – short position.

(2) The calculation was based on the total number of 217,181,666 Shares in issue as at 31 December 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 as at 31 December 2017, respectively.

(4) As at 31 December 2017, Mr. Wang was the beneficial owner of 100%, 85.14% and 76.26% equity interest of Beijing Yonyou Technology Co., Ltd. (北京用友科技有限公司), Shanghai Yonyou Consultant Co., Ltd. (上海用友科技諮詢有限公司) and Beijing Yonyou Enterprise Management Research Co., Ltd. (北京用友企業管理研究所有限公司), respectively, which in turn held approximately 28.64%, 12.19% and 4.00% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang was deemed to be interested in the Shares held by Yonyou.

(5) As at 31 December 2017, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 4,468,736 Domestic Shares through Happiness Investment and Yonyou Chuangxin Investment, respectively. As Happiness Investment and Yonyou Chuangxin Investment were both controlled corporations of Yonyou, Yonyou was deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Chuangxin Investment.

Save as disclosed above, as at 31 December 2017, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have any interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

MAJOR CLIENTS AND SUPPLIERS

As the Group is generally not engaged in direct sales of software products to end users, and its channel partners are the direct clients of software business. The Group has formulated a management system for its channel partners, with which, the Group manages its channel partners in a standardized way, and has established long-term and stable cooperation relationships with them. As the consolidated turnover from the five largest clients of the Group did not exceed 30% of the total turnover of the Group in 2017, the Group is not subject to the risk of relying on major clients. Except for a few of the clients who are granted an average trade credit term around 90 days by the Group, other clients are required to make payment in advance.

For the year ended 31 December 2017, the total purchases made by the Group from the five largest suppliers amounted to RMB7.43 million, accounting for 10.36% of the total purchases of the year. In particular, the purchases from the largest supplier amounted to RMB1.84 million, accounting for 2.57% of the total purchases of the year.

For the year ended 31 December 2017, Yonyou Group was the second largest supplier of the Group. The purchases made by the Group from Yonyou Group amounted to RMB1.78 million, accounting for 2.48% of the total purchases of the year. Mr. Wang Wenjing, Mr. Wu Zhengping, Mr. Zeng Zhiyong and Mr. Yang Yuchun, the Directors, and Mr. Guo Xinping and Mr. Zhang Peilin, the Supervisors, have interests in Yonyou Group. Please refer to "Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares of the Company" and "Biographies of Directors, Supervisors and Senior Management" for details. Apart from this, to the knowledge of the Directors, none of the Directors, Supervisors nor their associates or any Shareholders (who to the knowledge of the Board owns 5% or more share capital of the Company) was interested in the five largest clients or suppliers of the Group.

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 was HK$854.96 million.

According to the use of proceeds disclosed in the Prospectus of the Company, the actual usage as at 31 December 2017 are detailed as follows:

Planned use	Budgeted amount *HK$*	Actual amount used *HK$*
For the R&D and marketing of the T^+ series software products	Approximately 290.69 million	Approximately 272.54 million
For the R&D of our cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million
To support the marketing and operation of our cloud services	Approximately 199.21 million	Approximately 140.43 million
To acquire relevant business and assets compatible with our business strategies	Approximately 85.49 million	Approximately 4.66 million
To fund our general working capital	Approximately 85.49 million	Approximately 85.07 million
Total	Approximately 854.96 million	Approximately 696.03 million

As at 31 December 2017, the balance of the special account for the proceeds from H Shares issuance of the Company was HK$147.76 million and RMB4.96 million (including interest income of HK$7.24 million and RMB18.79 million), respectively.

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

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2017, the Group acquired additional property, plant and equipment of approximately RMB0.43 million. Details of the movements are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had RMB0.79 million reserves available for distribution (31 December 2016: nil).

EMPLOYEE AND ORGANIZATION GUARANTEE

As at 31 December 2017, the Group had 802 employees in total (31 December 2016: 963 employees). The decrease in the number of employees as compared with the beginning of the year mainly reflected the organizational structure optimization carried out in the Reporting Period to accelerate the development of cloud service business and the exclusion of the employees of Chanjet Payment from the total number (as at 1 September 2017, the disposal of Chanjet Payment had been completed and Chanjet Payment is no longer a subsidiary of the Company). In terms of talents deployment, the Group increased the proportion of investment in internet operation personnel and cloud application research and development personnel to cater for the transformation of cloud application towards a charging business. In terms of talents motivation, the Group implemented an incentive policy oriented at promoting results growth and encouraged employees to overfulfill their quotas. In terms of talents development, the Group provided trainings on professional skills, cadre management, thinking reconstruction and reformation capacity by levels and stressed on enhancement and cultivation of professional capacity for sales, operation, R&D and service personnel.

TRAINING PROGRAMS

In pursuance with the Chanjet Training Management System, the Group has established two types of training programs, namely internal public lecture training and external training, to develop the post competencies of employees. As for the internal public training, on the basis of the Group's development strategy and research findings on training needs, public lectures are given to provide trainings on professional quality and standards, professional knowledge and regulations, general technology and ability, leadership and other aspects for employees of different business lines; as for external training, employees are dispatched to participate in non-curricula education on professional skills and on-the-job curricula education. The Group actively encourages employees to acquire qualification certifications in job-related areas; priority is given for approval of the training applications for qualification certifications within a certain scope, and the related training expenses will be reimbursed.

In 2017, the Group launched customized training courses such as new staff training, debate and speech skills training, etc., and also held internal sharing activities regularly. Meanwhile, a group-wide employee rotation training themed "Work with the Cloud (與雲同行)", was carried out with a participation rate of 100%. The purpose of this training is to help all employees have a deeper understanding of the values of the cloud service products, change their ways of work and thinking as well as make them more determined in the transformation towards cloud business.

In 2017, the Group invested a total of RMB358,400 in training and education, realizing 7,856 training hours and an average of 10.27 hours of training per employee.

REMUNERATION POLICY

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

Remuneration of the staff of the Company is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based salary and allowance. Staff's salary comprises basic salary and performance-based salary. In particular, basic salary is payable monthly while performance-based salary is payable in appropriate forms based on each appraisal period and specific management requirements of the Company pursuant to the relevant laws and regulations of the PRC. Allowance comprises wage subsidy, supplementary subsidy, special allowance and welfare benefits, etc. The Company has paid housing fund and social insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labor and social security. In particular, social insurance includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. During the Reporting Period, details of the remuneration of the staff charged of the Group were set out in the note 6 to the financial statements. In order to attract, retain and motivate key talents needed for the achievement of the Company's strategic objectives, the Company has also adopted the Employee Trust Benefit Scheme. For details please refer to "Employee Trust Benefit Scheme".

PENSION SCHEME

Details of pension scheme of the Group are set out in note 2.4 and note 6 to the financial statements.

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, and according to the resolutions, save and except for some scheme participants under the second grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as scheme participants, the unlocking conditions of the remaining scheme participants under the second grant to unlock 30% of their trust benefit units were fulfilled on 31 March 2017. On 5 June 2017, the Board approved the re-grant of part of the trust benefit units that have become invalid from the beginning or lapsed pursuant to the Scheme 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 the target shares under the re-grant was 4,071,000, representing approximately 1.87% of the share capital issued of the Company as at 5 June 2017. 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, and according to the resolutions, save and except for some scheme participants under the initial grant who had terminated or released his/her labor contract with the Company, which has disqualified themselves as scheme participants 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 were fulfilled on 16 June 2017. On 6 December 2017, the Board considered and approved the resolutions in relation to the first unlocking of the trust benefit units under the third grant pursuant to the Scheme, and according to the resolutions, save and except for some Scheme participants under the third grant who had terminated or released his/her labour contract with the Company, which has disqualified themselves as Scheme participants, the unlocking conditions of the remaining Scheme participants under the third grant to unlock 30% of their trust benefit units were fulfilled on 6 December 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, 16 June 2017 and 6 December 2017.

As at 31 December 2017, trust benefit units of Directors and Supervisors are set out as follows:

Name	Position	Proportion of the trust benefit unit granted to the total trust benefit units granted in the initial grant
Zeng Zhiyong	Executive Director, vice chairman of the Board	11.51%
Deng Xuexin	Supervisor	0.35%
Cai Jingsheng	Supervisor	0.12%

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

As at the end of the Reporting Period, the actual amount of proceeds used by the Company for the Employee Trust Benefit Scheme was approximately HK$74.93 million.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remunerations of Directors, Supervisors and the chief executive of the Company are set out in note 8 to the financial statements. The remuneration of other persons who served as the senior management of the Company during the Reporting Period was within the following ranges:

	2017	2016
	(person)	*(person)*
RMB1 million or below	**8**	5
RMB1 million to RMB2 million (inclusive)	**3**	3
RMB2 million to RMB3 million (inclusive)	**–**	1
Total	**11**	9

Trust benefit units were granted to the above staff in respect of their services under the Scheme of the Group, further details of which are set out in note 25 to the financial statements. During the year, the share-based payment expense relating to the trust benefit units granted to other senior management staff were approximately RMB8,482,000 (2016: RMB32,297,000).

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that cannot be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Saved as disclosed in the section headed "CONNECTED TRANSACTION" in this Report of Directors and note 29 to the financial statements, no material transaction, arrangement or contracts relating to the business of the Group, to which the Company or any of its subsidiaries was a party and in which Directors and/or Supervisors (or entities connected to such Directors and/or Supervisors) had material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into nor had any contracts in relation to the management of the entire or substantial business of the Company.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in the "CONNECTED TRANSACTION" in this Report of Directors, during the Reporting Period, neither the Company nor any of its subsidiaries has entered into any material contract with the controlling Shareholders (as defined in the Listing Rules) or any of its subsidiaries. And there is no entering into of any material contract in respect of the services provided by the controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

At no time during the Reporting Period and as at the Latest Practicable Date, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

The Company has arranged appropriate liability insurance for Directors and Supervisors concerning the relevant legal action they may be faced with.

DONATIONS

During the Reporting Period, no donation was made by the Company (2016: donations made are equivalent to approximately RMB11,700).

NON-COMPETITION UNDERTAKINGS

References are made to the announcements dated 21 October 2016 and 30 December 2016 and the circular of the Company dated 11 November 2016, in relation to the disposal and capital increase of Chanjet Payment, proposed amendments to the Non-Competition Agreement and the Confirmation. Given that the Company's controlling shareholding in payment service business will be transferred to Yonyou upon the completion of the disposal and capital increase of Chanjet Payment, the Company, Yonyou and Mr. Wang Wenjing proposed to enter into the supplemental non-competition agreement and the Confirmation shall be amended to the effect that payment service business shall be excluded from the restricted business under the Non-Competition Agreement and the relevant undertakings made by Yonyou under the Confirmation. Such proposed amendments were approved at the extraordinary general meeting of the Company held on 30 December 2016.

Independent non-executive Directors have reviewed the compliance of the Non-Competition Agreement and its supplemental agreement by Yonyou, the controlling Shareholder, and Mr. Wang (collectively, the "**Covenantors**") as well as the compliance of the Confirmation (defined as below) and the amended Confirmation by Yonyou and its associates (other than the Company and its subsidiaries).

Independent non-executive Directors have confirmed that, the Covenantors have been in compliance with the terms of such agreements during the Reporting Period. Details of which are set out as follows:

Non-Competition Agreement and its supplemental agreement

In order to protect the interests of the Company and its Shareholders as a whole, the Covenantors and their respective associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. The Covenantors entered into the Non-Competition Agreement with the Company in favor of the Company's interest on 17 February 2014 pursuant to which, including but not limited to (among other things), save for the exceptions stipulated in the Non-Competition Agreement, the Covenantors will not and will use their best endeavors to procure their associates shall not, directly or indirectly, at any time during the relevant period, carry out, be engaged in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with other persons and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business in competition or will compete or may compete, directly or indirectly, with the restricted business. In addition, for the existing and future restricted businesses, the Covenantors will provide the Company with pre-emptive rights and the options for acquisition;

2. The Covenantors and the Company entered into the supplemental non-competition agreement on 21 October 2016, pursuant to which, the payment service business shall be excluded from the scope of restricted business under the Non-Competition Agreement;

3. The Covenantors confirmed that, during the Reporting Period, the Covenantors and their respective associates (other than the Company and its subsidiaries) completely complied with and implemented the provisions of the Non-Competition Agreement and its supplemental agreement, and did not infringe any provisions of the Non-Competition Agreement and its supplemental agreement under any circumstances; and

4. The Covenantors have provided all necessary information to the independent non-executive Directors for their inspection on the implementation of the Non-Competition Agreement and its supplemental agreement.

Confirmation

In order to guarantee the interests of the Company and its Shareholders as a whole, Yonyou and its associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. In order to avoid any existing or potential competition, on 11 April 2014, Yonyou issued a written confirmation (the "**Confirmation**") in relation to cloud service business and payment business that (i) neither Yonyou nor any of its associates (other than through the Company) invest in, is engaged in, operate or participate in, or will be engaged in, operate or participate in, directly or indirectly, the public cloud platform and cloud services designed for MSEs; and (ii) neither Yonyou nor any of its associates (other than through the Company and its subsidiary, Chanjet Payment) invest in, is engaged in, operate or participate in, or will engage in, operate or participate in, directly and indirectly, any business that competes or may compete with the payment services of non-financial institutions as defined under the Measures for the Administration of Payment Services of Non-Financial Institutions (《非金融機構支付服務管理辦法》, as amended from time to time);

2. On 21 October 2016, Yonyou amended the Confirmation to the effect that payment service business shall be excluded from the relevant undertakings made by Yonyou under the Confirmation;

3. Yonyou confirmed that from 1 January 2017 to 31 December 2017, Yonyou and its associates (other than the Company and its subsidiaries) completely complied with and implemented the provisions of the Confirmation, and did not infringe any provisions of the Confirmation under any circumstances; and

4. Yonyou has provided all necessary information to the independent non-executive Directors for their inspection on the implementation of the Confirmation.

The Board has received annual declarations from the Covenantors for their compliance and execution of Non-Competition Agreement and its supplemental agreement, and Yonyou and its associates (excluding the Company and its subsidiaries) for their compliance and execution of the Confirmation.

CONNECTED TRANSACTIONS

1. Non-exempt connected transactions

Sale and purchase Domestic Shares for the implementation of the Employee Trust Benefit Scheme

To implement the Employee Trust Benefit Scheme of the Company, the Company entrusted the trustee to sell to or purchase from, domestic shareholders or secondary market, the Target Shares.

As certain scheme participants applied for exercising their trust beneficial rights, on 26 December 2016, Hwabao Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Yonyou Chuangxin Investment, pursuant to which Hwabao Trust agreed to sell the 265,000 Domestic Shares of the Company held by Hwabao Trust to Chuangxin Investment at an aggregate consideration of RMB2,408,850; on 6 December 2017, National Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Yonyou Chuangxin Investment, pursuant to which National Trust agreed to sell the 120,000 Domestic Shares of the Company held by National Trust to Chuangxin Investment at an aggregate consideration of RMB1,204,800.

In order to purchase Domestic Shares for the Grant, on 1 November 2016, Hwabao Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Huicai Juneng Investment, Huiyun Jiechang Investment and Puyun Huitian Investment, pursuant to which Hwabao Trust agreed to purchase the 18,660, 3,740 and 10,000 Domestic Shares of the Company held by Huicai Juneng Investment, Huiyun Jiechang Investment, Puyun Huitian Investment, respectively at an aggregate consideration of RMB273,780; on 6 December 2017, National Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Huicai Juneng Investment, Huiyun Jiechang Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Yuntong Changda Investment, pursuant to which National Trust agreed to purchase the 202,985, 94,260, 396,441, 82,830 and 523,484 Domestic Shares of the Company held by Huicai Juneng Investment, Huiyun Jiechang Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Yuntong Changda Investment, respectively, at an aggregate consideration of RMB13,052,000.

Since Yonyou Chuangxin Investment is a subsidiary of Yonyou, the controlling Shareholder of the Company, it is therefore a connected person of the Company as defined under the Listing Rules. Our Director, Mr. Zeng Zhiyong is a general partner of each of Huicai Juneng Investment, Huiyun Jiechang Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Yuntong Changda Investment. Therefore, each of Huicai Juneng Investment, Huiyun Jiechang Investment, Puyun Huitian Investment, Tongyun Jitian Investment and Yuntong Changda Investment is also a connected person of the Company as defined under the Listing Rules.

Details of the above transactions are set out in the announcement dated 6 December 2017 of the Company.

2. Continuing connected transactions

2.1 Connected persons

Yonyou holds 71.00% of the issued share capital of the Company and is therefore the controlling Shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, Yonyou and its associates are connected persons of the Company. Accordingly, the transactions between the Group and Yonyou and/or its associates constitute continuing connected transactions under Chapter 14A of the Listing Rules.

2.2 Non-exempt continuing connected transactions

Property Leasing Framework Agreement

On 17 February 2014, the Company and Yonyou entered into the Property Leasing Framework Agreement, pursuant to which, Yonyou and/or its subsidiaries will lease certain properties to our Group for office use.

Pursuant to the Property Leasing Framework Agreement, the pricing of the properties to be leased is determined in accordance with the market price, i.e. the rental payments for the same or similar properties leased by an Independent Third Party in the same or similar region.

The Property Leasing Framework Agreement is valid for a term commencing from the Listing Date and expiring on 31 December 2016 and is renewable for a term of three years, subject to all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

Due to the demands for business development, the Company and Yonyou entered into a new Property Leasing Framework Agreement on 21 December 2015, which shall be effective from 1 January 2016 to 31 December 2018. The Property Leasing Framework Agreement, having signed and taken effect, shall supersede the previous property leasing framework agreement made between the Company and Yonyou dated 17 February 2014. The proposed annual caps for the transactions under the new Property Leasing Framework Agreement are as follows:

	For the year ended/ ending 31 December		
	2016	**2017**	**2018**
	RMB	*RMB*	*RMB*
Proposed annual caps	7,564,000	9,053,000	9,921,000

The annual cap for the annual rental payment of the year 2017 was RMB9,053,000, while the actual annual rental payment amounted to approximately RMB5,127,920.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Reporting Period has followed the pricing principles of such continuing connected transactions.

For details of the above transactions, please refer to the Prospectus and the announcement of the Company published on 21 December 2015.

Continuing connected transactions between Yonyou and Chanjet Payment

On 14 May 2015, Yonyou and Chanjet Payment entered into the Payment Service Framework Agreement in respect of agency profit-splitting and the payment-supporting services. Pursuant to which, Yonyou Group has agreed to assist Chanjet Payment Group as an agent of payment services to expand its user basis in the field of payment services. Profits generating from the transaction revenue gained by Chanjet Payment Group from the users referred by Yonyou Group shall be split with Yonyou Group, and Chanjet Payment Group has agreed to provide payment supporting services to Yonyou Group, including enterprise payment service and enterprise payment collection service.

The Payment Service Framework Agreement shall be effective from 14 May 2015 to 31 December 2017. Upon expiry, the Payment Service Framework Agreement will, subject to compliance with the requirements of Listing Rules and other applicable laws and regulations, be automatically renewed for a further term of three years. The proposed annual caps for the continuing connected transactions contemplated under Payment Service Framework Agreement for the three years ended 31 December 2017 are as follows:

	Period from 14 May 2015 to 31 December 2015	**Year ended 31 December 2016**	**Year ended 31 December 2017**
	RMB	*RMB*	*RMB*
Agency profit-splitting (fees payable by Chanjet Payment Group to Yonyou Group)	11,000,000	14,000,000	16,000,000
Payment-supporting services (fees payable by Yonyou Group to Chanjet Payment Group)	1,500,000	6,000,000	9,000,000

The annual caps for agency profit-splitting service fee and actual payment-supporting service fee in 2017 were RMB16,000,000 and RMB9,000,000, respectively. The Company had no actual agency profit-splitting service fee or actual payment-supporting service fee during the year.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Reporting Period has followed the pricing principles of such continuing connected transactions.

For details of the above transactions, please refer to the announcement published by the Company on 14 May 2015.

The extraordinary general meeting of the Company held on 30 December 2016 has approved: (i) the Company's conditional sale of 55.82% equity interests in Chanjet Payment to Yonyou; (ii) Yonyou's unilateral capital contribution to Chanjet Payment; and (iii) the amendments to the Non-Competition Agreement dated 17 February 2014 entered into by Yonyou, Mr. Wang Wenjing and the Company and to the Confirmation dated 11 April 2014 issued by Yonyou. Upon completion of the above transactions, Chanjet Payment will be owned by the Company and Yonyou as to 15% and 85%, respectively and it would cease to be a subsidiary of the Company. For details of the above transactions, 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.

As at 1 September 2017, the disposal of Chanjet Payment had been completed. Thereafter, Chanjet Payment has been owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company. Therefore, the transactions between Yonyou and Chanjet Payment will no longer constitute connected transactions of the Company.

IT services purchase framework agreement

On 16 June 2017, the Company entered into the IT Services Purchase Framework Agreement with Yonyou, pursuant to which Yonyou agreed to provide certain information technology services (Basic IT Services, Value-added IT Services and Specialized IT Services) to the Company. The IT Services Purchase Framework Agreement shall take effect from its signing by the legal representatives or the authorized representatives of both parties with their official seals and shall expire on 31 December 2019. Upon the expiry of the term, subject to compliance with the Listing Rules and other applicable laws and regulations, the parties can negotiate on whether to renew the agreement for another term of not exceeding three years. The proposed annual caps for the transactions under the IT Services Purchase Framework Agreement are as follows:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB	*RMB*	*RMB*
Proposed annual caps	3,400,000	3,650,000	4,000,000

The annual cap for the purchase fees of IT services of the year 2017 was RMB3,400,000, while the actual annual services fees amounted to approximately RMB2,787,380.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Reporting Period has followed the pricing principles of such continuing connected transactions.

For details of the above transactions, please refer to the announcement of the Company published on 16 June 2017.

2.3 *Confirmation from independent non-executive Directors and the auditor of the Company*

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that:

(i) such transactions were entered into on normal commercial or better terms;

(ii) such transactions were entered into in the ordinary course of business of the Group; and

(iii) such transactions were conducted pursuant to the agreements, the terms and conditions of which are fair and reasonable, and in line with the overall development strategy of the Group and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has performed certain agreed procedures in relation to the aforesaid continuing connected transactions, and issued a letter to the Board, stating that:

(i) the aforesaid continuing connected transactions have obtained approval from the Board;

(ii) the pricing of the continuing connected transactions in relation to the provision of goods and services by the Group was determined, in all material respects, in accordance with pricing policy of the Group;

(iii) the aforesaid continuing connected transactions were carried out, in all material respects, pursuant to relevant agreements regulating such transactions; and

(iv) the aforesaid continuing connected transactions did not exceed their respective annual caps for the year ended 31 December 2017 as set out in the respective transaction announcements.

Details of related party transactions entered into in the ordinary course of business of the Group during the Reporting Period are set out in note 29 to the financial statements. Save as disclosed above, no related party transactions set out in note 29 to the financial statements constitute discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

TAXATION

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

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

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

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

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

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

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 31 December 2017, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending which might significantly threaten or be raised against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has formulated compliance procedures to ensure compliance with applicable laws, rules and regulations with a significant impact on it. The Group maintains strict review procedures in the process of decision-making on investment and M&A, strategic adjustment, listing compliance, asset restructuring of major business, research and development of key products, development of national market, brand and intellectual property protection and other material events. The Company has also engaged Hong Kong and PRC legal advisers to provide legal advice for the Group and ensure compliance with laws, regulations and rules. In addition, relevant employees of the Group will be informed of any changes in applicable laws, regulations and rules from time to time.

The Company has complied with all laws and regulations in relation to copyright of computer software, operation of telecommunication business, protection of Internet information and users' personal information, online trading and third party payment, and not been subject to any material penalty in respect of the above aspects by any regulatory department.

In order to protect its intellectual properties, the Group has registered its domain name, and registered or applied for a number of trademarks, patents and software copyrights for multiple categories in the PRC and other relevant jurisdictions and taken all appropriate measures as required for safeguarding its intellectual properties.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Reporting Period, in strict compliance with the relevant national regulations on disposal of gas and solid emissions, the Group improved the emissions management system, identified any potential type of emissions generating in the course of production and operation and studied to determine emissions disposal methods, so as to reduce waste emissions. During the Reporting Period, there were no material non-compliance accidents in terms of environment protection for the Group. The Group is committed to promoting environmental knowledge and advocating green life. The Group called on all the employees to build up the concept of saving energy for environmental protection and strictly follow relevant laws and regulations in relation to environmental protection and energy saving; and it had formulated an Environmental Protection and Energy Saving Manual (環保節能手冊) and produced the bulletin boards themed "Energy Saving Propaganda" on a regular basis, in order to guide and supervise environmental protection and energy saving by all the employees. Meanwhile, the Group enhanced its energy management to create green office, based on the effect of its own offices on environment and by using information technology. There were no emissions of Ozone Depleting Substances (ODS) and other air pollutants regulated by laws and regulations during the production course of the Group. The Group would reduce the use of packaging under the Policy on Distinguishing Sales of Cloud Encryption Products and Packaging (雲加密產品與包裝區分銷售政策), and has undertook that, its business activities would not have any material effect on the environment and natural resources.

The above measures are designed to reduce resource consumption and environmental pollution, and in line with the Group's strategy to cut operating cost. For further details of the environmental policies and performance of the Company, please refer to the environmental, social and governance report to be published by the Company.

AUDITORS

At the 2016 annual general meeting of the Company held on 18 May 2017, the Company re-appointed Ernst & Young as the international auditor of the Company for the year ended 31 December 2017 and Ernst & Young Hua Ming LLP as the PRC auditor of the Company for the year ended 31 December 2017. Ernst & Young has audited the accompanying financial statements which were prepared in accordance with the IFRSs. Ernst & Young was the reporting accountant of the Company during the listing period and the Company has not changed its auditors since the Listing Date.

On behalf of the Board
Wang Wenjing
Chairman
23 March 2018

REPORT OF SUPERVISORY COMMITTEE

During the Reporting Period, all members of the Supervisory Committee earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements of Company Law of the PRC, relevant regulations and the Articles of Association; Supervisors attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management, thereby promoting the Company's standard operation and healthy development.

During the Reporting Period, the Supervisory Committee paid close attention to the major activities of operation and management. The Supervisory Committee convened regular meetings to consider resolutions in relation to the financial reports of the Company and supervised the financial tasks and financial condition of the Company in a timely manner. Employee representative Supervisors attended the regular President's office meetings of the Company held in 2017 and participated in the regular operation analysis meetings, effectively performing its duties in supervising the operation and management procedures of the Company.

During the Reporting Period, a total of four meetings were convened by the Supervisory Committee. At the first meeting of the second session of the Supervisory Committee for the year 2017 convened on 17 March 2017, the 2016 Annual Report, 2016 Final Financial Accounts, 2016 Internal Control Review Report, 2016 Report of Supervisory Committee and 2016 Report of Directors were considered and approved; at the second meeting of the second session of the Supervisory Committee for the year 2017 convened on 18 July 2017, the Resolution in Relation to the Nomination of Guo Xinping as a Candidate for the Shareholder Representative Supervisors of the Third Session of the Supervisory Committee, the Resolution in Relation to Nomination of Zhang Peilin as a Candidate for the Shareholder Representative Supervisors of the Third Session of the Supervisory Committee, the Resolution in Relation to the Nomination of Ruan Guangli as the Independent Supervisor Candidate for the Third Session of the Supervisory Committee, and the Resolution in Relation to the Nomination of Ma Yongyi as a Candidate for the Independent Supervisors of the Third Session of the Supervisory Committee were considered and approved; at the third meeting of the second session of the Supervisory Committee for the year 2017 convened on 25 August 2017, the 2017 Interim Report was considered and approved; at the first meeting of the third session of the Supervisory Committee for the year 2017 convened on 8 September 2017, the Resolution in Relation to the Election of Mr. Guo Xinping as the Chairman of the Third Session of the Supervisory Committee was considered and approved. All Supervisors attended the above meetings.

During the Reporting Period, the Supervisory Committee supervised the convening procedures and resolutions of the general meetings and the Board meetings of the Company, the implementation of resolutions approved at the general meetings by the Board, senior management's performance of their duties and implementation of the management system of the Company in accordance with requirements of relevant laws and regulations of the PRC as well as the Articles of Association. Given the supervisory work mentioned above, the Supervisory Committee is of the view that the Company has established a comprehensive corporate governance structure and internal control system; the Company operated strictly in accordance with the standards stipulated in the laws and regulations of the PRC and the Articles of Association, while the convening procedures of general meetings and the Board meetings, rules of procedures and resolution procedures were lawful and valid; It is not aware of any breaches of laws and regulations of the PRC and the Articles of Association or prejudice to the Company's interests by any Directors and senior management when performing their duties for the Company. The relatively sound internal control system of the Company promoted the legal operation of the Company, and ensured the asset safety and operation efficiency of the Company.

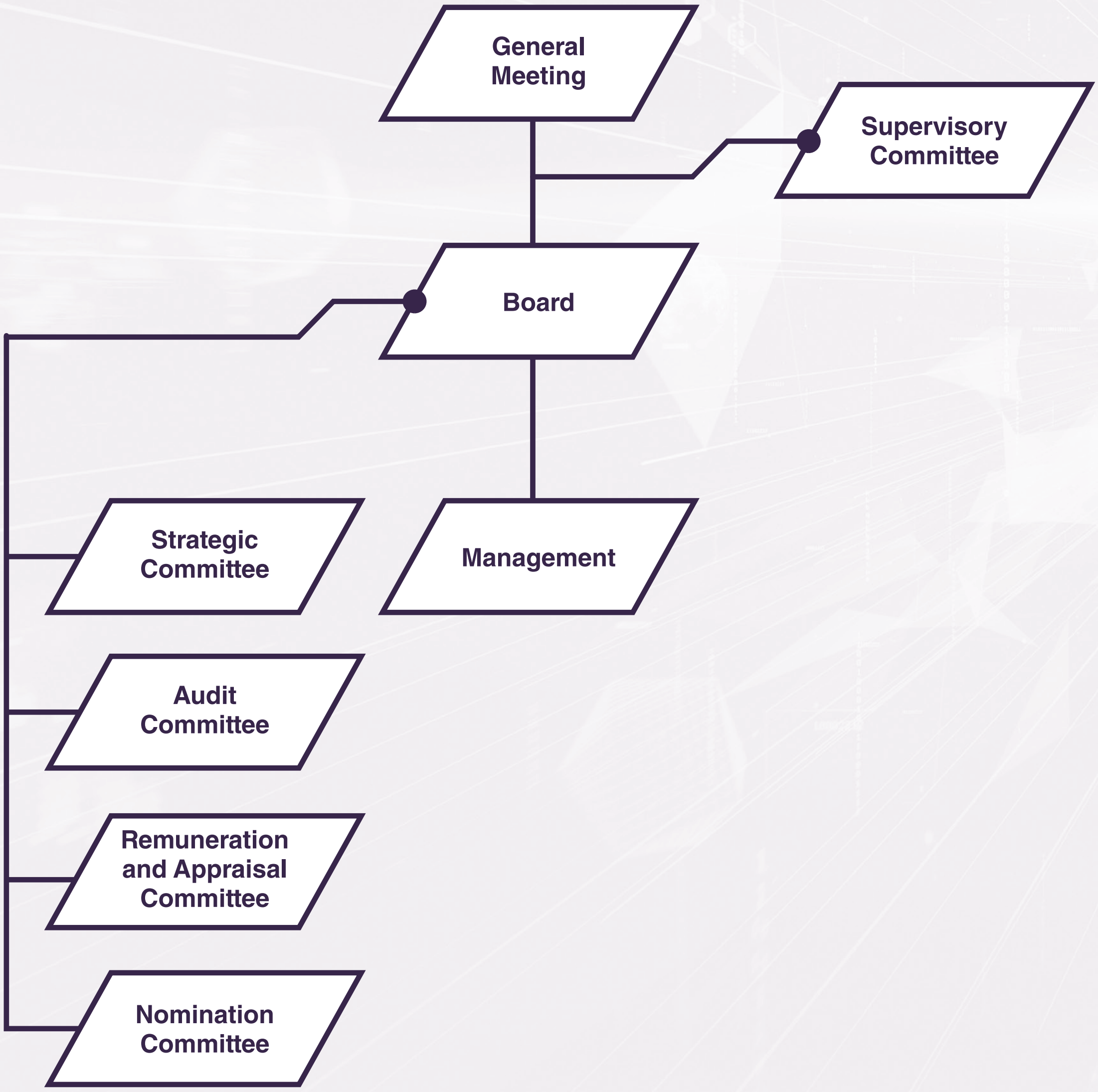
During the Reporting Period, the Supervisory Committee examined the financial structure and financial condition of the Company in a serious and careful manner and considered that the Company maintained healthy financial condition in 2017. The standard unqualified audit report issued by Ernst & Young and Ernst & Young Hua Ming LLP and their opinions on the matters involved were objective and fair. The financial report of the Company for the year 2017 gave a true picture of the financial condition and operating results of the Company.

During the Reporting Period, members of the Supervisory Committee attended the Board meetings of the Company as non-voting participants. The Supervisory Committee had no objections to the contents of reports and resolutions proposed by the Board at the general meetings. The Supervisory Committee supervised the implementation of resolutions approved at the general meetings and considered that the Board had duly performed relevant resolutions approved at the general meetings.

CORPORATE GOVERNANCE

During the Reporting Period, the Company strictly complied with requirements under the Company Law of the PRC, the Securities Law of the PRC and other laws and regulations, and requirements stipulated by domestic and overseas regulatory institutions to establish a standard and sound corporate governance structure while continuously committed to maintaining the corporate governance at a high level to improve the long-term value for Shareholders.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

At present, the regulatory documents on corporate governance of the Company include but not limited to the followings:

1. Articles of Association;

2. Rules of Procedure of General Meeting;

3. Rules of Procedure of Board;

4. Rules of Procedure of Supervisory Committee;

5. Working Rules of Strategic Committee;

6. Working Rules of Audit Committee;

7. Working Rules of Remuneration and Appraisal Committee;

8. Working Rules of the Nomination Committee;

9. Working System for Independent Directors;

10. Working Rules of General Manager;

11. Board Diversity Policy; and

12. Shareholders Communications Policies.

The Board has reviewed the abovementioned documents in relation to corporate governance adopted by the Company, and considered that such documents have met the requirements of all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The corporate governance code adopted by the Company is more stringent than the code provisions set out in the Corporate Governance Code and Corporate Governance Report in the following aspects:

1. Apart from the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee, the Company has also established the Strategic Committee.

2. Independent non-executive Directors are required to review the information in relation to the compliance and implementation of the Non-Competition Undertakings provided by the controlling Shareholder at least once a year.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the Reporting Period and as at the Latest Practicable Date, the Company had fully complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report.

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 of the Company 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 of the Company confirmed that they had fully complied with the Model Code during the Reporting Period.

BOARD

The composition of the Board and the relevant information during the Reporting Period and as at the Latest Practicable Date are set out as follows:

Director	Age	Position	Term of office
Mr. Wang Wenjing (王文京先生)	53	Non-executive Director, Chairman	From 8 September 2017 to 7 September 2020
Mr. Wu Zhengping (吳政平先生)	53	Non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Zeng Zhiyong (曾志勇先生)	49	Executive Director, Vice Chairman	From 8 September 2017 to 7 September 2020
Mr. Yang Yuchun (楊雨春先生)	45	Executive Director, President	From 8 September 2017 to 7 September 2020
Mr. Chen, Kevin Chien-wen (陳建文先生)	63	Independent non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Lau, Chun Fai Douglas (劉俊輝先生)	45	Independent non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Chen Shuning (陳淑宁先生)	54	Independent non-executive Director	From 8 September 2017 to 7 September 2020

The Board consists of seven members, three of whom are independent non-executive Directors. According to the Articles of Association, the functions and powers of the Board include, amongst others:

- being responsible for convening the general meetings and reporting on work to the general meetings;
- implementing the resolutions of the general meetings;
- determining the businesses and investment plans of the Company;
- formulating the annual financial budgets and final financial accounts of the Company;
- formulating the profit distribution schemes and loss remedy plans of the Company;
- formulating the plans for increasing or decreasing registered capital and the issuance of corporate bonds or other securities as well as the listing scheme of the Company;
- preparing plans for merger, spin-off, dissolution and transformation of the Company;
- preparing plans for major acquisitions and repurchase of the shares of the Company;
- determining such matters as the external investments, purchase/sale of assets, asset pledges, external guarantees, entrusting wealth management and connected transactions of the Company within the scope authorized by the general meetings;
- deciding on the structure scheme of the Company's internal management agency;
- deciding on the structure scheme of the special committees of the Board, appointing or dismissing the chairman (convenor) of special committees of the Board;
- appointing or dismissing the president, secretary to the Board, company secretary of the Company; based on the nomination by the president, appointing or dismissing senior management including vice president and chief financial officer of the Company and determining their remuneration;
- formulating the basic management system of the Company;
- making the modification proposal for the Articles of Association;
- formulating share incentive schemes of the Company;
- managing the information disclosure of the Company;

- proposing the appointment or replacement of the accounting firm that provides audit services for the Company at the general meeting;
- listening to the work report made by the president and reviewing the work performance by the president of the Company;
- considering and approving the provision by the Company of any external guarantee other than those to be approved by the general meeting in accordance with the Articles of Association;
- formulating and reviewing the Company's corporate governance policy and practices;
- reviewing and supervising policies and practices regarding the compliance of laws and regulatory requirements;
- reviewing and supervising the training and continuing occupational development for the Directors and senior management;
- reviewing the Company's compliance with the Corporate Governance Code in the Listing Rules and disclosure in the Corporate Governance Report;
- deciding on other major matters and administrative affairs other than those specified in the laws, administrative regulations, regulations of the competent authorities, listing rules of the place(s) where the Company's shares are listed and the Articles of Association to be decided by the Shareholders' general meeting and sign other important agreements; and
- performing other powers and duties authorized by the laws, administrative regulations, and department rules, listing rules of the place(s) where the Company's shares are listed, the Articles of Association and other duties entrusted by the Shareholders' general meetings.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial condition of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2017, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimate to prepare the financial statements on a going concern basis. The Board is responsible for properly maintaining the account records of the financial information of the Company and disclosing the same reasonably and accurately at any time.

The Company's management comprises one president, several vice presidents and a chief financial officer. The president is responsible to the Board and shall mainly perform the following functions:

- being in charge of the production, operation and management of the Company and reporting to the Board;
- organizing the implementation of the resolutions of the Board;
- organizing the implementation of the annual business plan and investment program of the Company formulated by the Board;
- preparing plans for the establishment of the internal management structure of the Company;
- preparing plans for the establishment of the branch bodies of the Company;
- preparing basic management systems of the Company;
- formulating specific rules and regulations of the Company;
- proposing the appointment or dismissal of the vice presidents and the chief financial officer of the Company to the Board;
- appointing or dismissing other management personnel other than those required to be appointed or dismissed by the Board;
- determining the salaries, benefits, rewards and punishment for the staff of the Company, and making decisions on the appointment or dismissal of the Company's staff; and
- other functions and powers conferred by the Articles of Association or the Board.

During the Reporting Period, Mr. Wang Wenjing, a non-executive Director, served as Chairman of the Board and Mr. Yang Yuchun, an executive Director, served as the President. The Chairman and the President are two different positions which are clearly delineated. The Chairman shall not concurrently serve as the President. The responsibilities between the Chairman and the President shall be clearly separated and defined in written form. The Chairman is responsible for managing the operation of the Board while the President is responsible for the business operation of the Company. The Articles of Association sets out in detail the respective responsibilities of the Chairman and the President. Senior management of the Company, other than the Directors and the Supervisors, are responsible for the daily business operation of the Company. Their positions are set out in the section of "Biographies of Directors, Supervisors and Senior Management" in this report.

All Directors are required to declare any direct or indirect interest involved in any matter or transaction to be considered at Board meetings, and interested Directors shall abstain from the meeting when appropriate.

A total of ten Board meetings were convened during 2017. The Directors' attendance rate is as follows:

Directors	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Wang Wenjing	10	–	100%
Wu Zhengping	10	–	100%
Zeng Zhiyong	10	–	100%
Yang Yuchun *Note1*	7	–	100%
Chen, Kevin Chien-wen	10	–	100%
Lau, Chun Fai Douglas	10	–	100%
Chen Shuning *Note2*	3	–	100%
Liu Yunjie *Note2*	7	–	100%

Two general meetings were convened during 2017. The attendance rate of the Directors is as follows:

Directors	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Wang Wenjing	2	–	100%
Wu Zhengping	2	–	100%
Zeng Zhiyong	2	–	100%
Yang Yuchun *Note1*	1	–	100%
Chen, Kevin Chien-wen	2	–	100%
Lau, Chun Fai Douglas	2	–	100%
Chen Shuning *Note2*	0	–	–
Liu Yunjie *Note2*	2	–	100%

Note 1: At the 2016 annual general meeting convened by the Company on 18 May 2017, Mr. Yang Yuchun was appointed as an executive Director of the Company.

Note 2: At the extraordinary general meeting convened by the Company on 8 September 2017, Mr. Liu Yunjie retired from his position as an independent non-executive Director, and Mr. Chen Shuning was appointed as an independent non-executive Director of the Company.

During the Reporting Period and as at the Latest Practicable Date, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of three independent non-executive Directors, Rule 3.10A of the Listing Rules, which requires independent non-executive Directors representing at least one-third of the Board, and Rule 3.10(2) of the Listing Rules, which requires that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

In accordance with the requirements of the Listing Rules, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has accepted the independent confirmation letter given by each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent parties.

Each of the independent non-executive Directors shall have the same term of office of three years as other Directors, and may be re-appointed upon expiry of the term of office provided that the consecutive terms shall be in compliance with relevant requirements under the relevant laws, regulations or regulatory rules of the place(s) where the Company's shares are listed. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Director.

Other than their duties in the Company, the Directors, the Supervisors and senior management of the Company do not have any relationship among themselves in financial, business, family or other material aspects.

During the Reporting Period, all Directors proactively participated in continuous professional training and developed and updated their knowledge and skills in a move to ensure that their contribution to the Board remained completely informed and relevant.

The Company has established the Strategic Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

Strategic Committee

As at the end of the Reporting Period, the Strategic Committee consisted of Mr. Wang Wenjing, a non-executive Director, Mr. Yang Yuchun, an executive Director, and Mr. Chen Shuning, an independent non-executive Director, among whom, Mr. Wang Wenjing was the chairman of the Committee.

The primary duties of the Strategic Committee include:

- reviewing and making recommendations to the Board on the plans for strategic development of the Company;

- reviewing and making recommendations to the Board on planning, feasibility studies, external negotiations, due diligence, intent to cooperate and the execution of contracts in relation to new major investment by the Company, in light of the plans for the strategic development of the Company;

- reviewing and making relevant recommendations to the Board on major financing, capital operation and assets management, including the issuance of shares or corporate bonds of the Company;

- reviewing and making relevant recommendations to the Board on mergers, divisions, liquidation of the Company and other material matters which will affect the development of the Company; and

- monitoring and supervising, and proposing adjustment to as necessary, the implementation of the above matters after approval by the Board.

One meeting of Strategic Committee was convened during the Reporting Period. The attendance rate of the committee members is as follows:

Members	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Wang Wenjing	1	–	100%
Zeng Zhiyong	1	–	100%
Yang Yuchun Note1	–	–	–
Liu Yunjie	1	–	100%
Chen Shuning Note2	–	–	–

Note 1: Mr. Zeng Zhiyong ceased to be a member of the Remuneration and Appraisal Committee and Strategic Committee from 8 September 2017. Mr. Yang Yuchun was appointed as a member of the Remuneration and Appraisal Committee and Strategic Committee upon approval by the Board on 8 September 2017.

Note: 2: Mr. Liu Yunjie retired from his position as an independent non-executive Director of the Company from 8 September 2017, and would no longer serve as the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee and the Strategic Committee. Mr. Chen Shuning was appointed as the chairman of the Nomination Committee, and a member of the Remuneration and Appraisal Committee and the Strategic Committee upon approval by the Board on 8 September 2017.

The Details of the meetings are as follows:

At the 2017 first meeting of the Strategic Committee of the second session of the Board held on 15 March 2017, the resolution in relation to the work plan of the Company for 2017 was considered and approved.

Audit Committee

During the Reporting Period and as at the Latest Practicable Date, the Audit Committee consisted 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 was the chairman of the Committee.

The primary duties of the Audit Committee include:

- making recommendations to the Board on appointing and replacing external auditors;
- being responsible for the communication between the internal audit department of the Company and external auditors as the representative of the Company and external auditors;
- developing and implementing policy on the provision of non-audit services by external auditors according to work demands;
- reviewing financial information of the Company and its disclosures;
- discussing any queries raised by the independent auditor after reviewing the half-year accounts and auditing the annual accounts of the Company;
- reviewing the Company's financial policies, internal auditing system, internal control and risk management systems and proposing opinions and suggestions on improvement;

- reviewing the following arrangements made by the Company: employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;

- establishing relevant procedures to ensure fair and independent investigation and settlement of complaints in relation to accounting, risk management, internal control, audit or others and ensuring the confidentiality thereof;

- finishing other works assigned by the Board; and

- fulfilling other responsibilities conferred by regulatory institutions including Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong.

The Company has fully complied with the requirements of the Rule 3.21 of the Listing Rules during the Reporting Period.

A total of three meetings of the Audit Committee were convened during the Reporting Period. The attendance rate of the members is as follows:

Members	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Chen, Kevin Chien-wen	3	–	100%
Wu Zhengping	3	–	100%
Lau, Chun Fai Douglas	3	–	100%

The details of the meetings are as follows:

At the 2017 first meeting of the Audit Committee of the second session of the Board held on 15 March 2017, the consolidated financial statements for the year ended 31 December 2016 prepared by the Company according to the International Financial Reporting Standards, the audited financial statements for the year ended 31 December 2016 prepared by the Company according to the CASBE, the 2016 Internal Control Review Report issued by SHINEWING Risk Services Limited, an independent consultant of internal control of the Company, 2016 Report on Corporate Risk Assessment of the Company and the resolution in relation to the engagement of financial statement auditor of the Company.

At the 2017 second meeting of the Audit Committee of the second session of the Board held on 25 August 2017, the 2017 interim report of the Company was considered and approved.

At the 2017 first meeting of the Audit Committee of the third session of the Board held on 13 December 2017, the resolutions in relation to the audit plan for the 2017 consolidated financial statements of the Company and the remunerations of auditors in 2017 were considered and approved.

Remuneration and Appraisal Committee

As at the end of the Reporting Period, the Remuneration and Appraisal Committee consisted of Mr. Lau, Chun Fai Douglas, an independent non-executive Director, Mr. Yang Yuchun, an executive Director, and Mr. Chen Shuning, an independent non-executive Director, among whom, Mr. Lau, Chun Fai Douglas was the chairman of the Committee.

The primary duties of the Remuneration and Appraisal Committee include:

- studying and reviewing the remuneration policies, proposals and structure for the Directors and senior management and establishing standard and transparent procedures of the remuneration policies and making recommendations to the Board on remuneration policies;

- examining the proposed remunerations to the management according to the corporate goals and objectives developed by the Board from time to time;

- recommending to the Board on the remuneration packages offered to individual executive Directors and senior management, including non-monetary income, pension and compensation (including compensation payable for loss or termination of office or position);

- making recommendations to the Board concerning remuneration packages offered to non-executive Directors;

- examining the performance of duties of the Directors and senior management of the Company and to appraise their annual performance;
- supervising the implementation of the remuneration system of the Company; and
- other matters authorized by the Board.

A total of five meetings of the Remuneration and Appraisal Committee were convened during the Reporting Period. The attendance rate of the members is as follows:

Members	**Number of Attendance in person**	**Number of Attendance by proxy**	**Attendance Rate**
Lau, Chun Fai Douglas	5	–	100%
Zeng Zhiyong *Note1*	4	–	100%
Yang Yuchun *Note1*	1	–	100%
Liu Yunjie *Note2*	4	–	100%
Chen Shuning *Note2*	1	–	100%

Note 1: Mr. Zeng Zhiyong ceased to be a member of the Remuneration and Appraisal Committee and Strategic Committee from 8 September 2017. Mr. Yang Yuchun was appointed as a member of the Remuneration and Appraisal Committee and Strategic Committee upon approval by the Board on 8 September 2017.

Note 2: Mr. Liu Yunjie retired from his position as an independent non-executive Director on 8 September 2017, and would no longer serve as the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee and the Strategic Committee. Mr. Chen Shuning was appointed as the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee and the Strategic Committee upon approval by the Board on 8 September 2017.

The details of the meetings are as follows:

At the 2017 first meeting of the Remuneration and Appraisal Committee of the second session of the Board held on 15 March 2017, the resolutions in relation to the remuneration of senior management in 2016 and the remuneration plan for 2017 of the Company were considered and approved.

At the 2017 second meeting of the Remuneration and Appraisal Committee of the second session of the Board held on 31 March 2017, the resolutions in relation to the first unlocking of the trust benefit units under the second grant pursuant to the Employee Trust Benefit Scheme were considered and approved.

At the 2017 third meeting of the Remuneration and Appraisal Committee of the second session of the Board held on 5 June 2017, the resolution in relation to the fourth grant of trust benefit units subject to effective conditions to Scheme Participants under the Employee Trust Benefit Scheme was considered and approved.

At the 2017 fourth meeting of the Remuneration and Appraisal Committee of the second session of the Board held on 16 June 2017, the resolution in relation to the second unlocking of the trust benefit units under the initial grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

At the 2017 first meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 6 December 2017, the resolution in relation to the first unlocking of the trust benefit units under the third grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

Nomination Committee

As at the end of the Reporting Period, the Nomination Committee consisted of Mr. Chen Shuning, an independent non-executive Director, Mr. Wang Wenjing, a non-executive Director, and Mr. Chen, Kevin Chien-wen, an independent non-executive Director, among whom, Mr. Chen Shuning was the chairman of the Committee.

The primary duties of the Nomination Committee include:

- considering the criteria and procedures for selecting Directors, the president and other senior management and making recommendations thereon to the Board. Factors to be considered include but not limited to gender, age, culture, educational background, and professional experience;
- identifying suitable candidates for directorship and recommending candidates to the Board;
- examining and making suggestions on the candidates for president and other senior management of the Company;
- reviewing the independence of the independent non-executive Directors; and
- other matters authorized by the Board.

Four meetings of the Nomination Committee were convened during the Reporting Period. The attendance rate of the members is as follows:

Members	Number of Attendance in person	Number of Attendance by proxy	Attendance Rate
Liu Yunjie Note1	3	–	100%
Chen Shuning Note1	1	–	100%
Wang Wenjing	4	–	100%
Chen, Kevin Chien-wen	4	–	100%

Note 1: Mr. Liu Yunjie retired from his position as an independent non-executive Director of the Company on 8 September 2017, and would no longer serve as the chairman of the Nomination Committee, a member of the Remuneration and Appraisal Committee and the Strategic Committee. Mr. Chen Shuning was appointed as the chairman of the Nomination Committee, and a member of the Remuneration and Appraisal Committee and the Strategic Committee upon approval by the Board on 8 September 2017.

The Details of the meetings are as follows:

At the 2017 first meeting of the second session of the Nomination Committee held on 9 January 2017, the resolutions in relation to the appointment of Mr. Yang Yuchun as the President, selection of Mr. Zeng Zhiyong as the vice chairman of the second session of the Board and selection of Mr. Yang Yuchun as an executive Director of the second session of the Board were considered and approved.

At the 2017 second meeting of the second session of the Nomination Committee held on 15 March 2017, the resolution in relation to the appointment of senior management were considered and approved, and Mr. Zhang Zhongrong, Mr. Li Junhui, Mr. Liu Zhidong, and Mr. Peng Zhenbin were appointed as vice presidents of the Company.

At the 2017 third meeting of the second session of the Nomination Committee held on 18 July 2017, the resolution in relation to the nomination of Mr. Wang Wenjing and Mr. Wu Zhengping as the candidates for non-executive Directors of the third session of the Board, the resolution in relation to the nomination of Mr. Zeng Zhiyong and Mr. Yang Yuchun as the candidates for executive Directors of the third session of the Board, and the resolution in relation to the nomination of Mr. Chen, Kevin Chien-wen, Mr. Lau, Chun Fai Douglas and Mr. Chen Shuning as the candidates for independent non-executive Directors of the third session of the Board were considered and approved.

At the 2017 first meeting of the third session of the Nomination Committee held on 8 September 2017, the resolution in relation to the appointment of Mr. Yang Yuchun as the President was considered and approved; the appointment of other senior management of the Company were considered and approved, proposing to appoint Mr. Sun Guoping and Mr. Cheng Gang as senior vice presidents of the Company, appoint Ms. Zou Dan as a senior vice president and the chief financial officer of the Company and appoint Ms. Zhang Hong, Mr. You Hongtao, Mr. Ru Hai, Mr. Li Junhui, Mr. Liu Zhidong and Mr. Peng Zhenbin as vice presidents of the Company.

BOARD DIVERSITY POLICY

The Board adopts the following board diversity policy:

With a view to achieving a sustainable and balanced development, the Company believes increasing diversity of the Board as an essential element in supporting the attainment of its strategic objectives and sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered against objective criteria, together with the benefit to the Board made by the board diversity. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in the business development and strategic planning of the Company, and also the merits and contribution to be made by the selected candidates. The composition of the Board (including gender, age and length of service) will be disclosed in the Corporate Governance Report annually.

CORPORATE GOVERNANCE FUNCTIONS

During the Reporting Period, the Board was responsible for performing the following corporate governance functions:

- formulating and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing the Company's compliance with the Corporate Governance Code in the Listing Rules and disclosure in the Corporate Governance Report.

AUDITOR'S REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international auditor and the PRC auditor of the Company for 2017, respectively. The service fees charged to the Group by Ernst & Young and Ernst & Young Hua Ming LLP for the year ended 31 December 2017 were as follows: the fee for interim review of the IFRS Financial Statements amounting to RMB0.22 million, the fee for annual audit of the IFRS Financial Statements amounting to RMB0.95 million (including the fee for annual verification of the non-exempt continuing connected transactions) and the fee for annual audit of the financial statements of the Company in respect of CASBE amounting to RMB0.08 million.

JOINT COMPANY SECRETARIES

Mr. You Hongtao and Mr. Ngai Wai Fung were appointed as joint company secretaries of the Company. Mr. You Hongtao, the secretary of the Board and joint company secretary of the Company, serves as the primary contact person between Mr. Ngai Wai Fung and the Company. During the Reporting Period, Mr. You Hongtao and Mr. Ngai Wai Fung have attended relevant professional trainings for not less than 15 hours.

SHAREHOLDERS' RIGHT

As the owners of the Company, Shareholders are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The general meeting is the supreme authority of the Company, through which Shareholders exercise their power. During the Reporting Period, the Company held two general meetings.

The Board and senior management of the Company understand that they are representing the interest of all the Shareholders of the Company and their first priority is to maintain the stable and continuous growth of Shareholders' investment return in the long run and enhance the competitiveness of the business.

The procedure for Shareholders to convene a general meeting:

Shareholders holding more than 10% of shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting upon signing one or several written requests with the same content and format, and stating the subject of the meeting. If the Board agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon making the Board decision. If the Board disagrees to convene the extraordinary general meeting or class meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or together holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to hold an extraordinary general meeting or class meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon making the decision. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not holding the general meeting. Then the Shareholders who individually or together hold more than 10% of the shares for more than 90 consecutive days may convene and hold the meeting themselves.

The procedure for proposing suggestions by relevant Shareholders at the general meeting:

Shareholder(s) severally or jointly holding more than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within two days after receipt of such proposal and announce the contents of provisional proposals.

The procedure for enquiry from Shareholders to the Board:

Shareholders may make enquiries to the Board through contact information for investors set out in the section headed “Corporate Information” of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to fulfill the relevant regulatory requirements of the place where the Company is listed and strengthen the risk management and internal control management of the Company, the Company has established a range of risk management and internal control management systems, including documents such as “Administrative System for Information Disclosure”, “Administrative System for Connected Transactions”, “Administrative System for Financial Reports”, “Financial Reimbursement System”, “Funds Management System”, “Administrative System for Procurement”, “Administrative System for Budget”, “Administrative Measures for External Investment”, “Internal Audit System” and “Risk Management System”, thus establishing the risk management and internal control system.

The Board shall be responsible for the risk management and internal control systems of the Group, and it has the responsibility to review the effectiveness of such systems. Such systems are designed based on the specific needs and risks of the Group, aiming at managing but not eliminating the risk of failing to meet the business goals, and providing reasonable but not absolute warranties as to the absence of any material misstatements or losses.

The Directors have reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the Corporate Governance Code and Corporate Governance Report. The review covered financial control, operation control and compliance control, and risk management function control. Meanwhile, The Company appointed SHINEWING Risk Services Limited as the independent internal control advisor to review the risk management and internal control in material aspects of the Company for 2017 and issued the risk management and internal control review report. The report was considered and approved by the Audit Committee and the Board.

The Company has set up the audit and supervision department which is responsible for the work of internal audit and performing internal audit function of the Company. The audit and supervision department shall be accountable and report work to the Audit Committee. The Audit Committee of the Company is responsible for supervising the work of the audit and supervision department and making advice and recommendations on the appraisal and change of the person-in-charge of the audit and supervision department. The Board shall comprehensively supervise and review the implementation of internal audit of the Company.

During the Reporting Period, the Board reviewed the risk management and internal control systems for the year to examine and review all aspects of the risk management and internal systems of the Company (including but not limited to provisions set out in the Code Provision C.2.3 of the Corporate Governance Code) during the Reporting Period, and was of the opinion that the risk management and internal control systems were effective.

In case significant risk management and internal control deficiencies are identified in the course of review, the audit and supervision department of the Company will urge responsible person to rectify them within limited time and will report to the Board and the Audit Committee upon confirmation of such rectification by the independent internal control advisor.

The Company has formulated the Disclosure Manual on Inside Information (內幕消息披露守則), which has provided guidance on the management, protection and proper disclosure of information that has not already been made public. The Directors, supervisors, management and employees of the Company strictly adhere to the statutory requirement, rules, regulations and in-house insider information requirements of the Company relating to their responsibilities of keeping information confidential.

No material risk management and internal control defect has been identified within the Company and its subsidiaries.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Company had highly valued investor relations and communicated with its investors and Shareholders in a pro-active, honest and open manner through a number of formal channels including general meetings, results teleconference, in-house visits for investors and by way of telephone and emails for inquiry. The Board has formulated shareholders communications policies to ensure access of investors and Shareholders to the public information of the Company that is comprehensive, identical and easy to understand at due time.

The Company issues annual report and interim report and dispatches them to the Shareholders. The Company also publishes its announcements, circulars and other information on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and its website (www.chanjet.com).

To provide more effective channels of communication, the Company updates its website from time to time and releases corporate information on its website when appropriate.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 9 January 2017, the Board resolved to make certain amendments to the Articles of Association, so as to i) propose the addition of one Director; ii) propose the addition of the position of vice chairman of the Board; and iii) further enhance the corporate governance structure of the Company. On 17 March 2017, the Board resolved to make amendments to the provisions of the Articles of Association related to the scope of business and the titles of the senior management, in order to 1) meet the needs of operations and management of the Company; and 2) clarify the titles of certain senior management of the Company. The amendments were approved at the annual general meeting of the Company held on 18 May 2017. For the details of the amendments, please refer to the announcements dated 9 January 2017, 17 March 2017 and 18 May 2017 as well as the circular dated 31 March 2017 of the Company.

Reference is also made to the announcement of the Company dated 23 March 2018 in relation to the proposal of the Board to make certain amendments to the Articles of Association to reflect the change of registered address and business license registration number of the Company. The proposed amendments to the Articles of Association are subject to the approval by the Shareholders at the general meeting of the Company by way of special resolution. For details of the amendments, please refer to the announcement and the circular of the Company dated 23 March 2018 and 12 April 2018, respectively.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of Chanjet Information Technology Company Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Chanjet Information Technology Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 90 to 187, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "**Code**") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matters**
Share-based payments	
The Company operates an employee trust benefit scheme (the "**Scheme**"). During the year ended 31 December 2017, the total amount of share-based payment cost was RMB62,444,000 of which an amount of RMB58,176,000 was recognised in profit or loss, and an amount of RMB4,268,000 was capitalised into development costs. Continuous estimation is required for the calculation of cumulative share-based payment cost at each reporting date until vesting, including estimate of the number of trust benefit units that will vest. The accounting policies and disclosures for the appropriateness of the share-based payment disclosures are included in note 2.4 and note 25 to the financial statements.	Our audit procedures included, amongst others, obtaining an understanding of the process of recognition of share-based payment cost and performing a walkthrough to confirm our understanding of the process. We also obtained and reviewed the related resolutions of the board of directors and the agreements for such Scheme. We involved internal valuation experts to assist us in evaluating the fair value of the Scheme and related amendment using a pricing model. We also evaluated management's estimation of the number of employees that are expected to leave and the probability of achievement of certain performance conditions, which are the key assumptions used in the calculation of share-based payment cost, by comparing to the historical data and examining the actual performance versus budgets. We performed testing on a sample basis, including the checking of forfeited and vested target shares. We also performed recalculations on the share-based payment cost.

KEY AUDIT MATTERS (Continued)

Key audit matters (Continued)	How our audit addressed the key audit matters (Continued)
Capitalisation of development costs	
Capitalised development costs, included in the intangible assets, amounted to RMB17,566,000 for the year ended 31 December 2017. Development costs mainly comprised internal labour costs. The Company capitalises eligible development costs if the capitalisation criteria as described in IAS 38 are met. The assessment of whether such cost is eligible for capitalisation requires significant judgement. The accounting policies and disclosures for the capitalised development costs are included in note 2.4 and note 13 to the financial statements.	Amongst our audit procedures, we assessed the design and operating effectiveness of the controls over capitalisation of development costs. We also assessed the eligibility of the development costs for capitalisation, including assessing whether the capitalisation criteria as described in IAS 38 were met, obtaining a schedule of capitalised development cost additions by nature and checking the supporting evidence. In relation to the internal labour costs, we evaluated the labour costs capitalised during the year by obtaining the relevant staff list and the basis of division of hours, and considering whether it is consistent with the originally approved budget. We also examined whether there were any capitalised labour costs occurred from other departments other than the research and development department based on a sample basis testing.
Assessment of impairment for internally generated intangible assets of cloud application and platform and development costs	
The net value of internally generated intangible assets of cloud application and platform and development costs amounted to RMB72,323,000 as at 31 December 2017. The Company performed impairment test on the internally generated intangible assets and the development costs according to the requirement of the accounting standards. The determination of the recoverable amount for each cash-generating unit is highly dependent on estimates and assumptions, such as estimated future cash flows, long-term growth rate and discount rate. The use of different estimates and assumptions could result in significantly different impairment testing results. The accounting policies and disclosures for the impairment test for intangible assets are included in note 2.4 and note 13 to the financial statements.	Our audit procedures included, among others, obtaining an understanding of the process of estimating the future cash flows, assessing the 2018 budget approved by management and 2019 to 2022 cash flow projections, evaluating management's main assumptions including the long-term growth rate and the discount rate, checking the pricing strategy of each product, examining the differences between cash flow projections and actual cash flows, and checking cash flow projection by comparing to the industry trend analysis. Furthermore, we involved internal valuation experts to assist us in evaluating the long-term growth rate and the discount rate. We also performed a sensitivity analysis with respect to the key assumptions, especially the expected growth rate of the number of end users per product.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants

Hong Kong
23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**498,595**	430,784
Cost of sales and services provided	6	**(71,752)**	(71,763)
Gross profit		**426,843**	359,021
Other income and gains	5	**255,572**	65,394
Research and development costs	6	**(107,356)**	(158,879)
Selling and distribution expenses		**(164,621)**	(174,332)
Administrative expenses		**(160,180)**	(224,927)
Other expenses		**(8,103)**	(2,879)
Finance costs	29(b)	**–**	(301)
Share of profits of an associate	14	**622**	–
Profit/(loss) before tax	6	**242,777**	(136,903)
Income tax credit/(expense)	7	**(19,940)**	7,696
Profit/(loss) for the year		**222,837**	(129,207)
Attributable to:			
Owners of the parent	11	**224,913**	(122,610)
Non-controlling interests		**(2,076)**	(6,597)
		222,837	(129,207)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic (RMB cents)	11	**109.5**	(60.8)
Diluted (RMB cents)	11	**106.9**	(60.8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**222,837**	(129,207)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(350)**	747
Other comprehensive income for the year, net of tax	**(350)**	747
Total comprehensive income/(loss) for the year	**222,487**	(128,460)
Attributable to:		
Owners of the parent	**224,563**	(121,863)
Non-controlling interests	**(2,076)**	(6,597)
	222,487	(128,460)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**3,322**	11,240
Intangible assets	13	**74,725**	90,639
Investment in an associate	14	**68,168**	–
Available-for-sale equity investments	15	**23,105**	23,650
Deferred tax assets	16	**5,416**	20,595
Total non-current assets		**174,736**	146,124
Current assets			
Inventories	17	**5,932**	6,036
Trade and bills receivables	18	**2,358**	1,460
Prepayments, deposits and other receivables	19	**118,523**	65,246
Available-for-sale investments	20	**213,000**	85,000
Cash and bank balances	21	**762,783**	599,355
		1,102,596	757,097
Assets of a disposal group classified as held for sale		**–**	422,089
Total current assets		**1,102,596**	1,179,186
Current liabilities			
Trade payables	22	**1,081**	1,569
Other payables and accruals	23	**116,165**	103,587
Tax payable		**9,070**	5,494
		126,316	110,650
Liabilities directly associated with the assets classified as held for sale		**–**	301,906
Total current liabilities		**126,316**	412,556
Net current assets		**976,280**	766,630

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Total assets less current liabilities		**1,151,016**	912,754
Net assets		**1,151,016**	912,754
Equity			
Equity attributable to owners of the parent			
Issued capital	24	**217,182**	217,182
Treasury shares held under the employee trust benefit scheme	25	**(180,847)**	(235,451)
Reserves	26	**1,114,681**	901,098
		1,151,016	882,829
Non-controlling interests		**–**	29,925
Total equity		**1,151,016**	912,754

The consolidated financial statements set out on pages 90 to 187 were approved and authorised for issue by the Board on 23 March 2018, and were signed on its behalf by:

Wang Wenjing
Director

Yang Yuchun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent											
	Issued capital	Treasury shares held under the employee trust benefit scheme (vi)	Capital reserve (i)	Merger reserve	Share-based payment reserve (v)	Capital contribution (ii)	Statutory reserve (iii)	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests (iv)	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*
At 1 January 2016	217,182	(310,136)	870,795	(4)	126,985	545	51,415	1,801	(72,197)	886,386	36,522	922,908
Loss for the year	–	–	–	–	–	–	–	–	(122,610)	(122,610)	(6,597)	(129,207)
Other comprehensive income for the year:												
Exchange differences related to foreign operations	–	–	–	–	–	–	–	747	–	747	–	747
Total comprehensive loss for the year	–	–	–	–	–	–	–	747	(122,610)	(121,863)	(6,597)	(128,460)
Shares purchased for the employee trust benefit scheme *(note 25)*	–	(14,251)	–	–	–	–	–	–	–	(14,251)	–	(14,251)
Share-based payments *(note 25)*	–	–	–	–	132,557	–	–	–	–	132,557	–	132,557
Shares vested under the employee trust benefit scheme *(note 25)*	–	88,936	33,034	–	(121,970)	–	–	–	–	–	–	–
At 31 December 2016	217,182	(235,451)	903,829	(4)	137,572	545	51,415	2,548	(194,807)	882,829	29,925	912,754

continued/...

	Attributable to owners of the parent											
	Issued capital	Treasury shares held under the employee trust benefit scheme (vi)	Capital reserve (i)	Merger reserve	Share-based payment reserve (v)	Capital contribution (ii)	Statutory reserve (iii)	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests (iv)	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*
At 1 January 2017	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 year	-	-	-	-	-	-	-	-	224,913	224,913	(2,076)	222,837
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(350)	-	(350)	-	(350)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(350)	224,913	224,563	(2,076)	222,487
Shares purchased for the employee trust benefit scheme *(note 25)*	-	(18,820)	-	-	-	-	-	-	-	(18,820)	-	(18,820)
Share-based payments *(note 25)*	-	-	-	-	62,444	-	-	-	-	62,444	-	62,444
Shares vested under the employee trust benefit scheme *(note 25)*	-	73,424	18,992		(92,416)	-	-	-	-	-	-	-
Disposal of a subsidiary *(note 27)*	-	-	-	-	-	-	-	-	-	-	(27,849)	(27,849)
Transfer from retained profits	-	-	-	-	-	-	88	-	(88)	-	-	-
At 31 December 2017	217,182	(180,847)	922,821*	(4)*	107,600*	545*	51,503*	2,198*	30,018*	1,151,016	-	1,151,016

* These reserve accounts comprise the consolidated reserves of RMB1,114,681,000 (2016: RMB901,098,000) in the consolidated statement of financial position.

Notes:

(i) Capital reserve represents the amount in excess of the par value paid by investors.

(ii) Capital contribution represents the expenses incurred by the holding company for the Company's share-based payment scheme.

(iii) In accordance with the Chinese Company Law, the Company and its subsidiaries (collectively referred to as the "**Group**") are required to make appropriations to the Statutory Reserve Fund ("**SRF**"). At least 10% of the statutory after-tax profits of each subsidiary as determined in accordance with the People's Republic of China (the "**PRC**") applicable accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant authorities of the PRC, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

(iv) Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") was established as a limited liability company in 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.

The disposal transaction completed on 1 September 2017, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72% respectively and it ceased to be a subsidiary of the Company and is treated as an investment in an associate in the consolidated statement of financial position of the Group.

(v) The share-based payment reserve represents the cost of equity-settled transactions under the employee trust benefit scheme (the "**Scheme**"), which is described in note 25 to the financial statements.

(vi) Treasury shares held under the 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 the open market.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Operating activities			
Profit/(loss) before tax		**242,777**	(136,903)
Adjustments for:			
Exchange (gains)/loss, net		**10,475**	(1,980)
Share of profits of an associate	14	**(622)**	–
Interest income	5	**(17,182)**	(16,974)
Finance costs	29(b)	**–**	301
Share-based payment expense	25	**58,176**	131,238
Depreciation of items of property, plant and equipment	6	**7,752**	10,134
Amortisation of intangible assets	6	**31,204**	30,498
Impairment of prepayments, deposits and other receivables	6	**77**	2,875
Impairment of assets of a disposal group classified as held for sale	6	**4,864**	–
Impairment of intangible assets	6	**2,640**	–
Gain on disposal of items of property, plant and equipment		**–**	(36)
Gain on disposal of a subsidiary	27	**(179,169)**	–
Interest income on financial investments	5	**(3,268)**	(641)
Gains on financial investments	5	**(3,821)**	(1,438)
		153,903	17,074
(Increase)/decrease in trade and bills receivables		**2,891**	(11,898)
Increase in prepayments, deposits and other receivables		**(25,484)**	(2,996)
(Increase)/decrease in inventories		**26**	(5,437)
Increase/(decrease) in trade payables		**(1,098)**	11,831
Increase in other payables and accruals		**10,057**	33,436
(Increase)/decrease in pledged deposits		**40,000**	(40,500)
Cash generated from operations		**180,295**	1,510
Interest received		**3,842**	10,893
Income tax refund		**624**	4,817
Income taxes paid		**(1,808)**	(5)
Net cash flows from operating activities		**182,953**	17,215

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Investing activities			
Purchases of items of property, plant and equipment		**(7,554)**	(5,344)
Additions to intangible assets		**(13,282)**	(5,836)
Purchases of financial investments		**(502,000)**	(184,000)
Purchase of non-pledged time deposits with original maturity of more than three months when acquired		**(249,950)**	(146,558)
Recovery of available-for-sale equity investments	15	**545**	–
Proceeds from the disposal of items of property, plant and equipment		**582**	233
Proceeds from disposal of financial investments		**264,000**	50,000
Interest on non-pledged time deposits with original maturity more than three months when acquired		**19,571**	–
Interest income on financial investments		**1,462**	1,258
Gains on financial investments		**3,821**	1,438
Disposal of a subsidiary	27	**158,770**	–
Net cash flows used in investing activities		**(324,035)**	(288,809)
Financing activities			
Loans from the parent company	29(b)	**–**	390,000
Interest paid	29(b)	**–**	(301)
Repayment of loans from the parent company	29(b)	**–**	(390,000)
Share purchase fund held by the trustee for share-based payments		**–**	(4,687)
Shares purchased for the employee trust benefit scheme		**(18,547)**	(14,251)
Net cash flows used in financing activities		**(18,547)**	(19,239)
Net decrease in cash and cash equivalents		**(159,629)**	(290,833)
Cash and cash equivalents at the beginning of year		**268,797**	641,282
Changes in cash and cash equivalents included in assets held for sale		**83,929**	(83,929)
Effect of foreign exchange rate changes, net		**(3,619)**	2,277
Cash and cash equivalents at the end of year		**189,478**	268,797
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	21	**762,783**	599,355
Non-pledged time deposits with original maturity of more than three months when acquired	21	**(573,305)**	(330,558)
Cash and cash equivalents as stated in the statement of cash flows		**189,478**	268,797

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 in the PRC and changed its name to Chanjet Information Technology Company Limited. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014. On 2 February 2018, the Company obtained the renewed business license for corporate legal person issued by Beijing Administration for Industry and Commerce (北京市工商行政管理局), confirming the registered address of the Company has been changed from Block D, Building 20, NO. 68 Beiqing Road, Haidian District, Beijing, the PRC to Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities	Legal category
			Direct	Indirect		
Chanjet Information Technology (Hong Kong) Limited ("**Chanjet Hong Kong**") *(note (a))*	Hong Kong 22 Aug 2012	USD1,000,000	100.00	–	Sale of computer software and hardware	Limited company
Chanjet Information Technology Corporation ("**Chanjet U.S.**") *(note (b))*	California, the United States 5 Nov 2012	USD15,500,000	100.00	–	Technical development of computer software	Limited liability corporation

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Notes:

(a) 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 23 March 2018, the de-registration of Chanjet Hong Kong is still in process and not yet completed.

(b) No audited financial statements have been prepared for this entity since its establishment, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for trust benefit units and available-for-sale investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

Other than as explained below regarding the impact of IAS 7 and IAS 12, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, 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. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, 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 as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's has no 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 as a disposal group held for sale as at 31 December 2017.

2. BASIS OF PREPARATION AND PRINCIPAL 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 that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate Or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
IFRS 17	*Insurance Contracts*[3]
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligations associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Upon adoption of IFRS9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group will designate the investments currently held as available for sale to be financial assets measured at fair value through other comprehensive income or through profit or loss at initial recognition. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. The Group does not expect that the designation will have a significant impact on its financial statements.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group is of the view that, due to the unsecured nature of its trade and other receivables, the provision for impairment will probably increase upon the initial adoption of the standard.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. The Group's principal activities consist of the sale of software, rendering of services, and sale of purchased goods. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

(a) Consideration payable to a customer

The Group pays consideration to the customer related to the sale of software business. Currently, the consideration is expensed as incurred. Upon the adoption of IFRS 15, The Group shall account for the consideration payable to a customer as a deduction to the transaction price of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

(b) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 28 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB765,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IAS 28 issued in October 2017 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

IFRIC Interpretation 22, issued in May 2017, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC Interpretation 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	16.2%
Office equipment, furniture and fittings	20%–100%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights and licenses

Purchased software copyrights and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products over five years, commencing from the date when the products are put into commercial production.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and an amount due to the ultimate holding company.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Government grants (Continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised over the service terms as the services are rendered.

Share-based payments

The Group 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. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes Model and the Monte Carlo method, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of treasury shares acquired for the Scheme is reflected as additional share dilution in the computation of earnings per share.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Company's employees in the United States who participate in the 401(k) Plan may contribute pre-tax compensation subject to Internal Revenue Service limitations and the terms and conditions of the 401(k) Plan. Both the participation from the employees and the corresponding contributions from the US subsidiary into the 401(k) Plan are not required but optional.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgement (Continued)

(a) Classification as assets or a disposal group held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Judgement is made to determine whether the sale of the asset (or disposal group) is highly probable to make the asset (or disposal group) can be classified as held for sale.

(b) Income tax rate

Judgement is required in determining the provision for taxation, including determining the assumed applicable tax rate. Significant management judgement is required to determine the eligibility of the entity to enjoy the preferential tax rate. Currently, the Group applies the preferential income tax rate of 10% in calculating the income tax and deferred tax. The use of 10% income tax rate is subject to the filing to the tax bureau on a yearly basis. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the current income tax and deferred income tax in the periods in which the differences arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which the estimate has been changed.

The carrying amounts of the Group's loans and receivables at the end of each reporting period are disclosed in note 30 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(b) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs to disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit, and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2017 was RMB21,435,000 (2016: RMB85,308,000). Further details are contained in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(d) Fair value of available-for-sale investments

The available-for-sale investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

(e) Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to assess whether such cost is eligible for capitalisation, including the assessment of whether such cost is directly attributable cost, and make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2017, the best estimate of the carrying amount of capitalised development costs was RMB17,566,000 (2016: Nil).

(f) Intangible assets useful life

The useful lives of software are estimated based on historical experience, which include the actual useful lives of similar assets and changes in technology.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(g) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield and making assumptions about them. Continuous estimation is required for the calculation of cumulative share-based payment cost at each reporting date until vesting, including estimate of the number of trust benefit units that will vest. Details of share-based payments are contained in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

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

5. 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 year.

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

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue			
Sale of software		**382,152**	340,945
Rendering of services		**115,218**	89,283
Sale of purchased goods		**1,225**	556
		498,595	430,784
Other income and gains			
Value-added tax refunds		**51,215**	45,153
Government grants		**13**	13
Interest income		**17,181**	16,974
Interest income on financial investments		**3,268**	641
Gains on financial investments		**3,821**	1,438
Gain on disposal of a subsidiary	27	**179,169**	–
Others		**905**	1,175
		255,572	65,394

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of software sold		**8,081**	8,973
Cost of service rendered		**63,293**	62,590
Cost of purchased goods sold		**378**	200
Total cost of sales		**71,752**	71,763
Depreciation of items of property, plant and equipment	12	**7,752**	10,134
Amortisation of intangible assets	13	**31,204**	30,498
Minimum lease payments under operating leases		**14,266**	16,274
Research and development costs *(note)*		**107,356**	158,879
Auditor's remuneration		**1,250**	1,300
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):		**233,980**	291,641
Equity-settled share-based expense		**62,444**	132,557
Pension scheme contributions		**23,241**	24,522
		319,665	448,720
Less: Employee benefit expenses being capitalised in intangible assets		**(17,395)**	(3,100)
		302,270	445,620
Exchange gains/(loss), net		**(10,690)**	1,068
Impairment of other receivables		**77**	2,875
Impairment of assets of a disposal group classified as held for sale		**4,864**	
Impairment of intangible assets	13	**2,640**	–
Gain on disposal of a subsidiary	27	**179,169**	–

Note: During the year ended 31 December 2017, research and development costs of approximately RMB103,300,000 (2016: RMB150,594,000) were included in employee benefit expenses.

7. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current tax	**4,761**	5
Deferred tax	**15,179**	(7,701)
Total tax charge/(credit) for the year	**19,940**	(7,696)

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Group for the years ended 31 December 2016 and 2017.

The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during years ended 31 December 2016. The Company, as a high and new technology enterprise, was also entitled to deduct qualifying research and development expenses from taxable profits during the years ended 31 December 2016 after submitting the filling to the tax bureau.

The Company is filing for key software enterprise included in the state planning for the year ended 31 December 2017 and the filing has not been completed as at 23 March 2018. The Company is expected to enjoy a 10% income tax rate for the year ended 31 December 2017 after submitting the filing to the tax bureau. The Company will also enjoy to deduct qualifying research and development expenses from taxable profits during the years ended 31 December 2017 after submitting the filling to the tax bureau.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% for the years ended 31 December 2016 and 2017. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2017.

The subsidiary incorporated in the United States was subject to income tax at the rates of 33.80% and 15.00% respectively for the years ended 31 December 2016 and 2017.

7. INCOME TAX (Continued)

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

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

7. INCOME TAX (Continued)

	Year ended 31 December 2016							
	China		Hong Kong		USA		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Loss before tax	(135,042)		(36)		(1,825)		(136,903)	
Tax at the applicable tax rate	(33,760)	25.0	(6)	16.5	(616)	33.8	(34,382)	25.1
Expenses not deductible for tax *(note 1)*	33,483	(24.8)	–	–	1,320	(72.3)	34,803	(25.4)
Effect of tax incentives *(note 2)*	(18,318)	13.6	–	–	–	–	(18,318)	13.4
Effect of differential income tax rate *(note 3)*	5,134	(3.8)	–	–	–	–	5,134	(3.8)
Utilisation of previously unrecognised temporary differences	–	–	–	–	(2,866)	157.0	(2,866)	2.1
Tax losses not recognised	5,760	(4.3)	6	(16.5)	2,167	(118.7)	7,933	(5.8)
Tax charge/(credit) at the Group's effective rate	(7,701)	5.7	–	–	5	(0.3)	(7,696)	5.6

Notes:

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

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

During the years for 2016 and 2017, upon approval, the Company was entitled to an additional 50% deduction of research and development expenditure for tax declaration.

(3) Effect of differential income tax rate represented the reduced amount of tax payment due to income tax exemption in the year. The Company, as a qualified high and new technology enterprise, was subject to income tax at the rate of 15% during the year ended 31 December 2016. The Company is expected to enjoy a 10% income tax rate for the year ended 31 December 2017 after submitting the filling to the tax bureau.

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

The share of tax attributable to an associate amounting to RMB622,000 (2016: Nil) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), (e)and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Fees*	**610**	610
Other emoluments:		
Salaries, allowances and benefits in kind	**2,324**	1,684
Performance related bonuses	**649**	545
Social security contribution other than pension**	**278**	223
Pension scheme contributions***	**223**	159
	4,084	3,221

* Directors and supervisors, except for independent non-executive directors and independent supervisors, did not receive any remuneration for their services in the respective capacities as directors and supervisors. During the years ended 31 December 2016 and 2017, no remuneration was paid by the Group to any directors, supervisors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

** The social security contributions other than pension represented the Group's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

*** The pension scheme contributions represented the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

As of 31 December 2017 and at any time during the reporting period, save as set out in note 29 to the financial statements, there was no material interests of directors or supervisors in the transactions, arrangements or contracts entered into by the Company or the Group.

(a) Independent non-executive directors

Mr. Liu Yunjie, Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas were appointed as independent non-executive directors of the Group on 8 September 2011 and they were reappointed on 4 September 2014. Mr. Liu Yunjie retired from his position and Mr. Chen Shuning was appointed as an independent non-executive director of the Group on 8 September 2017. Mr. Chen, Kevin Chien-wen and Mr. Lau, Chun Fai Douglas were reappointed on 8 September 2017. The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
	RMB'000	*RMB'000*
Mr. Liu Yunjie	**100**	150
Mr. Chen, Kevin Chien-wen	**150**	150
Mr. Lau, Chun Fai Douglas	**150**	150
Mr. Chen Shuning	**50**	–
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and non-executive directors

The Group's board of directors was comprised of two (2016: one) executive directors whose names were Mr. Zeng Zhiyong and Mr. Yang Yuchun and two (2016: two) non-executive directors whose names were Mr. Wang Wenjing and Mr. Wu Zhengping. Mr. Zeng Zhiyong received emoluments as the chief executive of the Group from 1 January to 9 January 2017, as the chief executive of Chanjet U.S. during the year, and also as the chief expert in channel marketing of the Company since 1 June 2017. Mr. Yang Yuchun received emoluments as the chief executive from the Group from 9 January 2017. Directors' and chief executives' remuneration for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,909**	1,089
Performance-related bonuses	**549**	480
Social security contribution other than pension**	**192**	125
Pension scheme contributions***	**154**	80
	2,804	1,774

(c) Chief executive

Mr. Zeng Zhiyong resigned as the chief executive of the Company from 9 January 2017 and Mr. Yang Yuchun has been appointed as the chief executive of the Company with effect from 9 January 2017.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(d) Supervisors

Year ended 31 December 2017	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contribution other than pension**	Pension scheme contributions ***	Total
Shareholder representative supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr. Zhang Peilin	–	–	–	–	–	–
Independent supervisors:						
Mr. Ruan Guangli	80	–	–	–	–	80
Mr. Ma Yongyi	80	–	–	–	–	80
Employee representative supervisors (as the employee of the Company):						
Mr. Deng Xuexin	–	231	63	46	36	376
Mr. Zhang Wei*****	–	50	–	8	6	64
Mr. Cai Jingsheng*****	–	134	37	32	25	228
	160	415	100	86	67	828

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(d) Supervisors (Continued)

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contribution other than pension**	Pension scheme contributions ***	Total
Shareholder representative supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr. Wang Jialiang****	–	–	–	–	–	–
Mr. Zhang Peilin	–	–	–	–	–	–
Independent supervisors:						
Mr. Ruan Guangli	80	–	–	–	–	80
Mr. Ma Yongyi	80	–	–	–	–	80
Employee representative supervisors (as the employee of the Company):						
Mr. Deng Xuexin	–	222	34	39	32	327
Mr. Zhang Wei*****	–	373	31	59	47	510
	160	595	65	98	79	997

**** As at 12 January 2016, Mr. Wang Jialiang resigned from his position as a shareholder representative supervisor, and Mr. Zhang Peilin replaced him as the shareholder representative supervisor as at 18 May 2016. No remuneration was paid by the Group to Mr. Wang Jialiang as compensation for loss of office.

***** As at 17 February 2017, Mr. Zhang Wei resigned from his position as an employee representative supervisor, and Mr. Cai Jingsheng replaced him as the employee representative supervisor.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(d) Supervisors (Continued)

During the years ended 31 December 2016 and 2017, certain directors and supervisors were granted trust benefit units in respect of their services to the Group under the Scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such trust benefit units, which has been recognised in financial statements over the vesting period, was determined as at the date of grant. The amounts included in the financial statements for the share-based payment expense relating to the trust benefit units granted to Mr. Zeng Zhiyong, Mr. Yang Yuchun, Mr. Deng Xuexin and Mr. Zhang Wei were approximately RMB7,891,000, RMB4,017,000, RMB278,000, and RMB-1,535,000 (forfeited due to his resignation) (2016: RMB16,434,000, Nil, RMB493,000 and RMB1,479,000), respectively. The Group appointed Mr. Cai Jingsheng as an employee representative supervisor in 2017. The amounts included in the financial statements for the share-based payment expense relating to the trust benefit units granted to Mr. Cai Jingsheng was approximately RMB134,000.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one director (2016: one), Mr. Zeng Zhiyong, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four highest paid employees who are not a director, a supervisor, or chief executive of the Company are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**5,411**	7,857
Performance-related bonuses	**945**	1,071
Social security contribution other than pension	**513**	686
Pension scheme contributions	**208**	222
	7,077	9,836

During the years ended 31 December 2016 and 2017, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals has waived any remuneration during the years ended 31 December 2016 and 2017.

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	2
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
	4	4

During the years ended 31 December 2016 and 2017, trust benefit units were granted to four (2016: four) non-director, non-supervisor and non-chief executive highest paid employee in respect of their services under the Scheme of the Group, further details of which are set out in note 25 to the financial statements. During the year, the share-based payment expense relating to the trust benefit units granted to non-director, non-supervisor and non-chief executive highest paid employees was approximately RMB17,080,000 in aggregate (2016: RMB28,063,000). The share-based payment benefits relating to the trust benefit units granted to non-director, non-supervisor and non-chief executive highest paid employees are not included in the above analysis.

10. DIVIDENDS

The board of directors of the Company did not recommend the distribution of final dividend for the years ended 31 December 2016 and 2017. No dividend proposed before the financial statements were authorised for issue.

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

The calculation of the basic earnings (2016: loss) per share amount is based on the earnings (2016: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 205,423,250 (2016: 201,612,103) in issue during the year, 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the year, as used in the basic earnings/(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:

	2017	2016
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations	**224,913**	(122,610)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	**205,423,250**	201,612,103
Adjustment for the Scheme	**4,900,406**	–
Weighted average number of ordinary shares for the purpose of the diluted earnings/(loss) per share calculations	**210,323,656**	201,612,103

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2017	**33,395**	**1,102**	**34,497**
Additions	**428**	**–**	**428**
Disposals	**(3,261)**	**–**	**(3,261)**
At 31 December 2017	**30,562**	**1,102**	**31,664**
Accumulated depreciation:			
At 1 January 2017	**(22,280)**	**(977)**	**(23,257)**
Charge for the year	**(7,775)**	**(47)**	**(7,822)**
Disposals	**2,737**	**–**	**2,737**
At 31 December 2017	**(27,318)**	**(1,024)**	**(28,342)**
Net book value:			
At 31 December 2017	**3,244**	**78**	**3,322**
Cost:			
At 1 January 2016	34,219	1,085	35,304
Additions	4,850	17	4,867
Disposals	(2,533)	–	(2,533)
Transferred to assets of a disposal group classified as held for sale	(3,141)	–	(3,141)
At 31 December 2016	33,395	1,102	34,497
Accumulated depreciation:			
At 1 January 2016	(16,915)	(840)	(17,755)
Charge for the year	(10,004)	(137)	(10,141)
Disposals	2,336	–	2,336
Transferred to assets of a disposal group classified as held for sale	2,303	–	2,303
At 31 December 2016	(22,280)	(977)	(23,257)
Net book value:			
At 31 December 2016	11,115	125	11,240

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2017, the total amount of depreciation of property, plant and equipment for the Group was RMB7,822,000, of which an amount of RMB7,752,000 was charged to profit or loss, and an amount of RMB70,000 was capitalised into deferred development costs.

During the year ended 31 December 2016, the total amount of depreciation of property, plant and equipment for the Group was RMB10,141,000, of which an amount of RMB10,134,000 was charged to profit or loss, and an amount of RMB7,000 was capitalised into deferred development costs.

13. INTANGIBLE ASSETS

	Software Copyrights and licenses	Cloud application and platform	Deferred development costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	**2,100**	**87,397**	**–**	**1,142**	**90,639**
Additions	**–**	**–**	**17,566**	**364**	**17,930**
Amortisation	**(333)**	**(30,000)**	**–**	**(871)**	**(31,204)**
Impairment	**–**	**(2,640)**	**–**	**–**	**(2,640)**
At 31 December 2017	**1,767**	**54,757**	**17,566**	**635**	**74,725**
At 31 December 2017:					
Cost	**3,333**	**148,710**	**17,566**	**2,981**	**172,590**
Accumulated amortisation	**(1,566)**	**(91,313)**	**–**	**(2,346)**	**(95,225)**
Impairment	**–**	**(2,640)**	**–**	**–**	**(2,640)**
Net carrying amount	**1,767**	**54,757**	**17,566**	**635**	**74,725**

13. INTANGIBLE ASSETS (Continued)

	Software Copyrights and licenses	Cloud application and platform	Deferred development costs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,994	104,081	9,430	772	116,277
Additions	2,301	–	3,124	1,610	7,035
Transfer	–	12,554	(12,554)	–	–
Amortisation	(498)	(29,238)	–	(762)	(30,498)
Transferred to assets of a disposal group classified as held for sale	(1,697)	–	–	(478)	(2,175)
At 31 December 2016	2,100	87,397	–	1,142	90,639
At 31 December 2016:					
Cost	5,283	148,710	–	3,133	157,126
Accumulated amortisation	(1,486)	(61,313)	–	(1,513)	(64,312)
Transferred to assets of a disposal group classified as held for sale	(1,697)	–	–	(478)	(2,175)
Net carrying amount	2,100	87,397	–	1,142	90,639

14. INVESTMENT IN AN ASSOCIATE

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

	2017
	RMB'000
Share of net assets	68,168
Provision for impairment	–
	68,168

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

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

	2017
	RMB'000
Share of the associate's profit for the period from 1 September 2017 to 31 December 2017	622
Share of the associate's total comprehensive income	622
Aggregate carrying amount of the Group's investment in the associate	68,168

15. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**23,105**	23,650

As at 31 December 2016 and 2017, the unlisted investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Details of the unlisted investments are as follows:

Name	**Place and date of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company Direct**	**Indirect**	**Principal activities**
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) ("**Happiness Yunchuang**") *(note)*	Beijing, China 22 November 2013	RMB94,553,000	10.00	–	Investment and asset management
Yonyou Mobile Telecommunications Technology Service Co,. Ltd. ("**Yonyou Mobile**")	Beijing, China 4 March 2014	RMB50,000,000	19.80	–	Mobile communication resale business
Xi'an Rongke Telecommunications Technology Co,. Ltd.	Xi'an, China 24 February 2012	RMB1,250,000	15.00	–	Sale and manufacture of Internet communication products, computer software and hardware, and technical development

15. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (Continued)

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 signed in 2013, limited to the amount of original registered capital. During the year ended 31 December 2017, Happiness Yunchuang had allocated cash profit of RMB545,000 (2016: Nil) to the Company, representing 10% of the ownership in Happiness Yunchuang. As at 31 December 2017, the nominal value of registered capital decreased to RMB94,553,000 as a result of such cash distribution.

16. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Accrued payroll	Accrued expenses	Deferred revenue	Employee trust benefit scheme	Impairment of non-current assets	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	315	131	95	7,792	–	4,561	12,894
Deferred tax credited/(charged) to profit or loss during the year	34	626	35	(2,921)	–	9,927	7,701
At 31 December 2016	349	757	130	4,871	–	14,488	20,595
Deferred tax credited/(charged) to profit or loss during the year	(256)	(230)	15	(483)	263	(14,488)	(15,179)
At 31 December 2017	93	527	145	4,388	263	–	5,416

16. DEFERRED TAX ASSETS (Continued)

Deferred tax assets have not been recognised in respect of the following item:

	2017	2016
	RMB'000	*RMB'000*
Tax losses not recognised	**21,435**	85,308

The Group has tax losses of RMB21,435,000 which arose in the United States in 2017 that will expire in twenty years for offsetting against future taxable profits of a company in which the losses arose (2016: RMB6,372,000).

Deferred tax assets have not been recognised in respect of these losses arisen in a subsidiary since the management considers that it is not probable that taxable profits will be available against which the tax losses can be utilised.

17. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**273**	377
Purchased software	**5,659**	5,659
	5,932	6,036

18. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Trade receivables	2,358	10
Bills receivable	–	1,450
	2,358	1,460
Less: Impairment	–	–
	2,358	1,460

Only a very small portion of the Group's customers could enjoy the credit policy and the average trade credit period is approximately 90 days. Other customers are required to make payments in advance. The Group seeks to maintain strict control over its outstanding receivables. In view of the fact that the Group's trade and bills receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing. Amounts included in trade and bills receivables were denominated in RMB.

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

	2017	2016
	RMB'000	RMB'000
Within 90 days	707	1,460
90 days to 180 days	1,651	–
	2,358	1,460

18. TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**707**	1,460
Less than 1 month past due	**1,651**	–
	2,358	1,460

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

Receivables that were past due but not impaired relate to a customer that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable. Up to the date of this report, the balance of this trade receivables was fully settled.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Staff advances	**211**	298
Share purchase fund held by the trustee for share-based payments *(note)*	**4,413**	4,687
Prepayments	**1,926**	1,344
Deposits and other receivables	**111,973**	58,917
	118,523	65,246
Less: Impairment	**–**	–
	118,523	65,246

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2017
	RMB'000
At beginning of year	–
Impairment losses recognised	77
Amount written off as uncollectible	(77)
	–

Included in the above provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired prepayments, deposits and other receivables of RMB77,000 (2016: Nil) with a carrying amount before provision of RMB77,000 (2016: Nil).

The individually impaired prepayments, deposits and other receivables relate to staff advances that were in default in principal payments and none of the staff advances is expected to be recovered.

20. AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2017, the Group held five wealth investment products purchased from Industrial and Commercial Bank of China with an amount of RMB28,000,000, China Construction Bank with an amount of RMB64,000,000, Huaxia Bank with an amount of RMB63,000,000, Industrial Bank with an amount of RMB45,000,000, and Bank of Jiangsu with amount of RMB13,000,000, respectively. All products consist of secured principle and floating income. Anticipated yields for the aforementioned products, which could only be redeemed upon maturity, range from 3.90% to 4.56% respectively.

21. CASH AND BANK BALANCES

	2017	2016
	RMB'000	*RMB'000*
Cash on hand	**531**	31
Bank balances	**43,947**	72,013
Time deposits	**718,305**	527,311
Cash and bank balances	**762,783**	599,355
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(573,305)**	(330,558)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**189,478**	268,797

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

As at 31 December 2017, the Group's non-pledged time deposits with original maturity of more than three months when acquired were three term deposits from Baoshang Bank and three term deposits from China Construction Bank (Asia).

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.

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

	2017	2016
	RMB'000	*RMB'000*
RMB	**633,737**	395,194
HK$	**123,951**	192,591
US$	**5,095**	11,570
	762,783	599,355

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

22. TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**619**	681
90 days to 1 year	**419**	876
Over 1 year	**43**	12
	1,081	1,569

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

23. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Advances from customers	**58,151**	44,111
Tax payable (other than income tax)	**18,842**	12,208
Staff payroll and welfare payables	**30,839**	39,412
Other payables	**7,597**	7,856
Due to the ultimate holding company *(note 29 (c))*	**736**	–
	116,165	103,587

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

24. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 31 December 2016 and 2017 are as follows:

	31 December 2017		31 December 2016	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000 shares	***RMB'000***	*'000 shares*	*RMB'000*
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each	**162,182**	**162,182**	162,182	162,182
H shares of RMB1.00 each	**55,000**	**55,000**	55,000	55,000
	217,182	**217,182**	217,182	217,182

25. 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.

25. SHARE-BASED PAYMENT (Continued)

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 participants 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.

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.

25. SHARE-BASED PAYMENT (Continued)

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 held on 8 June 2015.

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

Particulars and movements of the target shares under the Scheme

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 31 December
16 June 2015	(a)	24.60	10,720,500	–	(2,546,000)	(3,526,500)	4,648,000
2 September 2015	(b)	10.43	84,000	–	(84,000)	–	–
31 March 2016	(c)	9.77	1,325,000	–	(85,000)	(382,500)	857,500
6 December 2016	(d)	8.84	2,690,000	–	(1,425,000)	(379,500)	885,500
5 June 2017	(e)	6.98	–	4,071,000	(75,000)	–	3,996,000
			14,819,500	4,071,000	(4,215,000)	(4,288,500)	10,387,000

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 31 December
16 June 2015	(a)	24.60	17,155,000	–	(1,459,000)	(4,975,500)	10,720,500
2 September 2015	(b)	10.43	120,000	–	–	(36,000)	84,000
31 March 2016	(c)	9.77	–	1,515,000	(190,000)	–	1,325,000
6 December 2016	(d)	8.84	–	2,690,000	–	–	2,690,000
			17,275,000	4,205,000	(1,649,000)	(5,011,500)	14,819,500

25. SHARE-BASED PAYMENT (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 re-grant was 4,071,000 shares, representing approximately 1.87% of the total issued share capital of the Company as at 5 June 2017.

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

The fair value of the trust benefit units 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 trust benefit units were granted/amended. The fair value of trust benefit units granted at the initial grant date was RMB427,285,000 and was estimated on the date of grant using the following assumptions:

25. SHARE-BASED PAYMENT (Continued)

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 trust benefit units 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 trust benefit units granted to several participants of Chanjet U.S. was RMB1,251,000.

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

The fair value of the trust benefit units granted at the date of 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 re-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 re-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

During the year ended 31 December 2017, the trustees entrusted by the Company acquired 1,882,400 domestic shares of the Company (2016: 1,482,600 H shares). The aggregate consideration paid to acquire the shares during the year was RMB18,820,000 (2016: RMB14,251,000).

During the year ended 31 December 2017, 4,215,000 target shares (2016: 1,649,000) under the Scheme were lapsed due to the vesting conditions not being fulfilled under the Scheme.

25. SHARE-BASED PAYMENT (Continued)

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contracts 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.

Except for some Scheme participants under the third 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 third grant to unlock 30% of their trust benefit units were fulfilled on 6 December 2017.

During the year ended 31 December 2017, 4,288,500 target shares (2016: 5,011,500) with a purchase cost of RMB73,424,000 (2016: RMB88,936,000) were unlocked under the Scheme, resulting in the transfer out of RMB92,416,000 (2016: RMB121,970,000) from the share-based payment reserve, with a difference of RMB18,992,000 (2016: RMB33,034,000) credited to the capital reserve account.

During the year ended 31 December 2017, the total amount of share-based payment expense was RMB62,444,000 (2016: RMB132,557,000), of which an amount of RMB58,176,000 (2016: RMB131,238,000) was recognised in profit or loss, and an amount of RMB4,268,000 (2016: RMB1,319,000) was capitalised into deferred development costs.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statement of changes in equity on pages 94 to 96 of the financial statements.

27. DISPOSAL OF A SUBSIDIARY

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. 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 31 December 2016.

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 would be owned by the Company and Yonyou as to 15% and 85%, respectively, and it would cease to be a subsidiary of the Company. As at 23 March 2018, the above capital increase transaction has not yet been completed.

As at 1 September 2017, the Company has received the above consideration of RMB195,561,000, and the equity transfer transaction has been completed. Upon completion of the above transaction, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company.

	Note	**1 September 2017** *RMB'000*
Net assets disposed of:		
Assets of a disposal group classified as held for sale		**541,760**
Liabilities directly associated with the assets classified as held for sale		**(429,973)**
		111,787
Non-controlling interests		**(27,849)**
Net assets belong to the parent company		**83,938**
Fair value of net assets not disposed of and remained as investment in an associate		**(67,546)**
Gain on disposal of a subsidiary	5	**179,169**
Total consideration		**195,561**
Satisfied by cash		**195,561**

27. DISPOSAL OF A SUBSIDIARY (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017
	RMB'000
Cash consideration	**195,561**
Cash and bank balances disposed of	**(36,790)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**158,771**

28. 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 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**578**	756
In the second to fifth years, inclusive	**187**	385
	765	1,141

29. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the years ended 31 December 2016 and 2017, the Group entered into the following significant transactions with related parties:

	2017	2016
	RMB'000	*RMB'000*
Purchases of goods and services from		
The holding company*		
Yonyou	**4,124**	802
Associate of the holding company		
Beijing Xi Ma Guo Zheng Commercial Form Technology Co., Ltd. ("**Xi Ma Guo Zheng**") (北京西瑪國正商用表單技術有限公司)	**3**	–
Fellow subsidiaries of the holding company*		
Yonyou Mobile	**863**	2,008
Yonyou Audit Software Co., Ltd.	**–**	94
Shanghai Bingjun Network Technology Co., Ltd. ("**Bingjun**") (上海秉鈞網絡科技股份有限公司)	**3**	2
A company of which a director of the Company is a controlling shareholder*		
Beijing Red Mansion Culinary Culture Co., Ltd. ("**Red Mansion**") (北京紅邸餐飲文化有限公司)	**88**	50
	5,081	2,956

29. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	2017 RMB'000	2016 RMB'000
Sales of goods and services to		
The holding company*		
Yonyou	–	2,833
Associates of the holding company		
Xi Ma Guo Zheng	41	–
Sinotone (Beijing) Consulting Co., Ltd. ("**Sinotone**") (漢唐信通(北京)諮詢股份有限公司)	4,770	–
Fellow subsidiaries of the holding company*		
Yonyou Up Information Technology Co., Ltd. (用友優普信息技術有限公司)	–	2,453
Shenzhen Yyfax Financial Services Co., Ltd. (深圳友金所金融服務有限公司)	113	–
Beijing Yonyou Salary Welfare Cloud Technology Co., Ltd. (北京用友薪福社雲科技有限公司)	5	–
	4,929	5,286
Rental expenses paid to		
The holding company*		
Yonyou	4,406	6,266
Fellow subsidiary of the holding company*		
UFIDA (Nanchang) Industrial Base Development Co., Ltd. (用友(南昌)產業基地發展有限公司)	832	742
	5,238	7,008

The above related party transactions were conducted on terms equivalent to those that prevail in arm's length transactions.

29. RELATED PARTY TRANSACTIONS (Continued)

(b) Loan from a related party*

2016

	Amount	Beginning date	Repayment date	Interest rate	Finance costs
	RMB'000				RMB'000
The holding company					
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 year ended 31 December 2017, no loan was borrowed from related parties.

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

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

Due from related parties

	31 December	
	2017	2016
	RMB'000	*RMB'000*
The holding company		
Yonyou	**6**	126
Trade related:		
Associate of the holding company		
Sinotone	**2,358**	–
Fellow subsidiary of the holding company		
Yonyou Mobile	**100**	29
	2,464	155

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

29. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties (Continued)

Due to related parties

	31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade related:		
The holding company		
Yonyou	**736**	–
Fellow subsidiaries of the holding company		
Bingjun	**5**	2
Yonyou Mobile	**30**	300
	771	302

(d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Short term employee benefits	**11,653**	12,759
Pension scheme contributions	**689**	544
Total compensation to key management personnel	**12,342**	13,303

The key management personnel mentioned above contain directors, supervisors, the chief executive and other key management personnel. Further details of directors', supervisors' and the chief executive's emoluments are included in note 8 to the financial statements.

29. RELATED PARTY TRANSACTIONS (Continued)

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

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 25 to the financial statements. During the year ended 31 December 2017, the total amount of the share-based payment expense relating to the trust benefit units granted to the key management personnel was approximately RMB29,860,000 (2016: RMB50,703,000).

* The related party transactions in respect of items in note 27 and related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2016 and 2017 are as follows:

	31 December	
	2017	2016
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
Trade and bills receivables	**2,358**	1,460
Financial assets included in prepayments, deposits and other receivables	**105,949**	57,421
Cash and cash equivalents	**189,478**	268,797
Non-pledged time deposits with original maturity of more than three months when acquired	**573,305**	330,558
Available-for-sale financial assets		
Available-for-sale investments	**213,000**	85,000
Available-for-sale equity investments	**23,105**	23,650
	1,107,195	766,886
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**1,081**	1,569
Financial liabilities included in other payables and accruals	**7,597**	7,856
Due to the ultimate holding company	**736**	–
	9,414	9,425

31. 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 due to the short term maturities of these instruments.

The fair value of available-for-sale investments which is categorised under the Level 2 fair value hierarchy has been estimated by discounting the expected future cash flows using equivalent market interest rates from 3.90% to 4.56% for similar available-for-sale investments.

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments cash and term deposits. These financial instruments are mainly held for the purpose of supporting the daily operations of the Group. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

Credit risk means the risk of loss in respect of a financial instrument when the counterparty to the financial instrument cannot execute its obligations.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

The Group's other financial assets include cash and cash equivalents, and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The majority of the Group's customers are required to make payments in advance, and only a very small portion of the Group's customers could enjoy the credit policy. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

(b) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and issue of new shares. The Group's financial liabilities mainly comprise trade payables and other payables which arise directly from its operations that are usually repayable within three months. Their carrying values are equal to their fair values. The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Within 1 month	1 to 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2017			
Financial liabilities			
Trade payables	**–**	**1,081**	**1,081**
Financial liabilities included in other payables and accruals	**–**	**7,597**	**7,597**
Due to the ultimate holding company	**–**	**736**	**736**
	–	**9,414**	**9,414**
31 December 2016			
Financial liabilities			
Trade payables	–	1,569	1,569
Financial liabilities included in other payables and accruals	–	7,856	7,856
	–	9,425	9,425

(c) Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign currency risk mainly arises from sales or purchases by operating units in currencies other than the units' functional currencies and from net investments in foreign operations.

The Group's businesses are mainly located in the Mainland China and are transacted and settled in RMB. As at 31 December 2017, except for RMB123,951,000 denominated in Hong Kong dollars (2016: RMB192,591,000) and RMB5,095,000 denominated in United States dollars (2016: RMB11,570,000) included in cash and bank balances, all assets and liabilities were denominated in RMB.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Foreign currency risk (Continued)

Management believes that the fluctuation of the exchange rates of foreign currencies against RMB will not affect the Group's results of operations.

	Increase/ (decrease) in US dollars rate	Increase/ (decrease) in profit after tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2017			
If the RMB weakens against the US dollars	**3%**	**129**	**129**
If the RMB strengthens against the US dollars	**(3%)**	**(129)**	**(129)**
2016			
If the RMB weakens against the US dollars	3%	239	239
If the RMB strengthens against the US dollars	(3%)	(239)	(239)

	Increase/ (decrease) in HK dollars rate	Increase/ (decrease) in profit after tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2017			
If the RMB weakens against the Hong Kong dollars	**3%**	**3,346**	**3,346**
If the RMB strengthens against the Hong Kong dollars	**(3%)**	**(3,346)**	**(3,346)**
2016			
If the RMB weakens against the Hong Kong dollars	3%	4,911	4,911
If the RMB strengthens against the Hong Kong dollars	(3%)	(4,911)	(4,911)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

33. EVENTS AFTER THE REPORTING PERIOD

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

34. CONTINGENT LIABILITIES

As at 31 December 2016 and 2017, the Group did not have any significant contingent liabilities.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Non-current assets		
Property, plant and equipment	**3,223**	11,103
Intangible assets	**74,825**	90,288
Investments in subsidiaries	**18,286**	219,536
Investment in an associate	**22,171**	–
Available-for-sale equity investments	**23,105**	23,650
Deferred tax assets	**5,416**	20,595
Total non-current assets	**147,026**	365,172
Current assets		
Inventories	**5,932**	6,036
Trade and bills receivables	**2,358**	1,460
Prepayments, deposits and other receivables	**118,258**	65,149
Available-for-sale investments	**213,000**	85,000
Cash and bank balances	**757,248**	587,266
Total current assets	**1,096,796**	744,911
Current liabilities		
Trade payables	**1,081**	1,569
Other payables and accruals	**116,398**	107,025
Tax payable	**9,043**	5,465
Total current liabilities	**126,522**	114,059
Net current assets	**970,274**	630,852
Total assets less current liabilities	**1,117,300**	996,024
Net assets	**1,117,300**	996,024
Equity attributable to owners of the parent		
Issued capital	**217,182**	217,182
Treasury shares held under the employee trust benefit scheme	**(149,850)**	(195,938)
Reserves *(note)*	**1,049,968**	974,780
Total equity	**1,117,300**	996,024

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve *RMB'000*	Capital contribution *RMB'000*	Statutory reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2016	870,795	(4)	98,760	545	51,415	(2,377)	1,019,134
Total comprehensive loss for the year	–	–	–	–	–	(67,036)	(67,036)
Share-based payments	–	–	94,684	–	–	–	94,684
Shares vested under the employee trust benefit scheme	23,025	–	(95,027)	–	–	–	(72,002)
At 31 December 2016 and 1 January 2017	893,820	(4)	98,417	545	51,415	(69,413)	974,780
Total comprehensive income for the year	–	–	–	–	–	85,253	85,620
Share-based payments	–	–	70,245	–	–	–	70,245
Shares vested under the employee trust benefit scheme	12,785	–	(77,693)	–	–	–	(64,908)
Disposal of a subsidiary	–	–	–	–	(441)	(14,961)	(15,402)
Transfer from retained profits	–	–	–	–	88	(88)	–
At 31 December 2017	**906,605**	**(4)**	**90,969**	**545**	**51,062**	**791**	**1,049,968**

The share-based payment reserve comprises the fair values of trust benefit units granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the capital reserve account when the related trust benefit units are vested, or be transferred to retained profits should the related trust benefit units be forfeited.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2018.

DEFINITIONS

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

"Articles of Association"	the articles of association of the Company, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"CASBE"	Accounting Standards for Business Enterprises – Basic Standard and 38 Specific Standards issued by MOF, and application guidance, interpretation and other relevant accounting regulations issued subsequently
"Chairman"	the chairman of the Board
"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 with limited liability established in the PRC on 29 July 2013 and owned by Yonyou and our Company as to 80.72% and 19.28% respectively
"Chanjet Payment Group"	Chanjet Payment and its subsidiaries
"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 limited company incorporated in the PRC, whose H shares are listed and traded on the Hong Kong Stock Exchange
"Company Law"	the Company Law of the PRC
"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 share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Shares"	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
"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" or "Hong Kong 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
"Hwabao Trust"	Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a company established in the PRC with limited liability in September 1998
"IFRSs"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("**IASB**"). IFRSs include the International Accounting Standards and their interpretations

"Independent Third Party(ies)"	an individual(s) or a company(ies) who/which is/are independent of and not connected with (within the meaning of the Listing Rules) any of Directors, Supervisors, chief executives or Substantial Shareholders (as defined in the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Latest Practicable Date"	4 April 2018, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
"Listing Date"	26 June 2014, being the date on which the Company's H Shares were listed on the main board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Mr. Wang"	Mr. Wang Wenjing, the Chairman, non-executive Director and the ultimate controlling Shareholder
"Mr. Zeng"	Mr. Zeng Zhiyong, an executive Director and vice chairman
"MSE(s)"	micro and small scale enterprise(s)
"National Trust"	National Trust Co., Ltd. (國民信託有限公司), a company established in the PRC with limited liability on January 1987
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PRC" or "China" or the "People's Republic of 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 Administrative Region or Taiwan
"President"	the president of the Company

"Prospectus"	the prospectus published by the Company on 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 year ended 31 December 2017
"Seentao Technology"	Seentao Technology Co., Ltd. (新道科技股份有限公司), a subsidiary of Yonyou, the shares of which are listed and traded on the National SME Share Transfer System (Stock Code: 833694)
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of the Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the People's Republic of China
"Substantial Shareholder(s)"	has the meaning ascribed to it in the Securities and Futures Ordinance
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"The Scheme" or "Employee Trust Benefit Scheme"	the employee trust benefit scheme adopted by the Company on 8 June 2015
"Tongyun Jitian Investment"	Beijing Tongyun Jitian Investment Management Centre (Limited Partnership) (北京通雲濟天投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Zeng, as a general partner, and certain senior management, employees and ex-employees of the Company, as limited partners

"US$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"Yonyou"	Yonyou Network Technology Co., Ltd., (用友網絡科技股份有限公司), a joint stock limited company incorporated in the PRC on 18 January 1995, the shares of which are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (Stock Code: 600588), a controlling Shareholder of the Company
"Yonyou Auto"	Yonyou Auto Information Technology (Shanghai) Co., Ltd. (用友汽車信息科技(上海)股份有限公司), the shares of which are listed and traded on the National SME Share Transfer System (Stock Code: 839951) and a subsidiary of Yonyou
"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
"Yonyou Fintech"	Yonyou Fintech Information Technology Co., Ltd. (用友金融信息技術股份有限公司), the shares of which are listed and traded on the National SME Share Transfer System (Stock Code: 839483) and a subsidiary of Yonyou
"Yonyou Group"	Yonyou and its subsidiaries (other than the Group)
"Yonyou Mobile"	Yonyou Mobile Telecommunications Technology Service Co., Ltd (用友移動通信技術服務有限公司), a limited company incorporated in the PRC on 4 March 2014, a subsidiary of Yonyou, and owned by the Company as to 19.8%
"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
"%"	per cent