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畅捷通

Chanjet

**暢捷通信息技術股份有限公司**

**CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED***

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

**(Stock Code: 1588)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

**FINANCIAL HIGHLIGHTS**

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2023** | 2022 | Percentage |
| | **(Unaudited)** | (Unaudited) | Change |
| | ***RMB'000*** | *RMB'000* | *%* |
| Revenue | **375,573** | 335,099 | 12 |
| Gross profit | **245,244** | 205,957 | 19 |
| Profit/(loss) attributable to owners of the parent | **18,135** | (78,471) | N/A |
| Basic earnings/(loss) per share *(RMB)* | **0.057** | (0.262) | N/A |

The board (the "**Board**") of directors (the "**Directors**") of Chanjet Information Technology Company Limited (the "**Company**") did not recommend the distribution of any interim dividend for the six months ended 30 June 2023.

* *For identification purposes only*

The Board hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**") together with the comparative figures in 2022 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Notes | **For the six months ended 30 June 2023 (Unaudited)** *RMB'000* | 2022 (Unaudited) *RMB'000* |
|---|---|---|---|
| **Revenue** | 4 | **375,573** | 335,099 |
| Cost of sales and services provided | 5 | **(130,329)** | (129,142) |
| **Gross profit** | | **245,244** | 205,957 |
| Other income and gains, net | 4 | **104,389** | 33,447 |
| Research and development costs | 5 | **(127,750)** | (133,538) |
| Selling and distribution expenses | | **(158,717)** | (141,739) |
| Administrative expenses | | **(40,617)** | (38,901) |
| Impairment losses on financial assets | | **(53)** | (257) |
| Other expenses | | **(447)** | (429) |
| Finance costs | | **(538)** | (827) |
| Share of profit/(loss) of an associate | 9 | **1,182** | (887) |
| **Profit/(loss) before tax** | 5 | **22,693** | (77,174) |
| Income tax expense | 6 | **(4,558)** | (1,297) |
| **Profit/(loss) for the period** | | **18,135** | (78,471) |
| **Attributable to:** | | | |
| Owners of the parent | | **18,135** | (78,471) |
| **Earnings/(loss) per share attributable to ordinary equity holders of the parent** | | | |
| Basic and diluted *(RMB cents)* | 8 | **5.7** | (26.2) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Profit/(loss) for the period** | **18,135** | (78,471) |
| **Other comprehensive income** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **83** | 121 |
| **Other comprehensive income for the period, net of tax** | **83** | 121 |
| **Total comprehensive income/(loss) for the period** | **18,218** | (78,350) |
| **Attributable to:** | | |
| Owners of the parent | **18,218** | (78,350) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2023 (Unaudited)** *RMB'000* | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,894** | 6,775 |
| Right-of-use assets | | **9,982** | 12,804 |
| Intangible assets | | **1,639** | 5,307 |
| Investment in an associate | 9 | **17,458** | 16,276 |
| Equity investments at fair value through profit or loss | 10 | **61,007** | 30,014 |
| Deferred tax assets | | **13,794** | 18,347 |
| Prepayments, other receivables and other assets | 12 | **68,580** | 67,012 |
| Total non-current assets | | **177,354** | 156,535 |
| **Current assets** | | | |
| Inventories | | **894** | 815 |
| Trade receivables | 11 | **46,989** | 45,373 |
| Prepayments, other receivables and other assets | 12 | **170,058** | 146,829 |
| Financial assets at fair value through profit or loss | 13 | **201,962** | – |
| Cash and bank balances | 14 | **948,794** | 1,169,225 |
| Total current assets | | **1,368,697** | 1,362,242 |
| **Current liabilities** | | | |
| Trade payables | 15 | **16,813** | 20,074 |
| Contract liabilities | 16 | **364,007** | 331,515 |
| Other payables and accruals | 17 | **124,060** | 293,304 |
| Lease liabilities | | **6,692** | 6,567 |
| Total current liabilities | | **511,572** | 651,460 |
| **Net current assets** | | **857,125** | 710,782 |
| **Total assets less current liabilities** | | **1,034,479** | 867,317 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
***(Continued)***

| | Notes | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | | **3,244** | 6,185 |
| Contract liabilities | 16 | **139,150** | 109,957 |
| Long-term liabilities | 18 | **20,224** | 38,862 |
| Total non-current liabilities | | **162,618** | 155,004 |
| **Net assets** | | **871,861** | 712,313 |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **325,772** | 325,772 |
| Treasury shares held under employee trust benefit scheme and employee share ownership scheme | | **(28,519)** | (113,228) |
| Reserves | | **574,608** | 499,769 |
| **Total equity** | | **871,861** | 712,313 |

# 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, the holding company of the Company is Yonyou Network Technology Co., Ltd. ("**Yonyou**"), which was established 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 2023 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 2023 was USD10,300,000.

(b) The paid-in capital of Chanjet Yunhui as at 30 June 2023 was RMB1,500,000.

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

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("**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 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 2022.

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

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IFRS 17 | *Insurance Contracts* |
| Amendments to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |

## 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 new and revised IFRSs that are applicable to the Group are described below:

(a) As the Group did not have contracts within the scope of IFRS 17, the standard did not have any impact on the financial position or performance of the Group.

(b) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(c) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2020. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

## 3. OPERATING SEGMENT INFORMATION

The cloud service business constituted a significant part of the Group's operation. Resource allocation and performance assessment are managed on a group basis.

Therefore, for management purposes, the Group's operating activities are attributable to a single reportable segment, and no analysis by operating segment is presented.

**Geographical information**

Since most of the Group's revenue was 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 period, including sales to a group of entities which are known to be under common control with any customer, no information about a major customer in accordance with IFRS 8 *Operating Segments* is presented.

## 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Sale of products | **98,740** | 94,065 |
| Rendering of services | **275,708** | 239,890 |
| Sale of purchased goods | **1,125** | 1,144 |
| | **375,573** | 335,099 |

Disaggregated revenue information for revenue from contracts with customers

| | | |
|---|---|---|
| **Timing of revenue recognition** | | |
| Goods/services transferred at a point in time | **137,954** | 140,626 |
| Services transferred over time | **237,619** | 194,473 |
| Total revenue from contracts with customers | **375,573** | 335,099 |

## 4. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

The Group reversed certain impairment loss on trade receivables arising from contracts with customers of RMB13,000 for the six months ended 30 June 2023. The impairment loss on trade receivables arising from contracts with customers which was recognized by the Group for the six months ended 30 June 2022 was RMB257,000.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Value-added tax refunds | **11,033** | 13,907 |
| Government grants | **630** | 265 |
| Interest income | **12,911** | 18,216 |
| Additional deduction of input value-added tax | **364** | 879 |
| Others | **30** | 193 |
| | **24,968** | 33,460 |
| **Gains/(losses), net** | | |
| Fair value gains/(losses), net: | | |
| Financial assets at fair value through profit or loss *(note 1)* | **32,955** | (3,606) |
| Gain on disposal of Finance & Taxation Practical Skills Training Product and Service Business *(note 2)* | **43,755** | – |
| Exchange gains, net | **2,653** | 3,386 |
| Others | **58** | 207 |
| | **79,421** | (13) |
| | **104,389** | 33,447 |

*Notes:*

(1) Further details of financial assets at fair value through profit or loss are set out in notes 10 and 13 to the financial statements.

(2) Further details of gain on disposal of Finance & Taxation Practical Skills Training Product and Service Business are set out in note 12 to the financial statements.

## 5. PROFIT/(LOSS) BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Cost of software sold | **627** | 992 |
| Cost of services provided | **128,866** | 127,399 |
| Cost of purchased goods sold | **836** | 751 |
| Cost of sales and services provided | **130,329** | 129,142 |
| Depreciation of property, plant and equipment | **1,997** | 1,945 |
| Depreciation of right-of-use assets | **3,543** | 3,211 |
| Amortisation of intangible assets *(note 1)* | **3,857** | 3,898 |
| Lease payments not included in the measurement of lease liabilities | **1,215** | 1,506 |
| Research and development costs *(note 2)* | **127,750** | 133,538 |
| Employee benefit expenses (including directors', supervisors' and chief executive's remuneration): | | |
| Wages and salaries | **226,780** | 240,338 |
| Equity-settled share-based payment expense | **149** | 409 |
| Pension scheme contributions *(note 3)* | **20,861** | 19,581 |
| | **247,790** | 260,328 |
| Foreign exchange differences, net | **(2,653)** | (3,386) |
| Impairment of financial assets | **53** | 257 |
| Fair value (gains)/losses, net: | | |
| Financial assets at fair value through profit or loss | **(32,955)** | 3,606 |
| Gain on disposal of Finance & Taxation Practical Skills Training Product and Service Business | **(43,755)** | – |

*Notes:*

(1) During the six months ended 30 June 2023, amortisation of intangible assets of approximately RMB3,598,000 (six months ended 30 June 2022: RMB3,595,000) was included in "Cost of sales and services provided" in the consolidated statement of profit or loss.

(2) During the six months ended 30 June 2023, research and development costs of approximately RMB119,155,000 (six months ended 30 June 2022: RMB123,533,000) were included in employee benefit expenses.

(3) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 6. INCOME TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current tax | **5** | 5 |
| Deferred tax | **4,553** | 1,292 |
| Total tax charge for the period | **4,558** | 1,297 |

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Company and its subsidiary which is in Mainland China for the six months ended 30 June 2023 and 2022.

The Company was subject to income tax at the rate of 15% as a qualified high and new technology enterprise and entitled to deduct qualifying research and development expense from taxable profit during the six months ended 30 June 2023 and 2022.

The subsidiary incorporated in the United States was subject to income tax at the rate of 21% during the six months ended 30 June 2023 and 2022.

## 7. DIVIDENDS

The Board did not recommend the distribution of final dividends for the year ended 31 December 2022.

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 315,691,427 (six months ended 30 June 2022: 299,637,075) in issue during the six months ended 30 June 2023, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the Employee Trust Benefit Scheme and the Employee Share Ownership Scheme.

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

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

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation | **18,135** | (78,471) |

| | **Number of shares For the six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation | **315,691,427** | 299,637,075 |
| Weighted average number of ordinary shares for the purpose of the diluted earnings/(loss) per share calculation | **315,691,427** | 299,637,075 |

## 9. INVESTMENT IN AN ASSOCIATE

| | 30 June 2023 (Unaudited) RMB'000 | 31 December 2022 (Audited) RMB'000 |
|---|---|---|
| Investment in an associate | **68,516** | 67,334 |
| Provision for impairment | **(51,058)** | (51,058) |
| | **17,458** | 16,276 |

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

Particulars of the 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 |
|---|---|---|---|---|
| Beijing Chanjet Payment Technology Co., Ltd. | RMB200,000,000 | Beijing, China | 19.28 | Internet payment, bank card receipt and technical development |

The Group's shareholding in the associate comprises 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 2023 (Unaudited) RMB'000 | 2022 (Unaudited) RMB'000 |
|---|---|---|
| Share of the associate's profit/(loss) for the period | **1,182** | (887) |
| Share of the associate's total comprehensive income/(loss) | **1,182** | (887) |

## 9. INVESTMENT IN AN ASSOCIATE *(Continued)*

| | **30 June 2023 (Unaudited) *RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Aggregate carrying amount of the Group's investment in the associate | **17,458** | 16,276 |

## 10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2023 (Unaudited) *RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| **Unlisted equity investments, at fair value** | | |
| Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership) | **5,911** | 1,775 |
| Yonyou Mobile Telecommunications Technology Service Co., Ltd. | **53,542** | 26,811 |
| Xi'an Rongke Telecommunications Technology Co., Ltd. | **1,554** | 1,428 |
| | **61,007** | 30,014 |

The above equity investments as at 30 June 2023 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 2023 (Unaudited) *RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Trade receivables | **47,461** | 45,858 |
| Impairment allowance | **(472)** | (485) |
| | **46,989** | 45,373 |

## 11. TRADE RECEIVABLES *(Continued)*

Except for a few of the clients who are granted an average trade credit term around 90 days by the Group, main customers are required to make payments in advance. For strategic and key customers, the Group's trading credit terms could be extended appropriately. The Group seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. Amounts included in trade receivables were denominated in RMB.

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

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| 0 to 90 days | **22,629** | 31,148 |
| 91 days to 180 days | **18,319** | 10,849 |
| 181 days to 1 year | **4,357** | 1,072 |
| Over 1 year | **1,684** | 2,304 |
| | **46,989** | 45,373 |

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 they past due for more than three years and are not subject to enforcement activity.

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Staff advances | **327** | 643 |
| Share purchase fund and dividend held by the trustee for share-based payments *(notes 1 and 2)* | **6,785** | 6,615 |
| Prepayments | **105,207** | 106,598 |
| Contract costs | **75,843** | 92,131 |
| Deposits, other receivables and other assets *(note 3)* | **50,844** | 8,145 |
| | **239,006** | 214,132 |
| Impairment allowance | **(368)** | (291) |
| | **238,638** | 213,841 |
| Less: Non-current portion | | |
| Share purchase fund and dividend held by the trustee for share-based payments *(notes 1 and 2):* | | |
| Long-term receivables | **6,785** | 6,615 |
| Prepayments | **38,382** | 23,158 |
| Contract costs | **23,383** | 37,239 |
| Other assets | **30** | – |
| | **68,580** | 67,012 |
| Current portion | **170,058** | 146,829 |

*Notes:*

(1) The share purchase fund held by the trustee for share-based payments was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Employee Trust Benefit Scheme. As at 30 June 2023 and 31 December 2022, the share purchase fund has been deposited with an agreed deposit rate and will be collected when the Employee Trust Benefit Scheme expires and the trust is liquidated.

(2) The dividend paid for the invalid from the very beginning or lapsed shares held by the trustees under the Employee Trust Benefit Scheme will be collected by the Group when the Employee Trust Benefit Scheme expires and the trust is liquidated.

(3) On 24 March, 2023, the Company entered into the transfer agreement with Seentao Technology Co., Ltd. (a fellow subsidiary of the Company) for the disposal of the Finance & Taxation Practical Skills Training Product and Service Business at an aggregated consideration of RMB43,800,000. Such transaction has resulted in a gain on disposal of RMB 43,755,000.

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

Additionnally, deposits and other receivables included rental deposits and deposits with suppliers.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The credit risk exposure and expected credit losses for the amount due from the share purchase fund held by the trustee for share-based payments and deposits and other receivables were immaterial as at 30 June 2023 and 31 December 2022.

The financial assets included in the above balances relate to other receivables for which there was no recent history of default and past due amounts. As at 30 June 2023 and 31 December 2022, the loss allowance was assessed to be minimal.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Wealth management products | **201,962** | – |

The Group purchases various wealth management products issued by banks in Mainland China. As at 30 June 2023, the Group purchased wealth management products with the cost of RMB200,000,000 (31 December 2022: Nil) from commercial banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The details and breakdown of each of financial assets at fair value through profit or loss as at the 30 June 2023 are as follows:

| **Name of bank** | **Nature of products** | **Commencement date** | **Expiry date** | **Principal amount** (Unaudited) *RMB'000* | **Carrying value** (Unaudited) *RMB'000* |
|---|---|---|---|---|---|
| China Construction Bank Corporation | Structured deposits | 24 March 2023 | 24 March 2024 | 50,000 | 50,370 |
| Industrial Bank Co., Ltd. | Structured deposits | 17 March 2023 | 15 March 2024 | 50,000 | 50,712 |
| Bank of Nanjing Co., Ltd. | Structured deposits | 22 March 2023 | 18 March 2024 | 50,000 | 50,564 |
| China Citic Bank Corporation Limited | Structured deposits | 31 March 2023 | 3 July 2023 | 50,000 | 50,316 |
| | | | | 200,000 | 201,962 |

## 14. CASH AND BANK BALANCES

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Cash on hand | **18** | 18 |
| Bank balances | **127,246** | 118,910 |
| Time deposits | **803,619** | 1,043,732 |
| Cash equivalents | **17,911** | 6,565 |
| Cash and bank balances | **948,794** | 1,169,225 |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired | **150,000** | 232,329 |
| Cash and bank balances and interest receivables restricted from being used | **–** | 9 |
| Unrestricted interest receivables | **40,440** | 37,147 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | **758,354** | 899,740 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time 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.

## 15. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2023 and 31 December 2022, based on the invoice date, is as follows:

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| 0 to 90 days | **13,315** | 16,686 |
| 91 days to 1 year | **2,005** | 2,528 |
| Over 1 year | **1,493** | 860 |
| | **16,813** | 20,074 |

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

## 16. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Rendering of services | **503,157** | 441,472 |
| Analysed into: | | |
| Current portion | **364,007** | 331,515 |
| Non-current portion | **139,150** | 109,957 |

## 17. OTHER PAYABLES AND ACCRUALS

| | **30 June 2023 (Unaudited)** ***RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Tax payable (other than income tax) | **24,085** | 12,520 |
| Staff payroll and welfare payables *(note 1)* | **69,422** | 109,069 |
| Advances from customers | **11,349** | 13,914 |
| Treasury shares repurchase obligation *(note 2)* | **–** | 141,181 |
| Other payables | **19,204** | 16,620 |
| | **124,060** | 293,304 |

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

*Notes:*

(1) Further details of staff payroll and welfare payables related to the long-term incentive bonus scheme are set out in note 18 to the financial statements.

(2) Treasury shares repurchase obligation arose from the Employee Share Ownership Scheme. On 30 March 2023, Yonyou Up Information Technology Co., Ltd. (a fellow subsidiary of the Company) issued a confirmation letter to agree that before domestic shares can be traded publicly, it shall purchase as the transferee all shares to be transferred by the shareholding platform under the Employee Share Ownership Scheme when unlocked incentive shares are redeemed and incentive shares which have not been unlocked are exited. Thus, the Company derecognized this repurchase obligation.

## 18. LONG-TERM LIABILITIES

| | **30 June 2023 (Unaudited) *RMB'000*** | 31 December 2022 (Audited) *RMB'000* |
|---|---|---|
| Accrued Bonus | **20,224** | 38,862 |

On 28 December 2020, the Board approved the adoption of the long-term incentive bonus scheme (the "**Bonus Scheme**") to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company. The appraisal dates are the first working day after the expiry of the second anniversary, third anniversary and fourth anniversary of the date of determination of the Bonus Scheme participants. Subject to the satisfaction of the appraisal conditions, the Bonus Scheme participants shall receive the bonus. The bonus shall be paid in three tranches within three months after the respective appraisal dates. On 28 December 2020, the Board has considered and approved the list of the Bonus Scheme participants under the Bonus Scheme, which comprises Mr. Yang Yuchun, the executive director and the president of the Company, and 157 members of other mid to senior level management personnel, experts and key personnel of the Group.

During the six months ended 30 June 2023, the total amount of the long-term incentive bonus expenses recognised in profit or loss under the Bonus Scheme was RMB9,688,000 (six months ended 30 June 2022: RMB19,343,000).

In accordance with the provisions of the Bonus Scheme, 28 December 2023 is the date for the appraisal of awarding of the second tranche of Bonus. As at 30 June 2023, the amount of this tranche of Bonus to be awarded to the Bonus Scheme participants shall be approximately RMB28,326,000 (31 December 2022: RMB41,396,000) (tax inclusive), which has been recognised in staff payroll and welfare payables.

## BUSINESS REVIEW

### *Development Trends of the Industry*

In the first half of 2023, China's gross domestic product (GDP) grew 5.5% year-on-year, which was faster than the growth rate of 3% in the last year. China's economy has shown a positive trend of gradual recovery amid the complex and severe external environment. In order to rapidly promote the economic recovery and development of micro and small scale enterprises ("**MSEs**"), the Ministry of Finance and the State Administration of Taxation issued the "Announcement on the Preferential Income Tax Policies for MSEs and Individual Businesses (《關於小微企業和個體工商戶所得稅優惠政策的公告》)", reducing part of the income tax of low-profit small enterprises and individual businesses. The General Office of the State Administration of Taxation and the General Office of the All-China Federation of Industry and Commerce jointly issued the "2023 Special Action Plan of 'Spring Rain Nourishes Seedlings' to Help Micro and Small Business Entities Develop (《2023年助力小微經營主體發展「春雨潤苗」專項行動方案》)", focusing on the theme of "improving quality and efficiency, strengthening empowerment and promoting upgrading" to help MSEs alleviate difficulties, transform and upgrade, and achieve rapid recovery and development.

During the Reporting Period, the State continued to promote the popularisation of the comprehensive digital electronic invoices (the "**All-electronic Invoices**"). With the full-scale rapid promotion of the All-electronic Invoices, the digitisation and electronisation of invoices will be greatly improved. Meanwhile, the tax collection administration will shift from "invoice-based tax administration" to classified and precise regulation featuring "data-based tax governance", and the demand for products integrating the invoice, finance and tax and business-finance integration products will continue to increase among MSEs.

During the Reporting Period, the AIGC trend represented by ChatGPT swept the world. IT technology and industrial innovation has entered into a new AI-centric era from the cloud computing-centric era. The conversational AI changed the way human knowledge was retrieved and generated through large models. In this new era, intelligent business operations, natural human-computer interaction, intelligent knowledge generation and semantic application generation have become four mainstream directions for AI application in enterprises. Software applications based on large models reconfigure the way how people perceive the external world in multimodal fields such as text, images and voice. Through natural language-based interaction, they provide enterprises with services such as intelligent human-machine collaboration, business insights and intelligent operations, helping enterprises obtain information more efficiently, improve employee productivity, and promote the popularisation of data analysis.

The above development trends of the industry have played a positive role in promoting the development of the Group in the fields of digital intelligent finance and taxation, and digital intelligent business for MSEs, and have provided a broad market space for the Group to grow in the long run.

### *Principal Business and Operating Conditions*

During the Reporting Period, the Group focused on the two major fields of digital intelligent finance and taxation and digital intelligent business for MSEs, grasped the development opportunities of the digital and intelligent transformation of MSEs and the "Golden Tax Phase IV (金税四期)", and continued to accelerate product innovation and development in the fields of "new finance and taxation, new commerce, new retail, new manufacturing and new service" ("**Five-New**"). The Group expanded the application of AI technology to enhance the comprehensive competitiveness of business-finance integration products. Firmly adhering to the principle of customer success, the Group accelerated the development of ecological co-prosperity, and continued to expand its sales channels, advance channel penetration into low-tier markets and expand terminal market coverage. The Group applied AI technology to carry out marketing to acquire customers and improve ROI, and strengthened customer success operations to improve the value of customer life cycle as a way to further enhance operating efficiency.

During the Reporting Period, the Group achieved a revenue of RMB375.57 million, representing an increase of 12% over the same period of last year, of which revenue from cloud subscriptions was RMB227.77 million, representing an increase of 28% over the same period of last year; revenue from cloud subscriptions accounted for 61% of the total revenue. As at the end of the Reporting Period, contract liabilities from cloud subscriptions were RMB489.47 million, representing an increase of 14% over the end of last year. During the Reporting Period, the Group recorded a profit attributable to the owners of the parent of RMB18.14 million, as compared to a loss attributable to the owners of the parent of RMB78.47 million for the same period of last year; and the basic earnings per share of the Group was RMB0.057, as compared to a basic loss per share of RMB0.262 for the same period of last year.

During the Reporting Period, the Group's cloud service business newly added approximately 57,000 paying enterprise users. As at the end of the Reporting Period, the number of accumulated paying enterprise users of the cloud service business reached approximately 560,000.

## 1. Development of products

### *(1) Digital intelligent finance and taxation, closely following policy and technology trends, and consolidating the advantages in integration of invoice, finance and taxation*

In the field of digital intelligent finance and taxation, our products fully support the whole process management of the All-electronic Invoices, and seamlessly connect with tax digital accounts through automation technology, which greatly reduces the application difficulty for customers to achieve the integration of invoice, finance and taxation. Through machine learning and algorithm optimisation, we continue to optimise the bookkeeping rule engine, strengthen the ability of diskless invoice retrieval and fully automatic tax reporting of national taxes and individual income taxes, and further enhance the intelligence level of products. We launched intelligent finance and taxation BaaS service to provide micro enterprises with fully automatic bookkeeping and tax reporting services. Under this service, we apply a number of AI technologies and rule engine that is based on expert experience, as well as supplement by machine learning to improve the accuracy of the entire process of bookkeeping, auditing and settlement, and realise automatic collection of batch bills and automatic tax filing, greatly improving the efficiency and accuracy of fully automated bookkeeping and tax reporting. Such service will promote the upgrading of labour-intensive agency bookkeeping industry and effectively reduce the cost of agency bookkeeping and tax reporting for micro enterprises.

During the Reporting Period, in the field of digital intelligent finance and taxation, we continued to strengthen ecological cooperation and established in-depth cooperative relations with a number of banks. The open integration capabilities of Chanjet Good Accountant were enhanced with multiple platform vendors to improve the competitiveness of products and the capacity to occupy ecological channels. By virtue of rich experience in finance and taxation services for MSEs, Chanjet was also selected into the "deepened pilot platform of accounting data standards for electronic vouchers" jointly organised by nine ministries and commissions including the Ministry of Finance. Chanjet will provide more pilot enterprises with digital intelligent finance empowerment and infrastructure services in the future, and help promote the transformation of accounting data services from information-based to digital-based and intelligence-based.

### *(2) Digital intelligent business, strengthening the comprehensive advantage of business-finance integration*

In the field of digital intelligent business, the Group optimised the products in the fields of new commerce, new retail, new manufacturing and new services, and created virtual digital employees such as approval robots and business process robots related to the roles of sales, procurement, inventory, finance, etc., to help MSEs improve efficiency and reduce costs through automated means. Chanjet AI assistant (小暢AI助手) built based on industry know-how and large model technology helps users apply products intelligently through natural language and improve product usability.

During the Reporting Period, in terms of new retail, in response to the business needs of enterprises in bakery, fresh food, convenience stores, casual food and other industries, the Group connected new retail with instant retail platforms to increase joint sales as a way to strengthen online and offline integrated operation capabilities. Based on the text to image generation ability of large model, different styles of marketing material databases are pre-generated to facilitate the decoration of users' private domain stores, greatly reducing the barrier to use and improving user experience. Through BC integration, in the field of new commerce, the Group enhanced synergy in the relationship between brand owners and distributors, and further improved the overall analysis and decision-making ability of brand owners on channel inventory, pricing and marketing activities through channel data analysis platform as a way to give full play to the value of data. In terms of new manufacturing, the Group continued to reinforce support for electronics, machinery, hardware, auto parts, food and other industries by releasing quality traceability function modules to realise the all-round traceability of personnel, materials and machines by enterprises and their downstream customers as a way to help MSEs improve customer service satisfaction and market competitiveness. In terms of new service, the Group continued to improve the project management function of construction installation, engineering installation, information technology, business services and other industries, strengthened the cost control for the whole life cycle of the project through budgeting to help improve the profitability of enterprises.

***(3) Open platform, accelerating the development of ecological open integration capabilities***

The ecological open integration capabilities of Chanjet's Open Platform has been further improved. As at the end of the Reporting Period, there were more than 2,000 certified ISV eco-partners on the Chanjet's Open Platform, with an average daily API call volume of more than 3.5 million. There were nearly 1,000 individual developers and organisations registered on the low-code platform of Chanjet and more than 4,000 low-code applications of various types have been developed. The ecological products developed by ISV ecosystem partners and individual developers have enriched the application of Chanjet products in more than 70 vertical fields, meeting the refined and personalised management needs of MSEs.

## 2. Development of business operation

During the Reporting Period, the Group further strengthened its channel coverage and diversified layout to develop channels, direct sales and ecosystem in parallel. Adding 395 new channel partners, the coverage of channel layout has further penetrated into the county-level market. During the Reporting Period, the Group took advantage of the market opportunities arising from "Golden Tax Phase IV" and the All-electronic Invoices promotion to carry out marketing activities themed "Cloud Finance and Tax Popularisation Storm (雲財稅普及風暴)" nationwide to help MSEs transform and upgrade their operation and management in a digital and intelligent manner through the promotion of digital intelligent cloud finance and tax products. The Group continued to deepen the industrialised marketing strategies in the "Five-New" fields to promote the in-depth operation and development of channel partners in their industries, and jointly carried out more than 700 industrial operation seminars themed "Digital Intelligence Salon (數智化沙龍)" to share the successful experience of digital intelligent operation of excellent customers. The Group established the "Industry 100 (行業100)" channel partner expert committee to further strengthen support to channel partners, improve the digital empowerment system of partners, and establish a pioneer of partners for the digital and intelligent development of the industry.

In terms of the ecological cooperation channel, the Group actively promoted the cooperation with banks on ecological integration, continued to deepen cooperation with ecological partners including tax invoice cloud vendors, industry CRM vendors, and telecom operators as a way to continuously expand the coverage of the terminal market. On office collaboration platforms such as DingTalk, WeCom and Feishu, the strategy of deep integration of marketing system and products was established to achieve three-dimensional operation and differentiated marketing. Due to such efforts, the new order amount increased by more than 200% year-on-year during the Reporting Period.

In terms of the direct sales channel, the Group focused on deploying multi-channel, digital scene marketing, and used AI technology to build a content marketing system as a way to improve customer acquisition efficiency. The Group comprehensively upgraded the organisation and management system of direct sales business, and built a marketing talent replication system which motivates direct sales employees to take initiatives, and achieve consistent marketing in pre-sales, sales, operation and delivery. The Group established a full-link growth model from promotion, cultivation to monetisation, and realised a full life cycle fission of customer acquisition from traffic accumulation, refined operation, transaction and repurchase to effectively improve the investment-return ratio and staff efficiency, achieving rapid growth in revenue of direct sales.

### 3. Development of brand and market

During the Reporting Period, leveraging its advantages in the field of finance and taxation services, Chanjet was successfully shortlisted for the "2022 Corporate Finance and Tax Service Innovation Ranking (2022企業財稅服務創新排行榜)" launched by "China Internet Weekly (《互聯網週刊》)" and ranked at the forefront of the list. In the assessment of the 6th "China Industry Digitalisation Annual List (中國行業數字化年度風雲榜)" for 2022 jointly initiated by China Information Industry Association (中國信息協會) and INFOOBS.COM (信息化觀察網), Chanjet was honoured the "2022 China Micro and Small Enterprise Cloud Finance and Tax Service Leading Enterprise (2022中國小微企業雲財稅服務領軍企業)", and Chanjet Good Accountant was awarded the "2022 China Digital Intelligent Finance and Taxation SaaS Service First Choice Brand (2022中國數智財稅SaaS服務首選品牌)". Chanjet T+Cloud was successfully shortlisted for the "2022-2023 Excellent Innovative Software Product Directory (2022-2023年度優秀創新軟件產品名錄)" issued by the China Federation of Electronics and Information Industry (中國電子信息行業聯合會). In terms of ecosystem cooperation, the business service value and brand value of Chanjet continued to manifest, and the Company was honoured various awards such as the "2022 Excellent Partner Award (2022年度優秀合作夥伴獎)" of Alibaba Cloud, as well as the "2022 Sales Champion Award (2022年度銷冠獎)" and "Excellent Cloud Store Partner Award (優秀雲商店夥伴獎)" of Huawei Cloud.

### 4. Development of employees and organisations

As at the end of the Reporting Period, the total number of employees of the Group was 1,109, representing a decrease of 8% from the end of the previous year. In order to support the accelerated development of the business, the Group has implemented the talent strategy of creating a strong team while optimising the organisational structure to improve staff efficiency. The Group carried out various forms of layered training and culture building according to different business sectors to enhance employees' business ability and organisational cohesion. In terms of talent retention and employee incentives, the Group implemented a stepped performance reform pilot and a compensation fast track for high-performing employees, combined with long-term incentive measures, to strengthen the enthusiasm and creativity of employees.

## PROSPECTS

The Group will continue to focus on the two major fields, namely digital intelligent finance and taxation, and digital intelligent business for MSE, with an aim to establish the leading position in the finance and taxation cloud service market for MSEs and seize the leading position in the cloud service market for MSEs. Firmly adhering to the principle of customer success, the Group will make continuous efforts to improve product competitiveness, adamantly pursue ecological co-prosperity from application services to ecological platforms, promote the large-scale development of businesses, enhance operating efficiency, and improve profitability, thereby achieving high-quality development.

1. ***The Group will strengthen its absolute leadership in digital intelligent finance and taxation by leveraging on the core advantages of relevant products, enhance the competitive advantages of digital intelligent business products and improve the comprehensive competitiveness of business-finance integration products***

    The Group will continue to align with customer value and speed up product innovation and development. Digital intelligent finance and taxation will take into account of the advancement of the "Golden Tax Phase IV" to further enhance the product advantages of "integration of invoice, finance, tax, fee, bank and filing". By strengthening the AI capabilities of products, the Group will further improve the level of automation and intelligence of digital intelligent finance and taxation. In terms of digital intelligent business, the Group will accelerate the development of products in the fields of new commerce, new retail, new manufacturing and new service, as well as strengthen B2B ordering, B2C mall, instant retail, and upstream and downstream collaboration capabilities of enterprises, so as to improve the online operation and industrial chain efficiency of MSEs. In terms of new retail and new commerce, the Group will organise new data services and analyse data of customers, members and products to promote the full-closed-loop management of corporate marketing strategies. In terms of new manufacturing, the Group will publish production cost modules to realise the refined management of cost control by MSEs in the manufacturing industry. In addition, the intelligent development assistant built by combining large language models and low-code platforms provides data modeling and form generation capabilities through natural language interaction in the low-code development stage, and quickly creates more industry-oriented scenario solutions to better meet the management needs of MSEs.

2. ***Enhancing customer value and achieving win-win cooperations with partners by expanding channels and broadening coverage***

    The Group will seize the market opportunities of the comprehensive promotion of the All-electronic Invoices, accelerate the popularisation of cloud finance and taxation products, and make a breakthrough in large-scale customer acquisition. The Group will expedite the channel layout to penetrate and cover county-level markets, and strengthen the density and breadth of market coverage in key areas. In the "Five-New" fields, the Group will focus on the economic and industrial belt to rapidly build a stronghold for industrialised and digital intelligent operation for MSEs, and continue to carry on the "Digital Intelligent Salon" industry operation seminar to facilitate the digital intelligent transformation and upgrading of MSEs. The Group will expedite the development of ISV ecosystem partners, while further enrich the product matrix to cover more customer application scenarios, and enhance product value. It will strengthen the ability to acquire customers on resource-based platforms such as DingTalk, WeCom and Feishu. The Group will continue to upgrade the customer success system, strengthen customer operations, and improve the value of customer life cycle.

### *3. Accelerating the development of direct sales business*

The Group will continue to deepen its precise inbound marketing strategy on the direct sales channel, efficiently deliver customer value and optimise customer experience. The Group will further apply AI technology to promote content marketing to drive large-scale customer acquisition; strengthen the refined operation of e-commerce platforms and promote diversified cooperation. With a focus on promotion, business opportunity incubation, services, marketing content, etc., the Group will continue to build systematic operation of private domain to promote the high growth of direct sales business.

### *4. Building a strong team by strengthening capabilities, cultivating talents and improving staff efficiency*

The Group will make structural adjustments to the organisation and personnel of key departments based on the development stages of its various product and business lines and continue focusing on the improvement of staff efficiency. The Group will step up efforts to improve its professional talent development system based on the qualification system, promote a hierarchical empowerment training that is deeply integrated with business, and strengthen the capacity-building of the talent echelon in core key positions so as to secure the sound development of the Group in the long run.

## FINANCIAL REVIEW

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2023** | 2022 | Change in | Percentage |
| | **(Unaudited)** | (Unaudited) | amount | change |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| **Revenue** | **375,573** | 335,099 | 40,474 | 12 |
| Cost of sales and services provided | **(130,329)** | (129,142) | (1,187) | 1 |
| **Gross profit** | **245,244** | 205,957 | 39,287 | 19 |
| Gross profit margin | **65%** | 61% | 4% | |
| Other income and gains, net | **104,389** | 33,447 | 70,942 | 212 |
| Research and development costs | **(127,750)** | (133,538) | 5,788 | (4) |
| Selling and distribution expenses | **(158,717)** | (141,739) | (16,978) | 12 |
| Administrative expenses | **(40,617)** | (38,901) | (1,716) | 4 |
| Impairment losses on financial assets | **(53)** | (257) | 204 | (79) |
| Other expenses | **(447)** | (429) | (18) | 4 |
| Finance costs | **(538)** | (827) | 289 | (35) |
| Share of profit/(loss) of an associate | **1,182** | (887) | 2,069 | N/A |
| **Profit/(loss) before tax** | **22,693** | (77,174) | 99,867 | N/A |
| Income tax expense | **(4,558)** | (1,297) | (3,261) | 251 |
| **Profit/(loss) for the period** | **18,135** | (78,471) | 96,606 | N/A |
| **Attributable to:** | | | | |
| Owners of the parent | **18,135** | (78,471) | 96,606 | N/A |

### *Operating Results*

For the six months ended 30 June 2023, the revenue of the Group was RMB375.57 million, representing an increase of 12% as compared to the same period of last year. Profit for the period and profit attributable to owners of the parent were both RMB18.14 million, as compared to a loss for the period and loss attributable to owners of the parent of RMB78.47 million for the same period of last year. The basic earnings per share of the Group was RMB0.057, while the basic loss per share was RMB0.262 for the same period of last year.

The Group achieved a turnaround from loss to profit during the Reporting Period, mainly due to (i) the Group's efforts to seize the development opportunities of the digital intelligence transformation of MSEs and the "Golden Tax Phase IV" and to continuously enhance product competitiveness, strengthen ecological cooperation, increase market coverage, promote business scale development and improve operating efficiency, thereby achieving sustained growth in revenue and an increase in gross profit margin as compared to the same period of last year, as well as only a slight increase in the aggregate amount of research and development costs, selling and distribution expenses and administrative expenses as compared to the same period of last year; (ii) the gain recognised from the disposal of the Finance & Taxation Practical Skills Training Product and Service Business during the Reporting Period of approximately RMB43.75 million (for details, please refer to the announcement of the Company dated 24 March 2023 in relation to the disposal of the Finance & Taxation Practical Skills Training Product and Service Business); and (iii) an increase in fair value gain on unlisted equity investments at fair value through profit or loss of approximately RMB35.77 million as compared to the same period of last year.

***Revenue***

For the six months ended 30 June 2023, the revenue of the Group was RMB375.57 million, representing an increase of 12% as compared to the same period of last year, of which revenue from cloud subscriptions was RMB227.77 million, representing an increase of 28% as compared to the same period of last year. Revenue from cloud subscriptions accounted for 61% of the total revenue.

***Cost of Sales and Services Provided***

For the six months ended 30 June 2023, the Group's cost of sales and services provided amounted to RMB130.33 million, which remained basically stable as compared to the same period of last year.

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** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | 2022 | | Change in amount | Percentage change |
| | ***RMB'000*** | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Contract operation costs | **101,843** | **78** | 102,533 | 79 | (690) | (1) |
| Operation and maintenance costs | **10,173** | **8** | 5,913 | 4 | 4,260 | 72 |
| Labour costs | **8,609** | **7** | 11,202 | 9 | (2,593) | (23) |
| Service costs | **4,053** | **3** | 3,610 | 3 | 443 | 12 |
| Amortisation of intangible assets | **3,598** | **3** | 3,595 | 3 | 3 | 0 |
| Software development and production costs | **595** | **0** | 990 | 1 | (395) | (40) |
| Other costs | **1,458** | **1** | 1,299 | 1 | 159 | 12 |
| Cost of sales and services provided | **130,329** | **100** | 129,142 | 100 | 1,187 | 1 |

### *Gross Profit and Gross Profit Margin*

For the six months ended 30 June 2023, the Group's gross profit was RMB245.24 million, representing an increase of 19% over the same period of last year, which was mainly due to the expansion of revenue scale of cloud subscriptions, and the increase in the gross profit margin from cloud subscriptions business during the Reporting Period, resulting in the Group's gross profit margin increased by 4 percentage points over the same period of last year to 65%.

### *Other Income and Gains, Net*

For the six months ended 30 June 2023, the Group's other income and gains, net were RMB104.39 million, representing an increase of 212% over the same period of last year, which was mainly due to (i) the gain recognised from the disposal of the Finance & Taxation Practical Skills Training Product and Service Business during the Reporting Period of approximately RMB43.75 million; and (ii) an increase in fair value gain on unlisted equity investments at fair value through profit or loss of approximately RMB35.77 million as compared to the same period of last year.

### *Research and Development Costs*

For the six months ended 30 June 2023, research and development costs of the Group amounted to RMB127.75 million, representing a decrease of 4% over the same period of last year, which was mainly attributable to the decrease of RMB4.38 million in labour costs.

### *Selling and Distribution Expenses*

For the six months ended 30 June 2023, the selling and distribution expenses of the Group were RMB158.72 million, representing an increase of 12% over the same period of last year, which was mainly due to the increase in sales and promotion expenses.

### *Administrative Expenses*

For the six months ended 30 June 2023, the administrative expenses of the Group were RMB40.62 million, representing an increase of 4% over the same period of last year, which was mainly due to the increase in the one-off severance payments of RMB6.89 million as a results of the optimisation and adjustment of the Group's organisational structure.

### *Income Tax Expense*

For the six months ended 30 June 2023, the income tax expense of the Group amounted to RMB4.56 million, which was mainly due to the income tax expense arisen from the recognition of deferred tax liabilities in respect of fair value gain on unlisted equity investments.

***Profit/(Loss) Attributable to Owners of the Parent***

For the six months ended 30 June 2023, the Group recorded a profit attributable to owners of the parent of RMB18.14 million, as compared to a loss attributable to owners of the parent of RMB78.47 million for the same period of last year.

***Liquidity***

*Condensed cash flow statement*

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2023** | 2022 | Change in |
| | **(unaudited)** | (unaudited) | amount |
| | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Net cash flows used in operating activities | **(28,046)** | (56,984) | 28,938 |
| Net cash flows (used in)/from investing activities | **(111,972)** | 180,008 | (291,980) |
| Net cash flows used in financing activities | **(3,789)** | (4,287) | 498 |

*Net cash flows used in operating activities*

For the six months ended 30 June 2023, net cash flows used in operating activities of the Group was RMB28.05 million, representing a decrease of RMB28.94 million as compared to the same period of last year, which was mainly due to the increase in the amount received from cloud services and the decrease in the amount paid for the cloud service business of the Group.

During the Reporting Period, the Group paid a total of RMB74.88 million (for the same period of last year: RMB33.61 million) in cash to employees under the long-term employee incentive point scheme and the long-term incentive bonus scheme.

*Net cash flows (used in)/from investing activities*

For the six months ended 30 June 2023, net cash flows used in investing activities of the Group was RMB111.97 million, which was mainly due to the purchase of structured deposits by the Group during the Reporting Period.

*Net cash flows used in financing activities*

For the six months ended 30 June 2023, net cash flows used in financing activities of the Group was RMB3.79 million, which was mainly due to the payment of lease principal and interest under the application of "IFRS 16 – Lease".

***Capital Structure and Financial Resources***

| | **As at 30 June 2023 (unaudited)** | As at 31 December 2022 (Audited) |
|---|---|---|
| Cash and bank balances *(RMB'000)* | **948,794** | 1,169,225 |
| Current ratio *note 1* | **268%** | 209% |
| Gearing ratio *note 2* | **0%** | 0% |

*Notes:*

1. Current ratio was calculated based on the total current assets divided by total current liabilities.

2. Gearing ratio was calculated based on the total interest-bearing liabilities (other than lease liabilities) divided by total equity.

As at 30 June 2023, the cash and bank balances of the Group was RMB948.79 million (31 December 2022: RMB1,169.23 million). The decrease in cash and bank balances was mainly due to the purchase of structured deposits and the increase in cash paid to employees and paid for the benefit of employees during the Reporting Period. Cash and bank balances of the Group was mainly denominated in RMB, with certain amount denominated in Hong Kong dollars and small amount denominated in United States dollars. Cash and bank balances of the Group was mainly used for business development and daily operations, acquisitions and capital expenditure, and payments of dividend, etc. With accumulated funds from previous operations and stable cash inflows generated from the daily business operations, the Group has sufficient resources for future development.

The funds management policy of the Group is to maintain the continuity of funding and maintain an optimal capital structure to reduce the cost of capital and ensure the sustainable operation of the Group with an aim to provide returns for shareholders and benefits for other stakeholders.

The current ratio of the Group as at 30 June 2023 was 268% (31 December 2022: 209%). The increase in the current ratio was mainly due to the reduction in current liabilities as a result of the Group's derecognition of treasury share repurchase obligations liabilities (for details, please refer to note 17 to the financial statements).

As at 30 June 2023, as the Group had no interest-bearing liabilities (other than lease liabilities), the Group's gearing ratio was nil (31 December 2022: Nil).

*Capital Expenditure*

For the six months ended 30 June 2023, the capital expenditure of the Group primarily included the additional expenditure on property, plant and equipment of RMB0.38 million (for the same period of last year: RMB2.25 million); the additional expenditure on right-of-use assets (mainly refers to leased office buildings) of RMB0.72 million (for the same period of last year: RMB16.69 million) and the additional expenditure on intangible assets of RMB0.19 million (for the same period of last year: RMB0.04 million).

*Contingent Liabilities*

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022, the Group did not have any charges on assets.

*Significant Investments*

During the Reporting Period, the Group did not have any significant investment. The Board did not approve any other major investment or plan on acquisition of capital assets as at the date of this announcement.

*Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures*

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

*Foreign Exchange Fluctuation Risks*

The Group conducts its domestic business primarily in RMB, which is also its functional currency. Chanjet Information Technology Corporation, a subsidiary of the Company, settles in United States dollars. As the Group's current operations are mainly located in China and the vast majority of its transactions are conducted in RMB, and the amount of cash and bank balances denominated in foreign currencies is relatively small, the management considers that the Group's exposure to foreign exchange fluctuation risks is not significant and therefore no hedging arrangement has been made by the Group. The Group, mainly through closely monitoring the foreign exchange fluctuation, conducts foreign exchange settlement and foreign exchange for the balances of proceeds raised when appropriate to mitigate 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 in this regard.

*Subsequent Events*

As at the date of this announcement, the Group had no significant events after the Reporting Period which need to be disclosed.

## STAFF REMUNERATION POLICY AND TRAINING PLAN

The Group has established a market-based, competitive and performance-oriented remuneration policy with reference to market standards, employee performance and contributions. Remuneration of the staff of the Group is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based bonus and allowance. The Group has paid housing provident fund and social security insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labour and social security insurance which includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. During the Reporting Period, details of the remuneration of the staff charged to the Group were set out in the note 5 to the financial statements. In order to attract, retain and motivate key talents needed for the achievement of the Company's strategic objectives, the Company has adopted the employee trust benefit scheme, the long-term employee incentive point scheme, the employee share ownership scheme and the long-term incentive bonus scheme.

In pursuance with Chanjet Employees Training Management System (《暢捷通員工培訓管理制度》) and Chanjet Lecturers and Courses Management Measures (《暢捷通講師與課程管理辦法》), the Group has established and implemented an annual training plan. During the Reporting Period, the Group was committed to giving full play to the ability of internal lecturers selected from cadres and expert members to solve business pain points. Combining the three training and empowerment routes of leadership, professional ability and general competence, and taking into account of the characteristics of various employees and external partners, the Group carried out courses such as "Samurai Camp (虎賁營)" to enhance capability of core cadres, "System Thinking Problem Solving (系統思維解決問題)" to enhance general competence of employees, "Making Every Front-line Worker Has Access to Courses (送課到一線)" to enhance comprehensive capability of channel partners, conducted business training projects such as "Pilot Plan – Excellent Course Development (領航計劃－優秀課程開發)", "Best Practice Extraction (最佳實踐萃取)", and provided external training resources for core experts to improve their capabilities.

## 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 by the Company, the actual usage and intended timetable for use of the unutilised proceeds as at 30 June 2023 are detailed as follows:

| Planned use | Budgeted amount *HK$* | Amount used during the Reporting Period *HK$* | Accumulated amount used *HK$* | Unutilised amount *HK$* | Intended timetable for use of the unutilised amount |
|---|---|---|---|---|---|
| For the R&D and marketing of the $T^+$ series software products | Approximately 290.69 million | Approximately 1.61 million | Approximately 287.41 million | Approximately 3.28 million | On or before 31 December 2023 |
| For the R&D of cloud platform and innovative application products | Approximately 194.08 million | – | Approximately 194.08 million | – | N/A |
| To support the marketing and operation of cloud services | Approximately 199.21 million | – | Approximately 199.21 million | – | N/A |
| To acquire relevant business and assets compatible with business strategies | Approximately 85.49 million | – | Approximately 4.66 million | Approximately 80.83 million | On or before 31 December 2025 and subject to the identification of target(s) by the Company |
| To fund general working capital | Approximately 85.49 million | – | Approximately 85.49 million | – | N/A |
| Total | Approximately 854.96 million | Approximately 1.61 million | Approximately 770.85 million | Approximately 84.11 million | |

As at 30 June 2023, the unutilised proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies, mainly due to the fact that the Company has not yet identified any relevant business and assets compatible with our business strategies. The balance of the net unutilised proceeds has been deposited into the reputable banks in Hong Kong and the PRC, and the Company will continue to utilise 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 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 2023, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending or may be raised which might significantly threaten the Group.

## INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## CORPORATE GOVERNANCE

During the Reporting Period, the Company has fully complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 of the Company (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 requirements of the Listing Rules. During the Reporting Period, the audit committee consisted of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen was the chairman. On 16 August 2023, the audit committee reviewed the unaudited interim results announcement and interim report of the Group for the six months ended 30 June 2023, and concluded that the interim results announcement and interim report had been prepared in accordance with the 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 2023 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
16 August 2023

*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 Ms. Wu Xiaoqing.*