

# 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

**2020**  
Interim Report

Cloud

好生意

智+


好会计

易代账



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# CORPORATE INFORMATION

As at 30 June 2020

## DIRECTORS

### Non-executive Directors

Wang Wenjing (*Chairman*)

Wu Zhengping

### Executive Director

Yang Yuchun (*President*)

### Independent Non-executive Directors

Chen, Kevin Chien-wen

Lau, Chun Fai Douglas

Chen Shuning

## SUPERVISORS

### Shareholder Representative Supervisors

Guo Xinping (*Chairman*)

Zhang Peilin<sup>Note 1</sup>

### Independent Supervisors

Ruan Guangli

Ma Yongyi

### Employee Representative Supervisors

Cai Jingsheng<sup>Note 2</sup>

Ren Jie

*Note 1:* Mr. Zhang Peilin has retired as a Supervisor due to other work arrangements. The extraordinary general meeting of the Company approved the appointment of Mr. Xu Zhoujin as a Supervisor of the Company on 8 September 2020 to replace Mr. Zhang Peilin. For details, please refer to the announcements of the Company dated 4 August 2020 and 8 September 2020, and the circular of the Company dated 13 August 2020.

*Note 2:* Mr. Cai Jingsheng has retired as an employee representative Supervisor due to other work arrangements. Upon the election by the Company's Employees Representative Meeting, Ms. Xia Yuhan has taken the place of Mr. Cai Jingsheng as an employee representative Supervisor since 8 September 2020. For details, please refer to the announcement of the Company dated 4 August 2020.

## AUDIT COMMITTEE

Chen, Kevin Chien-wen (*Chairman*)

Wu Zhengping

Lau, Chun Fai Douglas

## NOMINATION COMMITTEE

Chen Shuning (*Chairman*)

Wang Wenjing

Chen, Kevin Chien-wen

## REMUNERATION AND APPRAISAL COMMITTEE

Lau, Chun Fai Douglas (*Chairman*)

Yang Yuchun

Chen Shuning

## STRATEGIC COMMITTEE

Wang Wenjing (*Chairman*)

Yang Yuchun

Chen Shuning

## JOINT COMPANY SECRETARIES

You Hongtao

Ngai Wai Fung

# CORPORATE INFORMATION (CONTINUED)

As at 30 June 2020

## AUTHORIZED REPRESENTATIVES

Yang Yuchun

Ngai Wai Fung

## AUDITORS

### International Auditor

Ernst & Young

### PRC Auditor

Ernst & Young Hua Ming LLP

## LEGAL ADVISERS

As to Hong Kong law:

Paul Hastings (普衡律師事務所)

As to PRC law:

Tian Yuan Law Firm (天元律師事務所)

## REGISTERED OFFICE AND HEADQUARTERS

Floor 3, Building 3

Yard 9, Yongfeng Road, Haidian District

Beijing, the PRC

## PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower

No. 248 Queen's Road East

Wanchai

Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## STOCK CODE

1588

## COMPANY WEBSITE

[www.chanjet.com](http://www.chanjet.com)

## CONTACT INFORMATION FOR INVESTORS

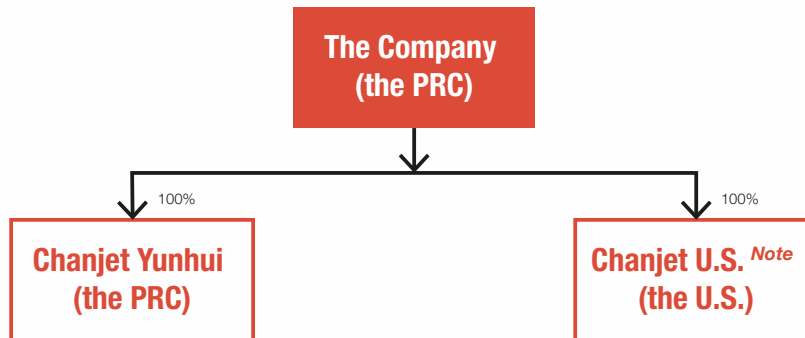
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# CORPORATE STRUCTURE

As at 30 June 2020



*Note:* Given that Chanjet U.S. mainly engages in the research and development of the infrastructure for the cloud platform of Chanjet in Silicon Valley in the U.S., the development of the platform has been completed and it has no specific business plan from 2018 to 2020, the Board resolved to deregister Chanjet U.S. on 25 September 2018. However, in view of the Company's recent consideration of the future development plan, the Board has approved to terminate the deregistration of Chanjet U.S. on 27 March 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Development trend of the industry

During the Reporting Period, affected by the novel coronavirus (COVID-19), the normal demand for remote online office and online business greatly increased the willingness of enterprises to use cloud applications. For the finance and taxation sector, accountants had a better acceptance of remote cloud finance usage patterns and contactless bill intelligent finance and taxation service. For business sector, as businesses of offline merchants were greatly affected, a strong interest was generated from wholesale enterprises in remote downstream orders, and retail enterprises in online transactions such as online micro malls and community group purchases, as well as emerging marketing such as live commerce and short videos. This has further promoted the transformation of merchants to integrate online and offline operations.

During the Reporting Period, the Chinese government issued a series of measures to cut taxes and reduce fees in order to effectively respond to the impact of the epidemic and promote stable economic and social operations. The State Council has deployed and improved a coordination mechanism to stabilize the “six fronts” (employment, finance, foreign trade, inbound investment, domestic investment, and market expectations) to accelerate the restoration of economic development. At the same time, the government and financial regulatory authorities were pushing to further reduce the financing costs of inclusive loans to MSEs by banking financial institutions, guiding banking financial institutions to reduce loan interest rates for MSEs that were greatly affected by the epidemic, and increasing financial support for enterprises that were affected by the epidemic, especially MSEs.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Principal operations and operational status

During the Reporting Period, the Group focused on financial and management services for MSEs, increased its resource investment in cloud service business, and continued to accelerate the development of cloud service business. On the marketing level, the Group accelerated the expansion of ecological partners, built a diversified channel system, and encouraged channel partners to transform to cloud service businesses. On the product level, the Group continued to strengthen the advantages of intelligent cloud finance and taxation, and newly launched the Chanjet Good Accountant Flagship Version, a high-end version of the intelligent cloud financial application integrating invoices, finance and taxes. In response to the urgent needs of MSEs to achieve online businesses, online customers and online work during the epidemic, new cloud service products such as Chanjet Intelligent+ (智+) and Good Business Wang Pu Version (好生意旺铺版) were launched. On the market level, the Group actively responded to the impact of the epidemic, and worked with partners across the country to carry out nearly 2,000 online marketing activities so as to empower MSEs to realize cloud adoption, cloud migration, and cloud-based transformation, and help them resume work and production during the epidemic. During the epidemic, the Group specifically launched the “cloud-assisted care action”, and offered extra two months service period of relevant Chanjet cloud products for free to eligible MSE users across the country. At the same time, through big data desensitization collection and related data analysis, such measures provided an important basis for relevant government departments to understand the resumption of work and production of MSEs in a timely manner, and to study and formulate relevant policies.

During the Reporting Period, the revenue of the Group was RMB203.46 million, representing a year-on-year decrease of 22%, mainly due to the Group's efforts to fully promote the development of cloud service business, and reduce investment in software business marketing, and the great impact on software business caused by the epidemic, which resulted in a year-on-year decrease in the revenue from the software business of 42%. However, the cloud service business continued to develop rapidly, with a year-on-year increase of 74% in revenue. The Group achieved profit for the period of RMB17.50 million, representing a year-on-year decrease of 81%; the profit attributable to owners of the parent was RMB17.50 million, representing a year-on-year decrease of 81%, mainly due to the decrease of RMB89.15 million in the revenue from the software business, and the provision for impairment of RMB15.20 million in respect of the Group's unsecured principal and interests in Baoshang Bank which shall participate in subsequent compensation claim in accordance with laws. The basic earnings per share was RMB0.081, while the basic earnings per share was RMB0.431 for the same period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. *Development of cloud service business*

During the Reporting Period, as to the finance and management service market for MSEs, the Group cooperated with live streaming platforms and thousands of channel partners to carry out a series of new marketing activities such as “Ten Years · Cloud Series Live Streaming Event (十年·雲起系列直播活動)”, “420 Chanjet 10th Anniversary Special Large Live Streaming Event for Enterprise Bosses (420暢捷通十周年企業老闆專場大型直播活動)”, “520 I Love MSEs (520我愛小微企業)”, and “619 Chanjet Magical Coupon Day (619暢捷通神券日)”. With the help of Internet live streaming to connect products and customers, the Group opened up a new online marketing model in the field of corporate services. The maximum number of viewers on a single stream for corporate services exceeded 260,000, and the highest record of transaction amount in a single stream reached RMB6.70 million. This large-scale customer acquisition and joint operation model was widely recognised by partners and customers.

During the Reporting Period, the Group insisted on building an ecosystem of finance, taxation, business and management services for MSEs, continued to deepen cooperation with IaaS cloud vendors, and implemented a multi-cloud deployment strategy, with deployment in Alibaba Cloud, Huawei Cloud, and Tencent Cloud completed. The Group actively cooperated with major e-commerce companies, and realized product co-creation with platforms such as 1688.com, Alibaba LST, JD WMS and FacStore. Continued efforts were made to empower accounting training and teaching institutions, and tens of thousands of accounting students were provided with teaching and practical operation program in terms of intelligent cloud finance and taxation teaching. Product integration was achieved with Ele-Cloud (大象慧雲) and Xiaowang Technology (小望科技) to further improve the integrated application of invoices, finance and taxes for MSEs. Intelligent+, Good Business Wang Pu Version, and Good Business E-commerce Version (好生意電商版) were released to accelerate the update of e-commerce product functions, and connect various e-commerce platforms. Cooperation with WeChat Work and DingTalk of Alibaba Cloud was deepened to enhance front-end marketing capability and online operation back-end management, so as to realise the integrated operation of finding business, doing business and managing business.

During the Reporting Period, the Group's cloud service business added 32,000 paying enterprise users, representing a year-on-year increase of 47%, and the accumulated paying enterprise users exceeded 189,000.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (1) *Chanjet Good Accountant*

During the Reporting Period, Chanjet Good Accountant accelerated the construction of an open finance and taxation platform to open up ecological docking capability of basic information, voucher, invoice, banking and taxation so as to lay a solid foundation for ecological integrating and to be integrated. Functions of Chanjet Good Accountant including intelligent tax table, settlement and payment were updated so as to update the tax declaration form according to policies in real time, intelligently track the national tax cut and fee reduction policies, and help MSEs in enjoying tax and fee preferential policies in time.

During the Reporting Period, the Group released the Good Accountant Flagship Version to deepen financial accounting, which could help MSEs improve the ability of refined financial management and refined inventory accounting through intelligent financial and taxation management, and improve the financial management of MSEs in an efficient and intelligent manner.

### (2) *T<sup>+</sup>Cloud*

During the Reporting Period, Chanjet T<sup>+</sup>Cloud enhanced its digital marketing function in terms of new commerce to create intelligent marketing models for enterprises through product analysis and customer analysis, together with the new marketing methods and live streaming provided by the ordering malls. A scene-based sales model was established for unique sales forms of commercial enterprises such as car sales and visit sales. Cooperation with third parties such as Ele-Cloud and JD Logistics was carried out to create public capabilities such as invoice and JD WMS as a way to improve the efficiency of supply chain operation. In terms of new retail, the Group released the automatic cash register model and PAD shopping guide model, docked with third-party platforms to introduce online traffic platforms, and leveraged on WeChat marketing to enhance the online and offline integrated operation capability of enterprises. In addition, T<sup>+</sup>Cloud has added a new cloud host version, which supports multiple cloud deployment modes and fully adapts to the diversified application scenarios of MSEs.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### (3) *Chanjet Good Business*

During the Reporting Period, Chanjet Good Business accelerated its front-end marketing and expanding capability. To meet the business needs of MSEs during the epidemic, the Group accelerated the launch of Good Business Wang Pu Version to help MSEs resume work and production during the epidemic. Good Business Wang Pu Version has its unique product advantages on quick set up of online stores, integrated management of front-end marketing and back-end purchase-sale-stock and support of community online supply so as to help MSEs do business online and enhance online operating capabilities of traditional wholesale business enterprises.

During the Reporting Period, Good Business accelerated scale delivery, optimized data import tools, and enhanced self-service use mode for customers to further reduce service costs, significantly improve delivery efficiency, and enhance customer satisfaction.

### (4) *Chanjet Intelligent+*

During the Reporting Period, the Group launched Chanjet Intelligent+, a data-driven and marketing-based business-and-financial-integrated intelligent cloud service new product. Taking MSEs in commerce and trade circulation as the main target customers, Intelligent+ is focused on the operation of customers and through online intelligent marketing and business-and-financial-integrated intelligent management, it enables MSEs to realise “precision marketing, fast trading and clear finance”. Intelligent+ can help MSEs strengthen their customer acquisition capacity, improve the repeat purchase rate, reduce staff costs and improve management efficiency so as to “find business, do business and manage business” well. The launch of Intelligent+ further improved the Group’s cloud service business product line, enhanced product competitiveness and increased average customer unit price so as to create a new growth driver for the Group’s business development.

### (5) *Chanjet Easy Accounting Agent*

During the Reporting Period, Chanjet Easy Accounting Agent continued to enhance the application service of one-click tax declaration, made a breakthrough in realizing automated tax declaration in 12 provinces and cities, which further improved user experience and operating efficiency of account agencies.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. *Development of software business*

During the Reporting Period, the Group continued to implement the operation strategy of seeking cost-effective growth of its software business. It strengthened the construction of model cases for regional customers and industry customers, empowered partners to adopt online and offline training, social marketing and other methods, and launched preferential policies, pursuant to which software customers who conducted cloud migration in a limited time were exempt from product support service fees and enjoyed service time of cloud products for free. By doing this, the Group continued to enhance the operating capability of partners and customers, and help MSEs gain cloud linkage. The Group launched the Chanjet T3 Ten-Year Glory Version (暢捷通T3十年榮耀版), which enhanced the “cloud plus terminal” mode of software, and adopted the “offline accounting + online query” approach to help customers grasp operating data more easily.

During the Reporting Period, the Group continued to improve and optimise the online and offline interactive service system of the intelligent robot “Service Wiz (服寶)”, which could intelligently recommend cloud migration for software customers, so as to further improve service efficiency and user satisfaction.

As at the end of the Reporting Period, the accumulated enterprise users of software business of the Group were approximately 1.67 million.

### 3. *Development of employees and organizations*

As at the end of the Reporting Period, the Group had 942 employees in total. In order to bolster the rapid development of the cloud service business, the Group implemented a cloud-first performance-oriented assessment to continuously optimise a structure suitable for its businesses, and organised multiple consensus and co-creation meetings to promote the decomposition of organizational strategies and goals. In terms of staffing, the Group continued to increase the introduction of outstanding talents in cloud operation and R&D to enhance innovative business capability. To strengthen the establishment of training systems, the Group implemented training programs in multiple online and offline forms, and enhanced the introduction of external training resources. In terms of staff retention and motivation, the Group carried out the Point Scheme, and made the initial grant in 2020, so as to motivate the enthusiasm and creativity of the management team members and the core and key employees. The Group deepened the implementation of corporate culture on an ongoing basis to continuously enhance corporate unity and cohesion.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

In the second half of 2020, the Group will seize the market opportunities from the full resumption of work and production in the Chinese market and the acceleration of cloud adoption by enterprises to promote the rapid development of its cloud service business. Efforts will be made to strengthen the ecological construction of a one-stop service platform for MSEs. While continuously strengthening the distribution of channels, the Group will increase the number of channel partners, fully implement the software cloud migration strategy, and strengthen the operation system empowerment, so as to achieve breakthrough growth in revenue from cloud service business.

The Group will continue to enhance product application and innovation, and provide a more rich and complete product line to help MSEs accelerate cloud adoption. Chanjet Good Accountant will be optimised in terms of performance and user experience to further consolidate the advantages of intelligent cloud finance and taxation. With the combination of the overall electronic trend of invoice, traditional form of reimbursement will be changed through the entire process management of automatic invoice collection, intelligent classification, automatic reimbursement, and electronic invoice filing to further promote the development of intelligent cloud finance and taxation. Chanjet Good Business and Intelligent+ will release new retail middle offices to realise smart stores with the integration of software and hardware, connect traffic platforms, and build private domain traffic, so as to operate members and fans in depth, and enhance customer scale delivery capability. T\*Cloud will promote the refined operation of MSEs through the integrated management of “personnel, finance, commodity and customer” to enhance their competitiveness.

The Group will establish a “Chanjet Member’s Day” to strengthen interactive marketing and increase users’ loyalty to our products and brands. An evaluation system will be launched for users to comment on and score the service satisfaction and product function perfection to drive products and service upgrade.

The Group will continue to upgrade its talent system in an all-round way, and improve staff training, rank evaluation, and cadre management systems in a scientific and effective way. Efforts will be made to enhance the application of a performance-based assessment in team management, strengthen the employment mechanism of the survival of the fittest, and maintain ongoing employee recruitment and the final elimination principle. The Group will enhance corporate cohesion with the corporate culture, and promote organisational evolution with the efforts of everyone. It will continue to implement and improve the incentive mechanism for core employees to stimulate their creativity and driving force, which will facilitate the long-term and healthy development of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

	For the six months ended		Change in amount	Percentage change
	30 June			
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	RMB'000	%
Revenue	<b>203,462</b>	259,219	(55,757)	(22)
Cost of sales and services provided	<b>(26,181)</b>	(20,557)	(5,624)	27
Gross profit	<b>177,281</b>	238,662	(61,381)	(26)
Gross profit margin	<b>87%</b>	92%	(5)%	
Other income and gains	<b>44,147</b>	58,919	(14,772)	(25)
R&D costs	<b>(66,760)</b>	(66,183)	(577)	1
Selling and distribution expenses	<b>(78,953)</b>	(89,090)	10,137	(11)
Administrative expenses	<b>(30,558)</b>	(48,206)	17,648	(37)
Other expenses	<b>(30,241)</b>	(5)	(30,236)	604,720
Financial costs	<b>(207)</b>	(409)	202	(49)
Share of profit/(loss) of an associate	<b>(730)</b>	3,071	(3,801)	N/A
Profit before tax	<b>13,979</b>	96,759	(82,780)	(86)
Income tax credit/(expense)	<b>3,523</b>	(4,872)	8,395	N/A
Profit for the period	<b>17,502</b>	91,887	(74,385)	(81)
Attributable to:				
Owners of the parent	<b>17,502</b>	91,887	(74,385)	(81)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Results

For the six months ended 30 June 2020, the revenue of the Group was RMB203.46 million, representing a year-on-year decrease of 22%, mainly due to the fact that the Group fully took efforts to promote development of the cloud service business and reduce the marketing spending in software business, and revenue from software business decreased by 42% over the same period of last year as greatly affected by the epidemic, but the cloud services business continued to grow rapidly, with an increase in revenue of 74% over the same period of last year. The profit of the Group for the period was RMB17.50 million, representing a decrease of 81% over the same period of last year. The profit attributable to the owners of the parent was RMB17.50 million, representing a decrease of 81% over the same period of last year, mainly due to the decrease of RMB89.15 million in the revenue from the software business, and the provision for impairment of RMB15.20 million in respect of the Group's unsecured principal and interests in Baoshang Bank which shall participate in subsequent compensation claim in accordance with laws. The basic earnings per share was RMB0.081, while the basic earnings per share was RMB0.431 for the same period of last year.

### Revenue

For the six months ended 30 June 2020, the revenue of the Group was RMB203.46 million, representing a decrease of 22% as compared with the same period of last year. In particular, revenue from software business was RMB124.80 million, representing a decrease of 42% as compared with the same period of last year; and revenue from cloud service business was RMB78.66 million, representing an increase of 74% as compared with the same period of last year.

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

	<b>For the six months ended 30 June</b>				Change in amount RMB'000	Percentage change %
	<b>2020 (Unaudited) RMB'000</b>	<b>%</b>	2019 (Unaudited) RMB'000	<b>%</b>		
Revenue from software business	<b>124,798</b>	<b>61</b>	213,945	83	(89,147)	(42)
Revenue from cloud service business	<b>78,664</b>	<b>39</b>	45,274	17	33,390	74
<b>Revenue</b>	<b>203,462</b>	<b>100</b>	259,219	100	(55,757)	(22)





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

For the six months ended 30 June 2020, the Group's cost of sales and services provided was RMB26.18 million, representing a year-on-year increase of 27%, mainly due to the increase of RMB8.23 million in costs of cloud service business as compared with the same period of last year.

### **Gross Profit and Gross Profit Margin**

For the six months ended 30 June 2020, the Group achieved a gross profit of RMB177.28 million, representing a year-on-year decrease of 26%, mainly attributable to the decrease in the revenue from software business. The gross profit margin of the Group was 87%, of which, the gross profit margin of software business was 96% and the gross profit margin of cloud service business was 72%, representing a year-on-year decrease of 5 percentage points for the whole gross profit margin, mainly attributable to the increase in the portion of revenue from cloud service business.

### **Other Income and Gains**

For the six months ended 30 June 2020, the Group's other income and gains were RMB44.15 million, representing a year-on-year decrease of 25%, mainly due to the decrease of RMB11.60 million in investment income from financial assets and changes on fair value, and the decrease of RMB7.63 million in refund of VAT.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Total R&D Investment

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

	For the six months ended 30 June				Change in amount RMB'000	Percentage change %
	2020 (Unaudited) RMB'000		2019 (Unaudited) RMB'000			
		%		%		
R&D costs of software business	2,477	3	6,802	10	(4,325)	(64)
R&D costs of cloud service business	64,283	88	59,381	90	4,902	8
<b>R&amp;D costs</b>	<b>66,760</b>	<b>91</b>	<b>66,183</b>	<b>100</b>	<b>577</b>	<b>1</b>
Additions to deferred development costs of cloud service business	6,392	9	–	–	6,392	N/A
<b>Additions to deferred development costs</b>	<b>6,392</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>6,392</b>	<b>N/A</b>
<b>Total R&amp;D investment</b>	<b>73,152</b>	<b>100</b>	<b>66,183</b>	<b>100</b>	<b>6,969</b>	<b>11</b>

For the six months ended 30 June 2020, R&D costs of the Group amounted to RMB66.76 million, representing a year-on-year increase of 1%, mainly due to additional R&D capitalisation project of cloud service business during the Reporting Period.

For the six months ended 30 June 2020, total R&D investment of the Group increased by 11% over the same period of last year, mainly due to the increase in R&D investment in cloud service business.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **Selling and Distribution Expenses**

For the six months ended 30 June 2020, the selling and distribution expenses of the Group were RMB78.95 million, representing a decrease of 11% over the same period of last year, mainly attributable to the decrease in the operation and promotion expenditure on software business.

### **Administrative Expenses**

For the six months ended 30 June 2020, the administrative expenses of the Group were RMB30.56 million, representing a year-on-year decrease of 37%, mainly due to the fact that the amortisation for capitalisation project decreased by RMB11.41 million as compared with that of same period of last year and that the costs of the Employee Trust Benefit Scheme decreased by RMB6.12 million as compared with those of the same period of previous year.

### **Other Expenses**

For the six months ended 30 June 2020, other expenses of the Group were RMB30.24 million, which was mainly attributable to the fact that Baoshang Bank will be filed for bankruptcy and the Group has made a provision for impairment of RMB15.20 million in respect of its unsecured principal and interests in Baoshang Bank which shall participate in subsequent compensation claim in accordance with laws; and the provision for impairment of RMB13.51 million for the investment in Chanjet Payment, an associate of the Company.

### **Income Tax Credit/Expense**

For the six months ended 30 June 2020, the income tax credit of the Group was RMB3.52 million, while income tax expense in the same period of last year was RMB4.87 million.

### **Profit Attributable to Owners of the Parent**

For the six months ended 30 June 2020, the profit attributable to owners of the parent of the Group was RMB17.50 million, representing a year-on-year decrease of 81%.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity and Financial Resources

#### Condensed cash flow statement

	<u>For the six months ended 30 June</u>		Change in amount <i>RMB'000</i>
	<b>2020</b> <b>(Unaudited)</b> <b><i>RMB'000</i></b>	2019 (Unaudited) <i>RMB'000</i>	
Net cash flows from operating activities	<b>65,631</b>	90,546	(24,915)
Net cash flows from/(used in) investing activities	<b>(368,841)</b>	148,484	(517,325)
Net cash flows used in financing activities	<b>(3,904)</b>	(1,418)	(2,486)

#### **Net cash flows from operating activities**

For the six months ended 30 June 2020, net cash flows from operating activities of the Group was RMB65.63 million, representing a decrease of RMB24.92 million as compared with the same period of last year, mainly due to the fact that the software business is greatly affected by the epidemic, resulting in the decrease in the collection of the software business.

#### **Net cash flows from/used in investing activities**

For the six months ended 30 June 2020, net cash flows used in investing activities of the Group was RMB368.84 million, mainly due to the fact that the Group purchased new bank wealth management products during the Reporting Period.

#### **Net cash flows used in financing activities**

For the six months ended 30 June 2020, net cash flows used in financing activities of the Group was RMB3.90 million, mainly due to the payment of lease principal and interest under the application of “IFRS 16 – Lease”.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Working Capital

	<b>As at 30 June 2020 (Unaudited)</b>	As at 31 December 2019 (Audited)
Cash and bank balances (RMB'000)	<b>1,081,417</b>	1,319,456
Current ratio	<b>374%</b>	516%
Gearing ratio	<b>0%</b>	0%

As at 30 June 2020, the cash and bank balances of the Group was RMB1,081.42 million (31 December 2019: RMB1,319.46 million). The decrease in cash and bank balances was mainly due to the increase in bank wealth management products purchased during the Reporting Period.

The current ratio (calculated based on total current assets divided by total current liabilities) of the Group as at 30 June 2020 was 374% (31 December 2019: 516%). The decrease in current ratio was mainly due to the increase of RMB86.16 million in dividend payables, and the increase in current liabilities as a result of the increased contract liabilities brought about by rising receipts in advance for cloud services business.

The Group's gearing ratio was nil. Gearing ratio was calculated based on the net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing 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 2020, the significant capital expenditure of the Group included: additions to deferred development cost of RMB6.39 million (for the same period of last year: nil), the additional expenditure on office equipment, furniture and fittings of RMB0.49 million (for the same period of last year: RMB1.98 million); the additional expenditure on right-of-use assets of RMB1.00 million (for the same period of last year: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liabilities issue.

### Charges on Assets

As at 30 June 2020 and 31 December 2019, the Group did not have any charges on assets.

### Significant Investments

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

### Material Acquisition and Disposal of Assets

At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interests in Chanjet Payment to Yonyou by the Company, (ii) the unilateral capital increase in Chanjet Payment by Yonyou, and (iii) the amendments to the non-competition agreement executed by Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014 and the confirmation issued by Yonyou on 11 April 2014. Upon completion of the above-mentioned transactions, Chanjet Payment will be held as to 15% and 85%, respectively by the Company and Yonyou and it will no longer be a subsidiary of the Company.

As at 1 September 2017, the transfer of equity interests in Chanjet Payment as mentioned in sub-item (i) above had been completed. Thereafter, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company. As Yonyou focuses on its principal business of cloud services, Yonyou proposes to transfer all of its equity interests in Chanjet Payment to a subsidiary of the controlling shareholder of Yonyou and therefore, by mutual consent, the parties entered into the termination agreement on 30 June 2020, pursuant to which, the parties unconditionally agreed to terminate the Capital Increase Agreement, and agreed not to proceed with the Capital Increase as mentioned in sub-item (ii) above. For details, please refer to the announcements of the Company dated 21 October 2016, 30 December 2016, 17 July 2017 and 30 June 2020, respectively, as well as the circular of the Company dated 11 November 2016.

Save as disclosed above, during the Reporting Period, the Group did not have any material acquisition or disposal in relation to subsidiaries, associates and joint ventures.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **Foreign Exchange Risks**

The Group conducted its domestic business primarily in RMB, which was also its functional currency. Chanjet U.S., a subsidiary of the Company, settled in US dollars. The Group, subject to the foreign exchange fluctuation, conducted foreign exchange settlement and foreign exchange for the balance of proceeds raised when appropriate to alleviate foreign exchange fluctuation risks.

### **Interest Rate Risks**

The Group did not assume any debt obligations with a floating interest rate, and thus there was no interest rate risk related to the Group.

### **Significant Events after the Reporting Period**

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### STAFF REMUNERATION POLICY AND TRAINING PLAN

Remuneration of the staff of the Company is principally determined by taking into consideration their respective rank of positions, segment, business line, geographical region, etc. During the Reporting Period, the details of the staff remuneration 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 8,406 hours in total with an average of 8.92 hours for each employee. As at 30 June 2020, 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. For details, please refer to "Employee Trust Benefit Scheme". In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Company has also adopted the Point Scheme. For details, please refer to "Long-term Employee Incentive Point Scheme".

### EMPLOYEE TRUST BENEFIT SCHEME

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

On 5 June 2020, the Board considered and approved the resolutions in relation to the third unlocking of the trust benefit units under the fourth grant pursuant to the Employee Trust Benefit Scheme. According to the resolutions, save and except for some scheme participants under the fourth grant who had terminated or released his/her labor contract with the Company, which have disqualified themselves as employee trust benefit scheme participants and certain scheme participants who have agreed to abandon his/her trust benefit units which are subject to lock-up since they have joined the Point Scheme, the unlocking conditions of the remaining scheme participants under the fourth grant to unlock 40% of their trust benefit units would be fulfilled on 5 June 2020. For details about the implementation of the Employee Trust Benefit Scheme during the Reporting Period, please refer to the announcement of the Company dated 5 June 2020.

As at 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 30 March 2020, the Board considered and approved the resolution in relation to 60,655 points granted under the 2019 initial point grant and the 2019 supplemental point grant becoming effective. On 25 May 2020, the Board considered and approved the 2020 initial point grant pursuant to the Point Scheme, under which a total of 48,641 points are granted to 104 designated participants. For details of the 2019 initial point grant, the 2019 supplemental point grant becoming effective and 2020 initial point grant, please refer to the announcements of the Company dated 30 March 2020 and 25 May 2020.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests or short positions of the Directors, Supervisors and the chief executive(s) of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name of Directors/ Supervisors	Nature of interest	Relevant corporation (including associated corporation)	Number and class of shares of the relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/relevant corporation (including associated corporation) <sup>(2)</sup>	Approximate percentage of shareholdings in the relevant class of share capital of the Company <sup>(3)</sup>
<b>Directors</b>					
Mr. Wang	Interest in a controlled corporation <sup>(4)</sup>	the Company	158,057,643 Domestic Shares (L)	72.78%	97.46%
	Interest in a controlled corporation <sup>(4)</sup>	Yonyou <sup>(5)</sup>	1,441,871,911 shares (L)	44.38%	N/A
	Interest in a controlled corporation	Happiness Investment <sup>(6)</sup>	N/A <sup>(6)</sup>	60% <sup>(6)</sup>	N/A
	Interest in a controlled corporation	Yonyou Up <sup>(7)</sup>	N/A <sup>(7)</sup>	100% <sup>(7)</sup>	N/A
Mr. Wu Zhengping <sup>(8)</sup>	Beneficial owner	Yonyou <sup>(5)</sup>	1,867,450 shares (L)	0.06%	N/A
	Interest in a controlled corporation	Yonyou <sup>(5)</sup>	80,361,271 shares (L)	2.47%	N/A
	Beneficial owner	Happiness Investment <sup>(6)</sup>	N/A <sup>(6)</sup>	15% <sup>(6)</sup>	N/A
Mr. Yang Yuchun	Beneficial owner	Yonyou <sup>(5)</sup>	36,400 shares (L)	0.00%	N/A
<b>Supervisors</b>					
Mr. Guo Xinping <sup>(9)</sup>	Interest in a controlled corporation	Yonyou <sup>(5)</sup>	129,000,000 shares (L)	3.97%	N/A
Mr. Zhang Peilin <sup>(10)</sup>	Beneficial owner	Yonyou <sup>(5)</sup>	1,959,139 shares (L)	0.06%	N/A
Mr. Cai Jingsheng <sup>(11)</sup>	Interest in a controlled corporation	the Company	36,923 Domestic Shares (L)	0.02%	0.02%

## OTHER INFORMATION (CONTINUED)

### Notes:

- (1) (L) – long position.
- (2) The calculation is based on the total number of 217,181,666 Shares of the Company in issue as at 30 June 2020.
- (3) The calculation is based on the total number of 162,181,666 Domestic Shares of the Company in issue as at 30 June 2020.
- (4) Mr. Wang is the beneficial owner of 100%, 85.14% and 76.26% of the equity interest of Beijing Yonyou Technology Co., Ltd. (北京用友科技有限公司), Shanghai Yonyou Consultant Co., Ltd. (上海用友科技諮詢有限公司) and Beijing Yonyou Enterprise Management Research Co., Ltd. (北京用友企業管理研究所有限公司), respectively, which in turn holds approximately 28.35%, 12.07% and 3.96% of the issued shares of Yonyou, respectively. Therefore, Mr. Wang is deemed to be interested in the Shares held by Yonyou.
- (5) Yonyou is the holding company of the Company and therefore an associated corporation of the Company. As at 30 June 2020, Yonyou directly and indirectly held 158,057,643 Domestic Shares of the Company which accounted for approximately 72.78% of the total share capital of the Company.
- (6) Happiness Investment is a limited liability company incorporated in the PRC with a registered capital of RMB10.00 million and does not have any issued shares under the PRC laws. As the shareholding percentage of Yonyou in Happiness Investment was 60%, Happiness Investment is deemed as a controlled corporation of Mr. Wang. In addition, the shareholding percentage of Mr. Wu Zhengping in Happiness Investment was 15%. Happiness Investment holds 670,784 Domestic Shares of the Company, representing approximately 0.31% of the total share capital of the Company.
- (7) Yonyou Up Information Technology Co., Ltd (用友優普信息技術有限公司) (“**Yonyou Up**”) is a limited liability company incorporated in the PRC with a total registered capital of RMB200.00 million and does not have any issued shares under the PRC laws. Yonyou Up is a wholly-owned subsidiary of Yonyou, Yonyou holds 100% interests of Yonyou Up. Therefore, Yonyou Up is deemed as a controlled corporation of Mr. Wang. Yonyou Up holds 7,654,385 Domestic Shares of the Company, representing approximately 3.52% of the total share capital of the Company.
- (8) Mr. Wu Zhengping directly holds 0.06% of the issued shares of Yonyou. Meanwhile, Gongqingcheng Youfu Investment Management Partnership Enterprise (LLP) (共青城優富投資管理合夥企業(有限合夥)) (“**Gongqingcheng Youfu**”) holds 2.47% of the issued shares of Yonyou. Mr. Wu Zhengping is the beneficial owner of 80% equity interest of Gongqingcheng Youfu. Therefore, Mr. Wu Zhengping is deemed to be interested in the shares of Yonyou held by Gongqingcheng Youfu.
- (9) Shanghai Yibei Management Consulting Co., Ltd. (上海益倍管理諮詢有限公司) (“**Shanghai Yibei**”) holds 3.97% of the issued shares of Yonyou. Mr. Guo Xinping is the beneficial owner of 90% equity interest of Shanghai Yibei. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.
- (10) Among the 1,959,139 shares of Yonyou which Mr. Zhang Peilin is interested in, 219,699 shares were granted by Yonyou under a share option scheme. Mr. Zhang Peilin may exercise his share options at the price of RMB7.02 per share in accordance with the relevant arrangement of the share option scheme during the period from 5 August 2019 to 3 August 2021.

## OTHER INFORMATION (CONTINUED)

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

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

As at 30 June 2020, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the Substantial Shareholders (other than the Directors, the Supervisors and the chief executive(s) of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Number and class of Shares held	Nature of interest	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>	Approximate percentage of shareholdings in the relevant class of share capital of the the Company <sup>(3)</sup>
Yonyou <sup>(4)</sup>	149,732,474 Domestic Shares (L) 8,325,169 Domestic Shares (L) Total:158,057,643 Domestic Shares (L)	Beneficial owner Interest in a controlled corporation	72.78%	97.46%
UBS Group AG	7,719,300 H Shares (L)	Interest in a controlled corporation	3.55%	14.04%

Notes:

- (1) (L) – long position.
- (2) The calculation was based on the total number of 217,181,666 Shares of the Company in issue as at 30 June 2020.
- (3) The calculation was based on the number of 162,181,666 Domestic Shares in issue and 55,000,000 H Shares in issue of the Company as at 30 June 2020, respectively.
- (4) As at 30 June 2020, Yonyou directly held 149,732,474 Domestic Shares and indirectly held 8,325,169 Domestic Shares through Happiness Investment and Yonyou Up, respectively. As Happiness Investment and Yonyou Up were both controlled corporations of Yonyou, Yonyou was deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Up.



## OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2020, so far as the Directors, Supervisors and chief executive(s) of the Company are aware, no other persons have any interests and/or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

### USE OF PROCEEDS

The Company's H Shares were listed and commenced trading on the Hong Kong Stock Exchange on 26 June 2014, from which the Company raised proceeds totaling HK\$900.90 million. After deducting relevant expenses of issuance, the net proceeds were HK\$854.96 million. The Company disclosed in the Prospectus that the net proceeds raised from the listing had been planned to be used for the following purposes within two years. To the extent that the net proceeds are not immediately applied to the purposes below, the Company intends that such proceeds will be placed in short-term interest-bearing instruments or money market funds with licensed banks or financial institutions in the PRC or Hong Kong.

According to the intended use of proceeds as disclosed in the Prospectus of the Company, the actual usage of the proceeds as at 30 June 2020 is detailed as follows:

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

## OTHER INFORMATION (CONTINUED)

As at 30 June 2020, the unutilised proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance of the capital for promotion and operation of the cloud services since the Company has not yet identified relevant business and assets compatible with our business strategies, and make arrangement of expenses used for promotion and operation of the cloud services according to its business strategies as appropriate. The unutilised balance of the net proceeds has been deposited into reputable banks in Hong Kong and Mainland China, and the Company will continue to utilise it in accordance with the planned usages of the proceeds as disclosed in the Prospectus.

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

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

### UPDATES ON INFORMATION OF DIRECTOR AND SUPERVISOR

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

<b>Name of Director/Supervisor</b>	<b>Particulars of the change</b>
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Supervisor Ma Yongyi	
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- He ceased to serve as an independent director of Zhejiang DUNAN Artificial Environment Co., LTD (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011), since April 2020 and he serves as an independent director of Glodon Technology Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002410), since April 2020.

### MATERIAL LEGAL MATTERS

So far as the Board is aware, as at 30 June 2020, 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.



## OTHER INFORMATION (CONTINUED)

### INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

### CORPORATE GOVERNANCE CODE

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

### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

### AUDIT COMMITTEE

The Company has established an audit committee pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman. On 28 August 2020, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and this report, and concluded that such financial statements and this report had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>For the six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>RMB'000</b>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>203,462</b>	259,219
Cost of sales and services provided	5	<u><b>(26,181)</b></u>	<u>(20,557)</u>
<b>Gross profit</b>		<b>177,281</b>	238,662
Other income and gains	4	<b>44,147</b>	58,919
Research and development costs	5	<b>(66,760)</b>	(66,183)
Selling and distribution expenses		<b>(78,953)</b>	(89,090)
Administrative expenses		<b>(30,558)</b>	(48,206)
Other expenses		<b>(30,241)</b>	(5)
Finance costs		<b>(207)</b>	(409)
Share of profit/(loss) of an associate	12	<u><b>(730)</b></u>	<u>3,071</u>
<b>Profit before tax</b>	5	<b>13,979</b>	96,759
Income tax credit/(expense)	6	<u><b>3,523</b></u>	<u>(4,872)</u>
<b>Profit for the period</b>		<u><b>17,502</b></u>	<u>91,887</u>
<b>Attributable to:</b>			
Owners of the parent		<u><b>17,502</b></u>	<u>91,887</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic ( <i>RMB cents</i> )	8	<u><b>8.1</b></u>	<u>43.1</u>
Diluted ( <i>RMB cents</i> )	8	<u><b>8.1</b></u>	<u>43.0</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>For the six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>17,502</b>	91,887
<b>Other comprehensive income/(loss)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>51</u>	(80)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>51</u>	(80)
<b>Total comprehensive income for the period</b>	<u><b>17,553</b></u>	<u>91,807</u>
<b>Attributable to:</b>		
Owners of the parent	<u><b>17,553</b></u>	<u>91,807</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2020</b>	31 December 2019
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>2,519</b>	2,787
Right-of-use assets	10	<b>9,160</b>	12,480
Intangible assets	11	<b>33,857</b>	35,554
Investment in an associate	12	<b>60,794</b>	75,034
Equity investments at fair value through profit or loss	13	<b>53,317</b>	54,302
Deferred tax assets		<b>5,265</b>	1,730
Long-term receivables	15	<b>6,289</b>	6,289
		<b>171,201</b>	188,176
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		<b>1,228</b>	1,575
Trade receivables	14	<b>177</b>	600
Prepayments, other receivables and other assets	15	<b>44,960</b>	20,720
Financial assets at fair value through profit or loss	16	<b>349,593</b>	66,921
Cash and bank balances	17	<b>1,081,417</b>	1,319,456
		<b>1,477,375</b>	1,409,272
<b>Total current assets</b>			
<b>Current liabilities</b>			
Trade payables	18	<b>7,407</b>	1,186
Contract liabilities	19	<b>232,601</b>	186,462
Other payables and accruals	20	<b>149,248</b>	78,462
Lease liabilities	10	<b>5,988</b>	7,164
		<b>395,244</b>	273,274
<b>Total current liabilities</b>			
<b>Net current assets</b>		<b>1,082,131</b>	1,135,998
<b>Total assets less current liabilities</b>		<b>1,253,332</b>	1,324,174



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		<u>30 June 2020</u>	<u>31 December 2019</u>
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Non-current liabilities</b>			
Lease liabilities	10	<u>2,887</u>	<u>5,286</u>
Total non-current liabilities		<u>2,887</u>	<u>5,286</u>
<b>Net assets</b>			
		<u>1,250,445</u>	<u>1,318,888</u>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		217,182	217,182
Treasury shares held under employee trust benefit scheme		(28,519)	(34,848)
Reserves		<u>1,061,782</u>	<u>1,136,554</u>
<b>Total equity</b>		<u>1,250,445</u>	<u>1,318,888</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent								
	Issued capital RMB'000	Treasury shares held under employee trust benefit scheme (ii) RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Share-based payment reserve (i) RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>As at 1 January 2019</b>	217,182	(75,391)	939,761	(4)	17,549	64,321	1,915	144,902	1,310,235
Profit for the period	-	-	-	-	-	-	-	91,887	91,887
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(80)	-	(80)
Total comprehensive income for the period	-	-	-	-	-	-	(80)	91,887	91,807
Final 2018 dividend declared	-	-	-	-	-	-	-	(99,904)	(99,904)
Share-based payment (note 21)	-	-	-	-	6,281	-	-	-	6,281
Shares sold under employee trust benefit scheme (note 21)	-	11,692	(6,691)	-	-	-	-	-	5,001
Shares vested under employee trust benefit scheme (note 21)	-	18,108	(7,013)	-	(11,095)	-	-	-	-
<b>As at 30 June 2019 (unaudited)</b>	<u>217,182</u>	<u>(45,591)</u>	<u>926,057*</u>	<u>(4)*</u>	<u>12,735*</u>	<u>64,321*</u>	<u>1,835*</u>	<u>136,885*</u>	<u>1,313,420</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Treasury shares held under		Capital reserve	Merger reserve	Share-based payment reserve (i)	Statutory reserve	Exchange fluctuation reserve	Retained earnings	Total equity
	Issued capital	employee trust benefit scheme (ii)							
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>As at 1 January 2020</b>	217,182	(34,848)	920,380	(4)	10,618	73,496	1,877	130,187	1,318,888
Profit for the period	-	-	-	-	-	-	-	17,502	17,502
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	51	-	51
Total comprehensive income for the period	-	-	-	-	-	-	51	17,502	17,553
Final 2019 dividend declared	-	-	-	-	-	-	-	(86,161)	(86,161)
Share-based payment (note 21)	-	-	-	-	165	-	-	-	165
Shares vested under employee trust benefit scheme (note 21)	-	6,329	(3,406)	-	(2,923)	-	-	-	-
<b>As at 30 June 2020 (unaudited)</b>	<b>217,182</b>	<b>(28,519)</b>	<b>916,974*</b>	<b>(4)*</b>	<b>7,860*</b>	<b>73,496*</b>	<b>1,928*</b>	<b>61,528*</b>	<b>1,250,445</b>

\* These reserve accounts comprise the consolidated reserves of RMB1,061,782,000 (31 December 2019: RMB1,136,554,000) in the consolidated statement of financial position.

Notes:

- i) Share-based payment reserve represents the cost of equity-settled transactions under an employee trust benefit scheme (the "**Scheme**"), which is described in note 21 to the financial statements.
- ii) Treasury shares held under employee trust benefit scheme represent the shares held by the trustees for the implementation of the Scheme which the Company entrusted the trustees to successively purchase from domestic shareholders or open market.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<u>For the six months ended 30 June</u>	
		2020	2019
		<b>(Unaudited)</b>	(Unaudited)
Notes		<b>RMB'000</b>	RMB'000
<b>Operating activities</b>			
	Profit before tax	<b>13,979</b>	96,759
	Adjustments for:		
	Finance cost	<b>207</b>	409
	Exchange gains, net	<b>(2,793)</b>	(521)
	Share of loss/(profits) of an associate	<b>730</b>	(3,071)
	Interest income	<b>(19,555)</b>	(17,035)
	Fair value gains, net	<b>(4,242)</b>	(7,711)
	Share-based payment expense	<b>165</b>	6,281
	Depreciation of items of property, plant and equipment	<b>614</b>	567
	Depreciation of right-of-use assets	<b>3,442</b>	3,512
	Amortisation of intangible assets	<b>8,090</b>	19,599
	Gain on disposal of property, plant and equipment	<b>(47)</b>	(13)
	Impairment of cash and bank balances	<b>15,196</b>	-
	Impairment of trade receivables and other receivables	<b>732</b>	-
	Impairment of Investment in associate	<b>13,510</b>	-
	Gains on disposal of financial investments	<b>-</b>	(8,130)
		<b>30,028</b>	90,646
	Decrease/(Increase) in inventories	<b>347</b>	(108)
	Increase in trade receivables	<b>(49)</b>	(192)
	Increase in prepayments, other receivables, other assets and interest receivables	<b>(12,908)</b>	(262)
	Increase in trade payables	<b>6,221</b>	719
	Increase in contract liabilities	<b>46,139</b>	18,047
	Decrease in other payables and accruals	<b>(16,160)</b>	(17,017)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	<u>For the six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Cash generated from operations	<b>53,618</b>	91,833
Interest received	<b>7,795</b>	2,931
Income taxes refunded/(paid)	<b>4,218</b>	(4,218)
Net cash flows from operating activities	<b>65,631</b>	90,546
<b>Investing activities</b>		
Proceeds from disposal of equity investments at fair value through profit or loss	<b>648</b>	1,500
Purchases of items of property, plant and equipment	<b>(516)</b>	(1,978)
Additions to intangible assets	<b>(6,363)</b>	(278)
Purchases of financial investments	<b>(345,000)</b>	(104,000)
Proceeds from disposal of items of property, plant and equipment	<b>159</b>	30
Refund/(purchase) of non-pledged time deposits with original maturity of more than three months when acquired and time deposits restricted from being used	<b>(94,016)</b>	(150,000)
Proceeds from disposal of financial investments	<b>65,000</b>	379,000
Interest on non-pledged time deposits with original maturity more than three months when acquired and time deposits restricted from being used	<b>8,538</b>	7,931
Gains on financial investments	<b>2,709</b>	16,279
Net cash flows from/(used in) investing activities	<b>(368,841)</b>	148,484
<b>Financial activities</b>		
Principal portion of lease payments	<b>(3,697)</b>	(3,506)
Interest paid of lease payments	<b>(207)</b>	(409)
Shares sold under employee trust benefit scheme	-	5,001
Dividend withholding tax paid	-	(2,504)
Net cash flows used in financial activities	<b>(3,904)</b>	(1,418)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		<u>For the six months ended 30 June</u>	
		2020	2019
		<b>(Unaudited)</b>	(Unaudited)
Notes		<b>RMB'000</b>	RMB'000
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(307,114)</b>	237,612
	Cash and cash equivalents at the beginning of period	<b>517,408</b>	188,381
	Effect of foreign exchange rate changes, net	<b>123</b>	(88)
	<b>Cash and cash equivalents at the end of period</b>	<b><u>210,417</u></b>	<b><u>425,905</u></b>
<b>Analysis of balances of cash and cash equivalents</b>			
	Cash and bank balances as stated in the statement of financial position	17 <b>1,081,417</b>	1,189,052
	Non-pledged time deposits with original maturity of more than three months when acquired	17 <b>(546,192)</b>	(766,759)
	Restricted cash and bank balance	17 <b>(329,395)</b>	–
	Interest receivables	17 <b>(16,085)</b>	–
	Cash equivalents as stated in prepayments, other receivables and other assets	17 <b>20,672</b>	3,612
	<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b><u>210,417</u></b>	<b><u>425,905</u></b>



# 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.

In the opinion of the directors of the Company, the holding company of the Company is Yonyou Network Technology Co., Ltd. (“**Yonyou**”) and the ultimate holding company of the Company is Beijing Yonyou Technology Co., Ltd., which was established in the PRC.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about the subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2020 are as follows:

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

Note 1: The paid-in capital of Chanjet U.S. as at 30 June 2020 was USD10,300,000.

Note 2: Chanjet Yunhui was incorporated with a registered capital of RMB10,000,000. The paid-in capital of Chanjet Yunhui as at 30 June 2020 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 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial 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 2019.

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 2019, 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 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

# 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)

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
  
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.



## 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)

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
  
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

### 2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current<sup>2</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Costs of Fulfilling a Contract<sup>1</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
<i>Annual Improvements to IFRSs 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, IAS 41 and Illustrative Examples accompanying IFRS 16<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, which is the sale of products and the provision of related services as well as other related products. Therefore, no analysis by operating segment is presented.

#### **Geographical information**

Since all of the Group's revenue was generated from the sale of products and the provision of related services in Mainland China and 99% of the Group's identifiable non-current assets were located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

#### **Information about a major customer**

Since no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer during the period, 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:

	<u>For the six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Revenue from contracts with customers</b>		
Sale of products	<b>113,280</b>	186,240
Rendering of services	<b>89,706</b>	72,387
Sale of purchased goods	<b>476</b>	592
	<u><b>203,462</b></u>	<u>259,219</u>
Disaggregated revenue information for revenue from contracts with customers		
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>113,756</b>	186,832
Services transferred over time	<b>89,706</b>	72,387
	<u><b>203,462</b></u>	<u>259,219</u>

The impairment loss on trade receivables arising from contracts with customers were RMB472,000, which recognised by the Group for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



## 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:

	<u>For the six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Other income</b>		
Value-added tax refunds	<b>16,590</b>	24,218
Government grants	<b>734</b>	1,146
Interest income	<b>19,555</b>	17,035
	<hr/>	<hr/>
<b>Gains</b>		
Gains on disposal of financial investments	-	8,130
Financial assets at fair value through profit or loss:		
Mandatorily classified as such, including those held for trading	<b>5,227</b>	2,095
Designated as such upon initial recognition	<b>(985)</b>	5,616
Exchange gains, net	<b>2,793</b>	521
Others	<b>233</b>	158
	<hr/>	<hr/>
	<b>44,147</b>	58,919
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. PROFIT BEFORE TAX

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

	<u>For the six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Cost of products sold	<b>1,744</b>	2,779
Cost of services provided	<b>24,222</b>	17,538
Cost of purchased goods sold	<b>215</b>	240
	<hr/>	<hr/>
Total cost of sales	<b>26,181</b>	20,557
	<hr/> <hr/>	<hr/> <hr/>
Depreciation of items of property, plant and equipment	<b>614</b>	567
Depreciation of right-of-use assets	<b>3,442</b>	3,512
Amortisation of intangible assets	<b>8,090</b>	19,599
Lease payments not included in the measurement of lease liabilities	<b>1,040</b>	1,975
Research and development costs ( <i>note</i> )	<b>66,760</b>	66,183
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration other than below):	<b>136,402</b>	128,261
Equity-settled share-based expense	<b>165</b>	6,281
Pension scheme contributions	<b>5,639</b>	13,141
	<hr/>	<hr/>
	<b>142,206</b>	147,683
Less: Employee benefit expenses being capitalised in intangible assets	<b>(6,363)</b>	–
	<hr/>	<hr/>
	<b>135,843</b>	147,683
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. PROFIT BEFORE TAX (CONTINUED)

	<u>For the six months ended 30 June</u>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
Exchange gains, net	<b>(2,793)</b>	(521)
Impairment of an investment in an associate	<b>13,510</b>	–
Impairment of financial assets, net:		
Impairment of cash and bank balances, net	<b>15,196</b>	–
Impairment of trade receivables, net	<b>472</b>	–
Impairment of financial assets included in prepayments, other receivables and other assets, net	<b>260</b>	–
Financial assets at fair value through profit or loss:		
Mandatorily classified as such, including those held for trading	<b>(5,227)</b>	(2,095)
Designated as such upon initial recognition	<b>985</b>	(5,616)

*Note:* During the six months ended 30 June 2020, research and development costs of approximately RMB62,422,000 (six months ended 30 June 2019: RMB65,141,000) were included in employee benefit expenses.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. INCOME TAX

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Current tax	<b>11</b>	3,834
Deferred tax	<b>(3,534)</b>	1,038
	<b>(3,523)</b>	4,872
Total tax charge/(credit) for the period	<b>(3,523)</b>	4,872

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 2020 and 2019.

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 2020.

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 2019 and 2020.

### 7. DIVIDENDS

The proposed final cash dividends of RMB86,873,000 for the year ended 31 December 2019 were approved by the Company's shareholders on 8 June 2020.

The final 2019 dividend declared attributable to the forfeited shares held by the trustees under the Scheme of RMB712,000 will be collected by the Group when the 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 2020 (six months ended 30 June 2019: Nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 216,217,188 (six months ended 30 June 2019: 213,006,727) in issue during the six months ended 30 June 2020, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the Scheme.

The calculation of the diluted earnings per share amounts is based on the 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 earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

#### For the six months ended 30 June

<b>2020</b>	2019
<b>(Unaudited)</b>	(Unaudited)
<b>RMB'000</b>	RMB'000

#### **Earnings**

Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation

<b><u>17,502</u></b>	<b><u>91,887</u></b>
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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>216,217,188</b>	213,006,727
Adjustment for the Scheme	-	819,352
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<b>216,217,188</b>	213,826,079

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of RMB487,000 (six months ended 30 June 2019: RMB1,978,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB112,000 were disposed by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB17,000), resulting in a net gain on disposal of RMB47,000 (six months ended 30 June 2019: RMB13,000).

During the six months ended 30 June 2020, the total amount of depreciation of property, plant and equipment was RMB643,000 of which an amount of RMB614,000 was charged to profit or loss, and an amount of RMB29,000 was capitalised into deferred development costs.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of office buildings and other equipment used in its operations. Leases of office buildings generally have lease terms between 1 and 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the six months ended 30 June 2020 are as follows:

	Office buildings RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2020	10,832	1,648	12,480
Additions	999	-	999
Adjustment	(593)	(284)	(877)
Depreciation charge	(2,831)	(611)	(3,442)
As at 30 June 2020	<u>8,407</u>	<u>753</u>	<u>9,160</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. LEASES (CONTINUED)

#### The Group as a lessee (continued)

##### (a) Right-of-use assets (continued)

The carrying amounts of the Group's right-of-use assets and the movements during the 2019 are as follows:

	Office buildings <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	15,188	3,925	19,113
Additions	1,119	–	1,119
Adjustment	(60)	(628)	(688)
Depreciation charge	(5,415)	(1,649)	(7,064)
As at 31 December 2019	<u>10,832</u>	<u>1,648</u>	<u>12,480</u>

##### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the six months ended 30 June 2020 are as follows:

	<b>For the six months ended 30 June 2020 Lease liabilities <i>RMB'000</i></b>
Carrying amount at 1 January	<b>12,450</b>
New leases	<b>999</b>
Adjustment	<b>(877)</b>
Accretion of interest recognised during the period	<b>207</b>
Payments	<u><b>(3,904)</b></u>
Carrying amount at 30 June	<u><b>8,875</b></u>
Analysed into:	
Current portion	<b>2,887</b>
Non-current portion	<u><b>5,988</b></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. LEASES (CONTINUED)

### The Group as a lessee (continued)

#### (b) Lease liabilities (continued)

The carrying amount of lease liabilities and the movements during the 2019 are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	19,113
New leases	1,119
Adjustment	(688)
Accretion of interest recognised during the year	722
Payments	<u>(7,816)</u>
Carrying amount at 31 December	<u><u>12,450</u></u>
Analysed into:	
Current portion	7,164
Non-current portion	<u><u>5,286</u></u>

#### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	<u>For the six months ended 30 June</u>	
	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Interest on lease liabilities	<b>207</b>	409
Depreciation charge of right-of-use assets	<b>3,442</b>	3,512
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June 2020 (included in cost of sales and administrative expense)	<b>718</b>	1,586
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses)	<b>322</b>	389
Total amount recognised in profit or loss	<u><b>4,689</b></u>	<u>5,896</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. LEASES (CONTINUED)

#### The Group as a lessee (continued)

##### (d) *Extension and termination options*

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. There are no period following the exercise date of extension and termination options that are not included in the lease terms.

##### (e) *Total cash outflow for leases*

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Within operating activities	<b>1,040</b>	1,975
Within financing activities	<b>3,904</b>	3,915
	<b>4,944</b>	5,890

### 11. INTANGIBLE ASSETS

During the six months ended 30 June 2020, the amount of the addition of intangible assets was RMB6,392,000 (six months ended 30 June 2019: RMB278,000).

During the six months ended 30 June 2020, the total amount of amortisation of intangible assets was RMB8,090,000 (six months ended 30 June 2019: RMB19,599,000) charged to profit or loss.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. 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.

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Share of net assets	<u>74,304</u>	<u>75,034</u>
Provision for impairment	<u>(13,510)</u>	—
	<u><b>60,794</b></u>	<u><b>75,034</b></u>

The Group has no trade receivable and payable balances with the associate. The Group’s contract liabilities balance with the associate is disclosed in note 22 to the financial statements.

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	RMB 200,000,000	Beijing, China	19.28	Internet payment, bank card receipt and technical development

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associate:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Share of the associate's profit/(loss) for the period	<b>(730)</b>	3,071
Share of the associate's total comprehensive income/(loss)	<b>(730)</b>	3,071
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Aggregate carrying amount of the Group's investment in the associate	<b>60,794</b>	75,034

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Unlisted equity investments, at fair value		
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership)	<b>27,575</b>	28,816
Yonyou Mobile Telecommunications Technology Service Co., Ltd. (“ <b>Yonyou Mobile</b> ”)	<b>23,746</b>	23,535
Xi'an Rongke Telecommunications Technology Co., Ltd.	<b>1,996</b>	1,951
	<b><u>53,317</u></b>	<u>54,302</u>

The above equity investments as at 30 June 2020 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

### 14. TRADE RECEIVABLES

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Trade receivables	<b>649</b>	600
Impairment	<b>(472)</b>	–
	<b><u>177</u></b>	<u>600</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. 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:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Within 90 days	159	46
90 days to 180 days	–	94
Over 180 days	18	460
	177	600

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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Staff advances	<b>54</b>	53
Share purchase fund and dividend held by the trustee for share-based payments ( <i>notes</i> )	<b>6,289</b>	6,289
Prepayments	<b>11,022</b>	2,363
Prepaid corporate income tax	–	4,218
Contract costs	<b>5,560</b>	4,033
Deposits, other receivables and other assets	<b>28,584</b>	10,053
	<b>(260)</b>	–
	<b>51,249</b>	27,009
Less: Non-current portion		
Share purchase fund and dividend held by the trustee for share-based payments ( <i>notes</i> )	<b>6,289</b>	6,289
Current portion	<b>44,960</b>	20,720

*Note:* The share purchase fund held by the trustee for share-based payments was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Scheme. As at 30 June 2020, the share purchase fund has been deposited with an agreed deposit rate and will be collected when the Scheme expires and the trust is liquidated. The dividend paid for the forfeited shares held by the trustees under the Scheme will be collected by the Group when the Scheme expires, and the trust is liquidated.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The credit risk exposure and expected credit loss for amount due from share purchase fund held by the trustee for share-based payment and deposits and other receivables were immaterial as at 30 June 2020 and 31 December 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Wealth investment products	<u><b>349,593</b></u>	<u>66,921</u>

The Group purchases various wealth investment products issued by banks in Mainland China. As at 30 June 2020, the Group purchased wealth investment products with the cost of RMB345,000,000 (31 December 2019: RMB65,000,000) from commercial banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The details and breakdown of each of financial assets at fair value through profit or loss as at the 30 June 2020 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Investment of deposit principal amount (Unaudited) RMB'000	Carrying value (Unaudited) RMB'000
Merchant Bank	Structured deposits	Secured principal with floating income	13 Jan 2020	13 Oct 2020	70,000	71,382
JiangSu Bank	Structured deposits	Secured principal with floating income	13 Jan 2020	28 Dec 2020	55,000	56,017
Bank of Communications	Structured deposits	Secured principal with floating income	13 Jan 2020	14 Jan 2021	30,000	30,530
Guangfa Bank	Structured deposits	Secured principal with floating income	21 Feb 2020	30 Dec 2020	50,000	50,845
Beijing Bank	Structured deposits	Secured principal with floating income	15 Apr 2020	16 Oct 2020	70,000	70,830
Construction Bank	Structured deposits	Secured principal with floating income	11 May 2020	11 May 2021	70,000	69,989
					<u><b>345,000</b></u>	<u><b>349,593</b></u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. 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 31 December 2019 are as follows:

Name of bank	Nature of products	Type of income	Commencement date	Expiry date	Principal amount	Carrying value
					of deposit investment	value
					(Audited)	(Audited)
					RMB'000	RMB'000
ZheShang Bank	Structured deposits	Secured principal with floating income	19 April 2019	19 April 2020	65,000	66,921
					65,000	66,921
					65,000	66,921

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. CASH AND BANK BALANCES

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Cash on hand	10	10
Bank balances	129,483	104,330
Time deposits	967,120	1,215,116
	<b>1,096,613</b>	1,319,456
Provision for impairment	<b>(15,196)</b>	–
Cash and bank balances	<b>1,081,417</b>	1,319,456
Less: Non-pledged time deposits with original maturity of more than three months when acquired	<b>(546,192)</b>	(453,499)
Cash and bank balance restricted from being used	<b>(329,395)</b>	(340,547)
Interest receivables	<b>(16,085)</b>	(12,862)
Add: Cash equivalents as stated in prepayments, other receivables and other assets	<b>20,672</b>	4,860
Cash and cash equivalents as stated in the consolidated statement of cash flows	<b>210,417</b>	517,408

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.

On 6 August 2020, the People's Bank of China issued the report on the implementation of China's monetary policy in the second quarter of 2020, which mentioned that Baoshang Bank Co., Ltd. ("**Baoshang Bank**") would be filed for bankruptcy, and the equity of the original shareholders and non-guaranteed creditor's rights shall participate in subsequent claim for compensation in accordance with laws. As of the date of this report, the Baoshang Bank has not entered into the bankruptcy liquidation process.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. CASH AND BANK BALANCES (CONTINUED)

As at 30 June 2020, the Company's deposits placed with Baoshang Bank amounted to RMB344,592,000, which comprised non-guaranteed deposits of approximately RMB30,392,000 to be expected to participate in subsequent claim for compensation in accordance with laws. Based on the above situations and developments, as at 30 June 2020, partial impairment loss of RMB15,196,000 is made against the non-guaranteed deposits placed with Baoshang Bank that shall participate in subsequent claim for compensation in accordance with laws.

### 18. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Within 90 days	<b>5,675</b>	813
90 days to 1 year	<b>1,581</b>	225
Over 1 year	<b>151</b>	148
	<b><u>7,407</u></b>	<u>1,186</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Rendering of services	<u><b>232,601</b></u>	<u>186,462</u>

Contract liabilities include short-term advances received from the rendering of services. The increase in contract liabilities during the six months ended 30 June 2020 was mainly due to the increase in short-term advances received from customers during the period.

### 20. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Tax payable (other than income tax)	<b>8,656</b>	15,761
Staff payroll and welfare payables	<b>28,616</b>	47,035
Advances from customers	<b>13,400</b>	4,983
Dividend payables	<b>86,161</b>	–
Other payables	<b>11,472</b>	10,683
Due to the ultimate holding company	<u><b>943</b></u>	<u>–</u>
	<u><b>149,248</b></u>	<u>78,462</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

On 29 March 2019, the board of directors has approved the adoption of the long-term employee incentive point scheme (the “**Point Scheme**”) to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company. The Point Scheme shall be valid for a period of six years in total from the date on which the adoption of the Point Scheme is approved by the board of directors. In order to more fully realize the purpose of the Point Scheme to continuously incentivize, on 25 May 2020, the board of directors 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 (the “**Amendment**”).

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. OTHER PAYABLES AND ACCRUALS (CONTINUED)

On 29 March 2019, the board of directors approved the 2019 initial grant of the points (the “**2019 Initial Point Grant**”) to certain participants pursuant to the Point Scheme, under which a total of 59,725 points are granted to 94 designated participants.

On 6 December 2019, the board of directors has considered and approved the 2019 supplemental grant of the points (the “**2019 Supplemental Point Grant**”) to 3 designated participants pursuant to the Point Scheme, under which a total of 2,400 points are granted.

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

On 25 May 2020, the board of directors has considered and approved the 2020 initial grant of the points to 104 designated participants pursuant to the Point Scheme (as amended by the Amendment), under which a total of 48,641 points are granted.

During the six months ended 30 June 2020, the total amount of employee benefit expenses recognised in profit or loss under the Point Scheme was RMB5,433,000 (six months ended 30 June 2019: RMB1,253,000), of which an amount of RMB5,292,000 (six months ended 30 June 2019: RMB1,253,000) was recognised in profit or loss, and RMB141,000 amount (six months ended 30 June 2019: Nil) was capitalised into deferred development costs.





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. SHARE-BASED PAYMENT

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. SHARE-BASED PAYMENT (CONTINUED)

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

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

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

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. SHARE-BASED PAYMENT (CONTINUED)

### Particulars and movements of the target shares under the Scheme

For the six months ended 30 June 2020

Date of grant	Note	Fair value per share (RMB)	As at 1 January	Forfeited during the period	Cancelled during the period	Vested during the period	As at 30 June
5 June 2017	(v)	6.98	<u>486,000</u>	<u>(60,000)</u>	<u>(40,000)</u>	<u>(386,000)</u>	<u>-</u>

For the six months ended 30 June 2019

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. SHARE-BASED PAYMENT (CONTINUED)

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

Notes:

- (i) On 16 June 2015, the board of directors of the Company approved the initial grant of trust benefit units subject to effective conditions to 182 Scheme participants, including one director, two supervisors, mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of the target shares under the initial grant was 17,370,000, representing approximately 8% of the total issued share capital of the Company as at 16 June 2015.
- (ii) On 2 September 2015, the board of directors of the Company also authorised the president committee of the Company to grant trust benefit units subject to effective conditions to several Scheme participants of Chanjet U.S. at nil consideration. The total number of the target shares under the grant was 120,000. The grantees of the trust benefit units in Chanjet U.S. did not include any directors, supervisors or their respective spouses or children aged under 18.
- (iii) On 31 March 2016, the board of directors of the Company approved the second grant of trust benefit units subject to effective conditions to 36 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the second grant was 1,515,000 shares, representing approximately 0.7% of the total issued share capital of the Company as at 31 March 2016.
- (iv) On 6 December 2016, the board of directors of the Company approved the third grant of trust benefit units subject to effective conditions to 30 Scheme participants, including mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the third grant was 2,690,000 shares, representing approximately 1.24% of the total issued share capital of the Company as at 6 December 2016.
- (v) On 5 June 2017, the board of directors of the Company approved the re-grant of part of the trust benefit units that have become invalid from the beginning or lapsed pursuant to the Scheme subject to effective conditions to 48 Scheme participants, including one director, two supervisors, mid-level and senior management, experts and core personnel of the Group, at nil consideration under the Scheme. The total number of target shares under the re-grant was 4,071,000 shares, representing approximately 1.87% of the total issued share capital of the Company as at 5 June 2017.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. SHARE-BASED PAYMENT (CONTINUED)

The Amendment had no incremental effect on the fair value of the trust benefit units granted, using the measurement method as described below.

The fair value of the trust benefit units granted/amended at the date of initial grant/amended was estimated using the Black-Scholes Model and the Monte Carlo method, taking into account the terms and conditions upon which the trust benefit units were granted/amended. The fair value of trust benefit units granted at the initial grant date was RMB427,285,000 and was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00%
Expected volatility (%)	51.50%-63.20%
Risk-free interest rate (%)	0.157%-1.815%
Expected life (years)	1-10
Weighted average share price (RMB per share)	24.60

The fair value of the trust benefit units granted/amended to several participants of Chanjet U.S. was calculated based on the market price of the Company's shares at the grant/amended date. The fair value of the trust benefit units granted to several participants of Chanjet U.S. was RMB1,251,000.

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. SHARE-BASED PAYMENT (CONTINUED)

The fair value of the trust benefit units granted at the date of the re-grant was estimated using the Black-Scholes Model, taking into account the terms and conditions upon which the shares were granted. The fair value of the shares granted at the date of the re-grant date was RMB28,415,000 and was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00%
Expected volatility (%)	57.53%
Risk-free interest rate (%)	0.52%-1.058%
Expected life (years)	1-8
Weighted average share price (RMB per share)	6.98

During the six months ended 30 June 2020 and 30 June 2019, no share of the Company were acquired by the trustees entrusted by the Company.

During the six months ended 30 June 2020, 60,000 target shares (six months ended 30 June 2019: 48,000 target shares) under the Scheme were lapsed due to vesting conditions not being fulfilled under the Scheme.

Certain Scheme participants have agreed to abandon his/her trust benefit units since they have joined the Point Scheme newly adopted by the Company on 29 March 2019. During the six months ended 30 June 2020, 40,000 target shares (six months ended 30 June 2019: 1,041,400) under the Scheme were cancelled due to joining the Point Scheme.

Except for certain Scheme participants under the re-grant who had terminated or released his/her labour contract with the Company, which resulted in their disqualification as Scheme participants, and certain Scheme participants who have agreed to abandon his/her trust benefit units since they have joined the Point Scheme, the vesting conditions of the remaining Scheme participants under the re-grant to unlock 40% of their trust benefit units were fulfilled on 5 June 2020.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. SHARE-BASED PAYMENT (CONTINUED)

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

During the six months ended 30 June 2020, 386,000 target shares (six months ended 30 June 2019: 1,464,300 target shares) were unlocked under the Scheme, resulting in the transfer out of RMB2,923,000 (six months ended 30 June 2019: RMB11,095,000) from the share-based payment reserve, with RMB6,329,000 (six months ended 30 June 2019: RMB18,108,000) credited to treasury shares held under the Scheme, and remaining balance of RMB3,406,000 (six months ended 30 June 2019: RMB7,013,000) debited to the capital reserve account.

During the six months ended 30 June 2020, the total amount of share-based payment expense was RMB165,000 (six months ended 30 June 2019: RMB6,281,000) recognised in profit or loss.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. RELATED PARTY DISCLOSURES

### (a) Transactions with related parties

During the six months ended 30 June 2019 and 2020, the Group entered into the following transactions with related parties:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<i>Sales of goods and services to</i>		
<b>Associate of the holding company</b>		
Sinotone (Beijing) Technology Co., Ltd. (“ <b>Sinotone Tech</b> ”) (漢唐信通(北京)科技有限公司)	<b>23</b>	1
Beijing Xi Ma Guo Zheng Commercial Form Technology Co., Ltd. (“ <b>Xi Ma Guo Zheng</b> ”) (北京西瑪國正科技發展有限公司)	<b>182</b>	107
<b>Fellow subsidiaries</b>		
Shenzhen Yyfax Financial Services Co., Ltd. (“ <b>Shenzhen Yyfax</b> ”) (深圳友金所金融服務 有限公司)	-	123
Beijing Yonyou Salary Welfare Cloud Technology Co., Ltd. (北京用友薪福社雲科技有限公司)	-	75
Shenzhen Baoqu Technology Co., Ltd. (深圳市保趣科技有限公司)	-	94
Shenzhen Yonyou-Leguer Inclusive Financial Information Services Co., Ltd. (深圳用友力合普惠信息服務有限公司)	-	189
	<b>205</b>	589



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Transactions with related parties (Continued)

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Purchases of goods and services from</i>		
<b>The holding company</b>		
Yonyou	1,936	1,560
<b>Associates of the holding company</b>		
Xi Ma Guo Zheng	35	10
Sinotone Tech	21	–
Sichuan Sinotone Business Consulting Co., Ltd. (四川漢唐信通商務諮詢有限公司)	7	–
Shanghai Dayi cloud computing Co., Ltd. ("Dayi Cloud") (上海大易雲計算股份有限公司)	51	–
Execution(Beijing) Internet Co., Ltd. ("Execution(Beijing)") (執行力(北京)網絡科技有限公司)	415	–
<b>Fellow subsidiaries</b>		
Yonyou Mobile	1	2
Shanghai Yonyou Government Affairs Software Co., Ltd. ("Shanghai Yonyou Zhengwu") (上海用友政務軟件有限公司)	8	10
Shanghai Bingjun Network Technology Co., Ltd. ("Bingjun Network") (上海秉鈞網絡科技股份有限公司)	13	–
<b>A company of which a director of the Company is a shareholder with significant influence</b>		
Beijing Red Mansion Culinary Culture Co., Ltd. (北京紅邸餐飲文化有限公司)	38	44
	<b>2,525</b>	<b>1,626</b>

During the six months ended 30 June 2020, the Group recognised interest income of RMB3,441,000 from deposits placed with ZhongGuanCun Bank Ltd. (北京中關村銀行股份有限公司) ("ZhongGuanCun Bank") (six months ended 30 June 2019: RMB3,724,000).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. RELATED PARTY DISCLOSURES (CONTINUED)

#### (a) Transactions with related parties (Continued)

##### *Rent office buildings from related parties*

During the six months ended 30 June 2020 and 2019, the Group rented office buildings from Yonyou. After the adoption of IFRS 16, the carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	<b>Right-of-use assets RMB'000</b>	<b>Lease Liabilities RMB'000</b>
<b>As at 1 January 2020</b>	<b>9,461</b>	<b>9,692</b>
Adjustment	(591)	(591)
Depreciation charge	(2,392)	–
Interest expense	–	169
Payments	–	(2,595)
<b>As at 30 June 2020 (Unaudited)</b>	<b>6,478</b>	<b>6,675</b>
	Right-of-use assets RMB'000	Lease Liabilities RMB'000
<b>As at 1 January 2019</b>	13,133	13,133
Depreciation charge	(2,189)	–
Interest expense	–	283
Payments	–	(2,335)
<b>As at 30 June 2019 (Unaudited)</b>	<b>10,944</b>	<b>11,081</b>

In addition to the lease of office buildings shown in the table above, the Group recognised the rental expenses in profit or loss from short-term leases of RMB243,000 from Yonyou for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB117,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Transactions with related parties (Continued)

#### *Rent office buildings from related parties (Continued)*

During the six months ended 30 June 2020 and 2019, the Group rent office buildings from UFIDA (Nanchang) Industrial Base Development Co., Ltd. (“**UFIDA (Nanchang)**”) (用友(南昌)產業基地發展有限公司), a fellow subsidiary. After the adoption of IFRS 16, the carrying amounts of the Group’s right-of-use assets and lease liabilities, and the movement during the period are as follows:

	<b>Right-of-use assets RMB’000</b>	<b>Lease Liabilities RMB’000</b>
<b>As at 1 January 2020</b>	<b>1,371</b>	<b>1,402</b>
Depreciation charge	(342)	–
Interest expense	–	28
Payments	–	(367)
<b>As at 30 June 2020 (Unaudited)</b>	<b>1,029</b>	<b>1,063</b>
	Right-of-use assets RMB’000	Lease Liabilities RMB’000
<b>As at 1 January 2019</b>	2,055	2,055
Depreciation charge	(342)	–
Interest expense	–	44
Payments	–	(367)
<b>As at 30 June 2019 (Unaudited)</b>	<b>1,713</b>	<b>1,732</b>

In addition to the lease of office buildings shown in the table above, the Group recognised the rental expenses in profit or loss from short-term leases of RMB194,000 from UFIDA (Nanchang) for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB113,000).

The above related party transactions were conducted on mutually agreed terms.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Outstanding balances with related parties

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

#### *Due from related parties*

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>Trade related:</b>		
<b>Associate of the holding company</b>		
Sinotone Tech	–	487
Xi Ma Guo Zheng	7	32
<b>Fellow subsidiary</b>		
Shanghai Yonyou Zhengwu	4	13
Bingjun Network	1	14
	<b>12</b>	546

#### *Deposits placed with*

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>Associate of the holding company</b>		
ZhongGuanCun Bank	<b>150,003</b>	150,003

As at 30 June 2020, the Group had interest receivables of RMB11,664,000 due from ZhongGuanCun Bank (31 December 2019: RMB8,223,000).

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 22. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Outstanding balances with related parties (Continued)

#### *Due to related parties*

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>Trade related:</b>		
<b>The holding company</b>		
Yonyou	1,078	131
<b>Associate of the company</b>		
Chanjet Payment	1,020	1,020
<b>Associate of the holding company</b>		
Xi Ma Guo Zheng	931	1,097
Sinotone Tech	123	–
Execution(Beijing)	300	–
<b>Fellow subsidiaries</b>		
Shenzhen Yyfax	38	38
<b>Other payables:</b>		
<b>The holding company</b>		
Yonyou	943	–
<b>Associate of the holding company</b>		
Xi Ma Guo Zheng	10	10
	<b>4,443</b>	<b>2,296</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. RELATED PARTY DISCLOSURES (CONTINUED)

#### (c) Compensation of key management personnel of the Group

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Short term employee benefits	<b>8,746</b>	6,204
Pension scheme contributions	<b>182</b>	372
Share-based payment expense	<b>(27)</b>	3,792
	<b>8,901</b>	10,368
Total compensation paid to key management personnel	<b>8,901</b>	10,368

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. RELATED PARTY DISCLOSURES (CONTINUED)

#### (d) Termination of capital increase

At the extraordinary general meeting of the Company held on 30 December 2016, the following matters were approved: (i) the conditional disposal of 55.82% of the equity interests in Chanjet Payment to Yonyou by the Company, (ii) the unilateral capital increase in Chanjet Payment by Yonyou, and (iii) the amendments to the Non-competition Agreement executed by Yonyou, Mr. Wang Wenjing and the Company on 17 February 2014 and the Confirmation issued by Yonyou on 11 April 2014. Upon completion of the above-mentioned transactions, Chanjet Payment will be held as to 15% and 85%, respectively by the Company and Yonyou and it will no longer be a subsidiary of the Company. As of 1 September 2017, the disposal of Chanjet Payment as mentioned in sub-item (i) above had been completed. Thereafter, Chanjet Payment was owned by the Company and Yonyou as to 19.28% and 80.72%, respectively, and it ceased to be a subsidiary of the Company.

As Yonyou focuses on its principal business of cloud services, Yonyou proposes to transfer all of its equity interests in Chanjet Payment to a subsidiary of the controlling shareholder of Yonyou and therefore, by mutual consent, the parties agreed not to proceed with the capital increase. On 30 June 2020, the Company, Yonyou and Chanjet Payment entered into the termination agreement (the “**Termination Agreement**”), pursuant to which, the parties unconditionally agreed to terminate the capital increase agreement with immediate effect, the rights and obligations of the parties under the capital increase agreement are terminated and each of the parties under the capital increase agreement irrevocably releases, discharges and waives the other party from, among other things, claims for liabilities which one party may have against the other for any matter arising out of the capital increase agreement, and the performance of its present and future obligations under the capital increase agreement. The parties confirm that there are no outstanding matters in relation to the capital increase and there are no controversies or disputes or potential controversies or disputes.

Following the termination of the capital increase agreement, Chanjet Payment will continue to be held as to 19.28% by the Company and will remain to be accounted as an associate of the Company.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	53,317	54,302	53,317	54,302
Financial assets at fair value through profit or loss	349,593	66,921	349,593	66,921
	402,910	121,223	402,910	121,223

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

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

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





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a qualitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Correlation of fair value to the input
Unlisted equity investments	Market approach-valuation multiples	Average P/S multiple of peers	30 June 2020: 4.9x to 7.7x  (31 December 2019: 4.8x to 6.9x)	Positive correlation  (31 December 2019: positive correlation)
		Average P/E multiple of peers	30 June 2020: 69.4x  (31 December 2019: 84.4x)	Positive correlation (31 December 2019: positive correlation)
		Discount for lack of marketability	30 June 2020: 15.0% to 27.0%  (31 December 2019: 15.0% to 19.0%)	Negative correlation  (31 December 2019: negative correlation)
Wealth management products	Discounted cash flow method	Annualized expected yield	30 June 2020: 3.3% to 3.9%  (31 December 2019: 4.1%)	Positive correlation  (31 December 2019: positive correlation)

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy

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

Assets measured at fair value:

**As at 30 June 2020**

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	-	-	53,317	53,317
Financial assets at fair value through profit or loss	-	-	349,593	349,593
	<u>-</u>	<u>-</u>	<u>402,910</u>	<u>402,910</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (Continued)

As at 31 December 2019

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	-	-	54,302	54,302
Financial assets at fair value through profit or loss	-	-	66,921	66,921
	<u>-</u>	<u>-</u>	<u>121,223</u>	<u>121,223</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long-term receivables	-	6,289	-	6,289

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long-term receivables	-	6,289	-	6,289

Liabilities for which fair values are disclosed:

The Group did not have any financial liabilities disclosed at fair value as at 30 June 2020 and 31 December 2019.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### **24. EVENTS AFTER THE REPORTING PERIOD**

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

### **25. CONTINGENT LIABILITIES**

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.

### **26. APPROVAL OF ISSUANCE OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 August 2020.

## DEFINITIONS

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

“Baoshang Bank”	Baoshang Bank Co., Ltd.
“Board”	the board of directors of the Company
“Chanjet Payment”	Beijing Chanjet Payment Technology Co., Ltd. (北京暢捷通支付技術有限公司), a company with limited liability established in the PRC on 29 July 2013 and held by the Company as to 19.28%
“Chanjet Yunhui”	Beijing Chanjet Yunhui Information Technology Co., Ltd. (北京暢捷雲匯信息技術有限公司), a company with limited liability established in the PRC on 12 April 2019 and a wholly-owned subsidiary of the Company
“Chanjet U.S.”	Chanjet Information Technology Corporation, a company incorporated in California on 5 November 2012 under the laws of the State of California of the United States and a wholly-owned subsidiary of the Company
“Company” or “our Company”	Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed and traded on the Hong Kong Stock Exchange
“Director(s)”	member(s) of the Board, including all executive, non-executive and independent non-executive directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange
“Happiness Investment”	Happiness Investment Co., Ltd. (北京用友幸福投資管理有限公司), a company established in the PRC with limited liability on 12 May 2010 and one of the promoters of the Company and a holding subsidiary of Yonyou, in which Yonyou holds 60% of its shares

## DEFINITIONS (CONTINUED)

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huicai Juneng Investment”	Beijing Huicai Juneng Investment Management Centre (Limited Partnership) (北京匯才聚能投資管理中心(有限合夥)), a limited partnership established in the PRC on 30 August 2011 by Mr. Cai Jingsheng (as a general partner and executive affairs partner) and certain employees and ex-employees of the Company (as limited partners)
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Latest Practicable Date”	9 September 2020, being the latest practicable date for ascertaining certain information contained herein
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Wang”	Mr. Wang Wenjing, the Chairman of the Board, a non-executive Director and the ultimate controlling Shareholder
“MSE(s)”	micro and small scale enterprise(s)
“Point Scheme”	the long-term employee incentive point scheme approved and adopted by the Company on 29 March 2019
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires, references in this report to the PRC or China do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 16 June 2014
“Reporting Period”	the six months ended 30 June 2020



## DEFINITIONS (CONTINUED)

“RMB”	Renminbi, the lawful currency of the PRC
“Employee Trust Benefit Scheme”	the Employee Trust Benefit Scheme adopted by the Company on 8 June 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares of the Company
“Substantial Shareholder(s)”	has the meaning ascribed to it in the SFO
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“US dollars”	United States dollars, the lawful currency of the United States
“Yonyou”	Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), a joint stock company incorporated in the PRC with limited liability on 18 January 1995, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600588). It is our controlling Shareholder
“Yonyou Up”	Yonyou Up Information Technology Co., Ltd (用友優普信息技術有限公司), a limited company incorporated in the PRC on 25 February 2014, a wholly-owned subsidiary of Yonyou
“%”	percent