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

2019

Interim Report

CONTENTS

CORPORATE INFORMATION

As at 30 June 2019

DIRECTORS

Non-executive Directors

Wang Wenjing *(Chairman)*
Wu Zhengping

Executive Directors

Zeng Zhiyong *(Vice Chairman)* Note
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

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. Zeng Zhiyong has resigned as an executive director of the Company and the vice chairman of the Board with effect from 10 July 2019 in order to devote more time to handle other matters. For details, please refer to the announcement of the Company dated 10 July 2019.

CORPORATE INFORMATION (CONTINUED)

As at 30 June 2019

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

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

PLACE OF BUSINESS IN HONG KONG

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

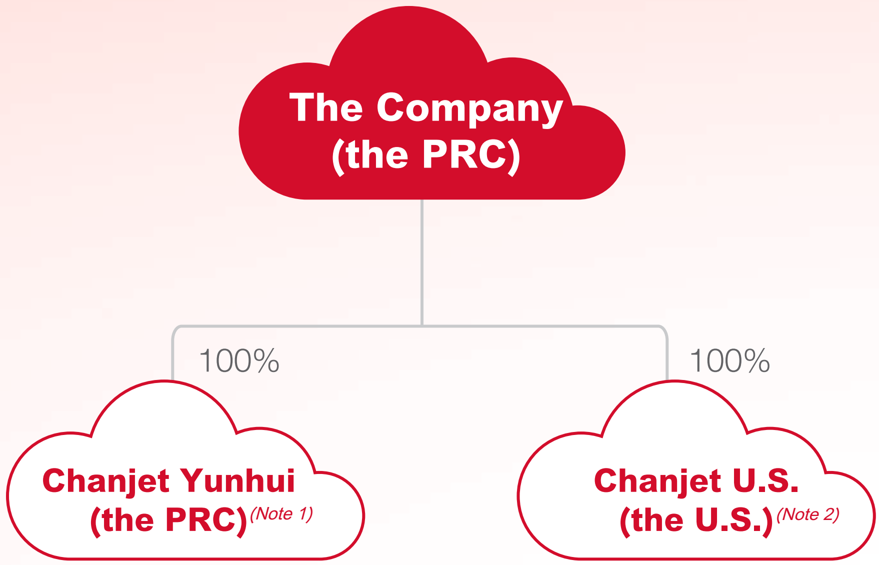
www.chanjet.com

CONTACT INFORMATION FOR INVESTORS

Tel: (8610) 6243 4214
Fax: (8610) 6243 8765
Email: IR@chanjet.com

CORPORATE STRUCTURE

As at 30 June 2019



Note 1: In line with the development needs of cloud service business of the Company, the Board approved the establishment of Chanjet Yunhui as a wholly-owned subsidiary on 29 March 2019. Chanjet Yunhui was incorporated in Beijing, the PRC on 12 April 2019 with a registered capital of RMB10 million.

Note 2: 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 three years from 2018 to 2020, 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 progress and has not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Development trend of the industry

During the Reporting Period, the Chinese government continued its support for the development of MSEs. On 17 January 2019, the Ministry of Finance of the PRC and the State Taxation Administration issued the Notice on Implementation of Inclusive Tax Cut Policies for MSEs (《關於實施小微企業普惠性稅收減免政策的通知》) to give a provisional 3-year tax break, which was expected to reduce an additional tax burden of approximately RMB200 billion in each year for the MSEs, and would facilitate the MSEs in reducing their entrepreneurial and innovation costs. At the executive meeting of the State Council held on 17 April 2019, initiatives on the further reduction of financing costs of MSEs were entrenched to ensure the increase in scale of financing facilities available for MSEs and exert greater supporting efforts of finance on the real economy. As the Chinese government has been improving the business environment and boosting the development momentum of MSEs through continuous introduction of tax cuts, costs reduction and financial policies, the Group enjoys a solid foundation for market development.

During the Reporting Period, with the popularization and application of cloud computing, big data, artificial intelligence, mobile Internet and other new technology, upgrade and transformation has become an inexorable course of enterprises under the era. MSEs are in sore need of intelligent analysis, intelligent marketing, intelligent sales and intelligent management to achieve digital business operations and enhance their operational capability. 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 help the MSEs effectuate the interconnectivity between finance and taxation, all-around marketing both online and offline, online management of transactions and intelligent analysis of big data, which satisfied MSEs' needs of corporate operational management upgrade and business model renovation to the utmost.

Principal operations and operational status

During the Reporting Period, the Group continued to focus on the finance and management services for MSEs, and seized opportunities in the market to continuously increase its investments in the SaaS business, improve the user experience of its cloud products and accelerate product application and innovation. In addition, the Group made active endeavors to extend from application services to operation services in respect of the finance and taxation business, upgraded its operation systems for customers, and sped 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 with the view to boosting rapid and healthy growth of the Group's business at full swing. As at the end of the Reporting Period, the accumulated enterprise users of software of the Group exceeded 1.54 million and the accumulated paying enterprise users of cloud service business reached 135,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the revenue of the Group was RMB259.22 million, representing a year-on-year increase of 5%, which was mainly attributable to the year-on-year increase of 142% in income from the cloud service business. The profit for the period was RMB91.89 million, representing a year-on-year increase of 4%; profit attributable to the owners of the parent was RMB91.89 million, representing a year-on-year increase of 4%; and basic earnings per share was RMB0.43, basically flat as compared to that in the same period of last year.

1. *Development of software business*

During the Reporting Period, the Group continued to implement the business strategy of seeking cost-effective growth of software business and strived to maintain steady increase of profit margin while ensuring stable income. Targeted at the market of MSEs, the Group launched 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)”, in cooperation with its channel partners. Meanwhile, the Group held multi-dimensional partnership operation seminars to pass on and learn advanced operation experience in the light of the development stage, fields, geographical regions of operation of the partners so as to enhance product support and customer service operations continually and improve the end market sales capability and service competence of the channel partners. In terms of marketing, in addition to devoting greater efforts to making marketing channel layout, the Group carried on with thousands of marketing activities with the themes of “Settlement and Payment of Income Taxes (匯算清繳)”, “Financial Literacy Programs (財務普及風暴)” and “520 I Love MSEs (520我愛小微企業)”, effectively propagating its brand in the end market and in turn promoting end market sales of its products.

During the Reporting Period, the Group adopted an intelligence-based service mode and channeled to the users effectively via the “Service Wiz (服寶)”, an intelligent robot, which enabled an instant interactive service system that integrated online and offline communications with users and facilitated the implementation of operating activities of the users. The intelligent online Q&A of Service Wiz has gradually taken the place of the service community and the customer service hotline in answering FAQs. In the first half of 2019, supporting services were provided through Service Wiz for a total of 1,022,973 person-times, representing 49% of the total services delivered. The service efficiency was enhanced substantially and user experience and satisfaction were levelled up. As for financial products under the software business, T^+ general financial products with cloud account were viewed as the focus of marketing in a bid to establish interactive connection with the customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Development of cloud service business*

During the Reporting Period, the Group accelerated the development of cloud service business by investing more resources to cloud service business, vigorously expanding diversified channel cooperation and upgrading the customer operation systems from all perspectives. It also sped 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, and proactively explored operation services for finance and taxation businesses. The Group developed partners in new types of businesses, and settled in Alibaba Cloud, Huawei Cloud, Tencent Cloud and other platforms, all having generated preliminary results. The Group rolled out an operation system covering the whole service life for the customers, which was capable of providing thousands of cloud business partners with distinctive online and offline operation support and system guarantee based on the characteristics of each partner from the perspectives of introducing visits, attracting new users, improving activeness, converting into paying users, customer operations, thereby empowering the channel partners to improve their operating capability and helping MSEs gain cloud linkage. The intelligent cloud finance learning platform has taken shape initially, and finance and taxation business operation services such as "Chanjet VIP (暢會員)" and "Chanjet School (暢課堂)" have been rolled out. The Group's cloud service business has achieved positive development.

Cloud products of the Group such as Chanjet Good Accountant, T^+ Cloud, Chanjet Good Business and Chanjet Easy Accounting Agent have all been approved by the China Academy of Information and Communications Technology as Trusted Clouds.

(1) Chanjet Good Accountant

During the Reporting Period, Chanjet Good Accountant, through intelligent external linkage, continued to strengthen its basic function of finance, invoices and taxes, and further improved invoice collection efficiency by optimising mini programs for one-click invoicing, individual income tax, and intelligent photographing and identification of invoices. At the same time, the Group also launched the intelligent big data-based tax review widget to help MSEs improve tax management and reduce tax risks.

During the Reporting Period, the Group reinforced external ecological cooperation and successfully entered DingTalk of Alibaba Cloud and the cloud platform of China Mobile; developed close cooperation with Ele-Cloud (大象慧雲), Xiaowang Technology (小望科技) and other tax practitioners, thereby accomplishing product integration; and broadened the scope of cloud application and marketing channels through ecological cooperation. During the Reporting Period, newly added paying users of Chanjet Good Accountant increased by 99% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) *T^+ Cloud*

During the Reporting Period, T^+ Cloud continued to enhance the enterprise management services that integrated "Personnel, Finance, Commodity and Customer", heightened the Internet marketing edges and proactively conducted cooperation with Alibaba 1688 and Alibaba Express (阿里零售通) to help enterprises develop intelligent businesses by capitalising on the strength of platforms. The Group further cemented its supply chain financial foundation and achieved linkage of business and finance through integrated management of invoices, i.e., issuing, collecting and preserving invoices, which helped enterprises improve their financial management capability and marketing competence and reduce tax risks.

During the Reporting Period, the Group continued to advance the "Sea of Cloud Action (雲海行動)" among its channel partners. It promoted the operation mode of exemplary partners, replicated the experience earned from successful cases of exemplary users, gave stronger support to projects of the partners, and continued to optimise the products, thereby satisfying the user demands in a better way. During the Reporting Period, newly added paying users of T^+ Cloud increased by 37% year-on-year.

(3) *Chanjet Good Business*

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 driving" as the core technical features. In respect of offline business, Good Business facilitated the transaction response pace of customers through the shortcut billing and cloud printing of WEB terminal, mobile terminal and PDA terminal; as for online business, Good Business made breakthroughs from the entry point of "micro marketing in micro shops" to attract new customers and reach out to regular customers, and in turn improved repurchase rate and customer transaction price.

(4) *Chanjet Easy Accounting Agent*

During the Reporting Period, while continuing to pursue the goal of becoming an "intelligent accounting agent factory", Chanjet Easy Accounting Agent was further equipped with the fast and automated scanning and collecting function capable of identifying thousands of value-added tax invoices and scores of billing certificates. In addition to automatic generation of and accounting treatment for various businesses covering purchase, sales, inventory, salary, fixed assets and fees, Chanjet Easy Accounting Agent also enabled one-click tax declaration for all tax varieties in certain geographical regions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. *Development of employees and organizations*

As at the end of the Reporting Period, the Group had 911 employees in total. In order to bolster the development strategy of seeking structural breakthrough in respect of the cloud service business of the Group and map out an architecture suitable for its businesses, the Group implemented the cloud performance-oriented assessment in all aspects to ensure the sustainable and stable growth of cloud service business. In terms of corporate culture, the mission, vision, value outlook and code of conduct of the Company were highlighted and brought to the process of talent selection, retention and appraisal, thus enhancing the corporate cohesiveness. In terms of staffing, the Group carried out structural adjustments, further increased the proportion of cloud operation and R&D personnel, and replenished the pool of cloud operation personnel particularly. In terms of staff cultivation and development, the Group implemented the "dual-channel" career development strategy, encouraged professional development and improved its three-dimensional training system to upgrade the capabilities of employees. In the meantime, the Group strengthened mechanism of eliminating the bottom-ranked and pushed forward the cultivation of staff of all levels and functions to ensure that all positions were well staffed. In terms of staff retention and motivation, the Group carried out the Point Scheme. By doing so, it aimed at motivating the enthusiasm and creativity of the management team members and the core and key employees of the Company to promote the strategic transformation and enhance the performance of the Company, so as to effectively combine the shareholders' interests, the Company's profits and the employees' benefits, and such that the long-term and healthy development of the Company would become a common concern.

DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

In the second half of 2019, the Group will continue to focus on the finance and management services of MSEs and continuously contribute more resources to cloud service business and expand the diversified channel cooperation with the view to achieving structural breakthroughs in respect of cloud service business and building itself into a top-notch brand of cloud services for MSEs and a top-notch brand of finance and taxation services for MSEs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group will continue to accelerate product application and innovation. To be specific, it will further secure its position in the general intelligent cloud finance market through functional upgrades of Chanjet Good Accountant, an intelligent cloud finance application of the Group; achieve the goal of fully effectuating the operating mode of serving as an "intelligent accounting agent factory" through improvements in invoice management, bookkeeping and tax declaration robot distribution center of Chanjet Easy Accounting Agent; and attain a leading position in the finance and taxation sector through expansion of businesses such as finance and tax services and accounting trainings, as well as cooperation with numerous ecological partners in respect of finance and taxation. As for T^+ Cloud and Chanjet Good Business, the Group will further boost the application of intelligent business and continue to optimise the enablement of intelligent marketing analysis, front-end marketing and support for multiple transaction scenarios, thus helping MSEs evolve towards digital and intelligent operation.

The Group will further optimise the operation system covering the whole service life for the customers, and 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 exert greater efforts on brand propagation to improve brand recommendation and drive up end market forcefully. Meanwhile, it will carry forward cross-industry and cross-field marketing cooperation through innovative cross-sector marketing. Further, the Group will, in cooperation with its partners across the country, enhance the brand influence of Chanjet cloud service business by hosting the branding and marketing activity of the "12th Accounting Cultural Festival".

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

	For the six months ended 30 June		Change in amount	Percentage change
	2019	2018		
	(Unaudited)	(Unaudited)		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**259,219**	246,439	12,780	5
Cost of sales and services provided	**(20,557)**	(14,768)	(5,789)	39
Gross profit	**238,662**	231,671	6,991	3
Gross profit margin	**92%**	94%	(2)%	
Other income and gains	**58,919**	65,074	(6,155)	(9)
R&D costs	**(66,183)**	(45,583)	(20,600)	45
Selling and distribution expenses	**(89,090)**	(80,740)	(8,350)	10
Administrative expenses	**(48,206)**	(69,789)	21,583	(31)
Other expenses	**(5)**	(5,855)	5,850	(100)
Financial costs	**(409)**	–	(409)	N/A
Share of profit/(loss) of an associate	**3,071**	(1,792)	4,863	N/A
Profit before tax	**96,759**	92,986	3,773	4
Income tax expense	**(4,872)**	(5,014)	142	(3)
Profit for the period	**91,887**	87,972	3,915	4
Attributable to:				
Owners of the parent	**91,887**	87,972	3,915	4

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating results

For the six months ended 30 June 2019, the revenue of the Group was RMB259.22 million, representing a year-on-year increase of 5%. The profit for the period was RMB91.89 million, representing an increase of 4% over the same period of last year. The profit attributable to the owners of the parent was RMB91.89 million, representing an increase of 4% over the same period of last year. The basic earnings per share was RMB0.43, basically flat as compared to the same period of last year.

Revenue

For the six months ended 30 June 2019, the revenue of the Group was RMB259.22 million, representing an increase of 5% as compared with the same period of last year. In particular, revenue from software business was RMB213.95 million, representing a decrease of 6% as compared with the same period of last year; and revenue from cloud service business was RMB45.27 million, representing an increase of 142% as compared with the same period of last year.

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

	For the six months ended 30 June				Change in amount	Percentage change
	2019		2018			
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from software business	**213,945**	**83**	227,750	92	(13,805)	(6)
Revenue from cloud service business	**45,274**	**17**	18,689	8	26,585	142
Revenue	**259,219**	**100**	246,439	100	12,780	5

Cost of sales and services provided

For the six months ended 30 June 2019, the Group's cost of sales and services provided was RMB20.56 million, representing an increase of 39% as compared with the same period of last year, mainly due to additional amortization of RMB3.59 million for R&D capitalization project of Chanjet Good Business, and the increase of RMB1.98 million in the operation and maintenance costs of cloud service business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross profit and gross profit margin

For the six months ended 30 June 2019, the Group achieved a gross profit of RMB238.66 million, representing an increase of 3% as compared with the same period of last year. The gross profit margin of the Group was 92%, representing a decrease of 2 percentage points as compared with that of the previous year.

Other income and gains

For the six months ended 30 June 2019, the Group's other income and gains were RMB58.92 million, representing a decrease of 9% as compared with the same period of last year.

Total R&D investment

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

	For the six months ended 30 June			
	2019		2018	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
R&D costs of software business	**6,802**	**10**	5,646	9
R&D costs of cloud service business	**59,381**	**90**	39,937	65
R&D costs	**66,183**	**100**	45,583	74
Additions to deferred development costs of cloud service business	**–**	**–**	16,001	26
Additions to deferred development costs	**–**	**–**	16,001	26
Total R&D investment	**66,183**	**100**	61,584	100

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2019, R&D costs of the Group amounted to RMB66.18 million, representing an increase of 45% over the same period of last year, mainly due to the additional deferred development costs of RMB16.00 million for the R&D capitalization projects of the Group initiated in the same period of last year.

For the six months ended 30 June 2019, total R&D investment of the Group increased by 7% over the same period of last year, mainly due to the increase in R&D staff as compared with the same period of last year.

Selling and distribution expenses

For the six months ended 30 June 2019, the selling and distribution expenses of the Group were RMB89.09 million, representing an increase of 10% over the same period of last year, mainly attributable to the increase in operation and promotion expenditure on cloud service business.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group were RMB48.21 million, representing a decrease of 31% over the same period of last year, mainly due to the decrease of RMB19.50 million in the expenses of the Employee Trust Benefit Scheme as compared with the same period of last year.

Income tax expense

For the six months ended 30 June 2019, the income tax expense of the Group was RMB4.87 million, representing a decrease of 3% as compared with the same period of last year.

Profit attributable to owners of the parent

For the six months ended 30 June 2019, the profit attributable to owners of the parent of the Group was RMB91.89 million, representing an increase of 4% as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and financial resources

Condensed cash flow statement

	For the six months ended 30 June		Change in amount
	2019	2018	
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	**90,546**	118,462	(27,916)
Net cash flows from/(used in) investing activities	**148,484**	(206,732)	355,216
Net cash flows used in financing activities	**(1,418)**	–	(1,418)

Net cash flows from operating activities

For the six months ended 30 June 2019, net cash flows from operating activities of the Group was RMB90.55 million, representing a decrease of RMB27.92 million as compared with the same period of last year, which was mainly due to the increase in cash paid to and for the benefit of employees since the Group expanded investment in R&D and sales personnel on cloud service business.

Net cash flows from/(used in) investing activities

For the six months ended 30 June 2019, net cash flows generated from investing activities of the Group were RMB148.48 million, mainly due to the redemption of principal of bank wealth management products on maturity.

Net cash flows used in financing activities

For the six months ended 30 June 2019, the cash used in financing activities of the Group represents the enterprise income tax of RMB2.50 million withheld and paid by the Company on behalf of the H shareholders in respect of the distribution of the 2018 final dividend, and the principal and interest of RMB3.92 million paid for leases upon adoption of IFRS 16 Leases, partially offset by the RMB5.00 million in cash received from the disposal of the target shares of Chanjet U.S. in relation to the trust benefit units that are *void ab initio*.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Working Capital

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
Cash and bank balance *(RMB'000)*	**1,189,052**	803,327
Current ratio	**473%**	664%
Gearing ratio	**0%**	0%

As at 30 June 2019, the cash and bank balances of the Group was RMB1,189.05 million (as at 31 December 2018: RMB803.33 million). The increase in cash and bank balances was mainly due to the redemption of bank wealth management products on maturity.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2019 was 473% (31 December 2018: 664%). The decrease in current ratio was mainly due to the increase in current liabilities as a result of the increase of RMB97.40 million in dividend payables.

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 liabilities less restricted bank balances and cash and bank balances.

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

Capital Expenditure

For the six months ended 30 June 2019, the capital expenditure of the Group mainly included the expenditure on office equipment, furniture and fittings of RMB1.98 million (for the same period of last year: RMB0.45 million).

Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Charges on Assets

As at 30 June 2019 and 31 December 2018, 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, Mr. 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 at 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 at 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, respectively, 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 when appropriate to alleviate foreign exchange fluctuation risks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

Material events after the Reporting Period

As at the approval date of this report, the Group had no material events after the Reporting Period that need to be disclosed.

STAFF REMUNERATION POLICY AND TRAINING PLAN

Remuneration of the staff of the Company is principally determined by taking into consideration their respective rank of positions, segment, business line, geographical region, etc. During the Reporting Period, the details of the staff remuneration which was expensed as incurred are set out in note 5 to the financial statements. The training hours scheduled for the staff of the Group amounted to 8,169 hours with an average of 9.0 hours for each employee. As at 30 June 2019, none of the staff remuneration policy and training plan had experienced significant changes. In order to attract, retain and motivate key staff needed for the achievement of the Company's strategic objectives, the Company has adopted the Employee Trust Benefit Scheme. For details please refer to the section headed "Employee Trust Benefit Scheme". In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Company has also adopted the Point Scheme. For details please refer to the section headed "Long-term Employee Incentive Point Scheme".

EMPLOYEE TRUST BENEFIT SCHEME

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015. The Employee Trust Benefit Scheme is a long-term incentive scheme designed for the scheme participants of the Company and its subsidiaries, with the Company's 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. The Employee Trust Benefit Scheme has been amended at the annual general meeting convened by the Company on 18 May 2016. For details about the specific terms of and amendments to the Employee Trust Benefit Scheme, please refer to the announcements of the Company dated 13 April 2015, 8 June 2015, 31 March 2016 and 18 May 2016, respectively, and the circulars of the Company dated 23 April 2015 and 29 April 2016, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 29 March 2019, the Board considered and approved the resolutions in relation to the third unlocking of the trust benefit units under the second grant pursuant to the Employee Trust Benefit Scheme. According to the resolutions, save and except for certain scheme participants under the second grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as employee trust benefit scheme participants, certain scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking date and certain scheme participants who have agreed to abandon his/her trust benefit units which are subject to lock-up since they have joined the Point Scheme, the unlocking conditions of the remaining scheme participants under the second grant to unlock 40% of their trust benefit units would be fulfilled on 31 March 2019. On 5 June 2019, the Board considered and approved the resolutions in relation to the second unlocking of the trust benefit units under the fourth grant pursuant to the Employee Trust Benefit Scheme. According to the resolutions, save and except for certain scheme participants under the fourth grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as employee trust benefit scheme participants, certain scheme participants whose individual performance standard has not been achieved on his/her annual performance appraisal for the year immediately prior to the unlocking date and certain scheme participants who have agreed to abandon his/her trust benefit units which are subject to lock-up since they have joined the Point Scheme, the unlocking conditions of the remaining scheme participants under the fourth grant to unlock 30% of their trust benefit units would be fulfilled on 5 June 2019. For details about the implementation of the Employee Trust Benefit Scheme during the Reporting Period, please refer to the announcements of the Company dated 29 March 2019 and 5 June 2019, respectively.

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.

LONG-TERM EMPLOYEE INCENTIVE POINT SCHEME

In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Board has approved the adoption of the Point Scheme on 29 March 2019. During the validity period of the Point Scheme, the Company will grant a certain number of points to the participants annually over a three-year period pursuant to the Point Scheme. After the conditions for the points becoming effective have been satisfied, the number of points actually becoming effective shall be determined in accordance with annual performance, the point proceeds shall be calculated, the points shall be redeemed in cash and the point proceeds shall be distributed to the participants in installments. The total number of points that can be granted during the validity period of the Point Scheme shall not exceed 150,000 points. In principle, the points that can be granted for each point granting year during the point granting period shall not exceed the annual quota for that point granting year, being 70,000 points, 40,000 points and 40,000 points, respectively.

On 29 March 2019, the Board considered and approved the 2019 initial point grant pursuant to the Point Scheme, under which a total of 59,725 points are granted to 94 designated participants. For details about the Point Scheme and the 2019 initial point grant, please refer to the announcement of the Company dated 29 March 2019.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests or short positions of the Directors, Supervisors and the chief executive(s) of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name of Directors/ Supervisors	Nature of interest	Relevant corporation (including associated corporation)	Number and class of shares of the relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant Corporation (including associated corporation)[2]	Approximate percentage of shareholdings in the relevant class of share capital of the Company[3]
Directors					
Mr. Wang	Interest in a controlled corporation[4]	the Company	156,406,210 Domestic Shares (L)	72.02%	96.44%
	Interest in a controlled corporation[4]	Yonyou[5]	1,109,132,239 shares (L)	44.61%	N/A
	Interest in a controlled corporation	Happiness Investment[6]	N/A[6]	60%[6]	N/A
	Interest in a controlled corporation	Yonyou Chuangxin Investment [7]	N/A[7]	100%[7]	N/A
Mr. Wu Zhengping[8]	Beneficial owner	Yonyou[5]	1,436,500 shares (L)	0.06%	N/A
	Interest in a controlled corporation	Yonyou[5]	64,458,000 shares (L)	2.59%	N/A
	Beneficial owner	Happiness Investment[6]	N/A[6]	15%[6]	N/A
Mr. Yang Yuchun	Beneficial owner	Yonyou[5]	39,000 shares (L)	0.00%	N/A
Supervisors					
Mr. Guo Xinping[9]	Interest in a controlled corporation	Yonyou[5]	105,074,089 shares (L)	4.23%	N/A
Mr. Zhang Peilin[10]	Beneficial owner	Yonyou[5]	1,867,029 shares (L)	0.07%	N/A
Mr. Cai Jingsheng[11]	Interest in a controlled corporation	the Company	36,923 Domestic Shares (L)	0.02%	0.02%

OTHER INFORMATION (CONTINUED)

Notes:

(1) (L) – long position.

(2) The calculation is based on the total number of 217,181,666 Shares in issue as at 30 June 2019.

(3) The calculation is based on the total number of 162,181,666 Domestic Shares in issue as at 30 June 2019.

(4) Mr. Wang is the beneficial owner of 100%, 85.14% and 76.26% of the 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 28.50%, 12.13% and 3.98% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang is deemed to be interested in the Shares held by Yonyou.

(5) Yonyou is the holding company of the Company and therefore an associated corporation of the Company. As at 30 June 2019, Yonyou held 156,406,210 Domestic Shares which accounted for approximately 72.02% of the total share capital of the Company.

(6) Happiness Investment is a limited liability company incorporated in the PRC with a registered capital of RMB10.00 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.

(7) 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 6,002,952 Domestic Shares, representing approximately 2.76% of the total share capital of the Company.

(8) Mr. Wu Zhengping directly holds 1,436,500 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 2.59% of the issued shares of Yonyou. Therefore, Mr. Wu Zhengping is deemed to be interested in the shares of Yonyou held by Gongqingcheng Youfu.

(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 4.23% of the issued shares of Yonyou. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.

OTHER INFORMATION (CONTINUED)

(10) Among the 1,867,029 shares of Yonyou which Mr. Zhang Peilin is interested in, 337,997 shares were granted by Yonyou under a share option scheme. Mr. Zhang Peilin may exercise his share options at the price of RMB9.12 in accordance with the relevant arrangement of the share option scheme during the period from 5 August 2019 to 3 August 2021.

(11) Mr. Cai Jingsheng is a general partner and executive affairs partner of Huicai Juneng Investment and holds approximately 72.76% of beneficial interests in Huicai Juneng Investment. Therefore, Mr. Cai Jingsheng is deemed to be interested in the Domestic Shares held by Huicai Juneng Investment.

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

As at 30 June 2019, 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 the Directors, the Supervisors and the chief executive(s) of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Number and class of Shares held	Nature of interest	Approximate percentage of shareholdings in the total share capital of the Company[2]	Approximate percentage of shareholdings in the relevant class of Share[3]
Yonyou[4]	149,732,474 Domestic Shares (L)	Beneficial owner	72.02%	96.44%
	6,673,736 Domestic Shares (L)	Interest in a controlled corporation		
	Total: 156,406,210 Domestic Shares (L)			
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)	Holding a security interest in shares		
	Total: 7,698,300 H Shares (L)		3.54%	13.99%
	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 30 June 2019.

(3) The calculation was based on the number of 162,181,666 Domestic Shares in issue and 55,000,000 H Shares in issue as at 30 June 2019, respectively.

OTHER INFORMATION (CONTINUED)

(4) As at 30 June 2019, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 6,673,736 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 30 June 2019, so far as the Directors, Supervisors and chief executive(s) of the Company are aware, 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.

USE OF PROCEEDS

The Company's H Shares were listed and commenced trading on the Hong Kong Stock Exchange on 26 June 2014, from which the Company raised proceeds totaling HK$900.90 million. After deducting relevant expenses of issuance, the net proceeds were HK$854.96 million. 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 intended use of proceeds as disclosed in the Prospectus of the Company, the actual usage of the proceeds as at 30 June 2019 is detailed as follows:

Proposed use of proceeds	**Budgeted amount**	**Actual amount used**	**Unutilized amount**
	HK$	*HK$*	*HK$*
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

OTHER INFORMATION (CONTINUED)

As at 30 June 2019, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance of the capital for promotion and operation of the cloud services. The Company will continue to identify relevant business and assets compatible with our business strategies, and make 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 reputable banks in Hong Kong and Mainland China, and 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

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

UPDATES ON INFORMATION OF DIRECTOR AND SUPERVISOR

As at the Latest Practicable Date, particulars of changes to the information of directors and supervisors required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules are set out as follows:

Name of Director/Supervisor	Particulars of the change
Director Yang Yuchun	• Has been an executive Director and manager of Chanjet Yunhui since April 2019.
Supervisor Ma Yongyi	• Has been an independent director of Beijing PIESAT Information Technology Co., Ltd. (北京航天宏圖信息技術股份有限公司) (which was listed on the Shanghai Stock Exchange in July 2019, stock code: 688066) since May 2017; and an independent director of Yunnan Jinggu Forestry Co., Ltd. (雲南景谷林業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600265) since February 2019.

OTHER INFORMATION (CONTINUED)

MATERIAL LEGAL MATTERS

So far as the Board is aware, as at 30 June 2019, the Group was not involved in any material litigation or arbitration, and there was no pending or threatened legal litigation or claim that might pose a significant threat to the Group.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules, and requires the Directors and the Supervisors to deal with securities in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After making specific enquiries by the Company, all Directors and Supervisors confirmed that they had fully complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman. On 16 August 2019, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and this report, and concluded that such financial statements and this report had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**259,219**	246,439
Cost of sales and services provided	5	**(20,557)**	(14,768)
Gross profit		**238,662**	231,671
Other income and gains	4	**58,919**	65,074
Research and development costs	5	**(66,183)**	(45,583)
Selling and distribution expenses		**(89,090)**	(80,740)
Administrative expenses		**(48,206)**	(69,789)
Other expenses		**(5)**	(5,855)
Finance costs		**(409)**	–
Share of profit/(loss) of an associate	11	**3,071**	(1,792)
Profit before tax	5	**96,759**	92,986
Income tax expense	6	**(4,872)**	(5,014)
Profit for the period		**91,887**	87,972
Attributable to:			
Owners of the parent	8	**91,887**	87,972
Earnings per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	8	**43.1**	42.5
Diluted *(RMB cents)*	8	**43.0**	41.9

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**91,887**	87,972
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(80)**	(120)
Other comprehensive loss for the period, net of tax	**(80)**	(120)
Total comprehensive income for the period	**91,807**	87,852
Attributable to:		
Owners of the parent	**91,807**	87,852

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	**2,813**	1,408
Right-of-use assets		**15,601**	–
Intangible assets	10	**44,803**	64,124
Investment in an associate	11	**72,806**	69,735
Non-current financial assets	12	**48,786**	46,170
Deferred tax assets		**–**	173
Total non-current assets		**184,809**	181,610
Current assets			
Inventories		**626**	518
Trade receivables	13	**671**	479
Prepayments, other receivables and other assets	14	**28,994**	139,858
Other current financial assets	15	**223,487**	384,541
Cash and bank balances	16	**1,189,052**	803,327
Total current assets		**1,442,830**	1,328,723

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current liabilities			
Trade payables	17	1,632	913
Contract liabilities	18	127,368	109,321
Other payables and accruals	19	168,747	89,864
Lease liabilities		7,024	–
Total current liabilities		304,771	200,098
Net current assets		1,138,059	1,128,625
Total assets less current liabilities		1,322,868	1,310,235
Non-Current liabilities			
Lease liabilities		8,583	–
Deferred tax liabilities		865	–
Total non-current liabilities		9,448	–
Net assets		1,313,420	1,310,235
Equity			
Equity attributable to owners of the parent			
Issued capital		217,182	217,182
Treasury shares held under employee trust benefit scheme		(45,591)	(75,391)
Reserves		1,141,829	1,168,444
Total equity		1,313,420	1,310,235

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent								
	Issued capital *RMB'000*	Treasury shares held under employee trust benefit scheme *(ii)* *RMB'000*	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve *(i)* *RMB'000*	Statutory reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
As at 31 December 2017	217,182	(180,847)	922,821	(4)	108,145	51,503	2,198	30,018	1,151,016
Impact of adopting IFRS 9	–	–	–	–	–	2,089	–	18,801	20,890
As at 1 January 2018	217,182	(180,847)	922,821	(4)	108,145	53,592	2,198	48,819	1,171,906
Profit for the period	–	–	–	–	–	–	–	87,972	87,972
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(120)	–	(120)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(120)	87,972	87,852
Share-based payment *(note 20)*	–	–	–	–	28,170	–	–	–	28,170
Shares vested under employee trust benefit scheme *(note 20)*	–	101,392	18,841	–	(120,233)	–	–	–	–
As at 30 June 2018 (unaudited)	217,182	(79,455)	941,662	(4)	16,082	53,592	2,078	136,791	1,287,928

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the parent								
	Issued capital *RMB'000*	Treasury shares held under employee trust benefit scheme *(ii)* *RMB'000*	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve *(i)* *RMB'000*	Statutory reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
As at 1 January 2019	217,182	(75,391)	939,761	(4)	17,549	64,321	1,915	144,902	1,310,235
Profit for the period	-	-	-	-	-	-	-	91,887	91,887
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(80)	-	(80)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(80)	91,887	91,807
Final 2018 dividend declared	-	-	-	-	-	-	-	(99,904)	(99,904)
Share-based payment *(note 20)*	-	-	-	-	6,281	-	-	-	6,281
Shares sold under employee trust benefit scheme *(note 20)*	-	11,692	(6,691)	-	-	-	-	-	5,001
Shares vested under employee trust benefit scheme *(note 20)*	-	18,108	(7,013)	-	(11,095)	-	-	-	-
As at 30 June 2019 (unaudited)	217,182	(45,591)	926,057*	(4)*	12,735*	64,321*	1,835*	136,885*	1,313,420

* These reserve accounts comprise the consolidated reserves of RMB1,141,829,000 (31 December 2018: RMB1,168,444,000) in the consolidated statement of financial position.

Notes:

i) Share-based payment reserve represents the cost of equity-settled transactions under an employee trust benefit scheme (the "**Scheme**"), which is described in note 20 to the financial statements.

ii) Treasury shares held under employee trust benefit scheme represent the shares held by the trustees for the implementation of the Scheme which the Company entrusted the trustees to successively purchase from domestic shareholders or open market.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Operating activities			
Profit before tax		**96,759**	92,986
Adjustments for:			
Finance cost		**409**	–
Exchange gains, net	5	**(521)**	(1,084)
Share of (profits)/loss of an associate	11	**(3,071)**	1,792
Interest income	4	**(17,035)**	(15,256)
Fair value gains, net	5	**(7,711)**	(6,822)
Share-based payment expense	20	**6,281**	25,780
Depreciation of items of property, plant and equipment	9	**567**	1,737
Depreciation of right-of-use assets	5	**3,512**	–
Amortisation of intangible assets	10	**19,599**	14,974
Write-down of inventories to net realisable value	5	**–**	5,658
Gain on disposal of items of property, plant and equipment	9	**(13)**	(5)
Interest income on financial investments	4	**–**	(1,783)
Gains on financial investments	4	**(8,130)**	(2,972)
		90,646	115,005
Increase in inventories		**(108)**	(236)
(Increase)/decease in trade and bills receivables		**(192)**	1,625
Increase in prepayments, other receivables and other assets		**(262)**	(36,310)
Increase in trade payables		**719**	723
Increase in contract liabilities		**18,047**	72,041
Decrease in other payables and accruals		**(17,017)**	(21,536)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash generated from operations	**91,833**	131,312
Interest received	**2,931**	1,104
Income taxes refund	**–**	408
Income taxes paid	**(4,218)**	(14,362)
Net cash flows from operating activities	**90,546**	118,462
Investing activities		
Proceeds from disposal of non-current financial assets	**1,500**	–
Additions to intangible assets	**(278)**	(13,788)
Purchases of items of property, plant and equipment	**(1,978)**	(558)
Purchases of financial investments	**(104,000)**	(309,000)
Proceeds from disposal of items of property, plant and equipment	**30**	66
Purchases of non-pledged time deposits with original maturity of more than three months when acquired	**(150,000)**	(85,520)
Proceeds from disposal of financial investments	**379,000**	182,000
Interest on non-pledged time deposits with original maturity more than three months when acquired	**7,931**	13,712
Interest income on financial investments	**–**	3,384
Gains on financial investments	**16,279**	2,972
Net cash flows from/(used in) investing activities	**148,484**	(206,732)
Financial activities		
Principal portion of lease payments	**(3,506)**	–
Interest paid	**(409)**	–
Shares sold under employee trust benefit scheme	**5,001**	–
Dividend withholding tax paid	**(2,504)**	–
Net cash flows used in financial activities	**(1,418)**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net Increase/(decrease) in cash and cash equivalents		**237,612**	(88,270)
Cash and cash equivalents at the beginning of period		**188,381**	189,478
Effect of foreign exchange rate changes, net		**(88)**	(131)
Cash and cash equivalents at the end of period		**425,905**	101,077
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	16	**1,189,052**	760,530
Non-pledged time deposits with original maturity of more than three months when acquired	16	**(766,759)**	(659,918)
Cash equivalents as stated in Prepayments, other receivables and other assets		**3,612**	465
Cash and cash equivalents as stated in the statement of cash flows		**425,905**	101,077

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Chanjet Information Technology Company Limited (the "**Company**"), formerly known as Chanjet Software Company Limited, was established in the 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. The registered office of the Company is located at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

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

In the opinion of the directors, the holding company of the Company is Yonyou 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about the subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2019 are as follows:

Name	Place and date of incorporation and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activity	Legal category
			Direct	Indirect		
Chanjet Information Technology Corporation ("**Chanjet U.S.**")	California, the United States 5 November 2012	USD15,500,000 *(note 1)*	100.00	–	Technical development of computer software	Limited liability corporation
Beijing Chanjet Yunhui Information Technology Co., Ltd. ("**Chanjet Yunhui**")	Beijing, China 12 April 2019	RMB10,000,000 *(note 2)*	100.00	–	Technical development, transfer and service of computer software	Limited liability corporation

Note 1: The paid-in capital of Chanjet U.S. as at 30 June 2019 was USD10,300,000. On 25 September 2018, the board of directors approved the deregistration of Chanjet U.S. As at 16 August 2019, the deregistration of Chanjet U.S. is still in process.

Note 2: Chanjet Yunhui was incorporated with a registered capital of RMB10,000,000. The paid-in capital of Chanjet Yunhui as at 30 June 2019 was nil.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

New definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were 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 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase
	(Unaudited)
	RMB'000
Assets	
Increase in right-of-use assets	19,113
Increase in total assets	19,113
Liabilities	
Increase in lease liabilities	19,113
Increase in total liabilities	19,113

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) *RMB'000*
Operating lease commitments as at 31 December 2018	962
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	918
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	783
Commitments relating to leases of low-value assets	135
Add: Payments for optional extension periods not recognised as at 31 December 2018	19,113
Lease liabilities as at 1 January 2019	19,113

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under one of its leases, to lease equipment for additional terms of one year. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			
	Office buildings	**Other equipment**	**Total**	**Lease Liabilities**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	15,188	3,925	19,113	19,113
Depreciation charge	(2,531)	(981)	(3,512)	–
Interest expense	–	–	–	409
Payments	–	–	–	(3,915)
As at 30 June 2019	12,657	2,944	15,601	15,607

The Group recognised rental expenses from short-term leases of RMB1,975,000 for the six months ended 30 June 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It 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 the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate.

Annual Improvements 2015–2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2015–2017 Cycle (continued)

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2015–2017 Cycle (continued)

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
IFRS 17	*Insurance Contracts*[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, which is the sale of products 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 products and the provision of related services in Mainland China and 99% of the Group's identifiable non-current assets 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products	**186,240**	199,025
Rendering of services	**72,387**	46,846
Sale of purchased goods	**592**	568
	259,219	246,439
Disaggregated revenue information for revenue from contracts with customers		
Timing of revenue recognition		
Goods transferred at a point in time	**186,832**	199,593
Services transferred over time	**72,387**	46,846
Total revenue from contracts with customers	**259,219**	246,439

No impairment losses on receivables arising from contracts with customers were recognised by the Group for the six months ended 30 June 2019 and 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Value-added tax refunds	**24,218**	36,923
Government grants	**1,146**	2
Interest income	**17,035**	15,256
Other interest income from financial assets at fair value through profit or loss	**–**	1,783
Gains		
Gains on financial investments	**8,130**	2,972
Fair value gains, net:		
Non-current financial assets at fair value through profit or loss	**5,616**	2,217
Other current financial assets at fair value through profit or loss	**2,095**	4,605
Exchange gains, net	**521**	1,084
Others	**158**	232
	58,919	65,074

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of products sold	**2,779**	2,864
Cost of services rendered	**17,538**	11,533
Cost of purchased goods sold	**240**	371
Total cost of sales	**20,557**	14,768
Depreciation of items of property, plant and equipment	**567**	1,737
Depreciation of right-of-use assets	**3,512**	–
Amortisation of intangible assets	**19,599**	14,974
Minimum lease payments under operating leases	**–**	7,995
Rental expenses for short-term leases and leases of low-value assets	**1,975**	–
Research and development costs *(note)*	**66,183**	45,583
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	**128,261**	124,890
Equity-settled share-based expense	**6,281**	25,780
Pension scheme contributions	**13,141**	11,684
	147,683	162,354
Less: Employee benefit expenses being capitalised in intangible assets	**–**	(15,808)
	147,683	146,546
Exchange gains, net	**(521)**	(1,084)
Write-down of inventories to net realisable value	**–**	5,658
Fair value gains, net:		
Non-current financial assets at fair value through profit or loss	**(5,616)**	(2,217)
Other current financial assets at fair value through profit or loss	**(2,095)**	(4,605)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. PROFIT BEFORE TAX (CONTINUED)

Note: During the six months ended 30 June 2019, research and development costs of approximately RMB65,141,000 (six months ended 30 June 2018: RMB44,861,000) were included in employee benefit expenses.

6. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**3,834**	2,525
Deferred tax	**1,038**	2,489
Total tax charge for the period	**4,872**	5,014

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Group for the six months ended 30 June 2019 and 2018.

As at 30 June 2019, 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 2019, 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 six months ended 30 June 2019.

The subsidiary incorporated in the United States has made no provision for profits tax as the subsidiary did not have any assessable profit during the six months ended 30 June 2018 and 2019.

7. DIVIDENDS

The proposed final cash dividends of RMB99,904,000 for the year ended 31 December 2018 were approved by the Company's shareholders on 28 May 2019.

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The calculation of the basic earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 213,006,727 (six months ended 30 June 2018: 207,002,547) in issue during the six months ended 30 June 2019, as adjusted to reflect the target shares purchased and sold by the trustees and target shares vested under the Scheme.

The calculation of the diluted earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the period, as used in the basic 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:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**91,887**	87,972

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	Number of shares	
	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**213,006,727**	207,002,547
Adjustment for the Scheme	**819,352**	3,022,590
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	**213,826,079**	210,025,137

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of RMB1,978,000 (six months ended 30 June 2018: RMB454,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB17,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB62,000), with a net gain of RMB13,000 on disposal (six months ended 30 June 2018: RMB5,000).

During the six months ended 30 June 2019, the total amount of depreciation of property, plant and equipment was RMB567,000, which was charged to profit or loss.

During the six months ended 30 June 2018, the total amount of depreciation of property, plant and equipment was RMB1,799,000, of which an amount of RMB1,737,000 was charged to profit or loss, and an amount of RMB62,000 was capitalised into intangible assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. INTANGIBLE ASSETS

During the six months ended 30 June 2019, the amount of the addition of intangible assets was RMB278,000 (six months ended 30 June 2018: RMB16,240,000).

During the six months ended 30 June 2019, the total amount of amortisation of intangible assets was RMB19,599,000 (six months ended 30 June 2018: RMB14,974,000) charged to profit or loss.

11. INVESTMENT IN AN ASSOCIATE

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
Share of net assets	**72,806**	69,735
Provision for impairment	**–**	–
	72,806	69,735

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

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
	RMB'000	*RMB'000*
Share of the associate's profit/(loss) for the period	**3,071**	(1,792)
Share of the associate's total comprehensive income/(loss)	**3,071**	(1,792)
Aggregate carrying amount of the Group's investment in the associate	**72,806**	66,376

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. NON-CURRENT FINANCIAL ASSETS

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments	**48,786**	46,170

Details of the unlisted investments are as follows:

Name	Place and date of registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) ("**Happiness Yunchuang**")	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	RMB1,330,000	5.64	–	Sale and manufacture of internet communication products, computer software and hardware, and technical development

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE RECEIVABLES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Trade receivables	671	479
Impairment	–	–
	671	479

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.

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:

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 90 days	200	479
90 days to 1 year	471	–
	671	479

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Staff advances	52	100
Share purchase fund held by the trustee for share-based payment *(note)*	4,413	4,413
Prepayments	1,668	2,057
Prepaid corporate income tax	5,324	4,940
Value-added tax refunds	606	–
Wealth investment products	–	120,000
Interest receivables	9,132	2,959
Deposits and other receivables	7,799	5,389
	28,994	139,858
Impairment allowance	–	–
	28,994	139,858

Note: The share purchase fund held by the trustee for share-based payments was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Scheme. As of 30 June 2019, all the share purchases have been completed under the Scheme and such surplus fund will be received after the liquidation of the trust.

Deposits and other receivables mainly represent 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 payment, interest receivables and deposits and other receivables were immaterial as at 30 June 2019.

No impairment loss recognised for financial assets included in prepayments, other receivables and other assets as at 30 June 2019 related to receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. OTHER CURRENT FINANCIAL ASSETS

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Financial assets at fair value through profit or loss		
Wealth investment products	223,487	384,541

The Group purchases various wealth investment products issued by banks in Mainland China. As at 30 June 2019, the Group purchased wealth investment products with the cost of RMB219,000,000 (31 December 2018: 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.

The details and breakdown of each of other current financial assets as at the 30 June 2019 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Investment of deposit principal amount (Unaudited) *RMB'000*	Carrying value (Unaudited) *RMB'000*
The Bank of East Asia	Structured deposits	Secured principal with floating income	7/10/2018	7/10/2019	35,000	36,634
The Bank of East Asia	Structured deposits	Secured principal with floating income	12/6/2018	12/6/2019	30,000	30,766
Baoshang Bank Ltd.	Structured deposits	Secured principal with floating income	8/17/2018	8/17/2019	50,000	50,252
Bank of Communications	Structured deposits	Secured principal with floating income	1/18/2019	10/18/2019	39,000	39,861
China Zheshang Bank Co., Ltd.	Structured deposits	Secured principal with floating income	4/19/2019	4/19/2020	65,000	65,974
					219,000	**223,487**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CASH AND BANK BALANCES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Cash on hand	**15**	133
Bank balances	**77,278**	61,953
Time deposits	**1,111,759**	741,241
Cash and bank balances	**1,189,052**	803,327
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(766,759)**	(616,241)
Cash equivalents as stated in prepayments, other receivables and other assets	**3,612**	1,295
Cash and cash equivalents as stated in the consolidated statement of cash flows	**425,905**	188,381

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.

As at 30 June 2019, the cash and bank balances of the Group comprised (i) time deposits with a principal of RMB335,000,000, and (ii) demand deposits with a principal of RMB4,406,000 including the interest received of RMB4,342,000 on 21 June 2019, both deposited with Baoshang Bank Ltd. Other current financial assets included a structured deposit with a principal of RMB50,000,000 deposited with Baoshang Bank Ltd.

According to the purchase and transfer of creditor's rights agreement which entered by the Company, Deposit Insurance and Fund Management Company Limited (存款保險基金管理有限責任公司) ("**DIFM**") and Baoshang Bank Ltd., takeover committee on 4 June 2019, the principal of RMB356,427,000 will be accounted for as new deposits of the Company after the takeover of Baoshang Bank Ltd., and be guaranteed in full by the People's Bank of China, China Banking and Insurance Regulatory Commission and DIFM; the remaining principal of approximately RMB28,636,000 will be subject to subsequent compensation claim in accordance with laws.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CASH AND BANK BALANCES (CONTINUED)

The Company has paid attention to the takeover of Baoshang Bank Ltd. and evaluated the impact on the Group's financial situation and performance thereof on a continuous basis. It will also maintain communications with the takeover committee to keep abreast of the progress concerning the takeover of Baoshang Bank Ltd. and make further judgements in due course.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Within 90 days	**1,377**	755
90 days to 1 year	**195**	93
Over 1 year	**60**	65
	1,632	913

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

18. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Advances received from customers		
Rendering of services	**127,368**	109,321

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Tax payable (other than income tax)	14,333	17,850
Staff payroll and welfare payables	30,045	40,689
Dividend payables	97,400	–
Other payables	26,666	31,048
Due to the ultimate holding company	303	277
	168,747	89,864

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

On 29 March 2019, the board of directors has approved the adoption of the long-term employee incentive point scheme (the "**Point Scheme**") to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company. The Point Scheme shall be valid for a period of six years in total from the date on which the adoption of the Point Scheme is approved by the board of directors.

During the validity period of the Point Scheme, a certain number of points will be granted to the participants annually over a three-year period. The total number of points that can be granted during the validity period of the Point Scheme shall not exceed 150,000 points. The exact number shall be considered and approved by the board of directors based on the actual operations and incentive requirements of the Company during the year in which the points are granted to the participants pursuant to the Point Scheme.

After the conditions for the points becoming effective have been satisfied, the number of points becoming effective. The one-off calculation of the proceeds corresponding to the number of the effective points of the participants shall take place on the date on which the points become effective, being the first trading day after the expiry of 12 months from the date of the annual initial point grant, in accordance with certain factors. The calculated and confirmed point proceeds shall be distributed over a three-year period with installments of 30%, 30% and 40% in cash.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. OTHER PAYABLES AND ACCRUALS (CONTINUED)

On 29 March 2019, the board of directors approved the 2019 initial grant of the points to certain participants pursuant to the Point Scheme, under which a total of 59,725 points are granted to 94 designated participants. During the six months ended 30 June 2019, the total amount of employee benefit expenses recognised in profit or loss under the Point Scheme was RMB1,253,000 (six months ended 30 June 2018: Nil).

20. SHARE-BASED PAYMENT

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. SHARE-BASED PAYMENT (CONTINUED)

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

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

For each grant, there are three unlock dates, being the expiry dates of the first anniversary, second anniversary and third anniversary of the grant date, on which, 30%, 30% and 40% of the trust benefit units granted to each Scheme participant shall be unlocked subject to the vesting conditions and upon expiry. Each lock-up period is from the grant date to each of the aforesaid unlock 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 unlock date to within three years after the unlock 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 unlock date to the date of liquidation of the trusts as prescribed in the trust deeds between the Company and the trustees.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. SHARE-BASED PAYMENT (CONTINUED)

Particulars and movements of the target shares under the Scheme

For the six months ended 30 June 2019

Date of grant	*Notes*	Fair value per share *(RMB)*	As at 1 January	Forfeited during the period	Cancelled during the period	Vested during the period	As at 30 June
31 March 2016	(iii)	9.77	424,000	(16,000)	(18,000)	(390,000)	–
6 December 2016	(iv)	8.84	326,000	(12,000)	(66,000)	–	248,000
5 June 2017	(v)	6.98	2,709,700	(20,000)	(957,400)	(1,074,300)	658,000
			3,459,700	(48,000)	(1,041,400)	(1,464,300)	906,000

For the six months ended 30 June 2018

Date of grant	*Notes*	Fair value per share *(RMB)*	As at 1 January	Forfeited during the period	Vested during the period	As at 30 June
16 June 2015	(i)	24.60	4,648,000	(102,000)	(4,546,000)	–
31 March 2016	(iii)	9.77	857,500	(96,000)	(325,500)	436,000
6 December 2016	(iv)	8.84	885,500	(56,000)	–	829,500
5 June 2017	(v)	6.98	3,996,000	(17,500)	(1,198,800)	2,779,700
			10,387,000	(271,500)	(6,070,300)	4,045,200

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. SHARE-BASED PAYMENT (CONTINUED)

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

Notes:

(i) 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.

(ii) 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. 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.

(iii) 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.

(iv) 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.

(v) 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 lapsed pursuant to the Scheme subject to effective conditions to 48 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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 six months ended 30 June 2019 and 30 June 2018, no share of the Company were acquired by the trustees entrusted by the Company.

During the six months ended 30 June 2019, 48,000 target shares (six months ended 30 June 2018: 271,500 target shares) under the Scheme were lapsed due to vesting conditions not being fulfilled under the Scheme.

Certain Scheme participants have agreed to abandon his/her trust benefit units since they have joined the Point Scheme newly adopted by the Company on 29 March 2019. During the six months ended 30 June 2019, 1,041,400 target shares (six months ended 30 June 2018: Nil) under the Scheme were cancelled due to joining the Point Scheme.

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, certain Scheme participants who failed to achieve the individual performance standard on his/her annual performance appraisal for the year immediately prior to the 31 March 2019 and certain Scheme participants who have agreed to abandon his/her trust benefit units since they have joined the Point Scheme, the vesting conditions of the remaining Scheme participants under the second grant to unlock 40% of their trust benefit units were fulfilled on 31 March 2019.

Except for certain Scheme participants under the re-grant who had terminated or released his/her labour contract with the Company, which resulted in their disqualification as Scheme participants, certain Scheme participants who failed to achieve the individual performance standard on his/her annual performance appraisal for the year immediately prior to the 5 June 2019 and certain Scheme participants who have agreed to abandon his/her trust benefit units since they have joined the Point Scheme, 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 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. SHARE-BASED PAYMENT (CONTINUED)

As of 30 June 2019, 720,800 forfeited target shares were sold with amount of RMB5,001,000 on the open market, resulting in RMB11,692,000 credited to treasury shares held under the Scheme and remaining balance of RMB6,691,000 debited to the capital reserve account.

During the six months ended 30 June 2019, 1,464,300 target shares (six months ended 30 June 2018: 6,070,300 target shares) were unlocked under the Scheme, resulting in the transfer out of RMB11,095,000 (six months ended 30 June 2018: RMB120,233,000) from the share-based payment reserve, with RMB18,108,000 (six months ended 30 June 2018: RMB101,392,000) credited to treasury shares held under the Scheme, and remaining balance of RMB7,013,000 (six months ended 30 June 2018: RMB18,841,000) debited/(credited) to the capital reserve account.

During the six months ended 30 June 2019, the total amount of share-based payment expense was RMB6,281,000 (six months ended 30 June 2018: RMB28,170,000), of which an amount of RMB6,281,000 (six months ended 30 June 2018: RMB25,780,000) was recognised in profit or loss, and nil amount (six months ended 30 June 2018: RMB2,390,000) was capitalised into intangible assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the six months ended 30 June 2018 and 2019, the Group entered into the following transactions with related parties:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of goods and services to		
Associate of the holding company		
Sinotone (Beijing) Technology Co., Ltd. ("**Sinotone Tech**") (漢唐信通(北京)科技有限公司)	**1**	1,415
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)	**107**	–
Fellow subsidiaries		
Shenzhen Yyfax Financial Services Co., Ltd. ("**Shenzhen Yyfax**") (深圳友金所金融服務有限公司)	**123**	47
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)	**75**	5
Shenzhen Baoqu Technology Co., Ltd.("**Baoqu**") (深圳市保趣科技有限公司)	**94**	–
Shenzhen Yonyou-Leguer Inclusive Financial Information Services Co., Ltd. (深圳用友力合普惠信息服務有限公司)	**189**	–
	589	1,467

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Purchases of goods and services from		
The holding company		
Yonyou	**1,560**	1,126
Associates of the holding company		
Xi Ma Guo Zheng	**10**	6
Sinotone Tech	**–**	18
Fellow subsidiaries		
Yonyou Mobile	**2**	32
Shanghai Yonyou Government Affairs Software Co., Ltd. ("**Shanghai Yonyou Zhengwu**") (上海用友政務軟件有限公司)	**10**	6
A company of which a director of the Company is a shareholder with significant influence		
Beijing Red Mansion Culinary Culture Co., Ltd. (北京紅邸餐飲文化有限公司)	**44**	16
	1,626	1,204
Deposits placed with		
Associate of the holding company		
ZhongGuanCun Bank Ltd. (北京中關村銀行股份有限公司)	**180,011**	160,365

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

During the six months ended 30 June 2019, the Group recognised interest income of RMB3,724,000 from deposits placed with ZhongGuanCun Bank Ltd. (北京中關村銀行股份有限公司) (during the six months ended 30 June 2018: RMB515,000). As at 30 June 2019, the Group has interest receivables of RMB4,800,000 due from ZhongGuanCun Bank Ltd. (as at 31 December 2018: RMB1,342,000).

During the six months ended 30 June 2018 and 2019, the Group rented office buildings from Yonyou. Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities of RMB13,133,000 as at 1 January 2019 as a result of such lease. During the six months ended 30 June 2019, the depreciation charge for the right-of-use assets of RMB2,189,000 and interest expense on the lease liabilities of RMB283,000 recognised in profit or loss and with the rental expense of RMB2,335,000 paid to Yonyou. The Group recognised right-of-use assets of RMB10,945,000 and lease liabilities of RMB11,081,000 as at 30 June 2019. The Group recognised the rental expenses in profit or loss from short-term leases of RMB117,000 from Yonyou for the six months ended 30 June 2019. During the six months ended 30 June 2018, the rental expense paid to Yonyou was RMB2,386,000.

During the six months ended 30 June 2018 and 2019, the Group rent office buildings from UFIDA (Nanchang) Industry Base Development Co., Ltd. (用友(南昌)產業基地發展有限公司) ("**UFIDA (Nanchang)**"), a fellow subsidiary. Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities of RMB2,055,000 as at 1 January 2019 as a result of such lease. During the six months ended 30 June 2019, the depreciation charge for the right-of-use assets of RMB342,000 and the interest expense on lease liabilities of RMB44,000 recognised in profit or loss and with the rental expense of RMB367,000 paid to UFIDA (Nanchang). The Group recognised the right-of-use assets of RMB1,712,000 and the lease liabilities of RMB1,732,000 as at 30 June 2019. The Group recognised the rental expenses in profit or loss from short-term leases of RMB113,000 from UFIDA (Nanchang) for the six months ended 30 June 2019. During the six months ended 30 June 2018, the rental expense paid to UFIDA (Nanchang) was RMB491,000.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties

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

Due from related parties

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
The holding company		
Yonyou	–	6
Trade related:		
The holding company		
Yonyou	–	604
Associate of the holding company		
Sinotone Tech	495	474
Fellow subsidiary		
Shanghai Yonyou Zhengwu	–	2
	495	1,086

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties (continued)

Due to related parties

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Trade related:		
The holding company		
Yonyou	63	–
Associate of the holding company		
Xi Ma Guo Zheng	1,202	362
Fellow subsidiaries		
Shanghai Yonyou Zhengwu	8	–
Shanghai Bingjun Network Technology Co., Ltd. (上海秉鈞網絡科技股份有限公司)	–	5
Shenzhen Yyfax	38	38
Baoqu	–	94
Yonyou Salary Welfare Cloud	–	75
Other payables:		
The holding company		
Yonyou	303	277
Fellow subsidiary		
Yonyou Mobile	–	1
	1,614	852

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short term employee benefits	**6,204**	6,286
Pension scheme contributions	**372**	336
Total compensation paid to key management personnel	**6,576**	6,622

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

In addition to the key management compensation shown in the above table, during the reporting periods, 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 20 to the interim condensed consolidated financial statements. During the six months ended 30 June 2019, certain key management personnel have agreed to abandon his/her trust benefit units since they have joined the Point Scheme, such that 865,400 target shares (six months ended 30 June 2018: Nil) under the Scheme were cancelled. During the six months ended 30 June 2019, the total amount of the share-based payments relating to the trust benefit units granted to the key management personnel was approximately RMB3,792,000 (six months ended 30 June 2018: RMB11,581,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. 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	
	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*	**30 June 2019 (Unaudited) *RMB'000***	31 December 2018 (Audited) *RMB'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Non-current financial assets	**48,786**	46,170	**48,786**	46,170
Other current financial assets	**223,487**	384,541	**223,487**	384,541
	272,273	430,711	**272,273**	430,711

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. 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 unlisted equity investments classified as financial assets at fair value through profit or loss 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, such as 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 interim condensed 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. 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 30 June 2019 and 31 December 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Correlation of fair value to the input**
Unlisted equity investments	Market approach-valuation multiples	Average P/S multiple of peers	30 June 2019: 4.5x to 9.0x (31 December 2018: 4.2x to 8.8x)	Positive correlation (31 December 2018: positive correlation)
		Discount for lack of marketability	30 June 2019: 18.0% (31 December 2018: 17.0% to 18.0%)	Negative correlation (31 December 2018: negative correlation)
Wealth management products	Discounted cash flow method	Annualized expected yield	30 June 2019: 4.1% to 5.1% (31 December 2018: 4.4% to 5.2%)	Positive correlation (31 December 2018: positive 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. 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 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	Significant observable inputs (Level 2) (Unaudited) *RMB'000*	Significant unobservable inputs (Level 3) (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Financial assets at fair value through profit or loss:				
Non-current financial assets	–	–	48,786	48,786
Other current financial assets	–	–	223,487	223,487
	–	–	272,273	272,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *RMB'000*	Significant observable inputs (Level 2) (Audited) *RMB'000*	Significant unobservable inputs (Level 3) (Audited) *RMB'000*	Total (Audited) *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

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the reporting period, 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 (six months ended 30 June 2018: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had no significant contingent liabilities.

25. APPROVAL OF ISSUANCE OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 16 August 2019.

DEFINITIONS

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

"Board"	the board of directors of the Company
"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
"Chanjet Yunhui"	Beijing Chanjet Yunhui Information Technology Co., Ltd. (北京暢捷雲匯信息技術有限公司), a company with limited liability established in the PRC on 12 April 2019 and a wholly-owned subsidiary of the Company
"Company" or "our Company"	Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed and traded on the Hong Kong Stock Exchange
"Director(s)"	member(s) of the Board, including all executive, non-executive and independent non-executive directors of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
"Employee Trust Benefit Scheme"	the employee trust benefit scheme of the Company adopted on 8 June 2015
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)

DEFINITIONS (CONTINUED)

"H Share(s)"	overseas listed foreign invested ordinary share(s) 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 its shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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. Cai Jingsheng, as a general partner and executive affairs partner, and certain employees and ex-employees of the Company (as limited partners)
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Latest Practicable Date"	23 August 2019, being the latest practicable date for 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
"Mr. Wang"	Mr. Wang Wenjing, the Chairman of the Board, a non-executive Director and the ultimate controlling Shareholder
"MSE(s)"	micro and small scale enterprise(s)

DEFINITIONS (CONTINUED)

"PRC" or "China"	the People's Republic of China and, except where the context otherwise requires, references in this report to the PRC or China do not apply to Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
"Prospectus"	the prospectus of the Company dated 16 June 2014
"Reporting Period"	the six months ended 30 June 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Point Scheme"	the long-term employee incentive point scheme approved and adopted by the Company on 29 March 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holders of the Shares of the Company
"Substantial Shareholder(s)"	has the meaning ascribed to it in the SFO
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"US dollars"	United States dollars, the lawful currency 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 company incorporated in the PRC with limited liability on 18 January 1995, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600588). It is our controlling Shareholder

DEFINITIONS (CONTINUED)

"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
"%"	percent