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暢捷通

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS	2020	2019	Percentage
	RMB'000	RMB'000	Change %
Revenue	509,418	463,402	10
Profit attributable to owners of the parent	33,392	92,418	(64)
Basic earnings per share (RMB)	0.155	0.432	(64)

The board (the “**Board**”) of directors (the “**Directors**”) of Chanjet Information Technology Company Limited (the “**Company**”) recommends the payment of a final dividend of RMB0.08 per share (tax inclusive) for the year ended 31 December 2020 in an aggregate amount of approximately RMB17.37 million (the “**Final Dividend**”). The profit distribution proposal is subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming 2020 annual general meeting (the “**AGM**”).

The Board hereby announces the audited consolidated results of the Company and its subsidiary (collectively referred to as the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	4	509,418	463,402
Cost of sales and services provided	5	<u>(83,434)</u>	<u>463,402</u>
Gross profit		425,984	420,243
Other income and gains	4	73,542	102,354
Research and development costs	5	(161,688)	(138,629)
Selling and distribution expenses		(189,173)	(207,572)
Administrative expenses		(65,280)	(88,585)
Impairment losses on financial assets		(31,110)	–
Other expenses		(23,355)	(1,527)
Finance costs		(1,404)	(722)
Share of profits/(losses) of an associate	9	<u>(3,897)</u>	<u>5,299</u>
Profit before tax	5	23,619	90,861
Income tax credit	6	<u>9,773</u>	<u>1,557</u>
Profit for the year		<u>33,392</u>	<u>92,418</u>
Attributable to:			
Owners of the parent		<u>33,392</u>	<u>92,418</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic (<i>RMB cents</i>)	8	15.5	43.2
Diluted (<i>RMB cents</i>)	8	<u>15.5</u>	<u>43.2</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<u>33,392</u>	<u>92,418</u>
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(192)</u>	<u>(38)</u>
Other comprehensive loss for the year, net of tax	<u>(192)</u>	<u>(38)</u>
Total comprehensive income for the year	<u>33,200</u>	<u>92,380</u>
Attributable to:		
Owners of the parent	<u>33,200</u>	<u>92,380</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		2,300	2,787
Right-of-use assets		5,740	12,480
Intangible assets		21,065	35,554
Investment in an associate	9	57,627	75,034
Equity investments at fair value through profit or loss	10	53,463	54,302
Deferred tax assets		11,514	1,730
Long-term receivables		<u>5,982</u>	<u>6,289</u>
Total non-current assets		<u>157,691</u>	<u>188,176</u>
Current assets			
Inventories		895	1,575
Trade receivables	11	5,184	600
Prepayments, other receivables and other assets		62,734	20,720
Financial assets at fair value through profit or loss	12	102,278	66,921
Cash and bank balances	13	<u>1,281,241</u>	<u>1,319,456</u>
Total current assets		<u>1,452,332</u>	<u>1,409,272</u>
Current liabilities			
Trade payables	14	7,191	1,186
Contract liabilities	15	173,323	186,462
Other payables and accruals	16	97,077	78,462
Lease liabilities		<u>5,599</u>	<u>7,164</u>
Total current liabilities		<u>283,190</u>	<u>273,274</u>
Net current assets		<u>1,169,142</u>	<u>1,135,998</u>
Total assets less current liabilities		<u>1,326,833</u>	<u>1,324,174</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities		
Lease liabilities	304	5,286
Contract liabilities	60,023	–
Long-term liabilities	405	–
	<u>60,732</u>	<u>5,286</u>
Total non-current liabilities	<u>60,732</u>	<u>5,286</u>
Net assets	<u>1,266,101</u>	<u>1,318,888</u>
Equity		
Equity attributable to owners of the parent		
Issued capital	217,182	217,182
Treasury shares held under the employee trust benefit scheme	(28,519)	(34,848)
Reserves	1,077,438	1,136,554
	<u>1,266,101</u>	<u>1,318,888</u>
Total equity	<u>1,266,101</u>	<u>1,318,888</u>

NOTES TO 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 year, the Group was involved in the technical development, consulting, transfer, service and training of computer software, hardware and external devices; the sale of typing paper, computer consumables, computer software and hardware and external devices, and the provision of database service; design, manufacturing, agency and publication of advertisement; internet information service.

In the opinion of the directors of the Company, the holding company of the Company is Yonyou Network Technology Co., Ltd. (“**Yonyou**”), which is incorporated in the PRC, and the ultimate controlling party of the Company is Wang Wenjing.

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

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

Notes:

- (a) The paid-in capital of Chanjet U.S. as at 31 December 2020 was USD10,300,000.
- (b) Chanjet Yunhui was incorporated with registered capital of RMB10,000,000. The paid-in capital of Chanjet Yunhui as at 31 December 2020 was nil.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

NOTES TO FINANCIAL STATEMENTS (*Continued*)

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

2.1 *Basis of preparation (Continued)*

Basis of consolidation (Continued)

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

2.2 *Changes in accounting policies and disclosures*

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> <i>(early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

2.2 Changes in accounting policies and disclosures (Continued)

The nature and the impact of *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below: (Continued)

- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the consolidated statement of financial position and profit or loss.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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

2.2 *Changes in accounting policies and disclosures (Continued)*

The nature and the impact of *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below: *(Continued)*

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Software business segment engages in the sales of software, and the provision of PCS; and
- Cloud service business segment engages in the rendering of cloud services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, research and development costs, selling and distribution expenses, administrative expenses, impairment losses on finance assets, other expenses, financial costs, as well as share of profits and losses of an associate are excluded from such measurement.

Segment assets and liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020

	Software business RMB'000	Cloud service business RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	270,243	239,175	509,418
Segment cost (note 5)			
Cost of sales	(16,943)	(66,491)	(83,434)
Segment results	253,300	172,684	425,984
<i>Reconciliation:</i>			
Other income and gains			73,542
Research and development costs			(161,688)
Selling and distribution expenses			(189,173)
Administrative expenses			(65,280)
Impairment losses on financial assets			(31,110)
Other expenses			(23,355)
Finance costs			(1,404)
Share of losses of an associate			(3,897)
			<hr/>
Profit before tax			<u><u>23,619</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019

	Software business RMB'000	Cloud service business RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	317,404	145,998	463,402
Segment cost (note 5)			
Cost of sales	(12,588)	(30,571)	(43,159)
Segment results	304,816	115,427	420,243
<i>Reconciliation:</i>			
Other income and gains			102,354
Research and development costs			(138,629)
Selling and distribution expenses			(207,572)
Administrative expenses			(88,585)
Other expenses			(1,527)
Finance costs			(722)
Share of profits of an associate			5,299
Profit before tax			<u>90,861</u>

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 FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers		
Sales of products	297,646	298,350
Rendering of services	210,810	163,954
Sale of purchased goods	962	1,098
	<u>509,418</u>	<u>463,402</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2020

<u>Segments</u>	Software business <i>RMB'000</i>	Cloud service business <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sales of products	207,326	90,320	297,646
Rendering of services	61,955	148,855	210,810
Sale of purchased goods	962	–	962
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Total revenue from contracts with customers			
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Geographical market			
Mainland China	270,243	239,175	509,418
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Total revenue from contracts with customers			
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Timing of revenue recognition			
Goods/services transferred at a point in time	208,288	120,324	328,612
Services transferred over time	61,955	118,851	180,806
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Total revenue from contracts with customers			
	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

<u>Segments</u>	Software business RMB'000	Cloud service business RMB'000	Total RMB'000
Types of goods or services			
Sales of products	235,706	62,644	298,350
Rendering of services	80,600	83,354	163,954
Sale of purchased goods	1,098	–	1,098
Total revenue from contracts with customers	<u>317,404</u>	<u>145,998</u>	<u>463,402</u>
Geographical market			
Mainland China	<u>317,404</u>	<u>145,998</u>	<u>463,402</u>
Total revenue from contracts with customers	<u>317,404</u>	<u>145,998</u>	<u>463,402</u>
Timing of revenue recognition			
Goods/services transferred at a point in time	236,804	62,644	299,448
Services transferred over time	80,600	83,354	163,954
Total revenue from contracts with customers	<u>317,404</u>	<u>145,998</u>	<u>463,402</u>

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

<u>Segments</u>	Software business RMB'000	Cloud service business RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>
Total revenue from contracts with customers	<u>270,243</u>	<u>239,175</u>	<u>509,418</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

<u>Segments</u>	Software business <i>RMB'000</i>	Cloud service business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	<u>317,404</u>	<u>145,998</u>	<u>463,402</u>
Total revenue from contracts with customers	<u><u>317,404</u></u>	<u><u>145,998</u></u>	<u><u>463,402</u></u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	<u><u>84,553</u></u>	<u><u>72,358</u></u>

(ii) Performance obligations

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

Sales of products

The performance obligation is satisfied upon delivery of products and payment in advance is normally required. No contract provides customers with a right of return which gives rise to variable consideration subject to constraint.

Rendering of services

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

NOTES TO FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

The amounts of contract liabilities included in the current portion is approximately RMB173,323,000 (2019: RMB186,462,000). The amounts expected to be recognised as revenue within one year are affected when the end customer starts to use.

An analysis of other income and gains is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Value-added tax refunds	29,216	35,879
Government grants	1,779	1,130
Interest income	31,495	36,094
Others	567	–
	<u>63,057</u>	<u>73,103</u>
Gains		
Gains on disposal of financial investments	–	5,512
Financial assets at fair value through profit or loss	(9,958)	(18,291)
Exchange gains, net	–	3,472
Others	527	1,976
	<u>10,485</u>	<u>29,251</u>
	<u><u>73,542</u></u>	<u><u>102,354</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Cost of software sold		5,671	4,733
Cost of services provided		77,311	37,965
Cost of purchased goods sold		452	461
		<hr/>	<hr/>
Total cost of sales		83,434	43,159
		<hr/> <hr/>	<hr/> <hr/>
Depreciation of property, plant and equipment		1,345	1,253
Depreciation of right-of-use assets		6,913	7,064
Amortisation of intangible assets (<i>note 1</i>)		14,980	29,251
Lease payments not included in the measurement of lease liabilities		2,343	3,229
Research and development costs (<i>note 2</i>)		161,688	138,629
Auditor's remuneration		1,460	2,915
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):			
Wages and salaries		298,510	282,591
Equity-settled share-based payment expense		174	5,649
Pension scheme contributions		17,119	26,464
		<hr/>	<hr/>
		315,803	314,704
		<hr/> <hr/>	<hr/> <hr/>
Foreign exchange differences, net	4	8,415	(3,472)
Impairment of an investment in an associate	9	13,510	–
Impairment of financial assets, net		31,110	–
Financial assets at fair value through profit or loss	4	(9,958)	(18,291)

Note 1: During the year ended 31 December 2020, amortisation of intangible assets of approximately RMB7,354,000 (2019: RMB7,532,000) is included in "Cost of sales and services provided" in the consolidated statement of profit or loss.

Note 2: During the year ended 31 December 2020, research and development costs of approximately RMB150,609,000 (2019: RMB135,691,000) were included in employee benefit expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. INCOME TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax	11	–
Deferred tax	<u>(9,784)</u>	<u>(1,557)</u>
Total tax credit for the year	<u><u>(9,773)</u></u>	<u><u>(1,557)</u></u>

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Company for the years ended 31 December 2019 and 2020.

The Company was subject to income tax at the rate of 15% as a qualified high and new technology enterprise and entitled to deduct qualifying research and development expense from taxable profit during the years ended 31 December 2019 and 2020.

The subsidiary incorporated in the United States was subject to income tax at the rate of 21% for the years ended 31 December 2019 and 2020.

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

2020	Mainland		USA		Total	
	China <i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit/(loss) before tax	24,196		(577)		23,619	
Tax at the applicable tax rate	6,049	25.0	(121)	21.0	5,928	25.1
Effect of different income tax rates (<i>note 1</i>)	6,523	27.0	–	–	6,523	27.6
Effect of tax incentives (<i>note 2</i>)	(27,012)	(111.6)	–	–	(27,012)	(114.3)
Losses attributable to an associate	974	4.0	–	–	974	4.1
Expenses not deductible for tax (<i>note 3</i>)	3,682	15.2	11	(1.9)	3,693	15.6
Tax losses and deductible temporary differences not recognised	<u>–</u>	<u>–</u>	<u>121</u>	<u>(21.0)</u>	<u>121</u>	<u>0.5</u>
Tax credit at the Group's effective rate	<u><u>(9,784)</u></u>	<u><u>(40.4)</u></u>	<u><u>11</u></u>	<u><u>(1.9)</u></u>	<u><u>(9,773)</u></u>	<u><u>(41.4)</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

6. INCOME TAX (Continued)

2019	Mainland China		USA		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	93,435		(2,574)		90,861	
Tax at the applicable tax rate	23,359	25.0	(541)	21.0	22,818	25.1
Effect of different income tax rates (note 1)	980	1.0	-	-	980	1.1
Effect on opening deferred tax of increase in rates	(87)	(0.1)	-	-	(87)	(0.1)
Effect of tax incentives (note 2)	(25,622)	(27.4)	-	-	(25,622)	(28.2)
Profits attributable to an associate	(1,325)	(1.4)	-	-	(1,325)	(1.5)
Expenses not deductible for tax (note 3)	1,138	1.2	-	-	1,138	1.3
Tax losses and deductible temporary differences not recognised	-	-	541	(21.0)	541	0.6
Tax credit at the Group's effective rate	<u>(1,557)</u>	<u>(1.7)</u>	<u>-</u>	<u>-</u>	<u>(1,557)</u>	<u>(1.7)</u>

Notes:

- (1) The effect of different income tax rates represented the reduced amount of tax payment due to income tax exemption in the year. The Company was subject to a 15% income tax rate for the years ended 31 December 2019 and 2020.
- (2) The effect of tax incentives represented income tax benefits on research and development expenditure. High-technology enterprises were also entitled to deduct qualifying research and development expenses from taxable profits.

During each of the years of 2019 and 2020, upon approval, the Company was entitled to an additional 75% of deduction of research and development expenditure for tax declaration.
- (3) The expenses not deductible for tax mainly comprised entertainment expenses exceeding the deductible limit and non-deductible share-based payment expenses and other non-qualified deductible expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Proposal final dividend – RMB0.08 (2019: RMB0.40) per ordinary share	<u>17,375</u>	<u>86,873</u>

The proposed final dividend for 2020 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The final 2019 and 2020 dividend declared attributable to the forfeited shares held by the trustees under the Employee Trust Benefit Scheme will be collected by the Group when the Employee Trust Benefit Scheme expires and the trust is liquidated.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 214,837,788 (2019: 213,688,609) in issue during the year, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the Employee Trust Benefit Scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The calculations of basic and diluted earnings per share are based on:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent	33,392	92,418
Adjustment of the dividend for the holders of target shares estimated to be vested under the The Employee Trust Benefit Scheme	—	(190)
Adjusted profit attributable to ordinary equity holders of the parent	<u>33,392</u>	<u>92,228</u>

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	214,837,788	213,688,609
Effect of dilution – weighted average number of ordinary shares	—	459,292
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<u>214,837,788</u>	<u>214,147,901</u>

9. INVESTMENT IN AN ASSOCIATE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Share of net assets	71,137	75,034
Provision for impairment	<u>(13,510)</u>	—
	<u>57,627</u>	<u>75,034</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

9. INVESTMENT IN AN ASSOCIATE (Continued)

Particulars of the material associate is as follows:

Name	Nominal value of registered share capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Chanjet Payment	RMB 200,000,000	Beijing, China	19.28	Internet payment, bank card receipt and technical development

The Group's shareholding in the associate comprise equity shares held by the Company.

The amounts of current assets, non-current assets, current liabilities and net assets as at 31 December 2020 of Chanjet Payment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements were RMB507,687,000 (2019: RMB900,555,000), RMB4,276,000 (2019: RMB8,141,000), RMB381,467,000 (2019: RMB758,686,000) and RMB130,495,000 (2019: RMB150,010,000), respectively.

As at 31 December 2020, the Group's share of net assets of Chanjet Payment was RMB25,024,000 (2019: RMB28,922,000) and the carrying amount of the investment after the fair value adjustments made at the time of disposal was RMB57,627,000 (2019: RMB75,034,000).

The amount of revenue for the year ended 31 December 2020 of Chanjet Payment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements was RMB744,821,000 (2019: RMB650,510,000).

The share of Chanjet Payment's losses and total comprehensive losses for the year ended 31 December 2020 were RMB3,897,000 and RMB3,897,000, respectively.

The share of Chanjet Payment's profits and total comprehensive profits for the year ended 31 December 2019 were RMB5,299,000 and RMB5,299,000, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Unlisted equity investments, at fair value		
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership)	26,653	28,816
Yonyou Mobile Telecommunications Technology Service Co., Ltd.	25,246	23,535
Xi'an Rongke Telecommunications Technology Co., Ltd.	<u>1,564</u>	<u>1,951</u>
	<u>53,463</u>	<u>54,302</u>

The above equity investments as at 31 December 2020 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	5,184	600
Impairment	<u>–</u>	<u>–</u>
	<u>5,184</u>	<u>600</u>

Only a very small portion of the Group's customers could enjoy the credit policy and the average trade credit period is approximately 90 days. Other customers are required to make payments in advance. 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	5,184	46
90 days to 180 days	–	94
Over 180 days	<u>–</u>	<u>460</u>
	<u>5,184</u>	<u>600</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

11. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000
At beginning of the year	–
Impairment losses	(472)
Amount written off as uncollectible	<u>472</u>
At end of year	<u>–</u>

As at 31 December 2019, there were no impairment and written-off of trade receivables.

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 <i>RMB'000</i>
Wealth management products	<u>102,278</u>	<u>66,921</u>

The Group purchases various wealth management products issued by banks in Mainland China. As at 31 December 2020, the Group purchased wealth management products with the cost of RMB100,000,000 (2019: RMB65,000,000) 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The details and breakdown of each of the financial assets at fair value through profit or loss as at the 31 December 2020 are as follows:

Name of bank	Nature of products	Commencement date	Expiry date	Principal amount of deposit investment <i>RMB'000</i>	Carrying value <i>RMB'000</i>
Bank of Construction	Structured deposits	11 May 2020	11 May 2021	70,000	71,210
Bank of Communications	Structured deposits	13 January 2020	14 January 2021	30,000	31,068
				100,000	102,278

The details and breakdown of the financial assets at fair value through profit or loss as at the 31 December 2019 are as follows:

Name of bank	Nature of products	Commencement date	Expiry date	Principal amount of deposit investment <i>RMB'000</i>	Carrying value <i>RMB'000</i>
ZheShang Bank	Structured deposits	19 April 2019	19 April 2020	65,000	66,921
				65,000	66,921

NOTES TO FINANCIAL STATEMENTS (Continued)

13. CASH AND BANK BALANCES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash on hand	36	10
Bank balances	226,648	104,330
Time deposits	1,074,599	1,215,116
Cash equivalent	<u>10,350</u>	<u>–</u>
	<u>1,311,633</u>	<u>1,319,456</u>
Provision for impairment	<u>(30,392)</u>	<u>–</u>
Cash and bank balances	1,281,241	1,319,456
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(650,771)	(453,499)
Cash and bank balances restricted from being used	(316,311)	(340,547)
Interest receivables	(18,876)	(12,862)
Add: Cash equivalents as stated in prepayments, other receivables and other assets	<u>–</u>	<u>4,860</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u><u>295,283</u></u>	<u><u>517,408</u></u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

13. CASH AND BANK BALANCES (Continued)

Cash and bank balance included deposits placed with Baoshang Bank Co., Ltd. (“**Baoshang Bank**”), details as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Guaranteed (<i>note 1</i>)	316,311	310,150
Non-guaranteed (<i>note 2</i>)	<u>30,392</u>	<u>30,397</u>
Total balance	<u>346,703</u>	<u>340,547</u>
Provision for impairment (<i>note 2</i>)	<u>(30,392)</u>	–
Net balance	<u><u>316,311</u></u>	<u><u>340,547</u></u>

Note 1: The deposits were guaranteed by the People’s Bank of China (the “**PBoC**”), China Banking and Insurance Regulatory Commission and Deposit Insurance and Fund Management Company Limited shortly subsequent to the took over of Baoshang Bank by various government authorities in May 2019. Such guaranteed deposits are not available for the Company’s use until the completement of the transition of the deposits from Baoshang Bank to Huishang Bank Co., Ltd. and Mengshang Bank Co., Ltd..

Note 2: Pursuant to the above takeover arrangement, the non-guaranteed deposits shall participate in subsequent compensation claim in accordance with laws. Subsequently, in August 2020, the PBoC announced that Baoshang Bank will go into bankruptcy and in November 2020, Baoshang Bank entered into liquidation process. Hence, full impairment provision of RMB30,392,000 was made against the non-guaranteed deposits placed with Baoshang Bank as at 31 December 2020. The non-guaranteed deposits are not available for the Company’s use until the completement of the liquidation.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	1,142,938	1,173,833
HK\$	132,144	138,675
US\$	<u>6,159</u>	<u>6,948</u>
	<u><u>1,281,241</u></u>	<u><u>1,319,456</u></u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

14. TRADE PAYABLES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	5,837	813
90 days to 1 year	1,120	225
Over 1 year	<u>234</u>	<u>148</u>
	<u>7,191</u>	<u>1,186</u>

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

15. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Rendering of services	<u>233,346</u>	<u>186,462</u>
Analysed into:		
Current portion	173,323	186,462
Non-current portion	<u>60,023</u>	<u>–</u>

Contract liabilities include advances received from the rendering of services.

16. OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Tax payable (other than income tax)	16,661	15,761
Staff payroll and welfare payables (<i>note</i>)	51,852	47,035
Advances from customers	12,139	4,983
Other payables	<u>16,425</u>	<u>10,683</u>
	<u>97,077</u>	<u>78,462</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

16. OTHER PAYABLES AND ACCRUALS (Continued)

Note:

Point Scheme

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 to become effective have been satisfied, the number of points will become 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 instalments of 30%, 30% and 40% in cash.

On 29 March 2019, the board of directors approved the 2019 initial grant of the points to 94 designated participants pursuant to the Point Scheme, under which a total of 59,725 points were granted.

On 6 December 2019, the board of directors has considered and approved the 2019 supplemental grant of the points to three designated participants pursuant to the Point Scheme, under which a total of 2,400 points were granted.

On 30 March 2020, the board of directors has considered and approved a total of 60,655 points granted under the 2019 initial point grant and the 2019 supplemental point grant became effective.

On 25 May 2020, the board of directors has considered and approved the 2020 initial grant of the points to 104 designated participants pursuant to the Point Scheme, under which a total of 48,641 points were granted.

On 28 December 2020, the board of directors has considered and approved the 2020 supplemental grant of the points to three designated participants pursuant to the Point Scheme, under which a total of 534 points were granted.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

16. OTHER PAYABLES AND ACCRUALS *(Continued)*

Note: (Continued)

Point Scheme *(Continued)*

On 28 December 2020, in light of the adoption of the 2020 Employee Share Ownership Scheme and the 2020 long-term incentive bonus scheme by the Company, the board of directors has considered and approved the cancellation of the granting of points to the participants in 2021. The cancellation will not affect the validity of the points granted pursuant to the Point Scheme.

During the year ended 31 December 2020, the total amount of employee benefit expenses recognised in profit or loss under the Point Scheme was RMB13,399,000 (2019: RMB3,156,000).

Bonus Scheme

On 28 December 2020, the board of directors approved the adoption of the long-term incentive bonus scheme (the “**Bonus Scheme**”) to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company.

The appraisal dates are the first working day after the expiry of the second anniversary, third anniversary and fourth anniversary of the date of determination of the Bonus Scheme participants. Subject to the satisfaction of the appraisal conditions, the Bonus Scheme participants shall receive the bonus. The bonus shall be paid in three tranches within three months after the respective appraisal date.

On 28 December 2020, the board of directors has considered and approved the list of the Bonus Scheme participants under the Bonus Scheme, which comprises Mr. Yang Yuchun, the executive director and the president of the Company, and 157 members of other mid to senior level management personnel, experts and key personnel of the Group.

During the year ended 31 December 2020, the total amount of the long-term incentive bonus expenses recognised in profit or loss under the Bonus Scheme was RMB447,000.

As at 31 December 2020, the carrying amount of staff payroll payables relating to the Bonus Scheme was RMB405,000, which was included in the long-term liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Development Trend of the Industry

During the Reporting Period, the operations of micro and small scale enterprises (“MSEs”) were impacted by the novel coronavirus (COVID-19) epidemic (the “Epidemic”). The government of the People’s Republic of China (the “PRC”) provided many policy preferences and support for MSEs, including various reduction and exemption measures for income tax, value-added tax and social insurance, as well as supporting policies on financial loans, which played a positive role in helping MSEs to rapidly recover production. Concurrently, the Epidemic also promoted cloud adoption by MSEs to carry out business and management. Financial software further transformed to an online invoice, finance and taxation processing mode in the form of SaaS. Online business operation became a hot spot for MSEs owners.

During the Reporting Period, many local government departments in China introduced subsidy policies to encourage MSEs to adopt cloud technology, and it was a general trend for MSEs to run their business online and conduct digital intelligent operation. China’s series of policies and measures regarding the reform of invoice electrification and tax payment facilitation have laid the foundation for the development of digital intelligent finance and taxation in terms of the external environment. The Announcement on Issues Concerning the Implementation of Value-Added Tax Invoice Electrification for New Taxpayers (《關於在新辦納稅人中實行增值稅專用發票電子化有關事項的公告》) issued by the State Administration of Taxation is conducive to the further popularization of financial accounting electrification of enterprises and will also help enterprises to better carry out financial analysis, strengthen the management of funds and supply chain, and help enterprises improve business decision-making. The Notice on Standardizing the Reimbursement, Accounting and Filing of Electronic Accounting Vouchers (《關於規範電子會計憑證報銷入賬歸檔的通知》) jointly formulated and issued by the Ministry of Finance and the National Archives Administration regulates the accounting, reimbursement, and filing of electronic accounting vouchers. The State Administration of Taxation and other 13 departments have jointly issued the Notice on Several Measures to Promote the Reform of Facilitating Tax Payments and Optimizing the Taxation Business Environment (《關於推進納稅繳費便利化改革優化稅收營商環境若干措施的通知》) to steadily promote the reform of invoice electrification, accelerate tax processing, increase efficiency, and reduce burdens. The above-mentioned policies are conducive to increasing the demand of MSEs for integrated digital intelligent finance and taxation SaaS products, accelerating the cloud adoption by MSEs, and providing key assistance to rapidly replace traditional financial software by digital intelligent finance and taxation SaaS products.

According to statistics from the National Bureau of Statistics, in 2020, 25.02 million of new market entities were established nationwide, and there were over 140 million market entities of different types with an average of 22,000 new enterprises established daily, which provides the Group with a broad market development space.

The above-mentioned industry development trends have played a positive role in further promoting the rapid development of the cloud service business of the Group in a sustained way.

Major Risks and Uncertainties

In respect of industry competition, while the Epidemic has increasingly promoted the market of enterprise cloud service, the market competition has become more intense. The Group will leverage on its in-depth understanding of MSEs cloud service and the leading foundation of its SaaS products, through benchmarking foreign advanced finance and taxation SaaS companies, to continuously deepen the development of digital intelligent finance and taxation products and business innovation, continuously improve the product system in the fields of new retail and new commerce, and strengthen the development of diversified channels as a way to actively respond to industry challenges.

In respect of human resources, the competition for mid-to-high-end research and development (“**R&D**”) and online operation professionals for MSEs cloud services was further intensified, and personnel costs continued to increase. The Group will continue to introduce outstanding talents in the cloud service business, and through enhancing employer brand and culture building, implement long-term incentive measures such as the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme to attract external talents and retain internal talents.

Principal Business and Operating Conditions

1. Development of cloud service business

During the Reporting Period, the Group devoted more resources to advance the development of cloud service business, continued to innovate products application and operate customers in an ecological way. During the Reporting Period, the Group’s cloud service business added 60,000 paying enterprise users, representing a year-on-year increase of 35%; as at the end of the Reporting Period, the accumulated paying enterprise users reached 217,000.

During the Reporting Period, the number of channel partners of the Group increased from nearly 1,500 to more than 2,000, the Group is committed to transform to cloud service business with its channel partners, and more than 80% of traditional channel partners have transformed to carry out the sales and value-added services of cloud service products. The Group joined hands with its channel partners in initiating live streaming activities such as “Ten Years Cloud Series” Live Streaming Event (「十年•雲起」系列直播活動) and marketing events such as “Settlement and Payment of Enterprise Income Tax (企業所得稅匯算清繳)”, “520 I Love MSEs (520我愛小微企業)”, “Clouds in the Cities (雲動百城)”, “13th Accounting Cultural Festival”. In terms of ToB, the Group carried out live streaming sales, adopted live streaming to conduct various operational activities, and established purchase link between products and customers by virtue of Internet live streaming, thus initiating a new online marketing model in the light of enterprise services. A total of 11 livestreams were made, during which, the customers’ direct online purchase order amount was more than RMB15 million. The maximum number of viewers on a single stream for corporate services exceeded 270,000, and the highest record of transaction amount in a single livestream broke through RMB4.00 million, greatly enriching the online operation means and effectively boosting product sales.

During the Reporting Period, the Group established a new marketing model via the mobile Internet new media platform in a proactive manner. On the one hand, it continuously expanded the content dissemination volume of Chanjet WeChat official account marketing matrix and strengthened the brand dissemination; on the other hand, it actively sought the self-media platform and seized the opportunity changing content consumption from graphic era to video era, and laid out the short video dissemination matrix of Chanjet cloud service in WeChat Channels, TikTok, Kuaishou, etc. to realize multi-channel online marketing. Operation plans were formulated based on customer scenarios, customer needs and product highlights, and view counts of short videos exceeded one million times. Also, the Group conducted joint operations with over 300 channel partners to enhance the online operation capabilities of partners; QR code, which is convenient for customers for online purchase, was adopted in offline activities. Business opportunities of customers were integrated with the transformation of online sales, which improved the conversion rate of payment. Catering to the changes in user consumption in the new retail market and the business development needs of MSEs, the Group launched a thousand live streaming support plan for MSEs, helping customers to build a new online live-streaming marketing model and to invigorate customer business upgrading.

(1) *Chanjet Good Accountant*

Chanjet Good Accountant, launched by the Group in 2016, is a new type of intelligent financial and taxation SaaS product targeting the integration of invoices, finance and taxes. It has the characteristics of automatic invoice collection, intelligent bill identification, intelligent bookkeeping, intelligent checkout, tax form generation and one-click declaration, which has a leading position in industry application and technology development.

During the Reporting Period, a series of policies related to electronic invoices were announced, which greatly promoted the large-scale development of this product. According to the policies, the whole process of electronic invoicing, receipt, inspection, reimbursement, accounting, statements, reporting, filing shall be online and automated, and the interconnection of government, enterprise and personal data shall be realized. It helps accountants to effectively apply policy compliance, and also improves the internal and external synergy efficiency of MSEs finance and suppliers, customers and employees. Chanjet Good Accountant has built five open docking modes including invoice, tax declaration, voucher, banks and consumption platforms, swiftly cooperating with invoice merchants, tax merchants, industry SaaS service providers, banks and consumption platforms, which not only enhanced the overall competitiveness of products, but also further intensified the occupation and inflow of ecological cooperation.

During the Reporting Period, regarding its operational strategy, the Group reinforced external ecological cooperation for ecological integrating and to be integrated with Internet platform manufacturers, telecom operators, tax service providers and banks, to realize product co-creation. The Group actively cooperated with financial and taxation industry communities, training institutions and financial and taxation service providers, and accelerated market coverage and penetration. Combining the advantages of its products, the courses of Chanjet reimbursement, Chanjet invoice holder, Chanjet tax inquiry and live finance and taxation were launched in a timely manner, thereby helping accounting practitioners to improve ability and work efficiency, getting close to customer application scenarios and enhancing customer loyalty.

(2) *T+Cloud*

T+Cloud, with a deep product and customer base in the financial and supply chain fields, is a SaaS product integrating “Personnel, Finance, Commodity and Customer” launched by the Group for MSEs in trade and industry.

During the Reporting Period, considering the changes in policies, technologies, markets and customer needs, T+Cloud launched new upgraded products on the basis of new fiscal and taxation policies, new commerce and new retail. In finance and taxation, the whole online financial application integrating business, invoice, finance, tax and archives was launched by combining with the electronic invoice. In terms of new commerce, according to customers’ demand for online business and intelligent and precise operation, the Group launched online business operation functions such as online ordering, live-streaming sale, precise operation of customers and so on, and improved the efficiency of back-end supply chain via ecological cooperation between warehousing and logistics. In the light of new retail, the Group launched an online and offline integrated retail model. Traditional retailers could realize online connection, promotion reach, multi-faceted transformation and continuous operation of the members through T+Cloud, which helps businesses expand from offline store management to integrated operation mode including traditional e-commerce, video e-commerce and private domain mall. The extension of new commerce and new retail to front-end marketing has activated T+Cloud products, and provided online and offline integration, front-end and back-end integration operation management mode for traditional enterprises to realize online operation, which poses a product competitive advantage compared with the single mode of online or offline management.

During the Reporting Period, under the current complex economic environment and the increasingly refined management of MSEs, T+Cloud implemented a digital intelligent business model from “Personnel, Finance, Commodity and Customer”. “Personnel”: achieving refined internal accounting and fully initiating the internal potential of MSEs via the partner management function; “Finance”: helping enterprises to improve their operations and enhance their profitability via multi-dimensional profit analysis of enterprise sub-departments, commodity categories and customer; “Commodity”: optimizing the business strategy of commodities exchange, distribution, elimination and promotion via the refined analysis of commodities; “Customer”: effectively realizing the corresponding strategies of valuable customer management, customer repurchase and growth, and retain lost customer via customer stratification and one-to-one intelligent management.

(3) *Chanjet Good Business*

Chanjet Good Business is an integrated SaaS product, which targets micro commercial enterprises finding business, doing business and managing business.

During the Reporting Period, Chanjet Good Business actively expanded its online operation capability in response to the demands of micro commercial customers for online business brought by the Epidemic. For wholesale enterprises, the Group launched Good Business Wang Pu Version (好生意旺鋪版). Good Business Wang Pu Version (好生意旺鋪版) has its unique product advantages on quick set up of online stores, remote customer operation, customer self-service ordering, promotion ordering and integrated management of back-end purchase-sale-stock, so as to help MSEs to do business online in a “contactless” manner and reduce the adverse effects brought by the Epidemic. To satisfy customers’ desire to find business through platform e-commerce, video e-commerce and micro-partner mode, the Group launched Good Business Micro-mall Version (好生意微商城版) and Good Business E-commerce Version (好生意電商版) to provide online marketing services for traditional enterprises to transform into online development partners, conduct disintegration of distribution and community group purchase, and help traditional enterprises realize online sales through e-commerce platforms such as Taobao, JD.com, TikTok and Kuaishou.

During the Reporting Period, Chanjet Good Business launched a software and hardware integrated product Kaidanbao (開單寶) and PDA billing management integrated machine for the low-end market, which made customers can quickly familiarize with the operation without initialization, reduced the sales difficulty and accelerated the large-scale development of customers. Meantime, it provides a fast delivery mode of intelligent “data moving (數據搬家)”, promoting the traditional software products customers to use SaaS products.

During the Reporting Period, Chanjet Good Business, under the basic principle of facilitating “customer success”, enables its partners with operational service capability and customers with online operation capability in an all-around way. While community marketing and live-streaming sales, supported by Good Business Wang Pu and Micro-mall, effectively help MSEs build and operate exclusive customer pools, realize continuous customer acquisition and transformation, and accelerate the digital intelligent upgrading of MSEs.

(4) *Chanjet Intelligent+*

During the Reporting Period, the Group launched Chanjet Intelligent+, a data-driven and marketing-based business-and-financial-integrated intelligent cloud service new product. Taking MSEs in commerce and trade circulation as the main target customers, Intelligent+ is focused on the operation of customers and through online intelligent marketing and business-and-financial-integrated intelligent management, it enables MSEs to realise “precision marketing, fast trading and clear finance”. Intelligent+ can help MSEs strengthen their customer acquisition capacity, enhance the repeat purchase rate, reduce staff costs and improve management efficiency.

(5) *Chanjet Easy Accounting Agent*

During the Reporting Period, Chanjet Easy Accounting Agent launched version V4.0 in an all-round way, which is characterized by ecologicalization, intellectualization, professionalization and individualization. Among which, ecologicalization is mainly to develop synergy with industry and commerce, banks, tax merchants and Internet platforms; intellectualization is mainly to upgrade the automation degree of intelligent bills, intelligent bookkeeping, intelligent taxation and intelligent archive printing; professionalization is mainly to build a fiscal and taxation risk control system and a whole process monitoring system for account service under the relevant requirements of national big data risk control; and individualization is mainly to enhance the layered management of customers. The launch of this version is conducive to further promoting the intelligent development of the account agency service industry.

2. *Development of software business*

During the Reporting Period, in order to realize our business strategy of developing software business with efficiency, the Group integrated traditional software with digital intelligent cloud service capability, to help traditional software customers obtain the habit of using cloud service, and facilitate the cloud integration and usage. The “cloud plus terminal” service of software products helps traditional software customers to realize the expansion of software application scope in data security, remote collaboration and other fields, improves internal collaboration efficiency and data security, promotes the transformation of digital intelligent operation and management of software customers.

As at the end of the Reporting Period, the accumulated enterprise users of software business of the Group exceeded 1.71 million.

3. *Development of brand and market*

During the Reporting Period, Chanjet Good Accountant in cloud finance and T+Cloud in cloud ERP market both ranked first in terms of market coverage rate according to 2020 Special Analysis on Cloud Services Market for MSEs in China (《中國小微企業雲服務市場專題分析2020》) released by Analysys (易觀). Also, Chanjet ranked first in the comprehensive strength of cloud service providers which were transformed from traditional financial software.

During the Reporting Period, the Company was honored as “No. 1 for Customer Satisfaction in Cloud Finance Market of MSEs” at 2020 China IT User Satisfaction Conference hosted by CCW Research and guided by the National Research Center for Industrial Information Security Development. Chanjet was honored as the “Most Influential Brand in 2020 Chinese MSEs SaaS Cloud Service” at the International Sci-Tech Innovation Festival & Global Digital Conference; Chanjet Good Business was honored as the “Innovation Leading Product in 2020 Chinese MSEs SaaS Cloud Purchase-Sale-Stock” at 2020 China SaaS Excellent Enterprise and Product Selection jointly launched by China Software Industry Association, SOFT6.COM and HaPi Research.

FINANCIAL REVIEW

	For the year ended		Change in amount	Percentage change
	31 December 2020	2019		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	509,418	463,402	46,016	10
Cost of sales and services provided	(83,434)	(43,159)	(40,275)	93
Gross profit	425,984	420,243	5,741	1
Gross profit margin	84%	91%	(7)%	
Other income and gains	73,542	102,354	(28,812)	(28)
R&D costs	(161,688)	(138,629)	(23,059)	17
Selling and distribution expenses	(189,173)	(207,572)	18,399	(9)
Administrative expenses	(65,280)	(88,585)	23,305	(26)
Impairment losses of financial assets	(31,110)	–	(31,110)	N/A
Other expenses	(23,355)	(1,527)	(21,828)	1,429
Financial costs	(1,404)	(722)	(682)	94
Share of profits/(losses) of an associate	(3,897)	5,299	(9,196)	(174)
Profit before tax	23,619	90,861	(67,242)	(74)
Income tax credit	9,773	1,557	8,216	528
Profit for the year	<u>33,392</u>	<u>92,418</u>	<u>(59,026)</u>	(64)
Attributable to:				
Owners of the parent	<u>33,392</u>	<u>92,418</u>	<u>(59,026)</u>	(64)

Operating Results

During the Reporting Period, the Group recorded revenue of RMB509.42 million, representing an increase of 10% as compared to last year, mainly due to the revenue from cloud service business of RMB239.18 million, representing an increase of 64% as compared to last year. The Group recorded profit for the year of RMB33.39 million, representing a decrease of 64% as compared to last year. Profit attributable to owners of the parent was RMB33.39 million, representing a decrease of 64% as compared to last year, mainly due to the additional R&D expenses of RMB23.06 million, and the provision for impairment of RMB30.39 million in respect of the Group's unsecured principal and interests in Baoshang Bank which shall participate in subsequent compensation claim in accordance with laws. The basic earnings per share of the Group was RMB0.155, representing a decrease of 64% as compared to last year.

Revenue

For the year ended 31 December 2020, the revenue of the Group was RMB509.42 million, representing an increase of 10% as compared to last year. In particular, revenue from software business was RMB270.24 million, representing a decrease of 15% as compared to last year; and revenue from cloud service business was RMB239.18 million, representing an increase of 64% as compared to last year, and its proportion of revenue of the Group increased to 47%.

The following table sets forth a breakdown of revenue of the Group by operating segment:

	For the year ended 31 December				Change in amount RMB'000	Percentage change %
	2020		2019			
	RMB'000	%	RMB'000	%		
Software business	270,243	53	317,404	68	(47,161)	(15)
Cloud service business	239,175	47	145,998	32	93,177	64
Revenue	<u>509,418</u>	<u>100</u>	<u>463,402</u>	<u>100</u>	<u>46,016</u>	<u>10</u>

Cost of Sales and Services Provided

For the year ended 31 December 2020, the Group's cost of sales and services provided was RMB83.43 million, representing a year-on-year increase of 93%, mainly due to the increase in direct sales and promotion costs of cloud service business.

The following table sets forth a breakdown of cost of sales and services provided of the Group by operating segment:

	For the year ended 31 December				Change in amount RMB'000	Percentage change %
	2020		2019			
	RMB'000	%	RMB'000	%	RMB'000	%
Software business	16,943	20	12,588	29	4,355	35
Cloud service business	<u>66,491</u>	<u>80</u>	<u>30,571</u>	<u>71</u>	<u>35,920</u>	<u>117</u>
Cost of sales and services provided	<u>83,434</u>	<u>100</u>	<u>43,159</u>	<u>100</u>	<u>40,275</u>	<u>93</u>

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the Group achieved a gross profit of RMB425.98 million, representing an increase of 1% as compared to last year. The gross profit margin of the Group was 84%, representing a decrease of 7 percentage points as compared to last year for the whole gross profit margin, mainly attributable to the increase in the portion of revenue from cloud service business and the decrease in gross profit margin from cloud service business; of which, the gross profit margin of software business was 94% and the gross profit margin of cloud service business was 72%, the gross profit margin of cloud service business represented a decrease of 7 percentage points as compared to last year, mainly attributable to the increase in direct sales and promotion costs of cloud service business.

The following table sets forth a breakdown of gross profit of the Group by operating segment:

	For the year ended 31 December				Change in amount RMB'000	Percentage change %
	2020		2019			
	RMB'000	%	RMB'000	%	RMB'000	%
Software business	253,300	59	304,816	73	(51,516)	(17)
Cloud service business	<u>172,684</u>	<u>41</u>	<u>115,427</u>	<u>27</u>	<u>57,257</u>	<u>50</u>
Gross profit	<u>425,984</u>	<u>100</u>	<u>420,243</u>	<u>100</u>	<u>5,741</u>	<u>1</u>

The following table sets forth a breakdown of gross profit margin of the Group by operating segment:

	For the year ended 31		Change in amount %
	December		
	2020 %	2019 %	
Software business	94	96	(2)
Cloud service business	72	79	(7)
Gross profit margin	84	91	(7)

Other Income and Gains

For the year ended 31 December 2020, the Group's other income and gains were RMB73.54 million, representing a decrease of 28% as compared to last year, mainly due to the decrease of RMB10.93 million in fair value change of unlisted equity investments financial assets, the decrease of RMB7.52 million in revenue on fair value change of bank wealth management products and financial income due, interest income of bank deposit, and the decrease of RMB6.66 million in refund of VAT.

Total R&D Investment

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

	For the year ended 31 December				Change in amount RMB'000	Percentage change %
	2020		2019			
	<i>RMB'000</i>	%	<i>RMB'000</i>	%		
R&D costs of software business	5,210	3	14,877	11	(9,667)	(65)
R&D costs of cloud service business	156,478	97	123,752	89	32,726	26
R&D costs	161,688	100	138,629	100	23,059	17
Total R&D investment	161,688	100	138,629	100	23,059	17

For the year ended 31 December 2020, total R&D investment of the Group amounted to RMB161.69 million, representing an increase of 17% as compared to last year, mainly due to additional R&D investment in cloud service business.

Selling and Distribution Expenses

For the year ended 31 December 2020, the selling and distribution expenses of the Group were RMB189.17 million, representing a decrease of 9% as compared to last year, mainly attributable to the decrease in business travel, conference and other expenses affected by the Epidemic, and the social insurance deduction in this year.

Administrative Expenses

For the year ended 31 December 2020, the administrative expenses of the Group was RMB65.28 million, representing a decrease of 26% as compared to last year, mainly attributable to the decrease in the amortization of capitalized intangible assets and the costs of employee trust benefit scheme during the Reporting Period.

Impairment Loss of Financial Assets

For the year ended 31 December 2020, the impairment loss of financial assets of the Group was RMB31.11 million, mainly due to the fact that the Group has made a provision for impairment of RMB30.39 million in respect of its unsecured principal and interests in Baoshang Bank which shall participate in subsequent compensation claim in accordance with laws.

Other Expenses

For the year ended 31 December 2020, other expenses of the Group were RMB23.36 million, mainly include a provision for impairment of RMB13.51 million made by the Group in respect of the investment in Beijing Chanjet Payment Technology Co., Ltd. (“**Chanjet Payment**”), an associate, and an exchange loss of RMB8.42 million due to the exchange rate changes in this year (exchange gains of RMB3.47 million in the corresponding period of the previous year).

Income Tax Credit

For the year ended 31 December 2020, the income tax credit of the Group was RMB9.77 million, which is mainly the deferred income tax credit recognized for uncovered tax losses and assets impairment losses.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2020, the profit attributable to owners of the parent of the Group was RMB33.39 million, representing a decrease of 64% as compared to last year.

Liquidity and Financial Resources

Condensed cash flow statement

	For the year ended 31		Change in amount RMB'000
	December 2020 RMB'000	2019 RMB'000	
Net cash flows from operating activities	90,516	132,018	(41,502)
Net cash flows from/(used in) investing activities	(214,761)	295,644	(510,405)
Net cash flows used in financing activities	(95,414)	(98,645)	3,231

Net cash flows from operating activities

For the year ended 31 December 2020, net cash flows from operating activities of the Group was RMB90.52 million, representing a decrease of RMB41.50 million as compared to last year, mainly due to the increase in sales and promotion costs and expenses of cloud service business of the Group.

Net cash flows from/used in investing activities

For the year ended 31 December 2020, net cash flows used in investing activities of the Group was RMB214.76 million, mainly due to the fact that the Group purchased new fixed deposits and bank wealth management products during the Reporting Period.

Net cash flows used in financing activities

For the year ended 31 December 2020, the cash flows used in financing activities of the Group was RMB95.41 million, mainly due to the distribution of the 2019 final dividend during the Reporting Period.

Working Capital

	As at 31 December	
	2020	2019
Cash and bank balance (<i>RMB'000</i>)	1,281,241	1,319,456
Current ratio	513%	516%
Gearing ratio	0%	0%

As at 31 December 2020, the cash and bank balances of the Group was RMB1,281.24 million (31 December 2019: RMB1,319.46 million). The decrease in cash and bank balances was mainly due to the increase in bank wealth management products purchased during the Reporting Period.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 31 December 2020 was 513% (31 December 2019: 516%).

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 cash and bank balances.

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

Capital Expenditure

For the year ended 31 December 2020, the significant capital expenditure of the Group included: the additional expenditure on office equipment, furniture and fittings of RMB1.03 million (2019: RMB2.76 million); the additional expenditure on right-of-use assets of RMB1.05 million (2019: RMB1.12 million).

Contingent Liabilities

As at 31 December 2020 and 31 December 2019, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

Charges on Assets

As at 31 December 2020 and 31 December 2019, 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 Network Technology Co., Ltd. (“**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 transfer of equity interests in 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 Yonyou focuses on its principal business of cloud services, Yonyou proposes to transfer all of its equity interests in Chanjet Payment to a subsidiary of the controlling shareholder of Yonyou and therefore, by mutual consent, the parties entered into the termination agreement on 30 June 2020, pursuant to which, the parties unconditionally agreed to terminate the capital increase agreement, and agreed not to proceed with the capital increase as mentioned in sub-item (ii) above. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016, 17 July 2017 and 30 June 2020, 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 and disposal in relation to subsidiaries, associates and joint ventures.

The Impact of the Epidemic on Business Operation

The outbreak of the Epidemic at the beginning of 2020 had a great impact on the operation of various industries. During the Epidemic, the large-scale marketing activity “Financial Popularization Storm (財務普及風暴)” in the Group’s software business in the first quarter of each year failed to be organized as scheduled due to the delays in the resumption of work by channel partners and end markets, and the business development was affected in the short term. However, the Epidemic has prompted small and micro enterprises to significantly increase the demand for intelligent online operation. The Group focused on a series of new marketing activities such as online operation and live promotion, accelerated product R&D to launch Good Business Wang Pu Version and Intelligent+, so as to meet the needs of customers for online operation. The Group further reinforced ecological cooperation and expanded distribution of channels and other measures, so as to mitigate the adverse impact of the Epidemic and accelerate the successful transformation into cloud service business. With stable cash inflows generated from the daily business operations, the Group has relatively sufficient working capital and is in a good condition in terms of current assets. The management concluded that the Epidemic had no significant adverse impact on the Group’s business through a comprehensive assessment.

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.

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.

Significant Events after the Reporting Period

To diversify the financing channels of the Group in the capital market, to promote the transformation and development of cloud services business, and to further enhance the influence of the Company in the domestic market in China, the Board has passed the initial proposal on proposed offering of A shares on 13 January 2021. Please refer to the announcement of the Company dated 13 January 2021 for details.

EMPLOYEE AND ORGANIZATION GUARANTEE

As at 31 December 2020, the Group had 1,000 employees in total (31 December 2019: 945 employees). In order to bolster the rapid development of the cloud service business, the Group will strengthen the construction of corporate culture on an ongoing basis to enhance corporate cohesion; upgrade the talent system, and carry out multi-dimensional and three-dimensional training with level, classification and post division, to continuously improve the systematic ability of internal employees, and strengthen the concept of professional development; continue to introduce high-end talents in cloud product research and development and cloud service business operation and continue to enhance innovative business capability; the Group has implemented the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme so as to stimulate the creativity and self-drive of employees and promote the long-term and healthy development of the Group.

TRAINING PROGRAMS

In pursuance with the Chanjet Training Management System, the Group has established and implemented an annual training plan. By taking into account the applicability of the training needs, the Group has communicated with each department on the training needs in a timely manner, and established a matching training course system based on those needs. In addition, the Group continued to enrich the curriculum content from the three aspects of professional competence, general ability and leadership to meet the training needs of employees at different levels.

The Group regarded employee development as the foundation of the Company's development, and constantly improved the professionalism and comprehensive skills of employees to help employees better realize their own value at work. In 2020, we carried out a number of professional competence trainings, and simultaneously launched the "Silver Training Camp (白銀訓練營)" project to improve the comprehensive capabilities of new and reserve cadres. We have introduced excellent training courses from Yonyou University (用友大學) and external institutions, developed several courses online and offline independently and held internal sharing activities regularly. We valued training results and issued training satisfaction questionnaires after each training. Through analyzing the questionnaires and listening to employees' feedbacks, we continuously improved the training system.

In 2020, the total training hours of employees of the Group reached 18,748 hours and an average of approximately 18.88 hours of training per employee with a participation rate of 99.3%. The Group invested a total of approximately RMB1,010,000 in training and education.

REMUNERATION POLICY

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

Remuneration of the staff of the Company is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based salary and allowance. Staff’s salary comprises basic salary and performance-based salary. In particular, basic salary is payable monthly while performance-based salary is payable in appropriate forms based on each appraisal period and specific management requirements of the Company pursuant to the relevant laws and regulations of the PRC. Allowance comprises wage subsidy, supplementary subsidy, special allowance and welfare benefits, etc. The Company has paid housing fund and social insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labor and social insurance. In particular, social insurance includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. During the Reporting Period, details of the remuneration of the staff charged of the Group were set out in the note 5 to the financial statements. In order to attract, retain and motivate key talents needed for the achievement of the Company’s strategic objectives, the Company has also adopted the Employee Trust Benefit Scheme. For details, please refer to “Employee Trust Benefit Scheme”. 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 “Long-term Employee Incentive Point Scheme”. In order to improve the incentive constraint mechanism of the Company to attract, retain and inspire the mid-level and senior management and key personnel, who are essential for the Company in realizing its strategic goal, to motivate the initiative, enthusiasm and creativity of the existing employees of the Company, and to facilitate the alignment of the understanding of the employees and the Company in relation to the medium and long-term strategic goals and the capital plan of the Company and jointly promote sustainable, healthy, rapid growth of the business of the Company and realize the comprehensive transformation of cloud business, to achieve the planned strategic goal, the Company newly adopted an Employee Share Ownership Scheme and a Long-term Incentive Bonus Scheme in December 2020. For details, please refer to “Employee Share Ownership Scheme” and “Long-term Incentive Bonus Scheme”.

EMPLOYEE TRUST BENEFIT SCHEME

The Company adopted the employee trust benefit scheme (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 domestic shares (“**Domestic Shares**”) and/or H shares (“**H Shares**”) of the Company 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, and the circulars of the Company dated 23 April 2015 and 29 April 2016.

On 5 June 2020, the Board considered and approved the resolutions in relation to the third unlocking of the trust benefit units under the fourth grant pursuant to the Employee Trust Benefit Scheme, and according to the resolutions, save and except for some scheme participants under the fourth grant who had terminated or released his/her labor contract with the Company, which has disqualified themselves as the Employee Trust Benefit Scheme participants, and some scheme participants who have agreed to waive the unlocked trust benefit units due to joining the Point Scheme, the unlocking conditions of the remaining scheme participants under the fourth grant to unlock 40% of their trust benefit units were fulfilled on 5 June 2020. For details about the implementation of the Employee Trust Benefit Scheme during the Reporting Period, please refer to the announcement of the Company dated 5 June 2020.

As at 31 December 2020, trust benefit units of Directors and Supervisors are set out as follows:

Name	Position	Proportion of the trust benefit unit granted to the total trust benefit units granted in the fourth grant
Yang Yuchun	Executive Director, President	47.55%

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 long-term employee incentive point scheme (the “**Point Scheme**”) on 29 March 2019. In order to give fully play to realise the purpose of the Point Scheme to continuously incentivise, on 25 May 2020, the Board has, pursuant to the Point Scheme, considered and approved the resolution to amend a term of the Point Scheme in relation to the limit on the number of points to be granted. According to the amended Point Scheme, a certain number of points will be granted by the Company to the participants annually over a three-year period during the validity period of 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 become effective after being 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. The exact number shall be considered and approved by the Board based on the actual operations and incentive requirements of the Company during the point granting year. If, as a result of the total number of points granted in a point granting year not exceeding the abovementioned annual quota, and if the granted points become ineffective due to changes in circumstances of the Participants, the grant of the remainder and the ineffective portion may be deferred to the next point granting year (i.e. increasing the annual quota for the next Point granting year), but those points which have not been completely granted in the third point granting year cannot be granted in such deferred manner. For details about the specific terms of and amendments to the Point Scheme, please refer to the announcements of the Company dated 29 March 2019 and 25 May 2020, respectively.

On 30 March 2020, the Board considered and approved the resolution in relation to 60,655 points granted under the 2019 initial point grant and the 2019 supplemental point grant becoming effective. On 25 May 2020, the Board considered and approved the 2020 initial point grant pursuant to the Point Scheme, under which a total of 48,641 points are granted to 104 designated participants. On 28 December 2020, the Board considered and approved the 2020 supplemental point grant pursuant to the Point Scheme, under which a total of 534 points are granted to 3 designated participants.

In light of the adoption of the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme by the Company on 28 December 2020, the Board considered and approved the cancellation of the granting of points to the participants in 2021 (the “**Cancellation of 2021 Point Grant**”). The Cancellation of 2021 Point Grant will not affect the validity of the points granted pursuant to the Point Scheme. For the 60,655 points granted under the 2019 initial point grant and the 2019 supplemental point grant which have become effective, the corresponding point proceeds that are not yet distributed shall continue to be distributed to the Participants in installments in accordance with the provisions of the Point Scheme. Upon satisfaction of the conditions for the points becoming effective in relation to the 49,175 points granted under the 2020 initial point grant and the 2020 supplemental point grant, the actual number of effective points shall be determined pursuant to the annual performance and the corresponding point proceeds shall be calculated and redeemable in cash and the corresponding point proceeds shall be distributed to the Participants in installments.

For details of the 2019 initial point grant and the 2019 supplemental point grant becoming effective, the 2020 initial point grant, the 2020 supplemental point grant and the Cancellation of 2021 Point Grant, please refer to the announcements of the Company dated 30 March 2020, 25 May 2020 and 28 December 2020.

EMPLOYEE SHARE OWNERSHIP SCHEME

In order to improve the incentive constraint mechanism of the Company to attract, retain and inspire the mid-level and senior management and key personnel, who are essential for the Company in realizing its strategic goal, to motivate the initiative, enthusiasm and creativity of the existing employees of the Company, and to facilitate the alignment of the understanding of the employees and the Company in relation to the medium and long-term strategic goals and the capital plan of the Company and jointly promote sustainable, healthy, rapid growth of the business of the Company, the Company adopted an employee share ownership scheme at the extraordinary general meeting held on 28 December 2020 (the “**Employee Share Ownership Scheme**”). For details of the Employee Share Ownership Scheme, please refer to the announcements of the Company dated 23 November 2020, 28 December 2020 and the circular of the Company dated 10 December 2020.

On 28 December 2020, the Board has considered and approved the grant of the incentive shares under the Employee Share Ownership Scheme, being 15,412,716 Domestic Shares, representing approximately 7.10% of the Company’s total issued share capital as at 28 December 2020 (the “**Incentive Shares**”), to 158 Employee Share Ownership Scheme participants. Further details of the grant of the Incentive Shares under the Employee Share Ownership Scheme are set out as follows:

No.	Name	Position	Number of the Incentive Shares granted	Approximate percentage of the number of the Incentive Shares granted to the total number of the Incentive Shares granted under the Employee Share Ownership Scheme (%)	Approximate percentage of the number of the Incentive Shares granted to the total issued share capital of the Company as at 28 December 2020 (%)
1.	Director and Supervisor				
	Yang Yuchun	Executive Director and President	1,427,716	9.26	0.66
2.	Mid to senior level management personnel, experts and other key personnel				
	157 other Employee Share Ownership Scheme participants		<u>13,985,000</u>	<u>90.74</u>	<u>6.44</u>
TOTAL			<u>15,412,716</u>	<u>100.00</u>	<u>7.10</u>

The abovementioned Incentive Shares have been transferred by Yonyou, the controlling shareholder, to the shareholding platforms at the holding price of RMB9.16 per share and will be subject to the lock-up provisions under the Employee Share Ownership Scheme. The funds involved in the holding of the Incentive Shares shall be contributed in cash and paid in one lump sum by the Employee Share Ownership Scheme participants in accordance with the terms of the Employee Share Ownership Scheme, and the source of which shall be their legal salaries, self-raised funds and other methods as permitted under the laws and regulations.

For details, please refer to the announcement of the Company dated 28 December 2020.

LONG-TERM INCENTIVE BONUS SCHEME

In order to improve the incentive constraint mechanism of the Company to attract, retain and inspire the mid-level and senior management and key personnel, who are essential for the Company in realizing its strategic goal, to motivate the initiative, enthusiasm and creativity of the existing employees of the Company, and to facilitate the alignment of the understanding of the employees and the Company in relation to the medium and long-term strategic goals and the capital plan of the Company and jointly promote sustainable, healthy, rapid growth of the business of the Company and realize the comprehensive transformation of cloud business, to achieve the planned strategic goal, the Company approved and adopted a long-term incentive bonus scheme at the extraordinary general meeting held on 28 December 2020 (the “**Long-term Incentive Bonus Scheme**”). For details of the Long-term Incentive Bonus Scheme, please refer to the announcements of the Company dated 23 November 2020, 28 December 2020 and the circular of the Company dated 10 December 2020.

On 28 December 2020, the Board has considered and approved the list of the Long-term Incentive Bonus Scheme participants under the Long-term Incentive Bonus Scheme, which comprises Mr. Yang Yuchun, the executive Director and the President of the Company, and 157 other mid to senior level management personnel, experts and key personnel of the Group. For details, please refer to the announcement of the Company dated 28 December 2020.

PROSPECTS

In 2021, the Group will seize the opportunity of rapid growth in the demand for online business of MSEs, as well as the favorable market opportunity from the invoice electronication and the implementation of the “Golden Tax Phase IV (金税四期)” policy, and rely on the favorable foundation of cloud service business to speed up our development in a strategic way. Efforts will be made to enhance products, occupy the market, and improve capabilities. In the next three years, we will strive to maintain a sustained high growth in the revenue from cloud service business, achieve the goal of increasing the proportion of revenue from cloud service business to over 90%, and take the leading position in the MSEs cloud service market.

The Group will continue to grasp the opportunities from industry development brought by invoice electrification and electronic archives to accelerate product innovation. With Chanjet Good Accountant, Easy Accounting Agent, Chanjet Reimbursement (小暢報銷) and other digital intelligent finance and taxation products, we will utilize artificial intelligence technologies to widely expand the ecological connection and cooperation among industry and commerce, invoice, taxation, banks, and consumer platforms, further promote the intelligent finance and taxation, and consolidate its leading position in the field of digital intelligent finance and taxation for MSEs. For Chanjet Good Business, we will deepen the strategy of full mobility, integration of software and hardware and industrialization to scale up sales and delivery. Meanwhile, the Group will continuously improve front-end marketing services and expand the customer base in professional market in low-end commerce and trade on a large scale. Chanjet Intelligent+ and T+Cloud will consolidate the product foundation of new commerce, improve product functions in the new retail field, and realize large-scale customer operations.

The Group will take customer success as the principle, with focus on the digital intelligent operation and online business of customers, to accelerate the cloud-based transformation and cloud migration of existing customers and deeply connect with customers. It will further explore new online operating models, and strengthen the ecological integration and connection of the industry to speed up the cloud adoption by new customers. The Group will establish a value-added service system for customers to help them expand business development channels, pool upstream and downstream business resources, provide training on new management, production and marketing required for the digital intelligent transformation of MSEs. It will also provide finance and taxation practitioners with interpretations of hot spots, practice training and other services. Actions will be taken to continuously upgrade the customer operating system, develop intelligent services and community connections to promote customer success. The Group will focus on the professional market of the industry, cooperate with partners to build “thousand stores in a hundred cities”, and provide customers with an integrated application solution of SaaS tools + operation services. The Group will continue to invest resources in cloud service business, and help MSEs running their business online by making every effort to accelerate the development of cloud service business as a way to achieve customer success, win-win cooperation with partners and employee development.

The Group will focus on its core business and accelerate strategic investment, mergers and acquisitions; orderly promote the issuance of A shares on exchanges in Mainland China to further enhance its influence in the Chinese market.

The Group will continue to deepen the practice of its corporate culture to promote business development. Measures will be taken to strengthen the sense of customer value and win-win cooperation with partners. Meanwhile, the Group will further empower leaders and employees through upgrading the talent system and providing training by level, category and post so as to build a learning organization and strengthen the concept of professional development. Efforts will be intensified to introduce and train key core talents, improve business innovation capabilities continuously, and promote the healthy development of the Group in the long run.

USE OF PROCEEDS

The Company's H Shares were listed and commenced trading on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014, from which the Company raised proceeds totaling HK\$900.90 million. After deducting relevant expenses of issuance, the net proceeds was HK\$854.96 million. The Company disclosed in the prospectus of the Company dated 16 June 2014 (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 the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**").

According to the use of proceeds disclosed in the Prospectus of the Company, the actual usage and intended timetable for use of the unutilized proceeds as at 31 December 2020 are detailed as follows:

Planned use	Budgeted amount HK\$	Actual amount used HK\$	Unutilized amount HK\$	Intended timetable for use of the unutilized amount
For the R&D and marketing of the T+ series software products	Approximately 290.69 million	Approximately 276.36 million	Approximately 14.33 million	On or before 31 December 2021
For the R&D of our cloud platform and innovative application products	Approximately 194.08 million	Approximately 193.33 million	Approximately 0.75 million	On or before 31 December 2021
To support the marketing and operation of our cloud services	Approximately 199.21 million	Approximately 141.55 million	Approximately 57.66 million	On or before 31 December 2022
To acquire relevant business and assets compatible with our business strategies	Approximately 85.49 million	Approximately 4.66 million	Approximately 80.83 million	On or before 31 December 2022 and subject to the identification of target(s) by the Company
To fund our general working capital	Approximately 85.49 million	Approximately 85.07 million	Approximately 0.42 million	On or before 31 December 2021
Total	Approximately 854.96 million	Approximately 700.97 million	Approximately 153.99 million	

As at 31 December 2020, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance from promotion and operation of the cloud services, mainly due to the fact that the Company has not yet identified any relevant business and assets compatible with our business strategies, and also arranged expenses used for marketing and operation of the cloud services according to our business strategies as appropriate. The unutilized balance of the net proceeds has been deposited into the reputable banks in Hong Kong and the PRC, the Company will continue to utilize it in accordance with the abovementioned intended timetable.

DIVIDEND AND TAXATION

A Board meeting was held on 26 March 2021, at which the relevant resolution was passed to recommend the payment of the Final Dividend of RMB0.08 per share (tax inclusive) for the year ended 31 December 2020 (2019: RMB0.40 per share (tax inclusive)) in an aggregate amount of approximately RMB17.37 million (2019: RMB86.87 million). The profit distribution proposal shall be subject to approval by the Shareholders at the forthcoming annual general meeting. During the Reporting Period, there is no arrangement made by any Shareholder on waiving or agreeing to waive any dividends. The Final Dividend for the year ended 31 December 2020 is expected to be paid to the Shareholders whose names appeared on the Company's share register on Monday, 31 May 2021 on Friday, 9 July 2021.

According to the articles of association of the Company, the final dividends will be denominated and declared in RMB. Dividends on domestic shares of the Company will be paid in RMB and dividends on H shares of the Company will be paid in Hong Kong dollars. The amount of the dividends payable in Hong Kong dollars shall be calculated based on the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the calendar week prior to 18 May 2021 (being the date of declaration of the dividend).

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

Pursuant to the applicable provisions of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation regulations and provisions relating to the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation 2019 No. 35) (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》(國家稅務總局公告2019年第35號)) (“**Notice of Tax Treaty**”), the Company will implement the following arrangements in relation to the withholding of individual income tax for the individual shareholders of H Shares:

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

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the relevant shareholders shall file, report according to the provisions of the Notice of Tax Treaty and enjoy treaty benefits as well as retain the relevant materials for future reference. If the information submitted is complete, the Company will withhold and pay individual income tax in accordance with the provisions of PRC tax laws and the Notice of Tax Treaty. If the relevant individual H Shareholders do not submit the information or the information submitted is not complete, the Company will withhold and pay individual income tax for individual holders of H Shares at a tax rate of 10%;

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of over 10% but less than 20%, the Company shall withhold individual income tax at the agreed actual rate in accordance with the relevant tax treaty on behalf of such individual Shareholders of H Shares in the distribution of the Final Dividend; and

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold the individual income tax at a rate of 20% on behalf of such individual shareholders of H Shares in the distribution of the Final Dividend.

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

CLOSURE OF REGISTER OF MEMBERS

The 2020 AGM of the Company will be held on Tuesday, 18 May 2021 at 2:00 p.m. at Meeting Room E103, Building 8, Central District of Yonyou Industrial Park (Beijing), 68 Beiqing Road, Haidian District, Beijing, the PRC. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

For the purpose of determining Shareholders’ eligibility to attend and vote at the forthcoming 2020 AGM, and entitlement to the Final Dividend, the Company’s register of members will be closed as set out below:

(i) For determining eligibility to attend and vote at the 2020 AGM:

- Latest time to lodge transfer documents for registration with the Company’s registrar 4:30 p.m. on Tuesday, 27 April 2021
- Closure of Register of Members Wednesday, 28 April 2021 to Tuesday, 18 May 2021 (both dates inclusive)
- Record date Tuesday, 18 May 2021

(ii) For determining entitlement to the Final Dividend:

- Ex-dividend date Monday, 24 May 2021
- Latest time to lodge transfer documents for registration with the Company’s registrar 4:30 p.m. on Tuesday, 25 May 2021
- Closure of Register of Members Wednesday, 26 May 2021 to Monday, 31 May 2021 (both dates inclusive)
- Record date Monday, 31 May 2021

In order to be qualified to attend and vote at the AGM, and to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (for holders of H Shares), or to the Board Office of the Company in the PRC, at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC (for holders of Domestic Shares), no later than the aforementioned latest time.

CORPORATE GOVERNANCE

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

MATERIAL LEGAL MATTERS

To the knowledge of the Board, as at 31 December 2020, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending or may be raised which might significantly threaten the Group.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

During the Reporting Period, the audit committee of the Company consisted of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen was the chairman of the committee. The audit committee and the management of the Company had reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the matters on, among others, the internal control, enterprises risk evaluation and financial statements, including the review of audited annual results for the year of 2020, which they had no dissenting opinion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2020, neither the Company nor its subsidiary purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Company (www.chanjet.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The 2020 annual report and the notice of the AGM will be despatched to shareholders of the Company and published on the websites of the Company and the Hong Kong Stock Exchange within the time provided by the Listing Rules and as required by the Hong Kong Stock Exchange.

On behalf of the Board
Chanjet Information Technology Company Limited
Wang Wenjing
Chairman

Beijing, the PRC
26 March 2021

As at the date of this announcement, the non-executive directors of the Company are Mr. Wang Wenjing and Mr. Wu Zhengping; the executive director of the Company is Mr. Yang Yuchun; and the independent non-executive directors of the Company are Mr. Chen, Kevin Chien-wen, Mr. Lau, Chun Fai Douglas, and Mr. Chen Shuning.

* *For identification purposes only*