

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | | |
|--|---|--------------------|-------------------|
| | 2021 | 2020 | Percentage |
| | (Unaudited) | (Unaudited) | Change |
| | RMB'000 | RMB'000 | % |
| Revenue | 214,696 | 203,462 | 6 |
| (Loss)/profit attributable to owners of the parent | (134,486) | 17,502 | (868) |
| Basic (loss)/earnings per share (RMB) | (0.679) | 0.081 | (938) |

The board (the “**Board**”) of directors (the “**Directors**”) of Chanjet Information Technology Company Limited (the “**Company**” or “**Chanjet**”) did not recommend the distribution of any interim dividend for the six months ended 30 June 2021. The Board also recommended the issuance of five (5) capitalization shares to all shareholders of the Company (the “**Shareholders**”) for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders’ meeting of the Company.

The Board hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures in 2020 as follows:

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | For the six months ended 30 June | |
|--|-------|-------------------------------------|-----------------|
| | | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| | | RMB'000 | RMB'000 |
| | Notes | | |
| Revenue | 4 | 214,696 | 203,462 |
| Cost of sales and services provided | 5 | <u>(68,395)</u> | <u>(26,181)</u> |
| Gross profit | | 146,301 | 177,281 |
| Other income and gains | 4 | 18,966 | 44,147 |
| Research and development costs | 5 | (116,974) | (66,760) |
| Selling and distribution expenses | | (145,060) | (78,953) |
| Administrative expenses | | (43,044) | (30,558) |
| Impairment losses on financial assets | | – | (15,928) |
| Other expenses | | (8,294) | (14,313) |
| Finance costs | | (139) | (207) |
| Share of profit/(loss) of an associate | 9 | <u>486</u> | <u>(730)</u> |
| (Loss)/profit before tax | 5 | (147,758) | 13,979 |
| Income tax credit | 6 | <u>13,272</u> | <u>3,523</u> |
| (Loss)/profit for the period | | <u>(134,486)</u> | <u>17,502</u> |
| Attributable to: | | | |
| Owners of the parent | | <u>(134,486)</u> | <u>17,502</u> |
| (Loss)/earnings per share attributable to ordinary equity holders of the parent | | | |
| Basic (<i>RMB cents</i>) | 8 | <u>(67.9)</u> | <u>8.1</u> |
| Diluted (<i>RMB cents</i>) | 8 | <u>(67.9)</u> | <u>8.1</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| (Loss)/profit for the period | (134,486) | 17,502 |
| Other comprehensive (loss)/income | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | <u>(26)</u> | <u>51</u> |
| Other comprehensive (loss)/income for the period, net of tax | <u>(26)</u> | <u>51</u> |
| Total comprehensive (loss)/income for the period | <u>(134,512)</u> | <u>17,553</u> |
| Attributable to: | | |
| Owners of the parent | <u>(134,512)</u> | <u>17,553</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|--------------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | | 6,918 | 2,300 |
| Right-of-use assets | | 5,628 | 5,740 |
| Intangible assets | | 16,991 | 21,065 |
| Investment in an associate | 9 | 51,630 | 57,627 |
| Equity investments at fair value through profit or loss | 10 | 43,536 | 53,463 |
| Deferred tax assets | | 23,597 | 11,514 |
| Prepayments, other receivables and other assets | | 16,868 | 5,982 |
| Total non-current assets | | 165,168 | 157,691 |
| Current assets | | | |
| Inventories | | 1,003 | 895 |
| Trade receivables | 11 | 7,184 | 5,184 |
| Prepayments, other receivables and other assets | | 120,592 | 62,734 |
| Financial assets at fair value through profit or loss | 12 | 196,863 | 102,278 |
| Cash and bank balances | 13 | 1,155,740 | 1,281,241 |
| Total current assets | | 1,481,382 | 1,452,332 |
| Current liabilities | | | |
| Trade payables | 14 | 14,670 | 7,191 |
| Contract liabilities | 15 | 275,645 | 173,323 |
| Other payables and accruals | 16 | 274,551 | 97,077 |
| Lease liabilities | | 3,647 | 5,599 |
| Total current liabilities | | 568,513 | 283,190 |
| Net current assets | | 912,869 | 1,169,142 |
| Total assets less current liabilities | | 1,078,037 | 1,326,833 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

| | | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|--------------|---|---|
| | Notes | | |
| Non-current liabilities | | | |
| Lease liabilities | | 1,910 | 304 |
| Contract liabilities | 15 | 83,206 | 60,023 |
| Long-term liabilities | | <u>19,324</u> | <u>405</u> |
| Total non-current liabilities | | <u>104,440</u> | <u>60,732</u> |
| Net assets | | <u>973,597</u> | <u>1,266,101</u> |
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | | 217,182 | 217,182 |
| Treasury shares held under employee trust benefit scheme and employee share ownership scheme | | (169,700) | (28,519) |
| Reserves | | <u>926,115</u> | <u>1,077,438</u> |
| Total equity | | <u>973,597</u> | <u>1,266,101</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Chanjet Information Technology Company Limited (the “**Company**”), formerly known as Chanjet Software Company Limited, was established in the People’s Republic of China (the “**PRC**”) as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 in the PRC and changed its name to Chanjet Information Technology Company Limited. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 26 June 2014. The registered office of the Company is located at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

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

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 the subsidiaries

Particulars of the Company’s subsidiaries as at 30 June 2021 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 30 June 2021 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 30 June 2021 was nil.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform- Phase 2

Amendment to IFRS 16

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

These amendments had no significant impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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.

For the six months ended 30 June 2021

| | Software business (Unaudited) RMB'000 | Cloud service business (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
|-------------------------------------|--|---|---------------------------------|
| Segment revenue (note 4) | | | |
| Sales to external customers | 27,336 | 187,360 | 214,696 |
| Segment cost (note 5) | | | |
| Cost of sales and services provided | (3,834) | (64,561) | (68,395) |
| Segment results | 23,502 | 122,799 | 146,301 |
| <i>Reconciliation:</i> | | | |
| Other income and gains | | | 18,966 |
| Research and development costs | | | (116,974) |
| Selling and distribution expenses | | | (145,060) |
| Administrative expenses | | | (43,044) |
| Other expenses | | | (8,294) |
| Finance costs | | | (139) |
| Share of profit of an associate | | | 486 |
| Loss before tax | | | <u>(147,758)</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2020

| | Software business (Unaudited) RMB'000 | Cloud service business (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
|---------------------------------------|--|---|---------------------------------|
| Segment revenue (note 4) | | | |
| Sales to external customers | 124,798 | 78,664 | 203,462 |
| Segment cost (note 5) | | | |
| Cost of sales and services provided | (4,542) | (21,639) | (26,181) |
| Segment results | 120,256 | 57,025 | 177,281 |
| <u>Reconciliation:</u> | | | |
| Other income and gains | | | 44,147 |
| Research and development costs | | | (66,760) |
| Selling and distribution expenses | | | (78,953) |
| Administrative expenses | | | (30,558) |
| Impairment losses on financial assets | | | (15,928) |
| Other expenses | | | (14,313) |
| Finance costs | | | (207) |
| Share of loss of an associate | | | (730) |
| Profit before tax | | | <u>13,979</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 THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Revenue from contracts with customers | | |
| Sale of products | 72,221 | 113,280 |
| Rendering of services | 141,529 | 89,706 |
| Sale of purchased goods | 946 | 476 |
| | <u>214,696</u> | <u>203,462</u> |

Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended 30 June 2021 | | |
|--|--|-----------------------------------|--------------------|
| Segments | Software business | Cloud service business | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 |
| Types of goods or services | | | |
| Sales of products | 7,718 | 64,503 | 72,221 |
| Rendering of services | 18,672 | 122,857 | 141,529 |
| Sale of purchased goods | 946 | – | 946 |
| Total revenue from contracts with customers | <u>27,336</u> | <u>187,360</u> | <u>214,696</u> |
| Geographical market | | | |
| Mainland China | 27,336 | 187,360 | 214,696 |
| Total revenue from contracts with customers | <u>27,336</u> | <u>187,360</u> | <u>214,696</u> |
| Timing of revenue recognition | | | |
| Goods/services transferred at a point in time | 8,664 | 83,568 | 92,232 |
| Services transferred over time | 18,672 | 103,792 | 122,464 |
| Total revenue from contracts with customers | <u>27,336</u> | <u>187,360</u> | <u>214,696</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

| Segments | For the six months ended 30 June 2020 | | |
|--|---------------------------------------|------------------------|----------------|
| | Software business | Cloud service business | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 |
| Types of goods or services | | | |
| Sales of products | 89,890 | 23,390 | 113,280 |
| Rendering of services | 34,432 | 55,274 | 89,706 |
| Sale of purchased goods | 476 | — | 476 |
| Total revenue from contracts with customers | 124,798 | 78,664 | 203,462 |
| Geographical market | | | |
| Mainland China | 124,798 | 78,664 | 203,462 |
| Total revenue from contracts with customers | 124,798 | 78,664 | 203,462 |
| Timing of revenue recognition | | | |
| Goods/services transferred at a point in time | 90,366 | 23,390 | 113,756 |
| Services transferred over time | 34,432 | 55,274 | 89,706 |
| Total revenue from contracts with customers | 124,798 | 78,664 | 203,462 |

The impairment loss on trade receivables arising from contracts with customers was nil, which recognised by the Group for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB472,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Other income | | |
| Value-added tax refunds | 13,748 | 16,590 |
| Government grants | 6 | 734 |
| Interest income | 12,429 | 19,555 |
| | 26,183 | 36,879 |
| Gains, net | | |
| Fair value (losses)/gains, net: | | |
| Financial assets at fair value through profit or loss | (7,607) | 4,242 |
| Exchange gains, net | – | 2,793 |
| Others | 390 | 233 |
| | (7,217) | 7,268 |
| | 18,966 | 44,147 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. (LOSS)/PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cost of software sold | 1,336 | 1,744 |
| Cost of services provided | 66,462 | 24,222 |
| Cost of purchased goods sold | 597 | 215 |
| | <hr/> | <hr/> |
| Total cost of sales and services provided | 68,395 | 26,181 |
| | <hr/> | <hr/> |
| Depreciation of property, plant and equipment | 986 | 614 |
| Depreciation of right-of-use assets | 2,901 | 3,442 |
| Amortisation of intangible assets (<i>note 1</i>) | 4,682 | 8,090 |
| Lease payments not included in the measurement of lease liabilities | 1,567 | 1,040 |
| Research and development costs (<i>note 2</i>) | 116,974 | 66,760 |
| Employee benefit expenses (including directors', supervisors' and chief executive's remuneration): | | |
| Wages and salaries | 227,812 | 136,402 |
| Equity-settled share-based expense | 421 | 165 |
| Pension scheme contributions | 16,310 | 5,639 |
| | <hr/> | <hr/> |
| | 244,543 | 142,206 |
| | <hr/> | <hr/> |
| Less: Employee benefit expenses being capitalised in intangible assets | — | (6,363) |
| | <hr/> | <hr/> |
| | 244,543 | 135,843 |
| | <hr/> | <hr/> |
| Foreign exchange differences, net | 1,647 | (2,793) |
| Impairment of an investment in an associate | 6,483 | 13,510 |
| Impairment of financial assets, net | — | 15,928 |
| Fair value losses/(gains), net: | | |
| Financial assets at fair value through profit or loss | 7,607 | (4,242) |

Note 1: During the six months ended 30 June 2021, amortisation of intangible assets of approximately RMB3,699,000 (six months ended 30 June 2020: RMB4,467,000) is included in "Cost of sales and services provided" in the consolidated statement of profit or loss.

Note 2: During the six months ended 30 June 2021, research and development costs of approximately RMB109,960,000 (six months ended 30 June 2020: RMB62,422,000) were included in employee benefit expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

6. INCOME TAX

| | For the six months ended 30 June | |
|---------------------------------|---|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Current tax | (1,189) | 11 |
| Deferred tax | (12,083) | (3,534) |
| | <hr/> | <hr/> |
| Total tax credit for the period | (13,272) | (3,523) |
| | <hr/> | <hr/> |

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Group for the six months ended 30 June 2021 and 2020.

The Company was subject to income tax at the rate of 15% as a qualified high and new technology enterprise and be entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2021.

The subsidiary incorporated in the United States has made no provision for profits tax as the subsidiary did not have any assessable profit during the six months ended 30 June 2020 and 2021.

7. DIVIDENDS

The proposed final cash dividends of RMB17,375,000 for the year ended 31 December 2020 were approved by the Company's shareholders on 18 May 2021.

The final 2020 and 2019 dividend declared attributable to the forfeited shares held by the trustees under the Employee Trust Benefit Scheme of RMB143,000 and RMB712,000 will be collected by the Group when the Employee Trust Benefit Scheme expires and the trust is liquidated.

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 199,758,050 (six months ended 30 June 2020: 216,217,188) in issue during the six months ended 30 June 2021, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the Employee Trust Benefit Scheme and Employee Share Ownership Scheme.

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

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

| | For the six months ended 30 June | |
|---|--|---------------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| (Loss)/earnings | | |
| (Loss)/profit attributable to ordinary equity holders of the parent | | |
| used in the basic and diluted (loss)/earnings per share calculation | <u>(135,721)</u> | <u>17,502</u> |
| | | |
| | Number of shares For the six months ended 30 June | |
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation | 199,758,050 | 216,217,188 |
| Effect of dilution – weighted average number of ordinary shares | <u>–</u> | <u>–</u> |
| | | |
| Weighted average number of ordinary shares for the purpose of the diluted (loss)/earnings per share calculation | <u>199,758,050</u> | <u>216,217,188</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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.

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--------------------------|---|---|
| Share of net assets | <u>71,623</u> | <u>71,137</u> |
| Provision for impairment | <u>(19,993)</u> | <u>(13,510)</u> |
| | <u>51,630</u> | <u>57,627</u> |

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 activity |
|-----------------|---|--|---|---|
| Chanjet Payment | RMB200,000,000 | 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 following table illustrates the aggregate financial information of the Group's associate:

| | For the six months ended 30 June 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
|--|--|--------------------------------|
| Share of the associate's profit/(loss) for the period | 486 | (730) |
| Share of the associate's total comprehensive income/(loss) | <u>486</u> | <u>(730)</u> |

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|---|---|
| Aggregate carrying amount of the Group's investment in the associate | <u>51,630</u> | <u>57,627</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|---|---|
| Unlisted equity investments, at fair value | | |
| Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) | 18,460 | 26,653 |
| Yonyou Mobile Telecommunications Technology Service Co., Ltd. (“Yonyou Mobile”) | 23,469 | 25,246 |
| Xi'an Rongke Telecommunications Technology Co., Ltd. | 1,607 | 1,564 |
| | <u>43,536</u> | <u>53,463</u> |

The above equity investments as at 30 June 2021 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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|-------------------|---|---|
| Trade receivables | <u>7,184</u> | <u>5,184</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. TRADE RECEIVABLES (Continued)

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---------------------|---|---|
| Within 90 days | 7,072 | 5,184 |
| 90 days to 180 days | 1 | – |
| Over 180 days | <u>111</u> | <u>–</u> |
| | <u>7,184</u> | <u>5,184</u> |

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|----------------------------|---|---|
| Wealth management products | <u>196,863</u> | <u>102,278</u> |

The Group purchases various wealth management products issued by banks in Mainland China. As at 30 June 2021, the Group purchased wealth management products with the cost of RMB195,000,000 (31 December 2020: RMB100,000,000) 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 THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

The details and breakdown of each of financial assets at fair value through profit or loss as at the 30 June 2021 are as follows:

| Name of bank | Nature of products | Commencement date | Expiry date | Principal amount of deposit investment (Unaudited) RMB'000 | Carrying value (Unaudited) RMB'000 |
|----------------------------------|---------------------|-------------------|------------------|--|------------------------------------|
| Bank of Nanjing | Structured deposits | 20 January 2021 | 30 December 2021 | 70,000 | 71,068 |
| Industrial Bank | Structured deposits | 12 April 2021 | 11 October 2021 | 50,000 | 50,448 |
| Shanghai Pudong Development Bank | Structured deposits | 26 May 2021 | 26 August 2021 | 75,000 | 75,347 |
| | | | | <u>195,000</u> | <u>196,863</u> |

The details and breakdown of each of 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 (Audited) RMB'000 | Carrying value (Audited) RMB'000 |
|------------------------|---------------------|-------------------|-----------------|--|----------------------------------|
| 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 |
| | | | | <u>100,000</u> | <u>102,278</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13. CASH AND BANK BALANCES

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Cash on hand | 29 | 36 |
| Bank balances | 215,949 | 226,648 |
| Time deposits | 934,323 | 1,074,599 |
| Cash equivalent | 35,831 | 10,350 |
| | 1,186,132 | 1,311,633 |
| Provision for impairment | (30,392) | (30,392) |
| Cash and bank balances | 1,155,740 | 1,281,241 |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired | (579,682) | (650,771) |
| Cash and bank balance restricted from being used | (235,527) | (316,311) |
| Interest receivables | (21,521) | (18,876) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | 319,010 | 295,283 |

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 mainly 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 THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13. CASH AND BANK BALANCES (Continued)

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

| | 30 June 2021 (Unaudited) RMB’000 | 31 December 2020 (Audited) RMB’000 |
|--|---|---|
| Guaranteed (<i>note 1</i>) | 316,343 | 316,311 |
| Non-guaranteed (<i>note 2</i>) | <u>30,392</u> | <u>30,392</u> |
| Total | 346,735 | 346,703 |
| Less: Cash and bank balance unrestricted | <u>(80,816)</u> | <u>—</u> |
| Restricted balance | 265,919 | 346,703 |
| Provision for impairment (<i>note 2</i>) | <u>(30,392)</u> | <u>(30,392)</u> |
| Net restricted balance | <u><u>235,527</u></u> | <u><u>316,311</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 completion 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 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

14. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date, is as follows:

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|-------------------|---|---|
| Within 90 days | 12,792 | 5,837 |
| 90 days to 1 year | 757 | 1,120 |
| Over 1 year | <u>1,121</u> | <u>234</u> |
| | <u>14,670</u> | <u>7,191</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:

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|-----------------------|---|---|
| Rendering of services | <u>358,851</u> | <u>233,346</u> |
| Analysed into: | | |
| Current portion | 275,645 | 173,323 |
| Non-current portion | <u>83,206</u> | <u>60,023</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

16. OTHER PAYABLES AND ACCRUALS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Tax payable (other than income tax) | 20,882 | 16,661 |
| Staff payroll and welfare payables | 50,989 | 51,852 |
| Advances from customers | 12,930 | 12,139 |
| Dividend payables | 17,375 | – |
| Treasury shares repurchase obligation (<i>note</i>) | 141,181 | – |
| Other payables | 31,194 | 16,425 |
| | <u>274,551</u> | <u>97,077</u> |

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

Note: Treasury shares repurchase obligation arises from the Employee Share Ownership Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Development trend of the industry

During the Reporting Period, the Chinese government continued to promulgate and implement policies regarding invoice electronication, electronic archives, and the “Golden Tax Phase IV” (金税四期), which further promoted the development of online, digital and intelligent finance and taxation. In February 2021, the four departments, namely the Office of the National Archives Administration, the General Office of the Ministry of Finance, the General Office of the Ministry of Commerce and the General Office of the State Taxation Administration jointly issued the Notice on Further Expanding the Pilot Work of Electronic Reimbursement, Accounting and Filing of Value-Added Tax Electronic Invoices (《關於進一步擴大增值稅電子發票電子化報銷、入賬、歸檔試點工作的通知》) to speed up the application and promotion of value-added tax electronic invoices. In March 2021, the Opinions on Further Deepening the Reform of Tax Collection and Administration (《關於進一步深化稅收徵管改革的意見》) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council became the overall plan for optimizing and establishing tax collection and administration in the next five years. By 2025, electronication will be basically realized in all fields, all links, and all elements of invoices, and a powerful and intelligent taxation will be basically completed. China’s large-scale digital reform in the field of finance and taxation will further promote the upgrade of corporate finance and taxation management to the integration of invoice, finance and taxation.

As the wave of digitization is sweeping through various industries, it accelerates the transformation of micro and small scale enterprises (“MSEs”) from a traditional business model to an online business model that deeply integrates online and offline operation. Leveraging on content e-commerce, WeChat social networking, and platform e-commerce to expand business channels, MSEs realise real-time connection with customers, integrate offline business with online business, and achieve digital, intelligent, and integrated offline and online operation, as a way to help them increase revenue, reduce costs, improve efficiency, and enhance competitiveness.

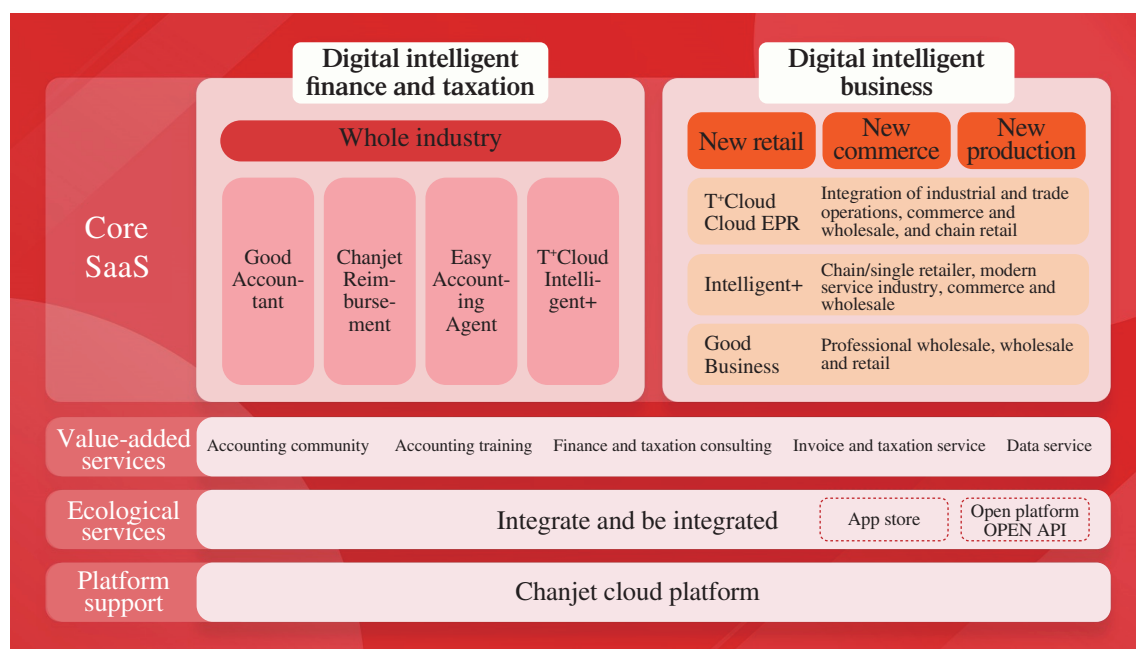
The above industry development trends have played a positive role in promoting the Group to continuously deepen its rapid development in the cloud service business, digital intelligent finance and taxation, and digital intelligent business.

Principal operations and operational status

During the Reporting Period, the Group focused on the two major fields, namely digital intelligent finance and taxation, and digital intelligent business for MSEs. It strategically dedicated more resources to its cloud service business to promote scale development. The Group innovated and developed the application of cloud products, continued to upgrade operation system for customer success, and promoted the layout of diversified channels. The revenue from cloud service business was RMB187.36 million, an increase of 138% over the same period of last year, and an increase in its proportion of revenue of the Group from 39% for the same period of last year to 87%, of which revenue from subscription-based cloud services was RMB99.92 million, an increase of 102% over the same period of last year; contract liabilities from subscription-based cloud services was RMB337.40 million, an increase of 63% over the end of last year.

During the Reporting Period, the Group achieved total revenue of RMB214.70 million, an increase of 6% over the same period of last year; the loss attributable to owners of the parent was RMB134.49 million, as compared to profit attributable to owners of the parent of RMB17.50 million for the same period of last year; the basic loss per share of the Group was RMB0.679, as compared to basic earnings per share of RMB0.081 for the same period of last year.

1. Development of cloud service business



The Group focused on two major fields, namely digital intelligent finance and taxation, and digital intelligent business for MSEs. The core SaaS products are Chanjet T+Cloud, Good Accountant (好會計), Chanjet Reimbursement (小暢報銷), Easy Accounting Agent (易代賬), Intelligent+ (智+), and Good Business (好生意). T+Cloud is an SaaS product integrating “people, finance, goods, and customers” launched by the Group for small enterprises which integrate industrial and trade operations, or engage in commerce and wholesale, and chain retail. By virtue of a deep product and customer base in the fields of finance and supply chain, T+Cloud continuously increased its proportion in the revenue from cloud service business, and consistently promoted the average customer unit price and improved customer retention rates. Chanjet Intelligent+ is a data-driven and marketing-based business-and-financial-integrated intelligent SaaS product. This product is based on a cloud-native platform, and mainly targets MSEs in commerce, retail, and modern service industries. Through online intelligent marketing and business-and-financial-integrated intelligent management, it enables MSEs to realise “precision marketing, fast trading and clear finance”. Chanjet Good Accountant is a digital intelligent finance and taxation SaaS product integrating invoice, finance and taxation for MSEs. Good Business is a digital intelligent business SaaS product for micro commercial enterprises and retail business. Chanjet Reimbursement is a new reimbursement SaaS product which is designed for all employees of MSEs, and enables electronic invoice capture, OCR identification, invoice verification, duplicate checking, automatic expense account collection, electronic filing, and other functions. The last three products target a large customer base and are easy to deliver on scale, which are important for the Group to rapidly expand the scale of customers, seize market share of MSEs, cultivate user habits, and consolidate user base. Chanjet Easy Accounting Agent is a digital intelligent finance and taxation SaaS product for the account agencies. It provides intelligent accounting and operation management systems to help account agencies improve operating efficiency and reduce tax risks.

Chanjet's core SaaS products run on its cloud platform. The platform not only supports the development and operation of Chanjet's own SaaS products, but also modes of integrating and being integrated. The platform connects ISV and professional service providers through an open platform to provide richer product applications and value-added services to meet customer needs and improve the usage effects and customers' satisfaction.

During the Reporting Period, at the product level, in the field of digital intelligent finance and taxation, the Group expedited the development of products and market by comprehensively leveraging on the policy opportunities from invoice electrification and the "Golden Tax Phase IV". Chanjet Reimbursement being universally applied was optimized and integrated with Chanjet Good Accountant, which improved the process management of electronic invoice for whole life cycle from invoicing, receipt, forgery verification, duplicate checking, account entry, reimbursement, accounting, declaration to filing. As a result, the competitive advantages of the product were further enhanced. In the field of digital intelligent business, to meet the demand of MSEs for customer online, business online and the integration of online and offline operations, the Group upgraded a new retail platform which integrated smart stores, private domain malls, O2O e-commerce, video e-commerce, and traditional e-commerce platforms. The new retail platform can be connected to two product lines, namely T+Cloud and Intelligent+ at the same time, to extend the business of the Company to the front-end marketing, and help customers realise the integrated management of online and offline, front-end and back-end, and business and finance. Chanjet Good Business realized full mobility, and the software and hardware integrated product designed for the low-end market was vigorously optimized to support out-of-the-box use as a way to speed up the scale development of customers.

During the Reporting Period, at the marketing level, the Group further strengthened channel coverage and diversified layout as a way to continuously improve the sales and operation capabilities of channel partners. The number of channel partners was over 2,000, and the channel layout further penetrated into prefectural and county market. We actively participated in cloud adoption projects for enterprises in multiple regions, and strengthened marketing cooperation with ecological partners including Internet platform manufacturers, telecom operators, banks, tax dealers, and finance and taxation training institutions. We deeply explored the market of social training on finance and taxation, and established partnerships with more than 40 social training institutions. We signed a strategic cooperation agreement with a subsidiary of Meituan to jointly provide customers with comprehensive restaurant management system services, among which the Company would provide supply chain management system and financial management system. The Group cooperated with channel partners to carry out over 1,000 marketing activities, and continued marketing and promotion. It innovated and carried out the GOT (GOAL-OBJECTIVE-TASK) partners co-creation plan, and worked together with partners to formulate business plans. More than 160 partners launched GOT co-creation program, which improved their abilities to obtain business opportunities, perform customer operation, manage businesses, and motivate their employees. The Group constantly operated in joint with partners and made business operation plans based on customer scenarios and marketing scenarios. The Group established a communication matrix with the self-media of over 600 partners, which greatly improved the effect of online and offline operations.

During the Reporting Period, the Group enhanced in-product operations by launching the “Chanjet Membership” content service for digital intelligent finance and taxation in our products, and provided service contents and guidance on product application according to the application stages of customers, so that customers could better apply the SaaS products of the Group. Based on different service channels including Service Wiz (服寶) intelligent service, community in Accountant Home, service community, and social groups, the Group provided customers with diversified services and interactive communication, and assisted customers in optimizing business operation, financial management, and tax risk control so as to make a success.

During the Reporting Period, over 200 ISV partners on Chanjet’s open platform entered the application market. The applications developed and created by ISV partners were integrated with APIs such as T+Cloud, Intelligent+, Good Accountant and Good Business to offer cloud service solutions which integrate software and hardware in different fields.

During the Reporting Period, the Group’s cloud service business had more than 57,000 newly added paying enterprise users, representing an increase of 79% over the same period of last year; and as of the end of the Reporting Period, the number of accumulated paying enterprise users exceeded 275,000.

(1) Digital intelligent finance and taxation

Thanks to opportunities brought by policies regarding invoice electronication, electronic archives and the “Golden Tax Phase IV” for the growth of the industry, the demand of MSEs for SaaS products in digital intelligent finance and taxation and with the integration of invoice, finance and taxation further increased, which brought a key boost to rapidly replace traditional financial software with such products. At the product level, the integration of Chanjet Reimbursement and Chanjet Good Accountant improved the management of the whole life cycle process of electronic invoices. Good Accountant supported the automated preparation of final settlement and payment statements, the application of new tax reduction policies in 2021 in the products, and direct declaration of individual income tax. Chanjet Easy Accounting Agent mainly strengthened the intelligent features, and comprehensively improved intelligent bills, intelligent accounting, intelligent taxation, and intelligent filing. At the operational level, efforts were made to strengthen the Group’s leading brand of cloud finance and taxation for MSEs, enhance external ecological cooperation, improve the capability to ecologically integrate and be integrated, build five major open finance and taxation docking modes including invoice, tax declaration, voucher, banks and consumption platforms, and swiftly cooperate with invoice merchants, tax merchants, industry SaaS, banks and consumption platforms, which not only enhanced the overall competitiveness of products, but also further intensified the occupation and inflow of ecological cooperation.

(2) *Digital intelligent business*

With the mutual promotion among technology upgrading, consumption upgrading, and changes in business pattern, it has become a general trend for MSEs to conduct online business and operate in a digital and intelligent way. A V16.0 version for T+Cloud was released based on Internet's characteristics of being scenario-based, mobile and intelligent. By virtue of the in-depth understanding of the integrated management of business and finance of MSEs and over ten years of service experience, the Group improved products application in the new retail and new commerce fields. Such products provided an operation management model that integrated online and offline, and front-end and back-end operation for traditional enterprises to run online. Compared with the single mode only offering online or offline management, such products were more competitive. T+Cloud fully opened up APIs, and continuously improved low-code development functions. Customer's needs were met in more application scenarios through secondary development by ISV partners. By doing this, customer coverage was expanded, and customer satisfaction was improve. Chanjet Intelligent+ further strengthened the integrated functions of business and finance, and the features of new commerce and new retail. Automated financial bookkeeping, and automated business and financial reconciliation were realized through an automated finance and taxation model driven by artificial intelligence. Chanjet Good Business realized full mobilization. Software and hardware integrated products Kaidanbao (開單寶) and PDA were vigorously optimized for the low-end market to support right out-of-the-box use through the prefabrication of industrialized solutions based on the industry characteristics of food, clothing, fresh fruits and vegetables. As a result, the Group continued to improve large-scale sales and delivery capabilities, further penetrated into markets in lower-tier cities, and accelerated the large-scale development of customers.

2. Development of software business

During the Reporting Period, the accumulated enterprise users of software business were over 1.75 million. The Group continued to integrate digital intelligent cloud service capabilities into software products, implement the software toward cloud migration strategy, expedite the adoption of cloud by existing software enterprise users, and promote the transformation of software users toward digital intelligent operation and management.

3. Development of employees and organizations

As of the end of the Reporting Period, the Group had 1,122 employees in total, representing an increase of 180 employees over the same period of last year. In order to speed up the cloud service business strategies, the Group constantly advanced the integration of cultural values with organizational capacities, and deeply blended corporate culture in the business. The Group fully implemented the employee mentor system and learning-training-test model, and conducted R&D competitions to build a comprehensive empowerment system. The Group continued to optimize the talent capacity structure. Based on the building of a dynamic drop-shaped talent structure, it made efforts to consolidate the expert team, enhance senior talent team and the capacity of cadres, and build up talent reserve. In terms of talent retention and incentives, the Group implemented long-term incentive measures to motivate the enthusiasm and creativity of the management team members and the core backbone employees as a way to make the organization more competitive.

4. Development of brand and market

According to the 2021 Cloud Financial and Tax Service Market Tracking and Deep Insights in China (《2021中國雲財稅服務市場跟蹤與深度洞察》) released by Analysys, the overall comprehensive competitiveness evaluation of Chanjet ranked the first in terms of the cloud financial and tax service market of MSEs. From the perspective of cloud financial and tax paying users of MSEs, Chanjet's market share maintained the first in the cloud financial and tax service market of MSEs.

During the Reporting Period, the Company was named as one of the “Top Ten Benchmark Partners of Huawei Cloud Starlight Plan 2021 (2021華為雲星光計劃十大標杆夥伴)” at the “Huawei China Ecological Conference 2021 (華為中國生態大會2021)” held by Huawei, and also won the “Huawei Cloud Kunpeng Best Practice Partner Award (華為雲鯤鵬最佳實踐夥伴獎)”. At the 4th China Brand Economy Summit and 2021 Digital Economy Innovation Forum, the Company was named as “Cberi 2021 Most Influential Cloud Service Industry Player in China (斯貝瑞中國2021年度最具行業影響力雲服務企業)”. The Company won the “Best SaaS Service Provider of the Year (年度最佳SaaS服務商)” at the 6th SaaS Application Conference held by Top Zhihui and co-sponsored by Shanghai Software Industry Association and Shanghai Chief Information Officer Alliance (上海首席信息官聯盟), and the “2021 Cloud Native Application Excellent Case (2021年度雲原生應用優秀案例)” at the 2021 Cloud Native Industry Conference (2021年雲原生產業大會) hosted by China Academy of Information and Communications Technology. Chanjet Good Accountant won the award of “Outstanding Innovative Product of Digital Transformation in 2020-2021 (2020-2021年度數字轉型傑出創新產品)” at the “2021 IT Market Annual Conference (2021 IT市場年會)” hosted by CCID Consulting.

Development Plan for the Second Half of the Year

In the second half of 2021, the Group will focus on the two major fields, namely digital intelligent finance and taxation, and digital intelligent business for MSEs, firmly implement the strategies of giving priority to cloud service business and subscription, and continue to increase investment of resources to maintain a high growth in the revenue from cloud service business, and seize leading position in the cloud service market of MSEs.

The Group will continue to optimize and improve cloud products and boost cloud products to integrate and be integrated with industry ecology. For Chanjet Good Accountant and Easy Accounting Agent, further innovation will be striven for around tax-enterprise interconnection, intelligent finance and taxation, and ecological interconnection. The Group will continue to grasp the opportunities brought by invoice electronication, “Golden Tax Phase IV”, digital taxation, and tax-enterprise connection to optimize the connectivity of integrating invoice, finance and taxation. Artificial intelligence will be deeply applied for full automation of invoice, finance and taxation to lay a solid foundation for intelligent finance and taxation services. The Group will strengthen the cooperation with ecological manufacturers in four areas, being training institutions, invoice and tax service providers, Internet platforms, and banks to deeply participate in the SaaS ecology of the Internet platform, and enhance its influence and coverage in the industry. T+Cloud and Intelligent+ will accelerate the improvement of product functions in new retail to promote the business in this field. Chanjet Good Business will continue to deepen the strategies integrating software and hardware, extend to the front-end marketing, and expand customer base in the professional market of the low-end commerce industry on a large scale.

Upholding the principle of customer success, the Group will speed up the acquisition of new customers to adopt cloud, accelerate cloud integration and migration of software customers, and help MSEs operate online in a digital and intelligent way. We will carry out classified operation of partners, continue to empower partners to carry out GOT co-creation program and joint operations, increase the number of partners, and further penetrate into the prefectural and county markets; quicken the growth of open platforms, and advance deep cooperation in ecological channels; adopt community operation, in-product operation, and customer return visit to help customers deeply apply cloud products and transform toward digital intelligent operation; strengthen customer operations in the field of account agencies and social training, make breakthrough in community finance and taxation training; increase brand marketing efforts, continue to propagate through partner media matrix, and press ahead multi-channel, multi-scenario, and multi-terminal media coverage.

The Group will take capacity enhancement as the core to develop talents and the organization so as to motivate the enthusiasm and creativity of employees. Continued efforts will be made to optimize the talent capacity structure, consolidate the expert team, and improve the senior talent team; implement the mentor system and bench system, strengthen the capacity of cadres and build up talent reserve; put cultural values into practice, and land corporate culture on the improvement of organizational capabilities so as to promote business with corporate culture and help the long-term and sound development of the Group.

Financial Review

| For the six months ended 30 June | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|---------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 | Change in amount RMB'000 | Percentage change % |
| Revenue | 214,696 | 203,462 | 11,234 | 6 |
| Cost of sales and services provided | <u>(68,395)</u> | <u>(26,181)</u> | <u>(42,214)</u> | 161 |
| Gross profit | 146,301 | 177,281 | (30,980) | (17) |
| Gross profit margin | 68% | 87% | (19)% | |
| Other income and gains | 18,966 | 44,147 | (25,181) | (57) |
| R&D costs | (116,974) | (66,760) | (50,214) | 75 |
| Selling and distribution expenses | (145,060) | (78,953) | (66,107) | 84 |
| Administrative expenses | (43,044) | (30,558) | (12,486) | 41 |
| Impairment losses on financial assets | – | (15,928) | 15,928 | N/A |
| Other expenses | (8,294) | (14,313) | 6,019 | (42) |
| Financial costs | (139) | (207) | 68 | (33) |
| Share of profit/(loss) of an associate | <u>486</u> | <u>(730)</u> | <u>1,216</u> | (167) |
| (Loss)/profit before tax | (147,758) | 13,979 | (161,737) | (1,157) |
| Income tax credit | <u>13,272</u> | <u>3,523</u> | <u>9,749</u> | 277 |
| (Loss)/profit for the period | <u>(134,486)</u> | <u>17,502</u> | <u>(151,988)</u> | (868) |
| Attributable to: | | | | |
| Owners of the parent | <u>(134,486)</u> | <u>17,502</u> | <u>(151,988)</u> | (868) |

Operating results

For the six months ended 30 June 2021, the revenue of the Group was RMB214.70 million, representing an increase of 6% as compared to the same period of last year. Loss for the period of the Group was RMB134.49 million, while the profit for the period was RMB17.50 million for the same period of last year. Loss attributable to owners of the parent was RMB134.49 million while profit attributable to owners of the parent was RMB17.50 million for the same period of last year. The basic loss per share of the Group was RMB0.679, while the basic earnings per share was RMB0.081 for the same period of last year.

The main reasons for the loss for the period of the Group are that the Group has comprehensively promoted the cloud-first and subscription-first strategies, strategically dedicated more resources to its cloud service business and downsized its software business: (i) expanded the size of research and development and sales personnel of cloud service business, and as of 30 June 2021, the Group had 1,122 employees in total, representing an increase of 180 employees over the same period of last year; (ii) intensified the promotion of Chanjet's cloud finance and taxation brand, and increased the direct cost and expenditure on sales promotion; (iii) strategically downsized its software business, with revenue from the software business of RMB27.34 million, representing a decrease of approximately 78% as compared to RMB124.80 million for the same period of last year; and (iv) adopted the Long-term Employee Incentive Point Scheme (the “**Point Scheme**”), the Employee Share Ownership Scheme, and the Long-term Incentive Bonus Scheme (collectively, the “**Long-term Incentive Scheme**”), which were included in the current profit and loss of approximately RMB46.54 million in total, representing an increase of approximately 779% from RMB5.29 million for the same period of last year. Upon deduction of the impact of expenses of the Long-term Incentive Scheme, the Group's loss attributable to owners of the parent will be approximately RMB87.95 million.

Revenue

For the six months ended 30 June 2021, the revenue of the Group was RMB214.70 million, representing an increase of 6% as compared to the same period of last year. In particular, revenue from software business was RMB27.34 million, representing a decrease of 78% over the same period of last year; and revenue from cloud service business was RMB187.36 million, representing an increase of 138% over the same period of last year, and its proportion of revenue of the Group increased to 87%.

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

| | For the six months ended 30 June | | | | Change in amount | Percentage change |
|-------------------------------------|----------------------------------|------------|----------------|------------|---------------------|----------------------|
| | 2021 | | 2020 | | | |
| | (Unaudited) | | (Unaudited) | | | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Revenue from software business | 27,336 | 13 | 124,798 | 61 | (97,462) | (78) |
| Revenue from cloud service business | 187,360 | 87 | 78,664 | 39 | 108,696 | 138 |
| Revenue | 214,696 | 100 | 203,462 | 100 | 11,234 | 6 |

Cost of sales and services provided

For the six months ended 30 June 2021, the Group's cost of sales and services provided was RMB68.40 million, representing an increase of 161% over the same period of last year, which was mainly due to an increase of RMB29.09 million in contract operation costs of cloud service business, and an increase of RMB7.83 million of labour costs.

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

| | For the six months ended 30 June | | | | | |
|--|----------------------------------|-------------------|----------------------|-------------------|--------------------------------|---------------------------|
| | 2021 RMB'000 | % | 2020 RMB'000 | % | Change in amount RMB'000 | Percentage change % |
| Software business | 3,834 | 6 | 4,542 | 17 | (708) | (16) |
| Cloud service business | <u>64,561</u> | <u>94</u> | <u>21,639</u> | <u>83</u> | <u>42,922</u> | <u>198</u> |
| Cost of sales and services provided | <u>68,395</u> | <u>100</u> | <u>26,181</u> | <u>100</u> | <u>42,214</u> | <u>161</u> |

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

| | For the six months ended 30 June | | | | | |
|--|----------------------------------|-------------------|----------------------|-------------------|--------------------------------|---------------------------|
| | 2021 RMB'000 | % | 2020 RMB'000 | % | Change in amount RMB'000 | Percentage change % |
| Contract operation costs | 36,392 | 53 | 7,305 | 28 | 29,087 | 398 |
| Labour costs | 13,373 | 20 | 5,548 | 21 | 7,825 | 141 |
| Service costs | 7,258 | 11 | 2,605 | 10 | 4,653 | 179 |
| Operation and maintenance costs | 5,101 | 7 | 3,542 | 14 | 1,559 | 44 |
| Amortisation of intangible assets | 3,699 | 5 | 4,467 | 17 | (768) | (17) |
| Software development and production costs | 1,336 | 2 | 2,083 | 8 | (747) | (36) |
| Other costs | <u>1,236</u> | <u>2</u> | <u>631</u> | <u>2</u> | <u>605</u> | <u>96</u> |
| Cost of sales and services provided | <u>68,395</u> | <u>100</u> | <u>26,181</u> | <u>100</u> | <u>42,214</u> | <u>161</u> |

Gross profit and gross profit margin

For the six months ended 30 June 2021, the Group achieved a gross profit of RMB146.30 million, representing a decrease of 17% over the same period of last year. The gross profit margin of the Group was 68%, representing a decrease of 19 percentage points over the same period of last year. The decrease in gross profit and gross profit margin was mainly attributable to the decrease of revenue from software business, the decrease of the gross profit margin from cloud service business, and the increase in the portion of revenue from cloud service business. The gross profit margin from software business was 86%, representing a decrease of 10 percentage points over the same period of last year, mainly attributable to the significant decrease of revenue from software business, and the relative increase of proportion of the fixed costs in software business costs; the gross profit margin from cloud service business was 66%, representing a decrease of 6 percentage points over the same period of last year, which was mainly attributable to the significant increase of contract operation costs of cloud service business.

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

| | For the six months ended 30 June | | | | | |
|------------------------|----------------------------------|-------------------|-----------------------|-------------------|--------------------------------|---------------------------|
| | 2021 RMB'000 | % | 2020 RMB'000 | % | Change in amount RMB'000 | Percentage change % |
| Software business | 23,502 | 16 | 120,256 | 68 | (96,754) | (80) |
| Cloud service business | <u>122,799</u> | <u>84</u> | <u>57,025</u> | <u>32</u> | <u>65,774</u> | 115 |
| Gross profit | <u>146,301</u> | <u>100</u> | <u>177,281</u> | <u>100</u> | <u>(30,980)</u> | (17) |

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

| | For the six months ended 30 June | | |
|----------------------------|----------------------------------|------------------|--------------------------|
| | 2021 % | 2020 % | Change in amount % |
| Software business | 86 | 96 | (10) |
| Cloud service business | <u>66</u> | <u>72</u> | (6) |
| Gross profit margin | <u>68</u> | <u>87</u> | (19) |

Other income and gains

For the six months ended 30 June 2021, the Group's other income and gains were RMB18.97 million, representing a decrease of 57% over the same period of last year, which was mainly due to the decrease of RMB10.03 million in gains on fair value change of bank wealth management products and financial income due, interest income of bank deposit, and the decrease of RMB8.94 million in fair value change of unlisted equity investments financial assets.

R&D costs

For the six months ended 30 June 2021, R&D costs of the Group amounted to RMB116.97 million, representing an increase of 75% over the same period of last year, which was mainly attributable to the increase of R&D personnel and an increase of RMB13.21 million included in the R&D costs of the Long-term Incentive Scheme.

The following table sets forth a breakdown of R&D costs of the Group:

| | For the six months ended 30 June | | | | Change in amount RMB'000 | Percentage change % |
|-------------------------------------|----------------------------------|------------|---------------|------------|--------------------------------|---------------------------|
| | 2021 | | 2020 | | | |
| | (Unaudited) | | (Unaudited) | | | |
| | RMB'000 | % | RMB'000 | % | | |
| R&D costs of software business | 2,061 | 2 | 2,477 | 4 | (416) | (17) |
| R&D costs of cloud service business | 114,913 | 98 | 64,283 | 96 | 50,630 | 79 |
| R&D costs | 116,974 | 100 | 66,760 | 100 | 50,214 | 75 |

Selling and distribution expenses

For the six months ended 30 June 2021, the selling and distribution expenses of the Group were RMB145.06 million, representing an increase of 84% over the same period of last year, which was mainly attributable to the increased number of sales personnel; the intensified promotion of Chanjet's cloud finance and taxation brand, leading to the increase of the direct cost and expenditure on sales promotion; and the increase of RMB15.80 million included in selling and distribution expenses of the Long-term Incentive Scheme.

Administrative expenses

For the six months ended 30 June 2021, the administrative expenses of the Group was RMB43.04 million, representing an increase of 41% as compared with that of the same period of last year, which was mainly attributable to the increase of RMB10.19 million included in administrative expenses of the Long-term Incentive Scheme.

Other expenses

For the six months ended 30 June 2021, other expenses of the Group were RMB8.29 million, mainly included a provision for impairment of RMB6.48 million made by the Group in respect of the investment in Beijing Chanjet Payment Technology Co., Ltd., an associate of the Company, and an exchange loss of RMB1.65 million due to the exchange rate changes during the Reporting Period. Other expenses of the Group were RMB14.31 million in the same period of the last year (RMB15.93 million was presented separately in impairment losses on financial assets).

Income tax credit

For the six months ended 30 June 2021, the income tax credit of the Group was RMB13.27 million, mainly the deferred income tax credit recognized for uncovered tax losses.

Loss/profit attributable to owners of the parent

For the six months ended 30 June 2021, the loss attributable to owners of the parent of the Group was RMB134.49 million, and the profit attributable to the owners of the parent for the same period of last year was RMB17.50 million.

Liquidity and financial resources

Condensed cash flow statement

| | For the six months ended 30 June | | |
|--|---|--------------------|-----------------------------|
| | 2021 | 2020 | Change in amount |
| | (Unaudited) | (Unaudited) | |
| | RMB'000 | RMB'000 | RMB'000 |
| Net cash flows (used in)/from operating activities | (29,883) | 65,631 | (95,514) |
| Net cash flows from/(used in) investing activities | 57,852 | (368,841) | 426,693 |
| Net cash flows used in financing activities | (3,274) | (3,904) | 630 |

Net cash flows used in/from operating activities

For the six months ended 30 June 2021, net cash flows used in operating activities of the Group was RMB29.88 million, while net cash flows from operating activities of the Group was RMB65.63 million for the same period of last year, which was mainly due to the increase in contract operation costs prepaid by the Group for cloud service business, and the increase in cash paid to and for the benefit of employees, in which, the cash paid to employees under the Point Scheme was RMB32.66 million, compared with RMB6.36 million in the same period of last year.

Net cash flows from/used in investing activities

For the six months ended 30 June 2021, net cash flows from investing activities of the Group was RMB57.85 million, which was mainly due to the fact that some of the Group's time deposits and bank wealth management products matured during the Reporting Period.

Net cash flows used in financing activities

For the six months ended 30 June 2021, net cash flows used in financing activities of the Group was RMB3.27 million, which was mainly due to the payment of lease principal and interest under the application of "IFRS 16 – Lease".

Working capital

| | As at 30 June 2021 (Unaudited) | As at 31 December 2020 (Audited) |
|----------------------------------|---|---|
| Cash and bank balances (RMB'000) | 1,155,740 | 1,281,241 |
| Current ratio | 261% | 513% |
| Gearing ratio | 0% | 0% |

As at 30 June 2021, the cash and bank balances of the Group was RMB1,155.74 million (31 December 2020: RMB1,281.24 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 30 June 2021 was 261% (31 December 2020: 513%). The decrease in current ratio was mainly due to the significant increase in current liabilities, which caused by the recognition of other payables of RMB141.18 million as a result of the Group's treasury share repurchase obligations resulting from the implementation of the Employee Share Ownership Scheme and the increased contract liabilities brought about by rising receipts in advance for cloud services business.

The Group's gearing ratio was nil. Gearing ratio was calculated based on the net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing liabilities less cash and bank balances.

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

Capital expenditure

For the six months ended 30 June 2021, the capital expenditure of the Group primarily included: the additional expenditure on property, plant and equipment of RMB5.70 million (for the same period of last year: RMB0.49 million); the additional expenditure on right-of-use assets (mainly refers to leased office buildings) of RMB2.80 million (for the same period of last year: RMB1.00 million) and the additional expenditure on intangible assets of RMB0.61 million (for the same period of last year: RMB6.39 million).

Contingent liabilities

As at 30 June 2021 and 31 December 2020, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

Charges on assets

As at 30 June 2021 and 31 December 2020, 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

During the Reporting Period, the Group did not have any material acquisition or disposal in relation to subsidiaries, associates and joint ventures.

Foreign exchange risks

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet Information Technology Corporation, 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

On 18 August 2021, the Board recommended the issuance of five (5) capitalization shares to all shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders' meeting of the Company. For details, please refer to the announcement of the Company dated 18 August 2021.

Staff Remuneration Policy and Training Plan

Remuneration of the staff of the Company is principally determined by taking into consideration of their respective rank of positions, segment, business line, geographical region, etc. During the Reporting Period, the details of the staff remuneration charged of the Group are set out in note 5 to the financial statements. The training hours scheduled for the staff of the Group amounted to 10,314 hours in total with an average of 9.19 hours for each employee. As at 30 June 2021, there were no significant changes to the staff remuneration policy and training plan of the Company. In order to attract, retain and motivate key staff needed for the achievement of the Company's strategic objectives, the Company has adopted the Employee Trust Benefit Scheme, the Point Scheme, the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme. For details, please refer to "Employee Trust Benefit Scheme", "Long-term Employee Incentive Point Scheme", "Employee Share Ownership Scheme" and "Long-term Incentive Bonus Scheme".

Employee Trust Benefit Scheme

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

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

Long-term Employee Incentive Point Scheme

In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Board has approved the adoption of the Point Scheme on 29 March 2019. 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 25 May 2021, the Board considered and approved the resolution in relation to 49,174.28 points granted under the 2020 Initial Point Grant and the 2020 Supplemental Point Grant becoming effective.

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, and the 49,174.28 Points granted under the 2020 Initial Point Grant and the 2020 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.

For details of the 2020 Initial Point Grant and the 2020 Supplemental Point Grant becoming effective, and the Cancellation of 2021 Point Grant, please refer to the announcements of the Company dated 25 May 2021 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 approved and adopted the Employee Share Ownership Scheme at the extraordinary general meeting held on 28 December 2020. 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, 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 | | 13,985,000 | 90.74 | 6.44 |
| TOTAL | | | 15,412,716 | 100.00 | 7.10 |

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. 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.

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 were 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 Hong Kong.

According to the intended use of proceeds disclosed in the Prospectus of the Company, the actual usage and intended timetable for use of the unutilized proceeds as at 30 June 2021 are detailed as follows:

| Proposed use of proceeds | Budgeted amount HK\$ | Actual amount used HK\$ | Unutilised 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 276.75 million | Approximately 13.94 million | On or before 31 December 2021 |
| For the R&D of our cloud platform and innovative application products | Approximately 194.08 million | Approximately 194.08 million | – | N/A |
| To support the marketing and operation of our cloud services | Approximately 199.21 million | Approximately 152.34 million | Approximately 46.87 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 85.49 million | – | N/A |
| Total | Approximately 854.96 million | Approximately 713.32 million | Approximately 141.64 million | |

As at 30 June 2021, 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 a manner consistent with the planned usages of the proceeds as disclosed in the Prospectus in accordance with the abovementioned intended timetable.

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

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

MATERIAL LEGAL MATTERS

So far as the Board is aware, as at 30 June 2021, the Group was not involved in any material litigation or arbitration, and there was no pending or threatened legal litigation or claim that might pose a significant threat to the Group.

INTERIM DIVIDEND AND PLAN OF CAPITAL RESERVE CAPITALIZATION

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). On 18 August 2021, the Board also recommended the issuance of five (5) capitalization shares to all shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders' meeting of the Company. For details, please refer to the announcement of the Company dated 18 August 2021.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company had fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman. On 18 August 2021, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and this announcement, and concluded that such financial statements and this announcement had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND REPORT

This results announcement will be published on the website of the Company (www.chanjet.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk). The 2021 interim report of the Company containing all the information as required by the Listing Rules will be despatched by the Company to its shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

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

Beijing, the PRC
18 August 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.