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

2018 Annual Report

CONTENTS

CORPORATE INFORMATION

As at 31 December 2018

DIRECTORS

Non-executive Directors

Wang Wenjing *(Chairman)*
Wu Zhengping

Executive Directors

Zeng Zhiyong *(Vice Chairman)*
Yang Yuchun *(President)*

Independent Non-executive Directors

Chen, Kevin Chien-wen
Lau, Chun Fai Douglas
Chen Shuning

SUPERVISORS

Shareholder Representative Supervisors

Guo Xinping *(Chairman)*
Zhang Peilin

Independent Supervisors

Ruan Guangli
Ma Yongyi

Employee Representative Supervisors

Cai Jingsheng
Ren Jie [Note]

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Chen Shuning *(Chairman)*
Wang Wenjing
Chen, Kevin Chien-wen

REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas *(Chairman)*
Yang Yuchun
Chen Shuning

STRATEGIC COMMITTEE

Wang Wenjing *(Chairman)*
Yang Yuchun
Chen Shuning

JOINT COMPANY SECRETARIES

You Hongtao
Ngai Wai Fung

AUTHORIZED REPRESENTATIVES

Yang Yuchun
Ngai Wai Fung

Note: Mr. Deng Xuexin resigned from his position as an employee representative Supervisor of the Company due to other work arrangement, with effect from 20 April 2018. As elected and approved at the employee representative meeting of the Company, Ms. Ren Jie replaced Mr. Deng Xuexin as an employee representative Supervisor of the Company with effect from 20 April 2018. For details, please refer to the announcement of the Company dated 20 April 2018.

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 1*

Floor 3, Building 3
Yard 9, Yongfeng Road
Haidian District
Beijing
the PRC

PLACE OF BUSINESS IN HONG KONG *Note 2*

40th Floor, Sunlight Tower
No. 248 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
Fax: (8610) 6243 8765
Email: IR@chanjet.com

Note 1: On 2 February 2018, the Company obtained the renewed business license 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 had been changed to Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing. For details, please refer to the announcement of the Company dated 2 February 2018.

Note 2: On 30 July 2018, the Company's place of business in Hong Kong has been changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. For details, please refer to the announcement of the Company dated 30 July 2018.

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 in operation and management through creativity and technology" as its mission and striving for the vision of becoming "a worldwide leading provider of cloud services and software for MSEs" and "a platform for partners and employees enjoying work, making achievements and sharing success", the Company is committed to providing platform services, application services, data-based value-added services for MSEs in the PRC, with a focus on financial and management services.

The Company is a standing member of China Information Industry Association (中國信息協會), a member of the Specialty Association of Finance and Corporate Management Software of China Software Industry Association (中國軟件行業協會財務及企業管理軟件分會) and a member of Beijing Software and Information Service Industry Association (北京軟件和信息服務業協會). It has 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)" and "High and New Technology Expertise (高新技術企業)" for successive years. It had won the "Trusted Cloud Industry Award – Enterprise-class SaaS" (可信雲行業獎–企業級SaaS) at the 2018 Trusted Cloud Summit (2018年可信雲大會) and the "Best Employer Brand Communication Award (最佳雇主品牌傳播大獎)" in the 2018 "Employer Branding Creativity Award in Great China (2018大中華區雇主品牌創意大賽)". Chanjet Good Accountant (暢捷通好會計) was awarded the title of "2018 Best Product in China's Cloud Computing in Finance and Taxation (2018年中國雲計算財税領域最佳產品)" at the 2018 China Cloud Computing Technology Application Conference (2018中國雲計算技術應用大會).

CORPORATE STRUCTURE

As at 31 December 2018

Note: Given that Chanjet U.S. mainly engages in the research and development of the infrastructure for the cloud platform of Chanjet in Silicon Valley in the U.S. The development of the platform has been completed and it has no specific business plan for the next three years, the Board resolved to deregister Chanjet U.S. on 25 September 2018. As at the Latest Practicable Date, the de-registration of Chanjet U.S. is still in process and not yet completed.

SUMMARY OF FINANCIAL INFORMATION

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**428,941**	498,595	430,784	345,796	335,075
Gross profit	**398,942**	426,843	359,021	316,013	309,560
Profit/(Loss) before tax	**110,208**	242,777	(136,903)	(88,821)	106,235
Profit/(Loss) for the year	**106,812**	222,837	(129,207)	(80,202)	96,925
In which: Profit/(Loss) for the year attributable to owners of the parent	**106,812**	224,913	(122,610)	(72,617)	101,640
Basic earnings/(loss) per share *(RMB cents/share)*[note]	**51.0**	109.5	(60.8)	(34.5)	53.3

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,510,333**	1,277,332	1,325,310	1,028,877	1,343,439
Total liabilities	**200,098**	126,316	412,556	105,969	99,360
Total equity	**1,310,235**	1,151,016	912,754	922,908	1,244,079
In which: Equity attributable to owners of the parent	**1,310,235**	1,151,016	882,829	886,386	1,224,872
Net assets per share *(RMB/share)*[note]	**6.3**	5.6	4.5	4.2	6.4

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

Wang Wenjing

Chairman

Dear honorable Shareholders,

On behalf of the Board, I hereby present the Shareholders with the 2018 annual report of the Group and report the 2018 results and the 2019 development plan of the Group for the Shareholders' perusal.

During the Reporting Period, the Group has been continuously focusing on the financial and management services for MSEs, and steadfastly implemented the strategies of seeking economies of scale in cloud service business and cost-effective growth of software business. It accelerated product application and innovation, boosted the development of the cloud service business, strived to develop a diversified channel system, and consistently levelled up its user operation systems, thereby encouraging software users to switch to cloud services and promoting the rapid and healthy development of the Group's business.

CHAIRMAN'S STATEMENT (CONTINUED)

For the Reporting Period, the Group recorded revenue of RMB428.94 million, representing a year-on-year decrease of 14%; profit for the year was RMB106.81 million, representing a year-on-year decrease of 52%; and profit attributable to the owners of the parent was RMB106.81 million, representing a year-on-year decrease of 53%. The basic earnings per share of the Group for the year was RMB0.510, compared with the basic earnings per share of RMB1.095 for the previous year.

The decrease in the revenue for the Reporting Period was mainly due to the exclusion of Chanjet Payment from the consolidated financial statements of the Group and the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. Eliminating the effects of the above factors, the Group's revenue for the year would have a year-on-year increase of 1%, of which the revenue generated from cloud services would have a year-on-year increase of 55%. The decrease in the profit for the Reporting Period was mainly due to the fact that the Group recorded investment gain of RMB179.17 million from the disposal of 55.82% of equity interests in Chanjet Payment in the previous year while no such gains were recorded for the year of 2018. Eliminating the effect of the investment gain, the Group's revenue for the year would have a year-on-year increase of 145%, mainly due to sustained improvement in the Group's operations, decreases in the cost of the Employee Trust Benefit Scheme and income tax expenses, as well as increases in interest income and income from bank wealth management products.

During the Reporting Period, the Group firmly implemented the business strategy of seeking cost-effective growth of software business, and systematically improved partners' capabilities in terminal sales, online operations, product support and customer service, so as to empower channel partners and to enhance user experience and satisfaction. In the meantime, the Group upgraded the service support system for software business to an intelligent cloud service model, effectuated real-time connection with software users through the "cloud plus terminal" mode, and utilized data platforms to launch user operation activities, thereby effectively improving service efficiency, enhancing service value and facilitating software users in moving to the cloud.

During the Reporting Period, as the Group continued to vigorously promote the development of cloud service business, Intelligent cloud finance services that integrated finance, invoices and taxes showed good growth momentum, and cloud services that integrated "Personnel, Finance, Commodity and Customer" for small-sized enterprises made breakthrough in the transformation from software package to cloud services. In addition, the Group improved its cloud service business operation system on a consistent basis, empowered its channel partners to seek joint development and win-win results, and achieved initial results in developing diversified channels based on cloud service business. By concentrating resources to make rapid breakthroughs, the Group rolled out a new version of Chanjet Good Business for business management of MSEs, and strived to improve user experience through continuous iterative optimization, speeding up users' cloud adoption or cloud migration.

PROSPECTS

In 2019, the Group will focus on the finance and management services for MSEs, and seize opportunities to make structural breakthroughs in cloud service business and expand market share, so as to build itself into a top-notch brand of finance and taxation services for MSEs and a top-notch brand of cloud services for MSEs. While consolidating and continuously strengthening its SaaS business, the Group will, based on its finance and taxation services and data services, gradually develop business operation services for MSEs.

The Group will continue to accelerate product application and innovation, and based on micro-service architecture, promote rapid iteration and innovative research and development, with a focus on expanding finance and taxation services. Besides, the Group will continue to enhance the application of intelligent marketing solutions that are based on big data and machine learning technology in Chanjet Good Business and T+Cloud products, further increase the application of integrated intelligent services for MSEs, and help MSEs to transform towards digital and intelligent operation. The Group will continue to promote data-based value-added services and strengthen its own data-based ecological operation capability. Furthermore, the Group will keep improving the user experience of such cloud applications as Chanjet Good Accountant, T+Cloud, Chanjet Good Business and Easy Accounting Agent, and accelerate research and development of new products.

The Group will further accelerate the development of cloud service business by investing more resources, so as to extend from application services to operation services in respect of the finance and taxation business, and strive for rapid growth of the cloud service business. In addition, the Group will continue to implement the diversified channel development strategy, upgrade its operation systems for customers from service operation to user operation, and build a unified business operation center, so as to speed up the cloud adoption of new customers and cloud migration of existing customers as well as the cloud-based transformation of data-based value-added services.

The Group will strengthen the operation of corporate websites to attract online traffic, strengthen brand communication to improve brand recommendation, pursue cross-industry and cross-field marketing cooperation through in-depth marketing, and continue to promote crossover marketing innovation. Further, the Group will enhance the brand influence of Chanjet cloud service business through organizing and holding the GICC 2019 (第三屆全球小微企業創新大會), "520 I Love MSEs (520我愛小微企業)", the "12th Accounting Cultural Festival" and other branding and marketing activities.

CHAIRMAN'S STATEMENT (CONTINUED)

The Group will further implement the "dual-channel" career development strategy, encourage professional development and improve its three-dimensional training system to upgrade the capabilities of employees. Also, the Group will continue to improve the long-term incentive mechanisms to motivate and inspire employees, and further promote corporate culture to enhance corporate cohesion and facilitate the long-term and healthy development of the Group.

On behalf of the Board, I sincerely express my gratitude to all Shareholders and investors for their support, and my appreciation to the management and all employees of the Company for their dedicated efforts to the development of the Group.

Wang Wenjing
Chairman
15 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Development Trend of the Industry

During the Reporting Period, in order to further bolster the healthy development of MSEs, the Chinese government continued to support innovation and entrepreneurship by introducing various preferential tax policies and cutting tax burdens by approximately RMB50 billion, which played an active role in stabilizing the operation of MSEs and promoting the healthy development of the market. Meanwhile, the People's Bank of China released RMB200 billion through a targeted reserve requirement ratio cut to support the development of MSEs. Besides, the People's Bank of China, China Banking and Insurance Regulatory Commission (CBIRC), China Securities Regulatory Commission (CSRC), the National Development and Reform Commission (NDRC) and the Ministry of Finance jointly issued the Opinions on Further Deepening Financial Services for Micro and Small-sized Enterprises (《關於進一步深化小微企業金融服務的意見》) (Yin Fa [2018] No. 162) to make it easier and less costly for MSEs to obtain financing. The support of national tax and financial policies is conducive to the continuous improvement of the business environment for MSEs.

During the Reporting Period, China initiated a new wave of entrepreneurship and innovation as a result of the synergistic effects of China's commercial system reform and policies on supporting mass entrepreneurship and innovation. There are over 110 million market entities of different types and 34.74 million enterprises across the country, most of which are MSEs. The rapid growth of MSEs and other market entities provided a solid market development foundation for the Group.

During the Reporting Period, the popularization and application of the new-generation information technology represented by cloud computing, big data, artificial intelligence and mobile Internet facilitated the rapid growth of enterprises and accelerated the integration of traditional and emerging business forms. MSEs hope to strengthen their ability of survival and development in the new economic and retail environment by improving the management of intelligent analysis, intelligent marketing, intelligent sales and intelligent management. It is an inevitable choice for enterprises to optimize resources allocation, enhance operation capacity and improve management efficiency through "cloud adoption". With the application of new technologies such as big data, artificial intelligence, mobile payment and electronic invoicing, the Group provides MSEs with comprehensive cloud management services integrating "Personnel, Finance, Commodity and Customer" and cloud finance services integrating finance, invoices and taxes to satisfy MSEs' needs for operation and management upgrading.

Major Risks and Uncertainties

In respect of industry competition, the number of innovative services providers in the domestic enterprise cloud services market has been on the rise and Internet magnates have devoted greater efforts to enterprise cloud services to preempt the market, which resulted in an intensifying competition in the enterprise cloud services market. The Group, steadfastly fixating on the field of finance and management services for MSEs, continued to increase resource input and responded to the industrial challenges in a proactive manner in virtue of its profound understanding of enterprise cloud services and extensive experience drawn from years of services for MSEs in informatization.

In respect of human resources, the competition for R&D and operation professionals on enterprise cloud services was further intensified and the costs for retaining and attracting capable employees had been increasing consequently. The Group continued to increase its efforts on the employer brand building and recruiting cloud services specialists, adopted targeted measures to retain and motivate staff and encouraged the professional development of talented employees.

Principal Business and Operating Conditions

1. Development of software business

During the Reporting Period, the Group released a new iteration of T^+ V12.3. The newly-added functions such as WeChat marketing, WeChat mall and intelligent selection of products that help enterprises to achieve the people-oriented socialized marketing and enhance their marketing capability; the newly added customer management function helps improve the sales efficiency and increase customer stickiness; and the newly-added mobile warehouse management function through the embedding of intelligent handheld terminal contributes to the timely and efficient warehouse management.

During the Reporting Period, the Group firmly implemented the business strategy for facilitating cost-effective growth of software business and focused on serving MSEs. It joined hands with nearly 2,000 channel partners in initiating three marketing campaigns, namely "Chanjet Wolf Warrior Action (暢捷通戰狼行動)", "Chanjet Mars Action (暢捷通戰神行動)" and "Chanjet New Power Action (暢捷通新勢力行動)". The Group empowered its channel partners by helping enhance their sales capacity through providing systematic capability improvement in terminal sales, online operation, product support and customer service to enhance user experience and satisfaction. "Chanjet Wolf Warrior Action (暢捷通戰狼行動)" helps partners enhance their marketing capacities, develop their team potential and consolidate their practical capacity. "Chanjet Mars Action (暢捷通戰神行動)" assists partners in developing and training telephone sales teams and helps regular customers enhance their business operation capacity. "Chanjet New Power Action (暢捷通新勢力行動)" supports partners in establishing large sales teams, making breakthroughs in new businesses and setting up benchmark partners across the country. In respect of marketing, the Group focused on developing terminal market and held thousands of marketing activities themed "Settlement and Payment of Income Taxes (匯算清繳)", "Financial Literacy Programs (財務普及風暴)", "520 I Love MSEs (520我愛小微企業)" and "the 11th Accounting Cultural Festival", thereby promoting terminal sales of its products.

During the Reporting Period, the Group upgraded the service support system for software business to an intelligence-based cloud service mode with the "Service Wiz (服寶)" as service access point, connecting products, communities and WeChat official account and providing users with on-demand services. It effectuated real-time connection with over 100,000 software users through the "cloud plus terminal" mode and utilized data platforms to launch user operation activities, which effectively improved service efficiency, enhanced service value and facilitated software users in moving to the cloud.

As at the end of the Reporting Period, the accumulated enterprise users of software of the Group exceeded 1.47 million.

2. *Development of cloud service business*

During the Reporting Period, the Group continued to devote more efforts to advance the development of cloud service business. Intelligent cloud finance services that integrated finance, invoices and taxes showed a sound development momentum, and cloud management services that integrated "Personnel, Finance, Commodity and Customer" for small-sized enterprises made breakthroughs in the transformation from software package to cloud-based services. The Group strived to improve the operation system of cloud service business and initiated the "Sea of Cloud Action (雲海行動)", empowering channel partners to seek joint development and win-win outcomes. As a result, preliminary results were achieved in the establishment of diversified channels based on cloud service business. Moreover, it concentrated resources on achieving rapid breakthroughs. It rolled out a new version of Chanjet Good Business for business management of MSEs and strived to improve user experience through continuous iterative optimization, speeding up users' cloud adoption or cloud migration.

As at the end of the Reporting Period, the accumulated paying enterprise users of cloud services of the Group achieved 113,000.

(1) Chanjet Good Accountant (暢捷通好會計)

During the Reporting Period, Chanjet Good Accountant, developing towards "intelligence, connection and ecology", steadily consolidated its position as a top-notch brand of intelligent cloud finance by using artificial intelligence technology. Closely in line with the state's tax reform, it further perfected the integration of finance, invoices and taxes and has become a cloud finance product that effectuates automatic calculation, accounting and reporting management of value-added tax, income tax and individual income tax. Meanwhile, based on the big data-based intelligent audit, it adopts the prediction mechanism of the "Golden Tax Project Phase III" and generates tax-related risk control reports to help enterprises further manage and control tax-related risks and reasonably reduce taxes, bringing into full play the rapid, intelligent and automatic features of intelligent cloud finance.

During the Reporting Period, Chanjet Good Accountant further adopted artificial intelligence technology to enhance intelligent financial accounting capacity, extending the scope of automatic accounting from invoices, daily journals and fixed assets to fees, salaries and purchase-sale-stock accounts. Through continuous machine learning, the accuracy of automatic financial accounting has been further improved and the efficiency of financial accounting has been increased.

(2) *T+ Cloud*

During the Reporting Period, T+ Cloud further enhanced the enterprise management services that integrated "Personnel, Finance, Commodity and Customer". It helped enterprises to make breakthroughs in attracting, retaining and activating users, converting free trial users to paying customers and on-going operation through "Customer Management plus Ordering Mall (訂貨商城)" and "WeChat members plus WeChat marketing plus WeChat Mall" and assisted MSEs in establishing a new type of business social networks and marketing relationship, boosting their operating results and becoming "intelligent companies" under the intelligent business paradigm.

During the Reporting Period, T+ Cloud integrated the functions of the Biz Chat (工作圈). It further strengthened the mobile office feature, improved the technical operation and supporting systems and enhanced the efficiency of online performance monitoring and automated deployment, providing MSEs with easy-to-use enterprise cloud services and resolving their concerns over installation, deployment and on-going operation and maintenance.

(3) *Chanjet Good Business (暢捷通好生意)*

During the Reporting Period, Chanjet Good Business provided online and offline comprehensive marketing and transaction management services for MSEs in trade and commerce, with "scenario driving, data driving and intelligent marketing" as the core technical features. Chanjet Good Business offered services covering the whole process of intelligent analysis, intelligent marketing, intelligent sales and intelligent management of MSEs. Through in-depth customer analysis and product analysis, it provided MSEs with a basis for customized and differentiated marketing campaigns, enabling MSEs to launch comprehensive marketing and promotion activities for bestsellers, poor-selling products and new products through diversified marketing means and activities. It provided MSEs with online and offline comprehensive marketing and transaction management services, covering transactions effectuated through online malls, WeChat groups or Moments to offline face-to-face transactions. The implementation of intelligent business paradigms effectively promoted the shift of traditional MSEs in trade and commerce towards the Internet-based intelligent business operation model.

(4) Chanjet Easy Accounting Agent (暢捷通易代賬)

During the Reporting Period, Chanjet Easy Accounting Agent continued to evolve towards an "intelligent accounting agent factory" for accounting agent companies and effectively strengthened the automatic collection of bills and the automatic accounting of invoices, daily journals, fixed assets and salaries. Meanwhile, in line with the state's tax reform, the Group further enhanced the intelligence and convenience of tax planning and declaration features of its products, and released the one-click tax declaration feature in regions such as Beijing, Shanghai, Shandong, Jiangsu and Sichuan. The smart device "CA-shared Unit (CA共享單元)" for tax declaration was released, which was used in conjunction with intelligent tax declaration robots to achieve unattended automated batch-based tax declaration. In addition to assisting accounting agent companies in improving work efficiency, Chanjet Easy Accounting Agent further enhanced the work quality and provided effective guarantee for customer hierarchy and operation improvement of accounting agent companies.

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. Chanjet Good Accountant was awarded the title of "2018 Best Product in Cloud Computing-based Finance and Tax Services in China (2018年中國雲計算財稅領域最佳產品)" by China Information Industry Trade Association and www.infosws.cn (信軟網).

During the Reporting Period, the Group organized and held "520 I Love MSEs (520我愛小微企業)", the "11th Accounting Cultural Festival" and other marketing activities. It initiated and hosted the 2nd Global Innovative Corporation Conference (GICC 2018), which deeply analyzed the concept of "intelligent companies" and proposed the "six-step intelligent commerce", which meant to leverage on the dual engines of data driving and network-based synergy, capitalize on the four core control systems including intelligent analysis, intelligent marketing, intelligent sale and intelligent management, and integrate innovation-based technologies to help MSEs increase revenue, reduce cost and improve efficiency through application of cloud services.

FINANCIAL REVIEW

	For the year ended 31 December			
	2018	2017	Change in amount	Percentage change
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue	**428,941**	498,595	(69,654)	(14)
Cost of sales and services provided	**(29,999)**	(71,752)	41,753	(58)
Gross profit	**398,942**	426,843	(27,901)	(7)
Gross profit margin	**93%**	86%	7%	
Other income and gains	**114,357**	255,572	(141,215)	(55)
Research and development costs	**(107,306)**	(107,356)	50	0
Selling and distribution expenses	**(169,571)**	(164,621)	(4,950)	3
Administrative expenses	**(121,619)**	(160,180)	38,561	(24)
Other expenses	**(6,162)**	(8,103)	1,941	(24)
Share of profit of an associate	**1,567**	622	945	152
Profit before tax	**110,208**	242,777	(132,569)	(55)
Income tax expense	**(3,396)**	(19,940)	16,544	(83)
Profit for the year	**106,812**	222,837	(116,025)	(52)
Attributable to:				
Owners of the parent	**106,812**	224,913	(118,101)	(53)
Non-controlling interests	**–**	(2,076)	2,076	N/A

Operating Results

For the year ended 31 December 2018, the revenue of the Group was RMB428.94 million, representing a year-on-year decrease of 14%. The profit for the year was RMB106.81 million, representing a year-on-year decrease of 52%; and profit attributable to the owners of the parent was RMB106.81 million, representing a year-on-year decrease of 53%. The basic earnings per share of the Group for the year was RMB0.510, compared with the basic earnings per share of RMB1.095 for the previous year.

The decrease in the revenue for the Reporting Period was mainly due to the exclusion of Chanjet Payment from the consolidated financial statements of the Group and the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. Eliminating the effects of the above factors, the Group's revenue for the year would have a year-on-year increase of 1%, of which the revenue generated from cloud services would have a year-on-year increase of 55%. The decrease in the profit for the Reporting Period was mainly due to the fact that the Group recorded investment gain of RMB179.17 million from the disposal of 55.82% of equity interests in Chanjet Payment in the previous year while there were no such gains for the year. Eliminating the effect of the investment gain, the Group's revenue for the year would have a year-on-year increase of 145%, mainly due to sustained improvement in the Group's operations, decreases in the cost of the Employee Trust Benefit Scheme and income tax expenses, as well as increases in interest income and income from bank wealth management products.

Revenue

For the year ended 31 December 2018, the revenue of the Group was RMB428.94 million, representing a year-on-year decrease of 14%, mainly due to the exclusion of Chanjet Payment from the consolidated statements of the Group and the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. Eliminating the effects of the above factors, the Group's revenue for the year would have a year-on-year increase of 1%, of which the revenue from cloud services would have a year-on-year increase of 55%. Details of the adoption of International Financial Reporting Standards 15 are set out in note 2 to the financial statements.

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

	For the year ended 31 December					
	2018		2017		Change in amount	Percentage change
	RMB'000	***%***	*RMB'000*	%	*RMB'000*	%
Revenue from software business	**391,423**	**91**	423,966	85	(32,543)	(8)
Revenue from cloud service business	**37,518**	**9**	25,254	5	12,264	49
Revenue from payment business	**–**	**–**	49,375	10	(49,375)	N/A
Revenue	**428,941**	**100**	498,595	100	(69,654)	(14)

Cost of Sales and Services Provided

For the year ended 31 December 2018, the Group's cost of sales and services provided was RMB30.00 million, representing a year-on-year decrease of 58%, mainly due to the exclusion of Chanjet Payment from the consolidated financial statements of the Group. Eliminating the effect of the exclusion of Chanjet Payment, the Group's cost of sales and services provided would have a year-on-year decrease of 10%.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, the Group achieved a gross profit of RMB398.94 million, representing a decrease of 7% as compared with that of the previous year, mainly attributable to the decrease in the revenue from software business as a result of the adoption of the International Financial Reporting Standards 15 – Revenue from Contracts with Customers during the Reporting Period. The gross profit margin of the Group was 93%, representing an increase of 7 percentage points as compared with that of the previous year, mainly due to the exclusion of the payment business with lower gross profit margin from the consolidated financial statements of the Group during the Reporting Period and the increase in the gross profit margin of cloud service business as compared with that of the previous year.

Other Income and Gains

For the year ended 31 December 2018, the Group's other income and gains was RMB114.36 million, representing a decrease of 55% as compared with that of the previous year. The decrease was mainly due to the investment gain of RMB179.17 million from the disposal of 55.82% of equity interests in Chanjet Payment in the previous year. Eliminating the effect of the investment gain, other income and gains would have a year-on-year increase of 50%, mainly attributable to the increases in interest income, earnings from bank wealth management products and gain on change in fair value of financial assets.

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			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
R&D costs of software business	18,767	15	44,169	35
R&D costs of cloud service business	88,539	70	59,555	48
R&D costs of payment business	–	–	3,632	3
R&D costs	107,306	85	107,356	86
Additions to deferred development costs of cloud service business	18,317	15	17,566	14
Additions to deferred development costs	18,317	15	17,566	14
Total R&D investment	125,623	100	124,922	100

For the year ended 31 December 2018, R&D costs of the Group amounted to RMB107.31 million, basically flat as compared with that of the previous year, of which, the R&D costs of cloud service business increased by 49%, which was mainly due to the structural adjustment to R&D staff for the purpose of advancing the transformation of software R&D talents into cloud service R&D talents while building up R&D strength of cloud service business. The total R&D investment of the Group was RMB125.62 million, representing an increase of 1% as compared with that of the previous year.

Selling and Distribution Expenses

For the year ended 31 December 2018, the selling and distribution expenses of the Group was RMB169.57 million, representing an increase of 3% as compared with that of the previous year, mainly attributable to the increase in the operation and promotion expenditure on cloud service business.

Administrative Expenses

For the year ended 31 December 2018, the administrative expenses of the Group was RMB121.62 million, representing a decrease of 24% as compared with that of the previous year. The decrease was mainly due to that the costs of the Employee Trust Benefit Scheme incurred during the Reporting Period decreased by RMB28.90 million as compared with those of the previous year.

Income Tax Expense

For the year ended 31 December 2018, the income tax expense of the Group was RMB3.40 million, representing a decrease of 83% as compared with that of the previous year, which was mainly due to the decrease in profit before tax and deferred income tax expense as compared with that of the previous year.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2018, the profit attributable to owners of the parent of the Group was RMB106.81 million, representing a decrease of 53% as compared with that of the previous year.

Loss Attributable to Non-controlling Interests

For the year ended 31 December 2018, the Group did not have any loss attributable to non-controlling interests of the Group (2017: RMB2.08 million).

Liquidity and Financial Resources

Condensed cash flow statement

	For the year ended 31 December		Change
	2018	2017	in amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**197,484**	182,953	14,531
Net cash flows used in investing activities	**(198,443)**	(324,035)	125,592
Net cash flows used in financing activities	**–**	(18,547)	18,547

Net cash flows from operating activities

For the year ended 31 December 2018, net cash flows from operating activities of the Group was RMB197.48 million, representing an increase of RMB14.53 million as compared with that of the previous year. The increase was mainly due to the increase in receipts in advance from cloud service business of the Group.

Net cash flows used in investing activities

For the year ended 31 December 2018, the net cash flows used in investing activities of the Group was RMB198.44 million, representing a decrease of RMB125.59 million as compared with that of the previous year. The decrease was mainly due to the decrease in the time deposits of the Group newly added during the Reporting Period.

Net cash flows used in financing activities

For the year ended 31 December 2018, there were no net cash flows used in financing activities of the Group, and the cash flows used in financing activities of the Group in the previous year mainly represented the payment for shares purchased under the Employee Trust Benefit Scheme.

Working Capital

	As at 31 December	
	2018	2017
Cash and bank balance *(RMB'000)*	**803,327**	762,783
Current ratio	**664%**	873%
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 2018 was 664% (31 December 2017: 873%). The decrease in current ratio was mainly due to the increase in current liabilities as a result of the increased contract liabilities brought about by rising receipts in advance for cloud services business.

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 2018, 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 2018, the significant capital expenditure of the Group included deferred development costs of RMB18.32 million (2017: RMB17.57 million), the expenditure on office equipment, furniture and fittings of RMB0.97 million (2017: RMB0.43 million), additional expenditure on software licenses of RMB0.24 million (2017: Nil).

Contingent Liabilities

As at 31 December 2018 and 31 December 2017, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

Charges on Assets

As at 31 December 2018 and 31 December 2017, the Group did not have any charges on assets.

Significant Investments

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

Material Acquisition and Disposal of Assets

At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interests in 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 as mentioned in sub-item (i) above had been completed. Thereafter, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company. As of the Latest Practicable Date, the transaction concerning the capital increase as mentioned in sub-item (ii) above has not been completed yet. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016 and 17 July 2017, 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., a subsidiary of the Company, settled in US dollars. The Group, subject to the foreign exchange fluctuation, conducted foreign exchange settlement and foreign exchange for the balance of proceeds raised 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.

DIRECTORS

Non-executive Directors

Mr. Wang Wenjing (王文京), aged 54, 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 54, 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.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Executive Directors

Mr. Zeng Zhiyong (曾志勇), aged 50, 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 46, 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 Yonyou 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 64, 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 August 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 46, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment to the Board, particularly with regard to the financial aspects of the Group. 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 55, 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 55, 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 GEM 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 54, 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 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, Executive 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 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 71, 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 54, 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, 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 and an independent non-executive director of Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1995) since November 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. Cai Jingsheng (蔡京勝), aged 50, 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.

Ms. Ren Jie (任潔), aged 40, has been a member of the Supervisory Committee as an employee representative Supervisor since 20 April 2018. Ms. Ren joined the Group in May 2013 and has been engaged in the work related to human resources management. She served as the recruitment manager and the human resource business partner of the human resource department of the Company from May 2013 to December 2015 and from January 2016 to December 2017, respectively, and has served at the human and administration department of the Company since January 2018, responsible for the employee performance and organizational development. Prior to joining the Group, Ms. Ren served as a mental health teacher at Hebei Shacheng Middle School (河北沙城中學) from July 2004 to June 2005, the chief of human resources at Yangguang Xinling Education Technology Co., Ltd. (陽光心靈教育科技有限公司) from July 2005 to June 2008, a human resources manager at Talenty International Education (蓋倫國際教育) from July 2008 to March 2011 and a project manager and headhunter consultant at Beijing Wen Hui Yong Ye Management Consultancy Co., Ltd. (北京文輝永業管理諮詢有限公司) from April 2011 to May 2013. Ms. Ren Jie obtained her bachelor's degree in science from Harbin Normal University (哈爾濱師範大學) in July 2004.

SENIOR MANAGEMENT

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

Mr. Sun Guoping (孫國平), aged 50, has been a senior vice president of the Company since 8 September 2011. He is primarily responsible for business operation 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.

Ms. Gao Jin (高瑾), aged 45, has been a senior vice president and the chief financial officer of the Company since 28 May 2018. She is primarily responsible for the overall planning, budgetary and financial affairs of the Group. Ms. Gao worked as a senior auditor at Ernst & Young Hua Ming from August 1997 to September 2002. Ms. Gao joined Yonyou as the financial manager of the North China Division in October 2002; she served as the chief financial officer of Yonyou Government Affairs Software Co., Ltd. (用友政務軟件有限公司) (hereinafter referred to as "**Yonyou Government Affairs**") from August 2004 to May 2007; she served as the chief financial officer of Beijing Wecoo E-Commerce Co., Ltd. (北京偉庫電子商務科技有限公司) from June 2007 to December 2011; she served as the deputy general manager of the financial department of Yonyou from January 2012 to June 2012; she served as a senior vice president and the chief financial officer of Yonyou Government Affairs from July 2012 to April 2018. Ms. Gao graduated from Beijing Institute of Business (currently known as Beijing Technology and Business University) with a bachelor's degree in accounting in June 1997.

Ms. Zhang Hong (張紅), aged 43, has been a senior vice president of the Company since 23 March 2018. She is primarily responsible for overall product planning 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 joined the Group on 19 March 2010 and has been the product director of the Company since March 2010. She served as the vice president of the Company from 2 February 2015 to 23 March 2018. Ms. Zhang Hong graduated from China Europe International Business School with a master's degree in business administration in July 2017.

Mr. Ru Hai (茹海), aged 44, served as a vice president of the Company from 18 March 2016 to 15 March 2019 and has been a senior vice president of the Company since 15 March 2019. He is mainly responsible for the channel operations centre 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 April 2010 to January 2011, 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. You Hongtao (尤宏濤), aged 40, 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 an affiliated person 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. Liu Zhidong (劉志東), aged 40, has been a vice president of the Company since 17 March 2017. He is primarily responsible for sales management. 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 and branch 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 52, has been a vice president of the Company since 17 March 2017. He is primarily responsible for business promotion of the channel operations centre and sales of the divisions directly managed by the Beijing office. 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 general manager of the East China Division and the general manager of the South Support Centre (南方支持中心) from January 2016 to December 2018. 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.

Mr. Wang Xuejun (王學軍), aged 43, has been a vice president of the Company since 23 March 2018. He is primarily responsible for the business development operation centre of the Company. Mr. Wang joined Yonyou as the implementation director of the Central and Southern China Division in June 2005 and joined the small management software department of Yonyou as the support director in January 2008. He held various positions in the Company, including the general manager of the small-sized enterprise division and the general manager of T+ business of the Company from March 2010 to December 2015, the director of strategic cooperation of the Company from January 2016 to June 2017, the general manager of the Cloud Operation Centre of the Company from July 2017 to December 2017 and the general manager of the cloud-based financial operation centre of the Company from January 2018 to December 2018. Mr. Wang graduated from Shaoyang University in 1997 and studied a post-graduate course on business management at Jilin University from 2000 to 2002.

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 57, 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 SWCS Corporate Services Group (Hong Kong) 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 (2013–2018) 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 2018, together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 2018 and the financial information of the Group as at 31 December 2018 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 16 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 Uncertainties" 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 disclosable 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 17 to 24 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 2018 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 pages 83 to 84, 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 59. 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 2018 Environmental, Social and Governance Report to be published by the Company.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2018 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 2018.

DIVIDEND POLICY AND DISTRIBUTION OF ANNUAL DIVIDENDS FOR THE YEAR 2018

Reference is made to the announcement of the Company dated 15 March 2019, in relation to the adoption of dividend policy as approved by the Board on 15 March 2019. The payment of the dividend by the Company shall be subject to the Companies Law, the Listing Rules, the Articles of Association and any restrictions under any other applicable laws, rules and regulations. The Company shall seek opinions of the shareholders of the Company, in particular, the minority shareholders, and independent non-executive Directors as sufficiently as possible, prioritize a reasonable return to the investors while giving full consideration to the sustainable development of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Company shall mainly take into account, *inter alia*:

(1) the Group's operating conditions and market environment;

(2) the Group's general financial position;

(3) the actual and future operating and liquidity capital of the Group;

(4) after-tax profit and the distributable profits of the Company and the Group;

(5) the Group's development plans and expected working capital requirements;

(6) the expectations of the Shareholders and investors and the industry practices;

(7) the continuity and stability of the dividend distribution policy; and

(8) any other factors that the Board of the Company deems appropriate.

A Board meeting was held on 15 March 2019, at which the relevant resolution was passed to recommend the payment of a final dividend of RMB0.46 per share (tax inclusive) for the year ended 31 December 2018 (2017: nil) with a total of approximately RMB99.90 million (2017: nil). The profit distribution proposal shall be subject to approval by the Shareholders at the forthcoming 2018 annual general meeting. During the Reporting Period, there is no arrangement made by any Shareholder on waiving or agreeing to waive any dividends. The final dividend for the year ended 31 December 2018 is expected to be paid to the Shareholders whose name appeared on the Company's share register on Saturday, 8 June 2019 on 18 July 2019.

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税有關問題的通知》) (國税函[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税法》) 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) (《國家税務總局關於發佈<非居民納税人享受税收協定待遇管理辦法>的公告》(國家税務總局公告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 the Company's H share register, 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 above-mentioned 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.

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)	Chairman, non-executive Director
Wu Zhengping (吴政平)	Non-executive Director
Zeng Zhiyong (曾志勇)	Executive Director, vice chairman
Yang Yuchun (楊雨春)	Executive Director, President
Chen, Kevin Chien-wen (陳建文)	Independent Non-executive Director
Lau, Chun Fai Douglas (劉俊輝)	Independent Non-executive Director
Chen Shuning (陳淑宁)	Independent Non-executive Director
Guo Xinping (郭新平)	Chairman of the Supervisory Committee, Shareholder representative Supervisor
Zhang Peilin (章培林)	Shareholder representative Supervisor
Ruan Guangli (阮光立)	Independent Supervisor
Ma Yongyi (馬永義)	Independent Supervisor
Cai Jingsheng (蔡京勝)	Employee representative Supervisor
Ren Jie (任潔)*note*	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: Mr. Deng Xuexin resigned from his position as an employee representative Supervisor of the Company due to other work arrangement with effect from 20 April 2018. As elected and approved at the employee representative meeting of the Company, Ms. Ren Jie replaced Mr. Deng Xuexin as an employee representative Supervisor of the Company with effect from 20 April 2018. For details, please refer to the announcement of the Company dated 20 April 2018.

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 2018, 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	156,031,210 Domestic Shares	71.84%	96.21%
	Interest in a controlled corporation[3]	Yonyou[4]	853,178,645 shares	44.53%	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
Mr. Wu Zhengping[7]	Beneficial owner	Yonyou[4]	1,105,000 shares	0.06%	N/A
	Interest in a controlled corporation	Yonyou[4]	52,660,000 shares	2.75%	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]	35,010 shares	0.00%	N/A
Supervisors					
Mr. Guo Xinping[9]	Interest in a controlled corporation	Yonyou[4]	87,069,500 shares	4.54%	N/A
Mr. Zhang Peilin[10]	Beneficial owner	Yonyou[4]	1,436,177 shares	0.07%	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 2018.

(2) The calculation is based on the total number of 162,181,666 Domestic Shares in issue of the Company as at 31 December 2018.

(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 28.45%, 12.11% and 3.97% 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 2018, Yonyou held 156,031,210 Domestic Shares which accounted for approximately 71.84% 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 5,627,952 Domestic Shares, representing approximately 2.59% of the total share capital of the Company.

(7) Mr. Wu Zhengping directly holds 1,105,000 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 2.75% 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 4.54% 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 1,436,177 shares of Yonyou which Mr. Zhang Peilin is interested in, 259,998 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 RMB12.10 in accordance with the relevant arrangement of the share option scheme during the period from 5 August 2019 to 3 August 2021.

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

As at 31 December 2018, Directors Mr. Zeng Zhiyong and Mr. Yang Yuchun, and Supervisor 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 2018, 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[1]	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]	156,031,210 Domestic Shares	Interest in a controlled corporation	71.84%	96.21%
Yonyou[5]	149,732,474 Domestic Shares	Beneficial owner		
	6,298,736 Domestic Shares	Interest in a controlled corporation		
	Total: 156,031,210 Domestic Shares		71.84%	96.21%
UBS Group AG	7,696,100 H Shares (L)	Interest in a controlled corporation		
	145,600 H Shares (S)	Interest in a controlled corporation		
	2,200 H Shares (L)	Interest in a guarantor		
	Total: 7,698,300 H Shares (L)		3.54%	14.00%
	145,600 H Shares (S)		0.07%	0.26%

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 2018.

(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 2018, respectively.

(4) As at 31 December 2018, 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 28.45%, 12.11% and 3.97% 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 2018, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 6,298,736 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 2018, 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 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 was less than 30% of the total turnover of the Group in 2018, 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 2018, the total purchases made by the Group from the five largest suppliers amounted to RMB12.27 million, accounting for 46.53% of the total purchases of the year. In particular, the purchases from the largest supplier amounted to RMB4.23 million, accounting for 16.04% of the total purchases of the year. To the best 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 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. The Company disclosed in the Prospectus that the net proceeds raised from the listing had been planned to be used for the following purposes within two years. To the extent that the net proceeds are not immediately applied to the purposes below, the Company intends that such proceeds will be placed in short-term interest-bearing instruments or money market funds with licensed banks or financial institutions in the PRC or Hong Kong.

According to the use of proceeds disclosed in the Prospectus of the Company, the actual usage as at 31 December 2018 are detailed as follows:

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

As at 31 December 2018, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance from promotion and operation of the cloud services, mainly due to the fact that the Company currently does not identify any relevant business and assets compatible with our business strategies, and also makes arrangement of expenses used for promotion and operation of the cloud services according to its business strategies as appropriate. The unutilized balance of the net proceeds has been deposited into the reputable banks in Hong Kong and the PRC, the Company will continue to utilize it in accordance with the planned usages of the proceeds as disclosed in the Prospectus.

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

For the year ended 31 December 2018, 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 2018, the new property, plant and equipment of the Group amounted to RMB0.97 million (2017: RMB0.43 million). Details of the movements are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had RMB116.16 million reserves available for distribution (31 December 2017: RMB0.79 million).

EMPLOYEE AND ORGANIZATION GUARANTEE

As at 31 December 2018, the Group had 929 employees in total (31 December 2017: 802 employees). The Group has made multiple efforts to support the business strategy designed to achieve economies of scale of cloud service business and cost-effective growth of software business. In terms of staffing, the Group increased the proportion of cloud operation and R&D personnel. In terms of staff cultivation and development, the Group continued improving training system for new staff and pushed forward the cultivation of staff of all levels and functions so as to guarantee the availability of back-up personnel for key positions, the job rotation it advocated also made young and capable personnel stand out. In terms of staff retention and motivation, the Group optimized and perfected the medium-term and long-term incentive mechanism in order to attract, motivate and retain core personnel.

TRAINING PROGRAMS

In pursuance with the Training Management Policy, the Group has established a training system integrating internal and external training to develop the post competencies of employees and boost their growth and development.

The Group has set up "Chanjet School (暢學堂)", an internal training platform which, on the basis of the Group's development strategy and research findings on training needs, offers trainings at different levels on professional quality and standards, professional knowledge and regulations, general technology and ability, leadership and other aspects for employees of different business lines and posts. Meanwhile, relying on the teachers of "Yonyou University (用友大學)", the Company provides more diversified training courses for employees.

The Group has engaged external professional mentors to provide training for employees and dispatched employees to attend non-curricula education on professional skills and on-the-job curricula education, etc. to help employees get access to cutting-edge technologies and improve professional literacy and comprehensive skills. At the same time, 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 2018, the Group introduced the online UMU learning platform to provide employees with training courses on professional and general skills to help their learning and growth; the Group launched customized training courses such as new staff training, debate and speech skills training, etc., and also held internal sharing activities regularly; the Group invested a total of RMB432,600 in training and education, realizing 12,748 training hours with a participation rate of 100% and an average of approximately 13.72 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" as set out in the Report of Directors.

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 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 30 March 2018, the Board considered and approved the resolutions in relation to the second 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) and some scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking day, 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 2018.

On 5 June 2018, the Board considered and approved the resolutions in relation to the first unlocking of trust benefit units under the fourth grant pursuant to the Scheme, and according to the resolutions, save and except for some scheme participants under the fourth 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 fourth grant to unlock 30% of their trust benefit units were fulfilled on 5 June 2018.

On 15 June 2018, the Board considered and approved the resolutions in relation to the third 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, the unlocking conditions of the remaining scheme participants under the initial grant to unlock 40% of their trust benefit units were fulfilled on 16 June 2018.

On 6 December 2018, the Board considered and approved the resolutions in relation to the second 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 labor 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 2018.

For details about the implementation of the Scheme during the Reporting Period, please refer to the announcements of the Company dated 30 March 2018, 5 June 2018, 15 June 2018 and 6 December 2018.

As at 31 December 2018, 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%
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%
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:

	2018	2017
	(person)	*(person)*
RMB1 million or below	**6**	8
RMB1 million to RMB2 million (inclusive)	**4**	3
RMB2 million to RMB3 million (inclusive)	**1**	–
Total	**11**	11

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 26 to the financial statements. The equity-settled share-based payment expense relating to the trust benefit units granted to such senior management staff were approximately RMB7,108,000 (2017: RMB8,482,000).

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

Save as disclosed in the section headed "CONNECTED TRANSACTION" and note 29 to the financial statements in this Report of Directors, 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

During the Reporting Period and as at the Latest Practicable Date, the Company has arranged appropriate liability insurance for Directors and Supervisors concerning the relevant legal action they may be faced with. Apart from that, no permitted indemnity provision which benefits any of the Directors or Supervisors was in force or is currently in force (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

DONATIONS

During the Reporting Period, no donation was made by the Company (2017: nil).

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 from 1 January 2018 to 31 December 2018. 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, from 1 January 2018 to 31 December 2018, 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 2018 to 31 December 2018, 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 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 28 May 2018, National Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Yonyou Chuangxin Investment, pursuant to which National Trust agreed to sell 550,000 Domestic Shares of the Company held by National Trust to Chuangxin Investment at an aggregate consideration of RMB5,401,000; on 6 December 2018, National Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Yonyou Chuangxin Investment, pursuant to which National Trust agreed to sell 250,000 Domestic Shares of the Company held by National Trust to Chuangxin Investment at an aggregate consideration of RMB2,170,000; on 6 December 2018, Hwabao Trust, entrusted by the Company, entered into the Equity Transfer Agreement with Yonyou Chuangxin Investment, pursuant to which Hwabao Trust agreed to sell 1,030,000 Domestic Shares of the Company held by Hwabao Trust to Chuangxin Investment at an aggregate consideration of RMB8,940,400.

To implement the Scheme, the Company has entrusted Hwabao Trust and National Trust to set up the trust. Chuangxin Investment is a subsidiary of the parent company, the controlling Shareholder of the Company, it is therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the above equity transfer transactions constitute connected transactions of the Company pursuant to the Listing Rules.

Details of the above transactions are set out in the announcements dated 28 May 2018 and 6 December 2018 of the Company.

2. Continuing connected transactions

2.1 Connected persons

Yonyou holds 71.84% 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

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 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 2018 was RMB9,921,000, while the actual annual rental payment amounted to approximately RMB5,742,874.

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 21 December 2015.

Due to the demands for business development, the Company and Yonyou renewed new Property Leasing Framework Agreement on 28 December 2018, which shall be effective from 1 January 2019 to 31 December 2021. The proposed annual caps for the transactions under the new Property Leasing Framework Agreement are as follows:

	For the year ended 31 December		
	2019	**2020**	**2021**
	RMB	*RMB*	*RMB*
Proposed annual caps	7,482,100	9,267,100	11,417,900

For details of the above transactions, please refer to the announcement of the Company published on 28 December 2018.

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 2018 was RMB3,650,000, while the actual annual services fees amounted to approximately RMB1,571,425.

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 2018 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 disclosable 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.

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 31 December 2018, 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 2018 environmental, social and governance report to be published by the Company.

AUDITORS

At the 2017 annual general meeting of the Company held on 28 May 2018, the Company re-appointed Ernst & Young as the international auditor of the Company for the year ended 31 December 2018 and Ernst & Young Hua Ming LLP as the PRC auditor of the Company for the year ended 31 December 2018. 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
15 March 2019

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 monthly President's office meetings of the Company held in 2018 effectively performing its duties in supervising the operation and management procedures of the Company.

During the Reporting Period, a total of two meetings were convened by the Supervisory Committee. At the first meeting of the third session of the Supervisory Committee for the year 2018 convened on 23 March 2018, the 2017 Annual Report, 2017 Final Financial Accounts, 2017 Internal Control Review Report, 2017 Report of Supervisory Committee and 2017 Report of Directors were considered and approved; at the second meeting of the third session of the Supervisory Committee for the year 2018 convened on 10 August 2018, the 2018 Interim Report 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 2018. 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 2018 gave a true picture of the financial condition and operating results of the Company.

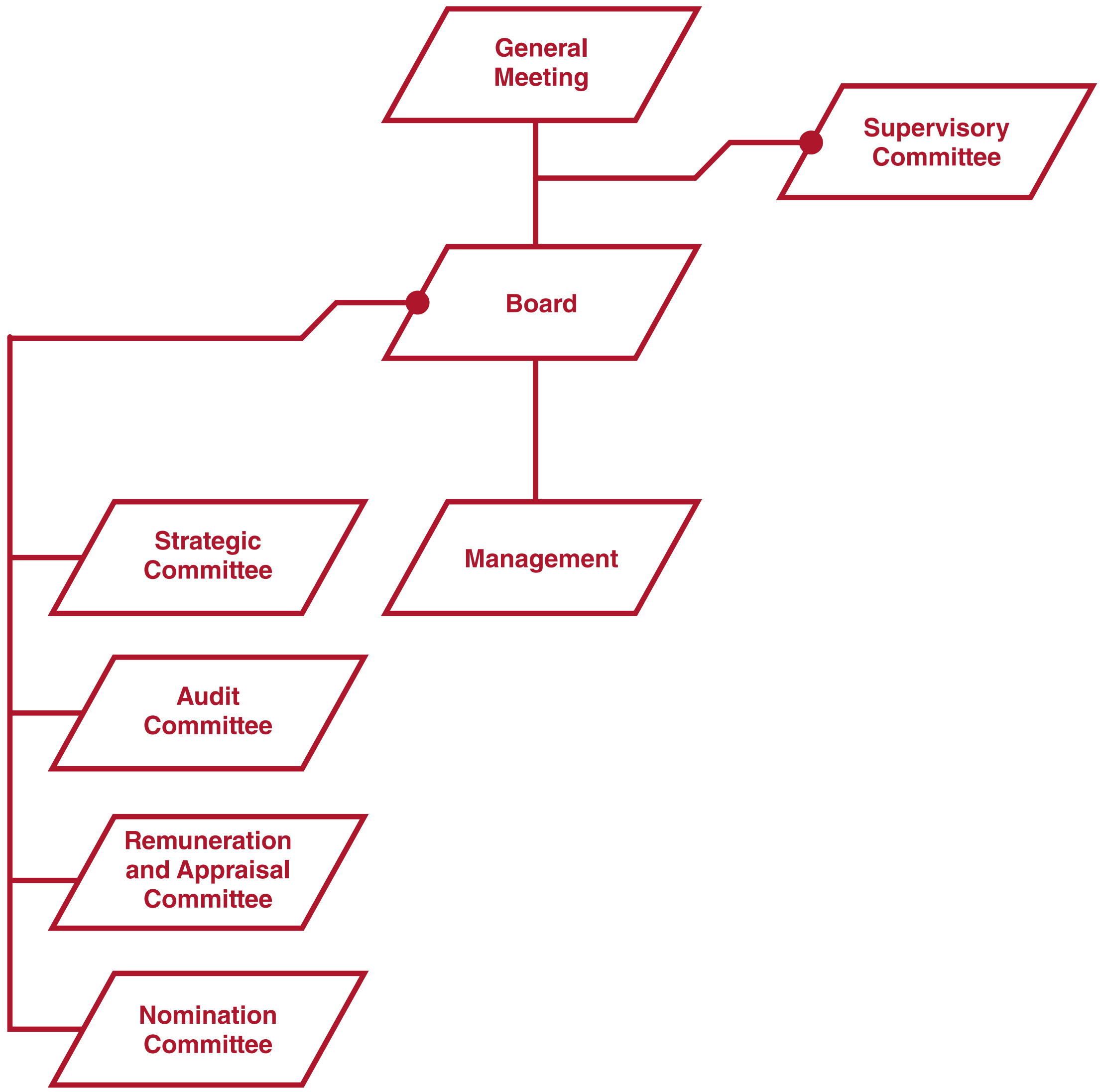
During the Reporting Period, members of the Supervisory Committee attended the Board meetings of the Company as non-voting participants. The Supervisory Committee had no objections to the contents of reports and resolutions proposed by the Board at the general meetings. The Supervisory Committee supervised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

On behalf of the Supervisory Committee
Guo Xinping
Chairman of the Supervisory Committee
15 March 2019

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 President;
11. Board Diversity Policy;
12. Shareholders Communications Policies; and
13. Dividend Policy.

The Board has reviewed the above-mentioned 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 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)	54	Non-executive Director, Chairman	From 8 September 2017 to 7 September 2020
Mr. Wu Zhengping (吳政平先生)	54	Non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Zeng Zhiyong (曾志勇先生)	50	Executive Director, Vice Chairman	From 8 September 2017 to 7 September 2020
Mr. Yang Yuchun (楊雨春先生)	46	Executive Director, President	From 8 September 2017 to 7 September 2020
Mr. Chen, Kevin Chien-wen (陳建文先生)	64	Independent non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Lau, Chun Fai Douglas (劉俊輝先生)	46	Independent non-executive Director	From 8 September 2017 to 7 September 2020
Mr. Chen Shuning (陳淑宁先生)	55	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 2018, 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 2018. 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	10	–	100%
Chen, Kevin Chien-wen	10	–	100%
Lau, Chun Fai Douglas	10	–	100%
Chen Shuning	10	–	100%

One general meeting was convened during 2018. The attendance rate of the Directors is as follows:

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

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 continuous professional training attended by Directors during the Reporting Period is summarized as follows:

	Scope		
Directors	**Laws and regulations**	**Corporate governance**	**Director's responsibilities/ the Group's business**
Wang Wenjing	✓	✓	✓
Wu Zhengping	✓	✓	✓
Zeng Zhiyong	✓	✓	✓
Yang Yuchun	✓	✓	✓
Chen, Kevin Chien-wen	✓	✓	✓
Lau, Chun Fai Douglas	✓	✓	✓
Chen Shuning	✓	✓	✓

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

Strategic Committee

During the Reporting Period and as at the Latest Practicable Date, 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%
Yang Yuchun	1	–	100%
Chen Shuning	1	–	100%

The Details of the meetings are as follows:

At the 2018 first meeting of the Strategic Committee of the third session of the Board held on 22 March 2018, the resolution in relation to the work plan of the Company for 2018 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 four 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	4	–	100%
Wu Zhengping	4	–	100%
Lau, Chun Fai Douglas	4	–	100%

The details of the meetings are as follows:

At the 2018 first meeting of the Audit Committee of the third session of the Board held on 22 March 2018, the consolidated financial statements for the year ended 31 December 2017 prepared by the Company according to the International Financial Reporting Standards, the audited financial statements for the year ended 31 December 2017 prepared by the Company according to the CASBE, the 2017 Internal Control Review Report issued by SHINEWING Risk Services Limited, an independent consultant of internal control of the Company, 2017 Report on Corporate Risk Assessment of the Company and the resolution in relation to the engagement of financial statement auditor of the Company were considered and approved.

At the 2018 second meeting of the Audit Committee of the third session of the Board held on 10 August 2018, the 2018 interim report of the Company was considered and approved.

At the 2018 third meeting of the Audit Committee of the third session of the Board held on 4 December 2018, the resolution in relation to the audit plan for the 2018 consolidated financial statements of the Company was considered and approved.

At the 2018 fourth meeting of the Audit Committee of the third session of the Board held on 31 December 2018, the resolution in relation to the remunerations of auditors in 2018 was considered and approved.

Remuneration and Appraisal Committee

During the Reporting Period and as at the Latest Practicable Date, 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%
Yang Yuchun	5	–	100%
Chen Shuning	5	–	100%

The details of the meetings are as follows:

At the 2018 first meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 22 March 2018, the resolutions in relation to the remuneration of senior management in 2017 and the remuneration plan for 2018 of the Company were considered and approved.

At the 2018 second meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 30 March 2018, the resolution in relation to the second unlocking of the trust benefit units under the second grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

At the 2018 third meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 5 June 2018, the resolution in relation to first unlocking of the trust benefit units under the fourth grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

At the 2018 fourth meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 15 June 2018, the resolution in relation to the third unlocking of the trust benefit units under the initial grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

At the 2018 fifth meeting of the Remuneration and Appraisal Committee of the third session of the Board held on 6 December 2018, the resolution in relation to the second unlocking of the trust benefit units under the third grant pursuant to the Employee Trust Benefit Scheme was considered and approved.

Nomination Committee

During the Reporting Period and as at the Latest Practicable Date, 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;

- advising the Board on the appointment or re-appointment of directors and the succession plan for directors, in particular the chairman and the president, and ensuring that the candidates for directors have the skills, experience and diverse perspectives required for the operations of the Company;

- examining and making suggestions on the candidates for president and other senior management of the Company;

- reviewing the structure, size and composition of the Board (including skills, knowledge and experience) at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- monitoring the implementation of the Board diversity policy, to review the policy in due course and to present proposals to the Board on any requisite amendments;

- reviewing the independence of the independent non-executive Directors; and

- other matters authorized by the Board.

The Nomination Committee shall be responsible for the specific implementation of the policy on nomination Directors of the Company. Our Company's directors nomination policy consists of the procedures of nominating Directors, the key criteria and principles to be considered when nominating Directors.

The procedures of nominating Directors are as follows: the Nomination Committee submits a list of candidates for Directors which will then be submitted by the Nomination Committee to the Board for consideration and to the general meeting for approval.

The procedures for reviewing the candidates for Directors include: (1) collecting or requiring relevant departments of the Company to collect and understand information on the occupation, educational background, title, detailed working experience and all part-time experience of the candidates, and preparing written materials accordingly; (2) seeking the opinions of the candidates for Directors and obtaining their written consent; (3) convening meetings of the Nomination Committee to review the candidates' qualifications pursuant to the requirements of Directors, make suggestions and recommend appointments by way of proposals; and (4) carrying out follow-up work in accordance with the decisions or feedback of the Board.

The Company's key criteria and principles to be considered in nomination of Directors include: (1) considering the criteria and procedures for selecting Directors and making recommendations thereon to the Board. Factors to be considered include but not limited to gender, age, culture, educational background, and professional experience; (2) ensuring that the candidates for Directors have the skills, experience and diverse perspectives required for the operations of the Company; (3) reviewing the structure, size and composition of the Board (including skills, knowledge and experience) at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

Two 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**
Chen Shuning	2	–	100%
Wang Wenjing	2	–	100%
Chen, Kevin Chien-wen	2	–	100%

The Details of the meetings are as follows:

At the 2018 first meeting of the Nomination Committee of the third session of the Board held on 22 March 2018, the resolution in relation to the appointments of senior management was considered and approved, and Ms. Zhang Hong and Mr. Wang Xuejun were appointed as a senior vice president and vice president of the Company, respectively.

At the 2018 second meeting of the Nomination Committee of the third session of the Board held on 28 May 2018, the resolution in relation to the appointment of senior management was considered and approved, and Ms. Gao Jin was appointed as a senior vice president and chief financial officer 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 with reference to objective criteria, together with the benefit brought to the Board by adoption of 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 had performed 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 2018, respectively. The service fees charged to the Group by Ernst & Young and Ernst & Young Hua Ming LLP for the year ended 31 December 2018 were as follows: the fee for interim review of the IFRS Financial Statements amounting to RMB0.71 million, the fee for annual audit of the IFRS Financial Statements amounting to RMB1.05 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 one general meeting.

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 2 days upon receipt of such proposals 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 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 rather than eliminating the risk of failing to meet the business goals, and providing reasonable rather than absolute warranties as to the absence of any material misstatements or losses.

The Company implements comprehensive risk management by integrating specific requirements of risk management into daily management and business processes, and has established a risk control matrix for major business processes and designating the personnel responsible for business as the first responsible person for risk management to monitor the implementation of risk response measures. Meanwhile, the Company's management conducts a regular comprehensive assessment of enterprise risks annually, to identify and evaluate the major risks in all aspects of the Company, formulates risk response measures and prepares an assessment report on enterprise risks. The Board and the Audit Committee of the company will review the risk assessment report, discuss with management on major risks the Company is exposed to, and urge the management to cope with risk.

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 2018 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, 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 subsidiary.

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 23 March 2018, the Board resolved to make amendments to the Articles of Association, so as to reflect the change of registered address and business license registration number of the Company. The amendments were approved at the annual general meeting of the Company held on 28 May 2018. For the details of the amendments, please refer to the announcements of the Company dated 23 March 2018 and 28 May 2018 and the circular dated 12 April 2018.

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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 92 to 219, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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**
Capitalisation of development costs	
Capitalised development costs, included in the intangible assets, amounted to RMB18,317,000 for the year ended 31 December 2018. 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, 3(d) and note 13 to the financial statements.	Amongst our audit procedures, we assessed the design and operating effectiveness of the controls over the 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 they are consistent with the originally approved budget. We also examined whether there were any capitalised labour costs occurred from departments other than the research and development department based on a sample basis testing. We also assessed whether the disclosures in the financial statements meet the requirements of the financial reporting framework applicable to the Group.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters (continued)	How our audit addressed the key audit matters (continued)
Assessment of impairment for internally generated intangible assets of cloud application and platform and development costs	
The carrying amount of internally generated intangible assets of cloud application and platform and development costs amounted to RMB58,507,000 as at 31 December 2018. The Company performed an impairment test on the internally generated intangible assets and the development costs according to the requirements of the accounting standards. The determination of the recoverable amount for each cash-generating unit was highly dependent on estimates and assumptions, such as estimated future cash flows, the long-term growth rate and the 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, 3(a) 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 2019 budget approved by management and the 2020 to 2023 cash flow projections, evaluating management's main assumptions including long-term growth rate and 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. We also assessed whether the disclosures in the financial statements meet the requirements of the financial reporting framework applicable to the Group.

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.

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

- 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.

- 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.

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

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 Yim Chi Hung Henry.

Ernst & Young
Certified Public Accountants
Hong Kong
15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**428,941**	498,595
Cost of sales and services provided	6	**(29,999)**	(71,752)
Gross profit		**398,942**	426,843
Other income and gains	5	**114,357**	255,572
Research and development costs	6	**(107,306)**	(107,356)
Selling and distribution expenses		**(169,571)**	(164,621)
Administrative expenses		**(121,619)**	(160,180)
Other expenses		**(6,162)**	(8,103)
Share of profits of an associate	14	**1,567**	622
Profit before tax	6	**110,208**	242,777
Income tax expense	7	**(3,396)**	(19,940)
Profit for the year		**106,812**	222,837
Attributable to:			
Owners of the parent	11	**106,812**	224,913
Non-controlling interests		**–**	(2,076)
		106,812	222,837
Earnings per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	11	**51.0**	109.5
Diluted *(RMB cents)*	11	**50.3**	106.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**106,812**	222,837
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(283)**	(350)
Other comprehensive income for the year, net of tax	**(283)**	(350)
Total comprehensive income for the year	**106,529**	222,487
Attributable to:		
Owners of the parent	**106,529**	224,563
Non-controlling interests	**–**	(2,076)
	106,529	222,487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	12	1,408	3,322
Intangible assets	13	64,124	74,725
Investment in an associate	14	69,735	68,168
Available-for-sale equity investments	15	–	23,105
Non-current financial assets	15	46,170	–
Deferred tax assets	16	173	5,416
Total non-current assets		181,610	174,736
Current assets			
Inventories	17	518	5,932
Trade receivables	18	479	2,358
Prepayments, other receivables and other assets	19	139,858	118,523
Available-for-sale investments	20	–	213,000
Other current financial assets	20	384,541	–
Cash and bank balances	21	803,327	762,783
Total current assets		1,328,723	1,102,596
Current liabilities			
Trade payables	22	913	1,081
Contract liabilities	23	109,321	–
Other payables and accruals	24	89,864	116,165
Tax payable		–	9,070
Total current liabilities		200,098	126,316
Net current assets		1,128,625	976,280
Total assets less current liabilities		1,310,235	1,151,016
Net assets		1,310,235	1,151,016

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Equity			
Equity attributable to owners of the parent			
Issued capital	25	**217,182**	217,182
Treasury shares held under the employee trust benefit scheme	26	**(75,391)**	(180,847)
Reserves	27	**1,168,444**	1,114,681
Total equity		**1,310,235**	1,151,016

The consolidated financial statements set out on pages 92 to 219 were approved and authorised for issue by the Board on 15 March 2019, and were signed on its behalf by:

Wang Wenjing
Director

Yang Yuchun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent										
	Issued capital *RMB'000*	Treasury shares held under the employee trust benefit scheme (iii) *RMB'000*	Capital reserve (i) *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve (v) *RMB'000*	Statutory reserve (ii) *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*	Non-controlling interests (iv) *RMB'000*	Total equity *RMB'000*
At 1 January 2017	217,182	(235,451)	903,829	(4)	138,117	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 for the year	–	–	–	–	–	–	(350)	224,913	224,563	(2,076)	222,487
Shares purchased for the employee trust benefit scheme *(note 26)*	–	(18,820)	–	–	–	–	–	–	(18,820)	–	(18,820)
Share-based payments *(note 26)*	–	–	–	–	62,444	–	–	–	62,444	–	62,444
Shares vested under the employee trust benefit scheme *(note 26)*	–	73,424	18,992	–	(92,416)	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(27,849)	(27,849)
Transfer from retained profits	–	–	–	–	–	88	–	(88)	–	–	–
At 31 December 2017	217,182	(180,847)	922,821	(4)	108,145	51,503	2,198	30,018	1,151,016	–	1,151,016

	Attributable to owners of the parent									
	Issued capital	Treasury shares held under the employee trust benefit scheme (iii)	Capital reserve (i)	Merge reserve	Share-based payment reserve (v)	Statutory reserve (ii)	Exchange fluctuation reserve	Retained profits	Total	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	217,182	(180,847)	922,821	(4)	108,145	51,503	2,198	30,018	1,151,016	1,151,016
Effect of adoption of IFRS 9 *(note 2)*	-	-	-	-	-	2,089	-	18,801	20,890	20,890
At 1 January 2018 (restated)	217,182	(180,847)	922,821	(4)	108,145	53,592	2,198	48,819	1,171,906	1,171,906
Profit for the year	-	-	-	-	-	-	-	106,812	106,812	106,812
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(283)	-	(283)	(283)
Total comprehensive income for the year	-	-	-	-	-	-	(283)	106,812	106,529	106,529
Share-based payments *(note 26)*	-	-	-	-	31,800	-	-	-	31,800	31,800
Shares vested under the employee trust benefit scheme *(note 26)*	-	105,456	16,940	-	(122,396)	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	10,729	-	(10,729)	-	-
At 31 December 2018	217,182	(75,391)	939,761*	(4)*	17,549*	64,321*	1,915*	144,902*	1,310,235	1,310,235

* These reserve accounts comprise the consolidated reserves of RMB1,168,444,000 (2017: RMB1,114,681,000) in the consolidated statement of financial position.

Notes:

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

(ii) 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. The SRF is not available for dividend distributions to shareholders.

(iii) 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.

(iv) Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**") has ceased to be a subsidiary of the Company since 1 September 2017 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 26 to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Operating activities			
Profit before tax		**110,208**	242,777
Adjustments for:			
Exchange (gains)/losses, net		**(6,327)**	10,475
Share of profits of an associate	14	**(1,567)**	(622)
Interest income	5	**(29,817)**	(17,182)
Fair value gains, net	5	**(12,793)**	–
Share-based payment expense	26	**29,276**	58,176
Depreciation of items of property, plant and equipment	6	**2,688**	7,752
Amortisation of intangible assets	6	**35,450**	31,204
Impairment of prepayments, other receivables and other assets	6	**–**	77
Impairment of assets of a disposal group classified as held for sale	6	**–**	4,864
Impairment of intangible assets	6	**–**	2,640
Impairment of inventories	6/17	**5,658**	–
Gain on disposal of a subsidiary	6	**–**	(179,169)
Interest income on financial investments	5	**(1,977)**	(3,268)
Gains on financial investments	5	**(6,416)**	(3,821)
		124,383	153,903
Decrease in trade receivables		**1,879**	2,891
(Increase)/decrease in prepayments, other receivables and other assets		**3,216**	(25,484)
(Increase)/decrease in inventories		**(244)**	26
Decrease in trade payables		**(168)**	(1,098)
Increase in other payables and accruals		**81,238**	10,057
Decrease in pledged deposits		**–**	40,000
Cash generated from operations		**210,304**	180,295
Interest received		**1,548**	3,842
Income tax refunded		**413**	624
Income taxes paid		**(14,781)**	(1,808)
Net cash flows from operating activities		**197,484**	182,953

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
Investing activities		
Purchases of items of property, plant and equipment	(453)	(7,554)
Additions to intangible assets	(22,254)	(13,282)
Purchases of financial investments	(494,000)	(502,000)
Refund/(purchase) of non-pledged time deposits with original maturity of more than three months when acquired	(36,949)	(249,950)
Recovery of equity investments at fair value through profit or loss/available-for-sale equity investments	2,738	545
Proceeds from the disposal of items of property, plant and equipment	85	582
Proceeds from disposal of financial investments	314,000	264,000
Interest on non-pledged time deposits with original maturity more than three months when acquired	26,506	19,571
Interest income on financial investments	4,424	1,462
Gains on financial investments	7,460	3,821
Disposal of a subsidiary	–	158,770
Net cash flows used in investing activities	(198,443)	(324,035)
Financing activities		
Shares purchased for the employee trust benefit scheme	–	(18,547)
Net cash flows used in financing activities	–	(18,547)
Net decrease in cash and cash equivalents	(959)	(159,629)
Cash and cash equivalents at the beginning of year	189,478	268,797
Changes in cash and cash equivalents included in assets held for sale	–	83,929
Effect of foreign exchange rate changes, net	(138)	(3,619)
Cash and cash equivalents at the end of year	188,381	189,478

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	21	**803,327**	762,783
Non-pledged time deposits with original maturity of more than three months when acquired	21	**(616,241)**	(573,305)
Cash equivalents as stated in prepayments, other receivables and other assets		**1,295**	–
Cash and cash equivalents as stated in the statement of cash flows		**188,381**	189,478

1. CORPORATE AND GROUP INFORMATION

Chanjet Information Technology Company Limited (the "**Company**"), formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "**PRC**") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 in the PRC and changed its name to Chanjet Information Technology Company Limited. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014. On 2 February 2018, the Company obtained the renewed business licence 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 had 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 of the Company, the holding company of the Company is Yonyou Network Technology Co., Ltd. ("**Yonyou**") and the ultimate holding company of the Company is Beijing Yonyou Technology Co., Ltd., which was established in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of 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 Corporation ("**Chanjet U.S.**") *(note (a))*	California, the United States 5 November 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) 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. The paid-in capital of Chanjet U.S. as at 31 December 2018 was USD10,300,000. On 25 September 2018, the board of directors approved the deregistration of Chanjet U.S. As at 15 March 2019, the deregistration of Chanjet U.S. is still in process and not yet completed.

(b) On 5 June 2017, the board of directors approved the deregistration of Chanjet Information Technology (Hong Kong) Limited ("**Chanjet Hong Kong**"), 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. As at 13 April 2018, the deregistration of Chanjet Hong Kong has been completed.

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 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 equity investments which have been measured at fair value. 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 2018. 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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

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

2.2 Changes in accounting policies and disclosures (continued)

Except for the amendments to IFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 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 obligation associated with the share-based payment; and 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. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

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

2.2 Changes in accounting policies and disclosures (continued)

(b) (continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 Measurement				IFRS 9 Measurement		
		Category	**Amount**	**Re-classification**	**ECL**	**Other**	**Amount**	**Category**
	Notes		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Available-for-sale equity investments		AFS[1] at cost	23,105	(23,105)	–	–	–	N/A
To: Non-current financial assets	**(i)**			**(23,105)**	**-**	**-**		
Non-current financial assets		N/A	–	23,105	–	22,051	45,156	FVPL[4]
From: Available-for-sale equity investments	**(i)**			**23,105**	**-**	**-**		
Trade receivables		L&R[2]	2,358	–	–	–	2,358	AC[3]
Financial assets included in prepayments, other receivables and other assets		L&R	105,949	–	–	–	105,949	AC
Available-for-sale investments	(ii)	AFS	213,000	(213,000)	–	–	–	N/A

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

2.2 Changes in accounting policies and disclosures (continued)

(b) (continued)

Classification and measurement (continued)

		IAS 39 Measurement				IFRS 9 Measurement		
		Category	Amount	Re-classification	ECL	Other	Amount	Category
	Notes		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
To: Other current financial assets	**(ii)**			**(213,000)**	**-**	**-**		
Other current financial assets		N/A	–	213,000	–	1,044	214,044	FVPL
From: Available-for-sale investments				**213,000**	**-**	**-**		
Cash and bank balances		L&R	762,783	–	–	–	762,783	AC
			1,107,195	–	–	23,095	1,130,290	
Other assets								
Deferred tax assets			5,416	–	–	(2,205)	3,211	
Total assets			1,277,332	–	–	20,890	1,298,222	

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

2.2 Changes in accounting policies and disclosures (continued)

(b) (continued)

Classification and measurement (continued)

	IAS 39 Measurement					IFRS 9 Measurement	
	Category	Amount	Re-classification	ECL	Other	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities							
Trade payables	AC	1,081	–	–	–	1,081	AC
Financial liabilities included in other payables and accruals	AC	7,597	–	–	–	7,597	AC
Due to the ultimate holding company	AC	736	–	–	–	736	AC
		9,414	–	–	–	9,414	
Total liabilities		126,316	–	–	–	126,316	

[1]AFS: Available-for-sale investments

[2] L&R: Loans and receivables

[3]AC: Financial assets or financial liabilities at amortised cost

[4]FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has not elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

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

2.2 Changes in accounting policies and disclosures (continued)

(b) (continued)

Impairment

There was no material impact on the opening balance of retained profits of the Group as at 1 January 2018 upon the adoption of the ECL requirements of IFRS 9.

Hedge accounting

The Group has applied hedge accounting under IFRS 9 prospectively. The adoption of the hedge accounting requirements of IFRS 9 has had no impact on the Group's financial statements given that the Group did not have any hedging transaction before 1 January 2018.

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Retained profits *RMB'000*
Retained profits	
Balance as at 31 December 2017 under IAS 39	30,018
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	23,095
Deferred tax in relation to the above	(2,205)
Transfer from retained profits	(2,089)
Balance as at 1 January 2018 under IFRS 9	48,819

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

2.2 Changes in accounting policies and disclosures (continued)

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 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. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

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

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Note	**Increase/ (decrease)** *RMB'000*
Liabilities		
Contract liabilities		52,168
Other payables and accruals	(ii)	(52,168)
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
	Note	**IFRS 15** *RMB'000*	**Previous IFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Revenue	(i)	428,941	451,628	(22,687)
Gross profit	(i)	398,942	421,629	(22,687)
Selling and distribution expenses	(i)	169,571	192,258	(22,687)

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

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		IFRS 15	IFRS	(decrease)
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	(ii)	109,321	–	109,321
Other payables and accruals	(ii)	89,864	199,185	(109,321)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Sale of software

The Group's contracts for sales of software commonly involve the delivery of software as well as post-contract support services ("**PCS**"). Under IAS 18, the Group recognised the delivery of software and PCS as two separately identifiable components in order to reflect the substance of the transaction. For the deliverable of software, revenue was recognised at the point when software was delivered to customers while revenue for PCS was recognised over the PCS period. Under IFRS 15, the deliverables of software and PCS are also identified as two separate performance obligations with revenue recognised consistently with the previous pattern. Therefore, the adoption of IFRS 15 does not have a significant impact on the Group, except for the following:

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

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

(i) Sale of software (continued)

Consideration payable to a customer

The Group pays consideration to the customer related to the sale of software and cloud service businesses. Prior to the adoption of IFRS 15, the consideration was expensed as incurred. Under IFRS 15, the Group has accounted for the consideration payable to the 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.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received for services or sale of software yet to be rendered or delivered from customers in advance as advances received from customers which are included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB52,168,000 from other payables and accruals to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB109,321,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for services or sale of software yet to be rendered or delivered.

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

2.2 Changes in accounting policies and disclosures (continued)

(d) Amendments to IAS 40 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 have had no impact on the financial position or performance of the Group.

(e) IFRIC Interpretation 22 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. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in 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.

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

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC Interpretation 15 *Operating Leases – Incentives* and SIC Interpretation 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 will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

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

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

The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group does not expect that the adoption of IFRS 16 will have a significant impact on the financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 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.

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

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

IFRIC Interpretation 23 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.

2.4 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.

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

2.4 Summary of significant accounting policies (Continued)

Investments in associates (continued)

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*.

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.

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

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

(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.

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.

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

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill) (continued)

Software copyrights and licences

Purchased software copyrights and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 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 (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

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

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

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:

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.

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

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

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 (applicable before 1 January 2018)" below.

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.

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

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

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 (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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 (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018) (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 (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with the policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

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.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, 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.

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

2.4 Summary of significant accounting policies (continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Loans and borrowings (continued)

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.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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 (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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.

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

2.4 Summary of significant accounting policies (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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.

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

2.4 Summary of significant accounting policies (continued)

Government grants (continued)

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.

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 (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

2.4 Summary of significant accounting policies (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of software

The Group's contracts for sales of software commonly involve the delivery of software as well as PCS. Contracts for bundled sales of software and PCS are comprised of two performance obligations because the promises to transfer the software and provide PCS are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the software and PCS. Revenue from the sale of software is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the software while revenue from PCS is recognised over time.

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

2.4 Summary of significant accounting policies (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

(b) Rendering of services

The Group provides cloud services. Revenue from cloud services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the service period expended relative to the total service period to complete the service.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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;

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

2.4 Summary of significant accounting policies (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Other income (continued)

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "**Contracts for services (applicable before 1 January 2018)**" 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.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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

2.4 Summary of significant accounting policies (continued)

Contracts for services (applicable before 1 January 2018)

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 26 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.

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

2.4 Summary of significant accounting policies (continued)

Share-based payments (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

Other employee benefits (continued)

Pension scheme (continued)

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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 10 to the financial statements.

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).

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

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

For the purpose of the consolidated statement of cash flows, the cash flows of an 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:

(a) Business model

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group uses judgment when it assesses its business model for managing financial assets by considering all relevant and objective evidence that is available at the date of the assessment. Such relevant and objective evidence includes, but is not limited to:

(i) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

(ii) the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed; and

(iii) how managers of the business are compensated

In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, it is necessary to consider the frequency, value and timing of sales in prior periods, whether the sales were of assets close to their maturity, the reasons for those sales, and expectations about future sales activity.

(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 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. 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.

(b) 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 2018 was RMB35,735,000 (2017: RMB21,435,000). Further details are contained in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(c) Fair value of unlisted equity 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.

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 31 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The fair value of the unlisted equity investments at 31 December 2018 was RMB46,170,000 (2017: Nil). Further details are included in note 15 to the financial statements.

(d) 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. Capitalised development costs, included in the intangible assets, amounted to RMB18,317,000 for the year ended 31 December 2018 (2017: RMB17,566,000).

(e) Intangible asset useful life

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(f) 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 the 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 26 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 in accordance with IFRS 8 Operating Segments is presented.

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of software	**331,512**	382,152
Rendering of services	**96,266**	115,218
Sale of purchased goods	**1,163**	1,225
	428,941	498,595

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018
	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**332,675**
Services transferred over time	**96,266**
Total revenue from contracts with customers	**428,941**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Rendering of services	51,338

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of software

The performance obligation is satisfied upon delivery and customer acceptance of software and payment in advance is normally required. No contract provides customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	72,358
More than one year	36,963
	109,321

The remaining performance obligations expected to be recognised in more than one year relate to services that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Rendering of services (Continued)

An analysis of other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other income		
Value-added tax refunds	54,286	51,215
Government grants	1,600	13
Interest income	29,817	17,182
Other interest income from financial assets at fair value through profit or loss	1,977	3,268
Gains		
Gains on financial investments	6,416	3,821
Fair value gains, net:		
Non-current financial assets at fair value through profit or loss	2,252	–
Other current financial assets at fair value through profit or loss	10,541	–
Gain on disposal of a subsidiary	–	179,169
Exchange gains, net *(note)*	6,333	–
Others	1,135	904
	114,357	255,572

Note:

During the year ended 31 December 2017, net exchange losses of approximately RMB10,690,000 was included in administrative expenses.

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of software sold		**6,141**	8,081
Cost of services provided		**23,256**	63,293
Cost of purchased goods sold		**602**	378
Total cost of sales		**29,999**	71,752
Depreciation of items of property, plant and equipment	12	**2,688**	7,752
Amortisation of intangible assets	13	**35,450**	31,204
Minimum lease payments under operating leases		**16,010**	14,266
Research and development costs *(note)*		**107,306**	107,356
Auditor's remuneration		**1,840**	1,250
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):		**246,382**	233,980
Equity-settled share-based expense		**31,800**	62,444
Pension scheme contributions		**26,103**	23,241
		304,285	319,665
Less: Employee benefit expenses being capitalised in intangible assets		**(18,069)**	(17,395)
		286,216	302,270

6. PROFIT BEFORE TAX (CONTINUED)

	Notes	2018 RMB'000	2017 RMB'000
Exchange (gains)/losses, net	5	**(6,333)**	10,690
Impairment of financial assets, net:			
Impairment of financial assets included in other receivables, net	19	**–**	77
Impairment of assets of a disposal group classified as held for sale		**–**	4,864
Impairment of intangible assets	13	**–**	2,640
Write-down of inventories to net realisable value	17	**5,658**	–
Fair value gains, net:			
Non-current financial assets at fair value through profit or loss	5	**2,252**	–
Other current financial assets at fair value through profit or loss	5	**10,541**	–
Gain on disposal of a subsidiary	5	**–**	179,169

Note:

During the year ended 31 December 2018, research and development costs of approximately RMB104,534,000 (2017: RMB103,300,000) were included in employee benefit expenses.

7. INCOME TAX

	2018 RMB'000	2017 RMB'000
Current tax	**358**	4,761
Deferred tax	**3,038**	15,179
Total tax charge for the year	**3,396**	19,940

7. INCOME TAX (CONTINUED)

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 2017 and 2018.

As at 31 December 2018, the Company was expected to enjoy a 10% income tax rate as a key software enterprise included in the state planning, which is highly probable the Company filing for the qualification of key software enterprise included in the state planning by the settlement and payment of enterprise income tax of 2018, therefore it is reasonable to believe the Company would be subject to income tax at the rate of 10% and be entitled to deduct qualifying research and development expense from taxable profit during the year ended 31 December 2018.

The subsidiary incorporated in Hong Kong was subject to profits tax at the rate of 16.5% for the year ended 31 December 2017 and the period from 1 January 2018 to 13 April 2018. 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 year ended 31 December 2017 and the period from 1 January 2018 to 13 April 2018.

The subsidiary incorporated in the United States was subject to income tax at the rates of 15.00% and 21.00% for the years ended 31 December 2017 and 2018.

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 2018					
	Mainland China		USA		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	117,519		(7,311)		110,208	
Tax at the applicable tax rate	29,380	25.0	(1,536)	21.0	27,844	25.3
Expenses not deductible for tax *(note 1)*	757	0.6	103	(1.4)	860	0.8
Effect of tax incentives *(note 2)*	(25,210)	(21.5)	–	–	(25,210)	(22.9)
Effect of differential income tax rate *(note 3)*	(5,125)	(4.4)	–	–	(5,125)	(4.7)
Adjustments in respect of current tax of previous periods	392	0.3	(413)	5.6	(21)	(0.1)
Profits attributable to an associate	(392)	(0.3)	–	–	(392)	(0.4)
Tax losses and deductible temporary differences not recognised	4,007	3.4	1,433	(19.6)	5,440	4.9
Tax charge/(credit) at the Group's effective rate	3,809	3.2	(413)	5.6	3,396	3.1

7. INCOME TAX (CONTINUED)

	Year ended 31 December 2017							
	Mainland 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)

Notes:

(1) The 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) The 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 2017 and 2018, upon approval, the Company was entitled to an additional 50% and 75% of deduction of research and development expenditure for tax declaration, respectively.

(3) The effect of differential income tax rate represented the reduced amount of tax payment due to income tax exemption in the year. The Company enjoyed a 10% income tax rate during the year ended 31 December 2017. The Company is expected to enjoy a 10% income tax rate for the year ended 31 December 2018 after submitting the filing to the tax bureau.

(4) The 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 RMB1,567,000 (2017: RMB622,000) is included in “Share of profits 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:

	2018	2017
	RMB'000	*RMB'000*
Fees*	**610**	610
Other emoluments:		
Salaries, allowances and benefits in kind	**2,641**	2,324
Performance related bonuses	**878**	649
Social security contributions other than pension**	**242**	278
Pension scheme contributions***	**227**	223
	4,598	4,084

* 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 2017 and 2018, 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.

As of 31 December 2018 and at any time during the reporting period, save as set out in note 29 to the financial statements, there were no material interests of directors or supervisors in the transactions, arrangements or contracts entered into by the Company or the Group.

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

(a) Independent non-executive directors

Mr. Liu Yunjie retired and Mr. Chen Shuning was appointed as an independent non-executive director of the Company 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:

	2018 RMB'000	2017 RMB'000
Mr. Liu Yunjie	–	100
Mr. Chen, Kevin Chien-wen	150	150
Mr. Lau, Chun Fai Douglas	150	150
Mr. Chen Shuning	150	50
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors and non-executive directors

The Group's board of directors was comprised of two (2017: two) executive directors whose names were Mr. Zeng Zhiyong and Mr. Yang Yuchun and two (2017: two) non-executive directors whose names were Mr. Wang Wenjing and Mr. Wu Zhengping. Directors' and chief executive's remuneration for the year is as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	2,265	1,909
Performance-related bonuses	786	549
Social security contributions other than pension**	161	192
Pension scheme contributions***	163	154
	3,375	2,804

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

(c) Chief executive

Mr. Yang Yuchun was also the chief executive of the Company.

(d) Supervisors

Year ended 31 December 2018	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contributions other than pension**	Pension scheme contributions ***	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 employees of the Company):						
Mr. Deng Xuexin*****	-	87	20	17	14	138
Mr. Cai Jingsheng****	-	174	40	38	30	282
Ms. Ren Jie*****	-	115	32	26	20	193
	160	376	92	81	64	773

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

(d) Supervisors (continued)

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

**** On 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.

***** On 20 April 2018, Mr. Deng Xuexin resigned from his position as an employee representative supervisor, and Ms. Ren Jie replaced him as the employee representative supervisor.

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

During the year ended 31 December 2018, 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 26 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, Mr. Cai Jingsheng and Ms. Ren Jie were approximately RMB2,386,000, RMB4,821,000, RMB69,000, RMB84,000, and nil, respectively. During the year ended 31 December 2017, 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, Mr. Cai Jingsheng and Mr. Zhang Wei were approximately RMB7,891,000, RMB4,017,000, RMB278,000, RMB134,000, and RMB-1,535,000 (forfeited due to his resignation), respectively. The Group appointed Ms. Ren Jie as an employee representative supervisor in 2018. No share-based payment expense relating to the trust benefit units granted to Ms. Ren Jie was included in the financial statements.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two directors (2017: one), Mr. Zeng Zhiyong and Mr. Yang Yuchun, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three highest paid employees who are not a director, a supervisor, or chief executive of the Company are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,547**	5,411
Performance-related bonuses	**1,108**	945
Social security contributions other than pension	**231**	513
Pension scheme contributions	**141**	208
	8,027	7,077

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

During the years ended 31 December 2017 and 2018, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group. The remuneration in amount of RMB2,176,000 (2017: Nil) was paid by the Group to Mr. Xue Feng as compensation for loss of office. None of the five highest paid individuals has waived any remuneration during the years ended 31 December 2017 and 2018.

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	
	2018	2017
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
	3	4

During the years ended 31 December 2017 and 2018, trust benefit units were granted to two (2017: 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 26 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 RMB4,066,000 in aggregate (2017: RMB17,080,000). 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

	2018
	RMB'000
Proposal final dividend – RMB0.46 (2017:Nil) per ordinary share	99,904

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profits for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 209,385,795 (2017: 205,423,250) 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 per share amount is based on the profits 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 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 per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**106,812**	224,913

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

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**209,385,795**	205,423,250
Adjustment for the Scheme	**2,914,304**	4,900,406
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**212,300,099**	210,323,656

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2018	30,562	1,102	31,664
Additions	969	–	969
Disposals	(1,804)	–	(1,804)
At 31 December 2018	29,727	1,102	30,829
Accumulated depreciation:			
At 1 January 2018	(27,318)	(1,024)	(28,342)
Charge for the year	(2,717)	(42)	(2,759)
Disposals	1,680	–	1,680
At 31 December 2018	(28,355)	(1,066)	(29,421)
Net book value:			
At 31 December 2018	1,372	36	1,408

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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

During the year ended 31 December 2018, the total amount of depreciation of property, plant and equipment for the Group was RMB2,759,000 of which an amount of RMB2,688,000 was charged to profit or loss, and an amount of RMB71,000 was capitalised into deferred development costs.

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.

13. INTANGIBLE ASSETS

	Software copyrights and licenses RMB'000	Cloud application and platform RMB'000	Deferred development costs RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	1,767	54,757	17,566	635	74,725
Additions	239	–	18,317	6,293	24,849
Transfer	–	35,883	(35,883)	–	–
Amortisation	(353)	(32,133)	–	(2,964)	(35,450)
At 31 December 2018	1,653	58,507	–	3,964	64,124
At 31 December 2018:					
Cost	3,573	184,593	–	9,276	197,442
Accumulated amortisation	(1,920)	(123,446)	–	(5,312)	(130,678)
Impairment	–	(2,640)	–	–	(2,640)
Net carrying amount	1,653	58,507	–	3,964	64,124
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

14. INVESTMENT IN AN ASSOCIATE

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

	2018	2017
	RMB'000	*RMB'000*
Share of net assets	**69,735**	68,168
Provision for impairment	**–**	–
	69,735	68,168

The Group had 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:

	2018	2017
	RMB'000	*RMB'000*
Share of the associate's profit for the year	**1,567**	622
Share of the associate's total comprehensive income	**1,567**	622
Aggregate carrying amount of the Group's investment in the associate	**69,735**	68,168

15. NON-CURRENT FINANCIAL ASSETS/AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2018	2017
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	46,170	–
Available-for-sale financial assets		
Unlisted equity investments, at cost	–	23,105

The above equity investments as at 31 December 2018 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

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	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) ("**Happiness Yunchuang**") *(note)*	Beijing, China 22 November 2013	RMB82,173,000	10.00	–	Investment and asset management
Yonyou Mobile Telecommunications Technology Service Co,. Ltd. ("**Yonyou Mobile**")	Beijing, China 4 March 2014	RMB50,000,000	19.80	–	Mobile communication resale business
Xi'an Rongke Telecommunications Technology Co,. Ltd.	Xi'an, China 24 February 2012	RMB1,250,000	15.00	–	Sale and manufacture of Internet communication products, computer software and hardware, and technical development

15. NON-CURRENT FINANCIAL ASSETS/AVAILABLE-FOR-SALE EQUITY INVESTMENTS (CONTINUED)

Note: On 17 January 2018, all partnership representatives of Happiness Yunchuang, including the Company, had agreed to the capital repayment plan (the "plan") proposed during the 2017 annual partnership meeting. The plan required Happiness Yunchuang to repay the capital contribution to each partner first with 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 2018, Happiness Yunchuang had distributed cash profit of RMB1,238,000 (2017: RMB545,000) to the Company, based on 10% of the ownership held by the Company in Happiness Yunchuang. As at 31 December 2018, the nominal value of registered capital of Happiness Yunchuang decreased to RMB82,173,000 (2017: RMB94,553,000) as a result of such cash distribution.

16. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through profit or loss *RMB'000*
At 31 December 2017	–
Effect of adoption of IFRS 9	2,205
At 1 January 2018 (restated)	2,205
Deferred tax credited to profit or loss during the year	1,279
Gross deferred tax liabilities at 31 December 2018	3,484

No gross deferred tax liabilities were recognised as at 31 December 2017.

16. DEFERRED TAX (CONTINUED)

Deferred tax assets

	2018					
	Accrued payroll	Accrued expenses	Deferred revenue	Employee trust benefit scheme	Impairment of non-current assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	93	527	145	4,388	263	5,416
Deferred tax credited/(charged) to profit or loss during the year	(93)	425	335	(2,993)	567	(1,759)
Gross deferred tax assets at 31 December 2018	–	952	480	1,395	830	3,657

	2017						
	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 2017	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 (CONTINUED)

Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018	2017
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**173**	5,416
Net deferred tax assets	**173**	5,416

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

	2018	2017
	RMB'000	*RMB'000*
Tax losses	**35,735**	21,435

The Group has tax losses arising in the United States of RMB35,735,000 (2017: RMB21,435,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

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

17. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	518	273
Purchased software	5,658	5,659
	6,176	5,932
Impairment	(5,658)	–
	518	5,932

18. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	479	2,358
Impairment	–	–
	479	2,358

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

18. TRADE RECEIVABLES (CONTINUED)

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**479**	707
90 days to 180 days	**–**	1,651
	479	2,358

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The gross carrying amount at the end of the reporting period of trade receivables are mainly due from a related party. The credit risk exposure and expected credit loss for amount due from a related party was immaterial as at 31 December 2018. The gross carrying amount of trade receivables due from third parties are immaterial as at 31 December 2018.

18. TRADE RECEIVABLES (CONTINUED)

Impairment under IAS 39 for the year ended 31 December 2017

No provision for individually impaired trade receivables was included in the above provision for impairment of trade receivables as at 31 December 2017, which was measured based on incurred credit losses under IAS 39.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

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

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

Receivables that were past due but not impaired related to a customer that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of this balance as there had not been a significant change in credit quality and the balance were still considered fully recoverable.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	*RMB'000*
Staff advances	**100**	211
Share purchase fund held by the trustee for share-based payments *(note 1)*	**4,413**	4,413
Prepayments	**2,057**	1,926
Prepaid corporate income tax	**4,940**	–
Wealth investment products *(note 2)*	**120,000**	101,000
Deposits and other receivables	**8,348**	10,973
	139,858	118,523
Impairment allowance	**–**	–
	139,858	118,523

Notes:

(1) 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.

(2) The details and breakdown of each of wealth investment products under prepayments, other receivables and other assets as at the 31 December 2018 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Investment of deposit principal amount RMB'000	Carrying value RMB'000
Minsheng Bank	Structured deposits	Secured principal with floating income	4/13/2018	4/12/2019	60,000	60,000
CITIC Bank	Structured deposits	Secured principal with floating income	5/18/2018	5/18/2019	60,000	60,000
					120,000	**120,000**

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Deposits and other receivables mainly represent interest receivables, rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The credit risk exposure and expected credit loss for amount due from share purchase fund held by the trustee for share-based payments, of wealth investment products and deposits and other receivables were immaterial as at 31 December 2018.

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

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

No impairment loss recognised for financial assets included in prepayments, other receivables and other assets as at 31 December 2018 related to receivables.

Included in the above provision for impairment of prepayments, other receivables and other assets as of 31 December 2017 was a provision for individually impaired prepayments, other receivables and other assets of RMB77,000 with a carrying amount before provision of RMB77,000. The individually impaired prepayments, other receivables and other assets relate to staff advances that were in default in principal payments and none of the staff advances is expected to be recovered.

20. OTHER CURRENT FINANCIAL ASSETS/AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Wealth investment products	**384,541**	–
Available-for-sale financial assets		
Wealth investment products	**–**	213,000
	384,541	213,000

The Group purchases various wealth investment products issued by banks in Mainland China. As at 31 December 2018, the Group purchased wealth investment products with the cost of RMB374,000,000 from commercial banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. OTHER CURRENT FINANCIAL ASSETS/AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The details and breakdown of each of other current financial assets as at the 31 December 2018 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Investment of deposit principal amount	Carrying value
					RMB'000	*RMB'000*
Industrial Bank Co. Ltd.	Structured deposits	Secured principal with guaranteed fixed income together with floating income	3/14/2018	3/11/2019	12,000	12,458
Xiamen International Bank	Bank financial management	Secured principal with floating income	3/16/2018	3/15/2019	57,000	59,489
Nanjing Bank	Structured deposits	Secured principal with floating income	4/13/2018	4/12/2019	60,000	62,207
Ningbo Bank	Structured deposits	Secured principal with floating income	6/15/2018	6/12/2019	45,000	46,357
Ningbo Bank	Structured deposits	Secured principal with floating income	6/28/2018	6/26/2019	15,000	15,391
The Bank of East Asia	Structured deposits	Secured principal with floating income	7/10/2018	7/10/2019	35,000	36,000
The Bank of East Asia	Structured deposits	Secured principal with floating income	12/6/2018	12/6/2019	30,000	30,218
Baoshang Bank Ltd.	Structured deposits	Secured principal with floating income	8/17/2018	8/17/2019	50,000	51,175
Standard Chartered Bank	Structured deposits	Secured principal with floating income	10/24/2018	4/23/2019	70,000	71,246
					374,000	**384,541**

21. CASH AND BANK BALANCES

	2018	2017
	RMB'000	*RMB'000*
Cash on hand	**133**	531
Bank balances	**61,953**	43,947
Time deposits	**741,241**	718,305
Cash and bank balances	**803,327**	762,783
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(616,241)**	(573,305)
Cash equivalents as stated in prepayments, other receivables and other assets	**1,295**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**188,381**	189,478

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.

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

	2018	2017
	RMB'000	*RMB'000*
RMB	**671,007**	633,737
HK$	**131,933**	123,951
US$	**387**	5,095
	803,327	762,783

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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	755	619
90 days to 1 year	93	419
Over 1 year	65	43
	913	1,081

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

23. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Rendering of services	109,321	52,168

Contract liabilities include short-term advances received from the rendering of services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision during the year.

24. OTHER PAYABLES AND ACCRUALS

	Note	2018 RMB'000	2017 RMB'000
Tax payable (other than income tax)		**17,850**	18,842
Staff payroll and welfare payables		**40,689**	30,839
Other payables		**31,048**	65,748
Due to the ultimate holding company	29(b)	**277**	736
		89,864	116,165

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

25. ISSUED CAPITAL

The numbers of shares of the Company and their nominal values as at 31 December 2017 and 2018 are as follows:

	31 December 2018		31 December 2017	
	Number of shares *'000 shares*	**Nominal value** *RMB'000*	Number of shares *'000 shares*	Nominal value *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

26. 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 one another to act as the trustees under the Scheme to set up three trusts, which include a connected trust that holds domestic shares only for the benefit of the Scheme participants who are connected persons of the Company and two non-connected trusts (one for Mainland China Scheme participants and one for overseas Scheme participants) that hold domestic shares and/or H shares for the benefit of the Scheme participants who are not connected persons of the Company.

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

The total number of the target shares to be purchased by the trustees under the Scheme shall be 10% of the total share capital of the Company in issue as at the date of approval of the Scheme at the 2014 annual general meeting, being 21,718,166 shares out of 217,181,666 shares. Trust benefit units subject to the effective conditions will be granted to the Scheme 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.

26. SHARE-BASED PAYMENT (CONTINUED)

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

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

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

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

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

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

26. SHARE-BASED PAYMENT (CONTINUED)

Particulars and movements of the target shares under the Scheme

2018

Date of grant	*Notes*	Fair value per share *(RMB)*	As at 1 January	Granted during the year	Forfeited during the year	Vested during the year	As at 31 December
16 June 2015	(a)	24.60	4,648,000	-	(102,000)	(4,546,000)	-
31 March 2016	(c)	9.77	857,500	-	(108,000)	(325,500)	424,000
6 December 2016	(d)	8.84	885,500	-	(315,000)	(244,500)	326,000
5 June 2017	(e)	6.98	3,996,000	-	(87,500)	(1,198,800)	2,709,700
			10,387,000	-	(612,500)	(6,314,800)	3,459,700

2017

Date of grant	*Notes*	Fair value per share *(RMB)*	As at 1 January	Granted during the year	Forfeited during the year	Vested during the year	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

26. SHARE-BASED PAYMENT (CONTINUED)

Particulars and movements of the target shares under the Scheme (Continued)

Notes:

(a) On 16 June 2015, the board of directors of the Company approved the initial grant of trust benefit units subject to effective conditions to 182 Scheme participants, including one director, two supervisors, mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of the target shares under the initial grant was 17,370,000, representing approximately 8% of the issued share capital of the Company as at 16 June 2015.

(b) On 2 September 2015, the board of directors of the Company also authorised the president committee of the Company to grant trust benefit units subject to effective conditions to several Scheme participants of Chanjet U.S. at nil consideration. The total number of the target shares under the grant was 120,000. During the reporting period, the grantees of the trust benefit units in Chanjet U.S. did not include any directors, supervisors or their respective spouses or children aged under 18.

(c) On 31 March 2016, the board of directors of the Company approved the second grant of trust benefit units subject to effective conditions to 36 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the second grant was 1,515,000 shares, representing approximately 0.7% of the issued share capital of the Company as at 31 March 2016.

(d) On 6 December 2016, the board of directors of the Company approved the third grant of trust benefit units subject to effective conditions to 30 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the third grant was 2,690,000 shares, representing approximately 1.24% of the total issued share capital of the Company as at 6 December 2016.

(e) On 5 June 2017, the board of directors of the Company approved the re-grant of part of the trust benefit units that have become invalid from the beginning or have lapsed pursuant to the Scheme subject to effective conditions to 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.

26. SHARE-BASED PAYMENT (CONTINUED)

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:

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.

26. SHARE-BASED PAYMENT (CONTINUED)

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 2018, no shares of the Company were acquired by the trustees entrusted by the Company (2017: 1,882,400 domestic shares). The aggregate consideration paid to acquire the shares during the year ended 31 December 2017 was RMB18,820,000.

During the year ended 31 December 2018, 612,500 target shares (2017: 4,215,000) under the Scheme lapsed due to the vesting conditions not being fulfilled under the Scheme.

Except for some Scheme participants under the initial grant who had terminated or released his/her labour contract with the Company, which have disqualified themselves as Scheme participants, the vesting conditions of the remaining Scheme participants under the initial grant to unlock 40% of their trust benefit units were fulfilled on 16 June 2018.

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, 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 31 March 2018, 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 2018.

26. SHARE-BASED PAYMENT (CONTINUED)

Except for some Scheme participants under the re-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 re-grant to unlock 30% of their trust benefit units were fulfilled on 5 June 2018.

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 2018.

During the year ended 31 December 2018, 6,314,800 target shares (2017: 4,288,500 target shares) were unlocked under the Scheme, resulting in the transfer out of RMB122,396,000 (2017: RMB92,416,000) from the share-based payment reserve, with RMB105,456,000 (2017: RMB73,424,000) credited to treasury shares held under the Scheme, and the remaining balance of RMB16,940,000 (2017: RMB18,992,000) credited to the capital reserve account.

During the year ended 31 December 2018, the total amount of share-based payment expense was RMB31,800,000 (2017: RMB62,444,000), of which an amount of RMB29,276,000 (2017: RMB58,176,000) was recognised in profit or loss, and an amount of RMB2,524,000 (2017: RMB4,268,000) was capitalised into intangible assets.

27. 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 97 to 98 of the financial statements.

28. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**820**	578
In the second to fifth years, inclusive	**142**	187
	962	765

29. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the years ended 31 December 2017 and 2018, the Group entered into the following transactions with related parties:

	2018 *RMB'000*	2017 *RMB'000*
Purchases of goods and services from		
The holding company*		
Yonyou	2,970	4,124
Associates 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)	9	3
Sinotone (Beijing) Consulting Co., Ltd. ("**Sinotone**") (漢唐信通(北京)咨詢股份有限公司)	115	–
Sinotone (Beijing) Technology Co., Ltd. ("**Sinotone Tech**") (漢唐信通(北京)科技有限公司)	15	–
Fellow subsidiaries*		
Yonyou Mobile	135	863
Shanghai Bingjun Network Technology Co., Ltd. ("**Bingjun Network**") (上海秉鈞網絡科技股份有限公司)	–	3
A company of which a director of the Company is a shareholder with significant influence*		
Beijing Red Mansion Culinary Culture Co., Ltd. ("**Red Mansion**") (北京紅邸餐飲文化有限公司)	148	88
	3,392	5,081

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	2018 *RMB'000*	2017 *RMB'000*
Sales of goods and services to		
Associates of the holding company		
Xi Ma Guo Zheng	13	41
Sinotone Tech	2,831	4,770
Fellow subsidiaries*		
Shenzhen Yyfax Financial Services Co., Ltd. ("**Shenzhen Yyfax**") (深圳友金所金融服務有限公司)	142	113
Beijing Yonyou Salary Welfare Cloud Technology Co., Ltd. ("**Yonyou Salary Welfare Cloud**") (北京用友薪福社雲科技有限公司)	24	5
Honghuotai Network Co., Ltd. (紅火臺網絡科技有限公司)	19	–
	3,029	4,929
Rental expenses paid to		
The holding company*		
Yonyou	4,669	4,406
Fellow subsidiaries*		
UFIDA (Nanchang) Industrial Base Development Co., Ltd. ("**UFIDA (Nanchang)**") (用友(南昌)產業基地發展有限公司)	1,127	832
Zhejiang UFIDA Co., Ltd. (浙江用友軟件有限公司)	57	–
	5,853	5,238
Deposits placed with		
Associate of the holding company		
ZhongGuanCun Bank Ltd. (北京中關村銀行股份有限公司)	160,365	–

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

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

(b) Outstanding balances with related parties

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

Due from related parties

	31 December	
	2018	2017
	RMB'000	*RMB'000*
The holding company		
Yonyou	**6**	6
Trade related:		
Yonyou	**604**	–
Associate of the holding company		
Sinotone Tech	**474**	2,358
Fellow subsidiaries		
Yonyou Mobile	**–**	100
Shanghai Yonyou Government Affairs Software Co., Ltd. (上海用友政務軟件有限公司)	**2**	–
	1,086	2,464

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

29. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties (continued)

Due to related parties

	31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade related:		
Associate of the holding company		
Xi Ma Guo Zheng	**362**	–
Fellow subsidiaries		
Bingjun Network	**5**	5
Shenzhen Baoqu Technology Co., Ltd. (深圳市保趣科技有限公司)	**94**	–
Yonyou Salary Welfare Cloud	**75**	–
Shenzhen Yyfax	**38**	–
Other payables:		
The holding company		
Yonyou	**277**	736
Fellow subsidiaries		
Yonyou Mobile	**1**	30
	852	771

Deposits placed with

Associate of the holding company		
ZhongGuanCun Bank Ltd. (北京中關村銀行股份有限公司)	**160,365**	–

29. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Short term employee benefits	**14,771**	11,653
Pension scheme contributions	**695**	689
Total compensation to key management personnel	**15,466**	12,342

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.

In addition to the key management compensation shown in the above table, during the period from 2017 to 2018, 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 26 to the financial statements. During the year ended 31 December 2018, the total amount of the share-based payment expense relating to the trust benefit units granted to the key management personnel was approximately RMB14,468,000 (2017: RMB29,860,000).

* The related party transactions 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 the end of the reporting period are as follows:

	31 December 2018 *RMB'000*
Financial assets	
Financial assets at amortised cost	
Trade receivables	479
Financial assets included in prepayments, other receivables and other assets	130,011
Cash and bank balances	803,327
Financial assets at fair value through profit or loss	
Other current financial assets	384,541
Non-current financial assets	46,170
	1,364,528
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	913
Financial liabilities included in other payables and accruals	15,417
Due to the ultimate holding company	277
	16,607

30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	31 December 2017 *RMB'000*
Financial assets	
Loans and receivables	
Trade receivables	2,358
Financial assets included in prepayments, other receivables and other assets	105,949
Cash and bank balances	762,783
Available-for-sale financial assets	
Available-for-sale investments	213,000
Available-for-sale equity investments	23,105
	1,107,195
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	1,081
Financial liabilities included in other payables and accruals	7,597
Due to the ultimate holding company	736
	9,414

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Non-current financial assets	**46,170**	–	**46,170**	–
Other current financial assets	**384,541**	–	**384,541**	–
Available-for-sale investments	**–**	213,000	**–**	213,000
	430,711	213,000	**430,711**	213,000

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 December 2017.

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments classified as financial assets at fair value through profit or loss, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, price to sales ("**P/S**") multiple, for each comparable company identified. The multiple is calculated by dividing the market capitalization of the comparable company by its total sales over a designated period. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through profit or loss, which were previously classified as available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has qualified this as a reduction in fair value, using less favourable assumptions, and an increase in fair value, using more favourable assumptions.

The Group also invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a qualitative sensitivity analysis as at 31 December 2018 and 2017:

	Valuation technique	Significant unobservable input	Range	Correlation of fair value to the input
Unlisted equity investments (2017: Unlisted available-for-sale equity investments)	Market approach-valuation multiples	Average P/S multiple of peers	4.2x to 8.8x	Positive correlation
		Discount for lack of marketability	17.0% to 18.0%	Negative correlation
Wealth management products	Discounted cash flow method	Annualized expected yield	4.4% to 5.2%	Positive correlation
		Discount rate	1.1% to 2.7%	Negative correlation

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss:				
Non-current financial assets	–	–	46,170	46,170
Other current financial assets	–	–	384,541	384,541
	–	–	430,711	430,711

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Available-for-sale financial assets:				
Available-for-sale investments	–	–	213,000	213,000

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 December 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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 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

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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	479	479
Financial assets included in prepayments, other receivables and other assets					
– Normal**	130,011	–	–	–	130,011
– Doubtful**	–	–	–	–	–
Cash and bank balances					
– Not yet past due	–	–	–	803,327	803,327
	130,011	–	–	803,806	933,817

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Maximum exposure as at 31 December 2017

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 receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

(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 maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 month	1 to 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2018			
Trade payables	**–**	**913**	**913**
Financial liabilities included in other payables and accruals	**–**	**15,417**	**15,417**
Due to the ultimate holding company	**–**	**277**	**277**
	–	**16,607**	**16,607**
31 December 2017			
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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2018, except for RMB131,933,000 denominated in Hong Kong dollars (2017: RMB123,951,000) and RMB387,000 denominated in United States dollars (2017: RMB5,095,000) included in cash and bank balances, all assets and liabilities were denominated in RMB.

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollars and RMB exchange rate, with all other variables held constant, of the Group's profit after tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in HK dollars/ RMB rate	**Increase/ (decrease) in profit after tax**	**Increase/ (decrease) in equity**
	%	*RMB'000*	*RMB'000*
2018			
If the RMB weakens against the Hong Kong dollars	**3%**	**3,562**	**3,562**
If the RMB strengthens against the Hong Kong dollars	**(3%)**	**(3,562)**	**(3,562)**
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)

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 2018 and 31 December 2017.

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 2017 and 2018, 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:

	2018	2017
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**1,397**	3,223
Intangible assets	**64,655**	74,825
Investment in a subsidiary	**6,504**	18,286
Investment in an associate	**23,738**	22,171
Available-for-sale equity investments	**–**	23,105
Non-current financial assets	**46,170**	–
Deferred tax assets	**173**	5,416
Total non-current assets	**142,637**	147,026
Current assets		
Inventories	**518**	5,932
Trade receivables	**479**	2,358
Prepayments, other receivables and other assets	**143,128**	118,258
Available-for-sale investments	**–**	213,000
Other current financial assets	**384,541**	–
Cash and bank balances	**802,940**	757,248
Total current assets	**1,331,606**	1,096,796

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

	2018	2017
	RMB'000	*RMB'000*
Current liabilities		
Trade payables	**913**	1,081
Contract liabilities	**109,321**	–
Other payables and accruals	**89,722**	116,398
Tax payable	**–**	9,043
Total current liabilities	**199,956**	126,522
Net current assets	**1,131,650**	970,274
Total assets less current liabilities	**1,274,287**	1,117,300
Net assets	**1,274,287**	1,117,300
Equity attributable to owners of the parent		
Issued capital	**217,182**	217,182
Treasury shares held under the employee trust benefit scheme	**(55,748)**	(149,850)
Reserves *(note)*	**1,112,853**	1,049,968
Total equity	**1,274,287**	1,117,300

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

Note:

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

	Capital reserve	Merger reserve	Share-based payment reserve	Statutory reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	893,820	(4)	98,960	51,415	(69,411)	974,780
Total comprehensive income for the year	–	–	–	–	85,253	85,253
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)**	**91,512**	**51,062**	**793**	**1,049,968**
Effect of adoption of IFRS 9 *(note 2)*	**–**	**–**	**–**	**2,089**	**18,801**	**20,890**
At 1 January 2018 (restated)	**906,605**	**(4)**	**91,512**	**53,151**	**19,594**	**1,070,858**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**107,296**	**107,296**
Share-based payments	**–**	**–**	**28,799**	**–**	**–**	**28,799**
Shares vested under the employee trust benefit scheme	**6,502**	**–**	**(100,602)**	**–**	**–**	**(94,100)**
Transfer from retained profits	**–**	**–**	**–**	**10,729**	**(10,729)**	**–**
At 31 December 2018	**913,107**	**(4)**	**19,709**	**63,880**	**116,161**	**1,112,853**

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 15 March 2019.

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 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 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 People's Republic of China
"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
"Sinotone"	Sinotone (Beijing) Consulting Co., Ltd.(漢唐信通(北京)諮詢股份有限公司), a joint stock limited company established in the PRC on 22 May 2006
"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
"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
"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
"Latest Practicable Date"	4 April 2019, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
"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 People's Republic of China (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 People's Republic of China (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
"Reporting Period"	the year ended 31 December 2018
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"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

DEFINITIONS (CONTINUED)

"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 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 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 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%
"%"	per cent