

畅捷通 Chanjet

暢捷通信息技術股份有限公司
CHANJET INFORMATION
TECHNOLOGY COMPANY LIMITED

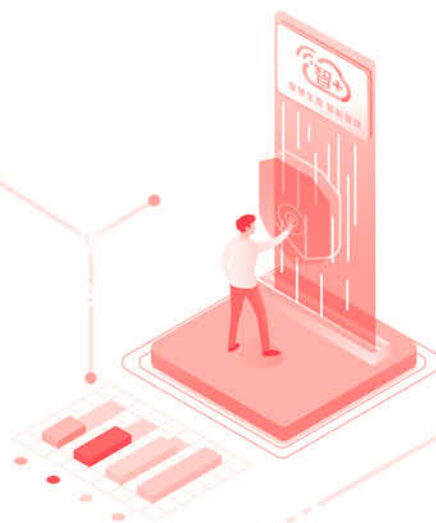
(a joint stock company incorporated in the
People's Republic of China with limited liability)

Stock Code: 1588





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CORPORATE INFORMATION

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*)

Xu Zhoujin

Independent Supervisors

Ruan Guangli

Ma Yongyi

Employee Representative Supervisors

Ren Jie

Xia Yuhan

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)

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1588

COMPANY WEBSITE

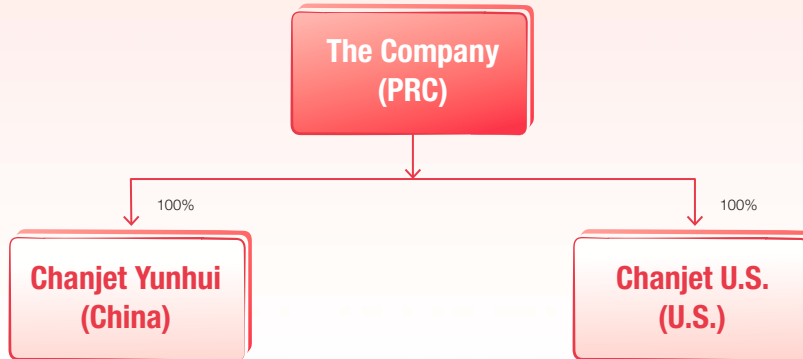
www.chanjet.com

CONTACT INFORMATION FOR INVESTORS

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

CORPORATE STRUCTURE

As at 30 June 2021



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Development Trend of the Industry

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

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

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

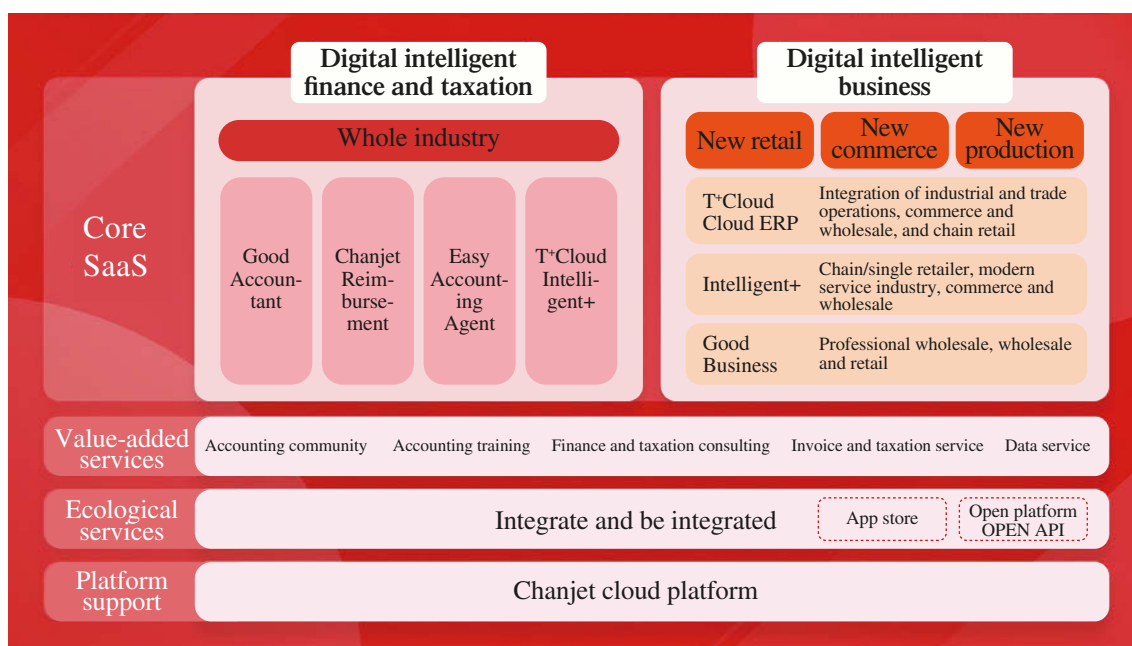
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Principal Operations and Operational Status

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

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

1. Development of cloud service business





MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

(1) *Digital intelligent finance and taxation*

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(2) *Digital intelligent business*

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

2. *Development of software business*

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. *Development of employees and organizations*

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

4. *Development of brand and market*

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results

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

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

Revenue

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Cost of Sales and Services Provided

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Gross Profit and Gross Profit Margin

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Income and Gains

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

R&D Costs

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses

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

Income Tax Credit

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

Loss/profit Attributable to Owners of the Parent

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

Condensed cash flow statement

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

Net cash flows used in/from operating activities

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

Net cash flows from/used in investing activities

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

Net cash flows used in financing activities

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Working Capital

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

As at 30 June 2021, the cash and bank balances of the Group was RMB1,155.74 million (31 December 2020: RMB1,281.24 million). The decrease in cash and bank balances was mainly due to the increase in bank wealth management products purchased during the Reporting Period.

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

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

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

Capital Expenditure

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Contingent Liabilities

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

Charges on Assets

As at 30 June 2021 and 31 December 2020, the Group did not have any charges on assets.

Significant Investments

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Foreign Exchange 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

On 18 August 2021, the Board recommended the issuance of five (5) capitalization shares to all shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders' meeting of the Company. For details, please refer to the announcement of the Company dated 18 August 2021 and the circular of the Company dated 9 September 2021.



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

EMPLOYEE TRUST BENEFIT SCHEME

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

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



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 25 May 2021, the Board considered and approved the resolution in relation to 49,174.28 points granted under the 2020 Initial Point Grant and the 2020 Supplemental Point Grant becoming effective.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In light of the adoption of the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme by the Company on 28 December 2020, the Board considered and approved the cancellation of the granting of Points to the Participants in 2021 (the “**Cancellation of 2021 Point Grant**”). The Cancellation of 2021 Point Grant will not affect the validity of the Points granted pursuant to the Point Scheme. For the 60,655 Points granted under the 2019 Initial Point Grant and the 2019 Supplemental Point Grant which have become effective, and the 49,174.28 Points granted under the 2020 Initial Point Grant and the 2020 Supplemental Point Grant which have become effective, the corresponding Point Proceeds that are not yet distributed shall continue to be distributed to the Participants in installments in accordance with the provisions of the Point Scheme.

For details of the 2020 Initial Point Grant and the 2020 Supplemental Point Grant becoming effective, and the Cancellation of 2021 Point Grant, please refer to the announcements of the Company dated 25 May 2021 and 28 December 2020.

EMPLOYEE SHARE OWNERSHIP SCHEME

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LONG-TERM INCENTIVE BONUS SCHEME

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

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

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 2021, 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 ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation ⁽²⁾	Approximate percentage of shareholdings in the relevant class of share capital of the Company ⁽³⁾
Directors					
Mr. Wang	Interest in a controlled corporation ⁽⁴⁾	the Company	143,030,927 Domestic Shares (L)	65.86%	88.19%
	Interest in a controlled corporation ⁽⁴⁾	Yonyou ⁽⁵⁾	1,415,553,411 shares (L)	43.28%	N/A
	Interest in a controlled corporation	Happiness Investment ⁽⁶⁾	N/A ⁽⁶⁾	60% ⁽⁶⁾	N/A
	Interest in a controlled corporation	Yonyou Up ⁽⁷⁾	N/A ⁽⁷⁾	100% ⁽⁷⁾	N/A
Mr. Wu Zhengping ⁽⁸⁾	Beneficial owner	Yonyou ⁽⁵⁾	1,867,450 shares (L)	0.06%	N/A
	Interest in a controlled corporation	Yonyou ⁽⁵⁾	80,361,271 shares (L)	2.46%	N/A
	Beneficial owner	Happiness Investment ⁽⁶⁾	N/A ⁽⁶⁾	15% ⁽⁶⁾	N/A
Mr. Yang Yuchun	Beneficial owner	Yonyou ⁽⁵⁾	13,300 shares (L)	0.00%	N/A
Supervisors					
Mr. Guo Xinping ⁽⁹⁾	Interest in a controlled corporation	Yonyou ⁽⁵⁾	128,080,000 shares (L)	3.92%	N/A
Mr. Xu Zhoujin ⁽¹⁰⁾	Beneficial owner	Yonyou ⁽⁵⁾	250,000 shares (L)	0.01%	N/A

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 2021.
- (3) The calculation is based on the total number of 162,181,666 Domestic Shares of the Company in issue as at 30 June 2021.
- (4) Mr. Wang is the beneficial owner of 100%, 85.15% and 79.64% 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 28.17%, 11.99% and 3.13% 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 2021, Yonyou directly and indirectly held 143,030,927 Domestic Shares of the Company which accounted for approximately 65.86% 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 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 8,040,385 Domestic Shares of the Company, representing approximately 3.70% 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 2.46% of the issued shares of Yonyou (of which 520,000 shares have been used for lending trading business). 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 3.92% 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 250,000 shares of Yonyou which Mr. Xu Zhoujin is interested in, 166,700 shares were granted by Yonyou under a share option scheme. Mr. Xu Zhoujin may exercise his share options at the price of RMB37.47 per share in accordance with the relevant arrangement of the share option scheme during the period from 29 July 2023 to 28 July 2025.

OTHER INFORMATION (CONTINUED)

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

As at 30 June 2021, 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 ⁽¹⁾	Nature of interest	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾	Approximate percentage of shareholdings in the relevant class of share capital of the Company ⁽³⁾
Yonyou ⁽⁴⁾	134,319,758 Domestic Shares (L) 8,711,169 Domestic Shares (L) Total: 143,030,927 Domestic Shares (L)	Beneficial owner Interest in a controlled corporation	65.86%	88.19%
UBS Group AG	9,952,701 H Shares (L)	Interest in a controlled corporation	4.58%	18.10%
Gaocheng Fund I, L.P. ⁽⁵⁾	5,500,000 H Shares (L)	Beneficial owner	2.53%	10.00%
Gaocheng Holdings GP, Ltd ⁽⁵⁾	5,500,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%
Tsing Young Holding Limited ⁽⁵⁾	5,500,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%
Hong Jing (洪婧) ⁽⁵⁾	5,500,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%
APG Asset Management N.V. ⁽⁶⁾	2,861,800 H Shares (L)	Investment manager	1.32%	5.20%
APG Groep N.V. ⁽⁶⁾	2,861,800 H Shares (L)	Investment manager	1.32%	5.20%
APG Investments Asia Limited ⁽⁶⁾	2,861,800 H Shares (L)	Investment manager	1.32%	5.20%
Stichting Depository APG Emerging Markets Equity Pool ⁽⁶⁾	2,861,800 H Shares (L)	Investment manager	1.32%	5.20%
Stichting Pensioenfonds ABP ⁽⁶⁾	2,861,800 H Shares (L)	Investment manager	1.32%	5.20%

OTHER INFORMATION (CONTINUED)

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 2021.
- (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 2021, respectively.
- (4) As at 30 June 2021, Yonyou directly held 134,319,758 Domestic Shares and indirectly held 8,711,169 Domestic Shares through Happiness Investment and Yonyou Up, respectively. As Happiness Investment and Yonyou Up were both controlled corporations of Yonyou, Yonyou was also deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Up.
- (5) As at 30 June 2021, Gaocheng Fund I, L.P. held 5,500,000 H Shares, which accounted for approximately 2.53% of the total share capital of the Company. Gaocheng Holdings GP, Ltd, held Gaocheng Fund I, L.P. as to 1.58% as its general partner. Gaocheng Holdings GP, Ltd is wholly-owned by Tsing Young Holding Limited, which is in turn wholly-owned by Hong Jing. Therefore, Hong Jing, Tsing Young Holding Limited and Gaocheng Holdings GP, Ltd are all be deemed to be interested in the 5,500,000 H Shares held by Gaocheng Fund I, L.P..
- (6) As at 30 June 2021, Stichting Depository APG Emerging Markets Equity Pool, as the depository of APG Emerging Markets Equity Pool (the “**Fund Pool**”), held 2,861,800 H Shares, which accounted for approximately 1.32% of the total share capital of the Company. Such H Shares are controlled by APG Asset Management N.V., as the manager of the Fund Pool, and APG Investments Asia Limited (the wholly-owned subsidiary of APG Asset Management N.V.), as the deputy manager of the Fund Pool. APG Asset Management N.V. is wholly-owned by APG Groep N.V., which is in turn owned as to 92.16% equity interest by Stichting Pensioenfond ABP. Therefore, APG Asset Management N.V., APG Investments Asia Limited, APG Groep N.V. and Stichting Pensioenfond ABP are all be deemed to be interested in the 2,861,800 H Shares held by Stichting Depository APG Emerging Markets Equity Pool.

Save as disclosed above, as at 30 June 2021, so far as the Directors, Supervisors and chief executive(s) of the Company are aware, no other persons had 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.

OTHER INFORMATION (CONTINUED)

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

Proposed use of proceeds	Budgeted amount <i>HK\$</i>	Actual amount used <i>HK\$</i>	Unutilized amount <i>HK\$</i>	Intended timetable for use of the unutilized amount
For the R&D and marketing of the T+ series software products	Approximately 290.69 million	Approximately 276.75 million	Approximately 13.94 million	On or before 31 December 2021
For the R&D of our cloud platform and innovative application products	Approximately 194.08 million	Approximately 194.08 million	–	N/A
To support the marketing and operation of our cloud services	Approximately 199.21 million	Approximately 152.34 million	Approximately 46.87 million	On or before 31 December 2022
To acquire relevant business and assets compatible with our business strategies	Approximately 85.49 million	Approximately 4.66 million	Approximately 80.83 million	On or before 31 December 2022 and subject to the identification of target(s) by the Company
To fund our general working capital	Approximately 85.49 million	Approximately 85.49 million	–	N/A
Total	<u>Approximately 854.96 million</u>	<u>Approximately 713.32 million</u>	<u>Approximately 141.64 million</u>	



OTHER INFORMATION (CONTINUED)

As at 30 June 2021, the unutilized proceeds of the Company are primarily for acquisition of relevant business and assets compatible with our business strategies and the balance from promotion and operation of the cloud services, mainly due to the fact that the Company has not yet identified any relevant business and assets compatible with our business strategies, and also arranged expenses used for marketing and operation of the cloud services according to our business strategies as appropriate. The unutilized balance of the net proceeds has been deposited into the reputable banks in Hong Kong and the PRC, the Company will continue to utilize it in a manner consistent with the planned usages of the proceeds as disclosed in the Prospectus in accordance with the abovementioned intended timetable.

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

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

MATERIAL LEGAL MATTERS

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

INTERIM DIVIDEND AND PLAN OF CAPITAL RESERVE CAPITALIZATION

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). On 18 August 2021, the Board also recommended the issuance of five (5) capitalization shares to all shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders' meeting of the Company. For details, please refer to the announcement of the Company dated 18 August 2021 and the circular of the Company dated 9 September 2021.



OTHER INFORMATION (CONTINUED)

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

AUDIT COMMITTEE

The Company has established an audit committee pursuant to the Listing Rules. The audit committee consists of Mr. Chen, Kevin Chien-wen, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Mr. Chen, Kevin Chien-wen is the chairman. On 18 August 2021, the audit committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and this 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

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue	4	214,696	203,462
Cost of sales and services provided	5	(68,395)	(26,181)
Gross profit		146,301	177,281
Other income and gains	4	18,966	44,147
Research and development costs	5	(116,974)	(66,760)
Selling and distribution expenses		(145,060)	(78,953)
Administrative expenses		(43,044)	(30,558)
Impairment losses on financial assets		-	(15,928)
Other expenses		(8,294)	(14,313)
Finance costs		(139)	(207)
Share of profit/(loss) of an associate	12	486	(730)
(Loss)/profit before tax	5	(147,758)	13,979
Income tax credit	6	13,272	3,523
(Loss)/profit for the period		(134,486)	17,502
Attributable to:			
Owners of the parent		(134,486)	17,502
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic <i>(RMB cents)</i>	8	(67.9)	8.1
Diluted <i>(RMB cents)</i>	8	(67.9)	8.1

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	6,918	2,300
Right-of-use assets	10	5,628	5,740
Intangible assets	11	16,991	21,065
Investment in an associate	12	51,630	57,627
Equity investments at fair value through profit or loss	13	43,536	53,463
Deferred tax assets		23,597	11,514
Prepayments, other receivables and other assets	15	16,868	5,982
Total non-current assets		165,168	157,691
Current assets			
Inventories		1,003	895
Trade receivables	14	7,184	5,184
Prepayments, other receivables and other assets	15	120,592	62,734
Financial assets at fair value through profit or loss	16	196,863	102,278
Cash and bank balances	17	1,155,740	1,281,241
Total current assets		1,481,382	1,452,332

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
Current liabilities			
Trade payables	18	14,670	7,191
Contract liabilities	19	275,645	173,323
Other payables and accruals	20	274,551	97,077
Lease liabilities	10	<u>3,647</u>	<u>5,599</u>
Total current liabilities		<u>568,513</u>	<u>283,190</u>
Net current assets		<u>912,869</u>	<u>1,169,142</u>
Total assets less current liabilities		<u>1,078,037</u>	<u>1,326,833</u>
Non-current liabilities			
Lease liabilities	10	1,910	304
Contract liabilities	19	83,206	60,023
Long-term liabilities	21	<u>19,324</u>	<u>405</u>
Total non-current liabilities		<u>104,440</u>	<u>60,732</u>
Net assets		<u>973,597</u>	<u>1,266,101</u>
Equity			
Equity attributable to owners of the parent			
Issued capital		217,182	217,182
Treasury shares held under employee trust benefit scheme and employee share ownership scheme		(169,700)	(28,519)
Reserves		<u>926,115</u>	<u>1,077,438</u>
Total equity		<u>973,597</u>	<u>1,266,101</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Treasury shares held under employee	Issued capital	trust benefit scheme (ii)	Capital reserve	Merger reserve	Share-based payment reserve (i)	Statutory reserve	Exchange fluctuation reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	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 22)	-	-	-	-	165	-	-	-	165	
Shares vested under employee trust benefit scheme (note 22)	-	6,329	(3,406)	-	(2,923)	-	-	-	-	
As at 30 June 2020 (unaudited)	<u>217,182</u>	<u>(28,519)</u>	<u>916,974</u>	<u>(4)</u>	<u>7,860</u>	<u>73,496</u>	<u>1,928</u>	<u>61,528</u>	<u>1,250,445</u>	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Attributable to owners of the parent								
	Issued capital RMB'000	Treasury shares held under employee trust benefit scheme and employee share ownership scheme (ii) RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Share-based payment reserve (i) RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2021	217,182	(28,519)	916,974	(4)	7,869	76,815	1,685	74,099	1,266,101
Loss for the period	-	-	-	-	-	-	-	(134,486)	(134,486)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(26)	-	(26)
Total comprehensive loss for the period	-	-	-	-	-	-	(26)	(134,486)	(134,512)
Final 2020 dividend declared	-	-	-	-	-	-	-	(17,232)	(17,232)
Share-based payment (note 22)	-	-	-	-	421	-	-	-	421
Share purchased for employee share ownership scheme (note 22)	-	(141,181)	-	-	-	-	-	-	(141,181)
As at 30 June 2021 (unaudited)	217,182	(169,700)	916,974*	(4)*	8,290*	76,815*	1,659*	(77,619)*	973,597

* These reserve accounts comprise the consolidated reserves of RMB926,115,000 (31 December 2020: RMB1,077,438,000) in the consolidated statement of financial position.

Notes:

- i) Share-based payment reserve represents the cost of equity-settled transactions under the schemes which are described in note 22 to the financial statements.
- ii) Treasury shares held under employee trust benefit scheme (the “**Employee Trust Benefit Schemes**”) represent the shares held by the trustees for the implementation of the Employee Trust Benefit Scheme which the Company entrusted the trustees to successively purchase from domestic shareholders or open market. Treasury shares held under employee share ownership scheme (the “**Employee Share Ownership Scheme**”) represent the shares held by the limited partnerships for the implementation of the Employee Share Ownership Scheme.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Operating activities			
(Loss)/profit before tax		(147,758)	13,979
Adjustments for:			
Finance cost		139	207
Exchange losses/(gains), net		1,647	(2,793)
Share of (profit)/loss of an associate		(486)	730
Interest income		(12,429)	(19,555)
Fair value losses/(gains), net		7,607	(4,242)
Share-based payment expense		421	165
Depreciation of items of property, plant and equipment	9	986	614
Depreciation of right-of-use assets	10	2,901	3,442
Amortisation of intangible assets	11	4,682	8,090
Gain on disposal of property, plant and equipment	9	(141)	(47)
Impairment of cash and bank balances	5	-	15,196
Impairment of trade receivables and other receivables	5	-	732
Impairment of investment in associate	5	6,483	13,510
		(135,948)	30,028
(Increase)/decrease in inventories		(108)	347
Increase in trade receivables		(2,000)	(49)
Increase in prepayments, other receivables, other assets and interest receivables		(68,526)	(12,908)
Increase in trade payables		7,479	6,221
Increase in contract liabilities		125,505	46,139
Increase/(decrease) in other payables and accruals		19,755	(16,160)
Increase in long-term liabilities		18,919	-

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months
ended 30 June

	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash generated from operations	(34,924)	53,618
Interest received	3,852	7,795
Income taxes refunded	1,203	4,218
Income taxes paid	(14)	-
Net cash flows (used in)/from operating activities	(29,883)	65,631
Investing activities		
Proceeds from disposal of equity investments at fair value through profit or loss	-	648
Purchases of items of property, plant and equipment	(6,476)	(516)
Purchases of intangible assets	(667)	(6,363)
Purchases of financial investments	(195,000)	(345,000)
Proceeds from disposal of items of property, plant and equipment	237	159
Refund/(purchase) of non-pledged time deposits with original maturity of more than three months when acquired and time deposits restricted from being used	151,167	(94,016)
Proceeds from disposal of financial investments	100,000	65,000
Interest on non-pledged time deposits with original maturity more than three months when acquired and time deposits restricted from being used	5,857	8,538
Gains on financial investments	2,734	2,709
Net cash flows from/(used in) investing activities	57,852	(368,841)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Financial activities			
Principal portion of lease payments		(3,135)	(3,697)
Interest paid of lease payments		(139)	(207)
Net cash flows used in financial activities		(3,274)	(3,904)
Net Increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		24,695	(307,114)
Effect of foreign exchange rate changes, net		295,283	517,408
		(968)	123
Cash and cash equivalents at the end of period		319,010	210,417
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	17	1,155,740	1,081,417
Non-pledged time deposits with original maturity of more than three months when acquired	17	(579,682)	(546,192)
Restricted cash and bank balance	17	(235,527)	(329,395)
Interest receivables	17	(21,521)	(16,085)
Cash equivalents as stated in prepayments, other receivables and other assets	17	-	20,672
Cash and cash equivalents as stated in the statement of cash flows		319,010	210,417



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

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 2021 are as follows:

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

Notes:

- (a) The paid-in capital of Chanjet U.S. as at 30 June 2021 was USD10,300,000.
- (b) Chanjet Yunhui was incorporated with registered capital of RMB10,000,000. The paid-in capital of Chanjet Yunhui as at 30 June 2021 was nil.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2.1 Basis of preparation

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

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

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

2.2 New standards, interpretations and amendments adopted by the Group

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021(early adopted)</i>

The nature and impact of the 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021)</i>
IFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 5}</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 As a consequence of the amendments to IAS 1 issued in January 2020, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

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 is organised into business units based on their products and services and has two reportable operating segments as follows:

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

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

Segment assets and liabilities are managed on a group basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2021

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about a major customer

Since no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer during the year, including sales to a group of entities which are known to be under common control with any customer, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of software sold	1,336	1,744
Cost of services provided	66,462	24,222
Cost of purchased goods sold	597	215
Total cost of sales and services provided	<u>68,395</u>	<u>26,181</u>
Depreciation of property, plant and equipment	986	614
Depreciation of right-of-use assets	2,901	3,442
Amortisation of intangible assets <i>(note 1)</i>	4,682	8,090
Lease payments not included in the measurement of lease liabilities	1,567	1,040
Research and development costs <i>(note 2)</i>	116,974	66,760
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):		
Wages and salaries	227,812	136,402
Equity-settled share-based expense	421	165
Pension scheme contributions	16,310	5,639
	<u>244,543</u>	<u>142,206</u>
Less: Employee benefit expenses being capitalised in intangible assets	<u>-</u>	<u>(6,363)</u>
	<u>244,543</u>	<u>135,843</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Foreign exchange differences, net	1,647	(2,793)
Impairment of an investment in an associate	6,483	13,510
Impairment of financial assets, net	-	15,928
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	7,607	(4,242)

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

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

6. INCOME TAX

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DIVIDENDS

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of RMB5,701,000 (six months ended 30 June 2020: RMB487,000).

Items of property, plant and equipment with an aggregate net carrying value of RMB96,000 were disposed by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB112,000), resulting in a net gain on disposal of RMB141,000 (six months ended 30 June 2020: RMB47,000).

During the six months ended 30 June 2021, the total amount of depreciation of property, plant and equipment was RMB986,000 (six months ended 30 June 2020: RMB643,000).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LEASES (CONTINUED)

The Group as a lessee (continued)

(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 2021 are as follows:

	Office buildings (Unaudited) RMB'000
As at 1 January 2021	5,740
Additions	2,795
Adjustment	(6)
Depreciation charge	(2,901)
	<hr/>
As at 30 June 2021	5,628

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

	Office buildings (Audited) RMB'000	Other equipment (Audited) RMB'000	Total (Audited) RMB'000
As at 1 January 2020	10,832	1,648	12,480
Additions	1,049	–	1,049
Adjustment	(592)	(284)	(876)
Depreciation charge	(5,549)	(1,364)	(6,913)
	<hr/>	<hr/>	<hr/>
As at 31 December 2020	5,740	–	5,740

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the six months ended 30 June 2021 are as follows:

	For the six months ended 30 June 2021 Lease liabilities (Unaudited) RMB'000
Carrying amount at 1 January 2021	5,903
New leases	2,795
Adjustment	(6)
Accretion of interest recognised during the period	139
Payments	<u>(3,274)</u>
Carrying amount at 30 June 2021	<u><u>5,557</u></u>
Analysed into:	
Current portion	3,647
Non-current portion	<u><u>1,910</u></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 2020 are as follows:

	2020 Lease liabilities (Audited) RMB'000
Carrying amount at 1 January 2020	12,450
New leases	1,049
Adjustment	(876)
Accretion of interest recognised during the year	377
Payments	<u>(7,097)</u>
Carrying amount at 31 December 2020	<u><u>5,903</u></u>
Analysed into:	
Current portion	5,599
Non-current portion	<u><u>304</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on lease liabilities	139	207
Depreciation charge of right-of-use assets	2,901	3,442
Expense relating to short-term leases (included in administrative expenses and selling and distribution expenses)	1,287	718
Expense relating to leases of low-value assets (included in administrative expenses)	280	322
Total amount recognised in profit or loss	<u>4,607</u>	<u>4,689</u>

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LEASES (CONTINUED)

The Group as a lessee (continued)

(e) Total cash outflow for leases

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Within operating activities	1,567	1,040
Within financing activities	3,274	3,904
	<u>4,841</u>	<u>4,944</u>

11. INTANGIBLE ASSETS

During the six months ended 30 June 2021 and the six months ended 30 June 2020, the amount of the addition of intangible assets was RMB608,000 (six months ended 30 June 2020: RMB6,392,000).

During the six months ended 30 June 2021, the total amount of amortisation of intangible assets was RMB4,682,000 (six months ended 30 June 2020: RMB8,090,000) 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.

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

The Group has no trade receivable and payable balances with the associate. The Group's contract liability balance with the associate is disclosed in note 23 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:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Share of the associate's profit/(loss) for the period	486	(730)
Share of the associate's total comprehensive income/(loss)	486	(730)
	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investment in the associate	51,630	57,627

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The above equity investments as at 30 June 2021 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE RECEIVABLES

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Staff advances	568	592
Share purchase fund and dividend held by the trustee for share-based payments (<i>notes 1 and 2</i>)	6,200	5,982
Prepayments	89,845	33,566
Contract costs	27,766	19,682
Deposits, other receivables and other assets	13,312	9,127
	137,691	68,949
Impairment allowance	(231)	(233)
	137,460	68,716
Less: non-current portion		
Share purchase fund and dividend held by the trustee for share-based payments (<i>notes 1 and 2</i>):		
Long-term receivables	(6,200)	(5,982)
Contract costs	(10,668)	-
Current portion	120,592	62,734

Notes:

- (1) The share purchase fund held by the trustee for share-based payments was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Employee Trust Benefit Scheme. As at 30 June 2021, the share purchase fund has been deposited with an agreed deposit rate and will be collected when the Employee Trust Benefit Scheme expires and the trust is liquidated.
- (2) The dividend paid for the forfeited shares held by the trustees under the Employee Trust Benefit Scheme will be collected by the Group when the Employee Trust Benefit Scheme expires, and the trust is liquidated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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 2021 and 31 December 2020.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Group purchases various wealth management products issued by banks in Mainland China. As at 30 June 2021, the Group purchased wealth management products with the cost of RMB195,000,000 (31 December 2020: RMB100,000,000) from commercial banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 30 June 2021 are as follows:

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CASH AND BANK BALANCES

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CASH AND BANK BALANCES (CONTINUED)

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

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

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

Note 2: Pursuant to the above takeover arrangement, the non-guaranteed deposits shall participate in subsequent compensation claim in accordance with laws. Subsequently, in August 2020, the PBoC announced that Baoshang Bank will go into bankruptcy and in November 2020, Baoshang Bank entered into liquidation process. Hence, full impairment provision of RMB30,392,000 was made against the non-guaranteed deposits placed with Baoshang Bank as at 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. TRADE PAYABLES

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

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

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

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. OTHER PAYABLES AND ACCRUALS

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. LONG-TERM LIABILITIES

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	<i>RMB'000</i>
Accrued Bonus	<u>19,324</u>	<u>405</u>

On 28 December 2020, the shareholder's meeting of the Company approved the adoption of the long-term incentive bonus scheme (the "**Bonus Scheme**") to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company.

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

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

During the six months ended 30 June 2021, the total amount of the long-term incentive bonus expenses recognised in profit or loss under the Bonus Scheme was RMB18,919,000 (six months ended 30 June 2020: nil).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT

The Employee Trust Benefit Scheme

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 Employee Trust Benefit 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 Employee Trust Benefit 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 one another to act as the trustees under the Employee Trust Benefit Scheme to set up three trusts, which include a connected trust that holds domestic shares only for the benefit of the Employee Trust Benefit Scheme participants who are connected persons of the Company and two non-connected trusts (one for Mainland China scheme participants and one for overseas scheme participants) that hold domestic shares and/or H shares for the benefit of the Employee Trust Benefit 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 Employee Trust Benefit Scheme shall be 10% of the total share capital of the Company in issue as at the date of approval of the Employee Trust Benefit 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 Employee Trust Benefit Scheme participants 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 Employee Trust Benefit Scheme at the 2014 annual general meeting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Trust Benefit Scheme (continued)

Target shares purchased by the trustees from domestic shareholders or in 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 Employee Trust Benefit 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 Employee Trust Benefit 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 Employee Trust Benefit 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 Employee Trust Benefit 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 Employee Trust Benefit 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 Employee Trust Benefit Scheme was amended in relation to the extension of the exercise period and the term of the Employee Trust Benefit Scheme (the "**Amendment**").



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Trust Benefit Scheme (continued)

The exercise period for the Employee Trust Benefit Scheme participants excluding directors, supervisors and senior management of the Company has been extended from within one year after the unlocking date to within three years after the unlocking date, during which they have the right to apply for exercising their trust benefit units. The exercise period for the Employee Trust Benefit 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 unlocking 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 Employee Trust Benefit Scheme have been extended from six years to eight years from the date the Employee Trust Benefit Scheme was approved at the 2014 annual general meeting of the Company, which was held on 8 June 2015.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Trust Benefit Scheme (continued)

Particulars and movements of the target shares under the Employee Trust Benefit Scheme

For the six months ended 30 June 2021 (Unaudited)

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	(a)	6.98	-	-	-	-	-

For the six months ended 30 June 2020 (Unaudited)

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	(a)	6.98	486,000	(60,000)	(40,000)	(386,000)	-

Notes:

- (a) On 5 June 2017, the board of directors of the Company approved the grant of part of the trust benefit units that have become invalid from the beginning or have lapsed pursuant to the Employee Trust Benefit Scheme subject to effective conditions to 48 Scheme participants, including directors, supervisors, mid-level and senior management, experts and core personnel of the Company, at nil consideration under the Employee Trust Benefit Scheme. The total number of target shares under this 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)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Trust Benefit Scheme (continued)

Particulars and movements of the target shares under the Employee Trust Benefit Scheme (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 on 5 June 2017 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 on 5 June 2017 was RMB28,415,000.

During the six months ended 30 June 2021, no shares of the Company were acquired by the trustees entrusted by the Company.

During the six months ended 30 June 2021, nil target shares (six months ended 30 June 2020: 60,000 target shares) under the Employee Trust Benefit Scheme lapsed due to the vesting conditions not being fulfilled under the Employee Trust Benefit Scheme.

Certain scheme participants have agreed to abandon his/her trust benefit units since they have joined the Point Scheme adopted by the Company. During the six months ended 30 June 2021, nil target shares (six months ended 30 June 2020: 40,000) under the Employee Trust Benefit Scheme were cancelled due to the participation in the Point Scheme.

Except for certain scheme participants under the trust benefit units granted on 5 June 2017 who had terminated his/her labour contract with the Company, which resulted in their disqualification as scheme participants, 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 vesting conditions of the remaining Scheme participants under this grant to unlock 40% of their trust benefit units were fulfilled on 5 June 2020.

During the six months ended 30 June 2020, 386,000 target shares were unlocked under the Scheme, resulting in the transfer out of RMB2,923,000 from the share-based payment reserve, with RMB6,329,000 credited to treasury shares held under the Scheme, and remaining balance of RMB3,406,000 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, which was recognised in profit or loss.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Share Ownership Scheme

The Company operates the Employee Share Ownership 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 Employee Share Ownership Scheme include the Company's directors and other employees of the Group. The Employee Share Ownership Scheme became effective on 28 December 2020.

The total number of incentive shares to be granted under the Employee Share Ownership Scheme shall not exceed 15,412,716 domestic shares, representing approximately 7.10% of the Company's total issued share capital as at the date of the proposed adoption by the board of directors of the Employee Share Ownership Scheme. The entitlement of the number of the incentive shares of participants of the Employee Share Ownership Scheme (the "**Employee Share Ownership Scheme Participants**") shall be determined in accordance with the position, ranking, performance appraisal result and other relevant factors. The specific allocation criteria and proposal shall be proposed by the president committee of the Company (the "**President Committee**") and approved by the board of directors.

The offer of a grant of incentive shares may be accepted upon payment of RMB9.16 for each incentive share by the grantee. The price is equivalent to 90% of the closing price of the H shares on the trading day immediately prior to the date of the proposed adoption by the board of the Employee Share Ownership Scheme (calculated based on the central parity rate of RMB against HK\$ announced by the People's Bank of China on the trading day immediately prior to the date of the proposed adoption by the board of the Employee Share Ownership Scheme).

The lock-up period of the incentive shares shall be two years from the grant date. The unlocking dates are the first trading day after the expiry of the second anniversary, third anniversary and fourth anniversary of the grant date, upon which and subject to the satisfaction of the unlocking conditions for the corresponding assessment year, being (a) the business performance target of the Company determined and assessed by the board of directors; and (b) the performance appraisal result of the Employee Share Ownership Scheme participant determined by the President Committee, 40%, 30% and 30% of the incentive shares shall be unlocked.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE-BASED PAYMENT (CONTINUED)

The Employee Share Ownership Scheme (continued)

Particulars and movements of the target incentive shares under the Employee Share Ownership scheme

For the six months ended 30 June 2021 (Unaudited)

Date of grant	Fair value per share (RMB)	As at 1 January	Granted during the year	Forfeited during the year	Vested during the year	As at 30 June
28 December 2020	<u>9.31</u>	<u>15,412,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,412,716</u>

The fair value of the share ownership units granted at the date was calculated based on the market price of the Company's shares at the grant date. The fair value of share ownership units granted under the grant was RMB2,247,000.

During the six months ended 30 June 2021, the total amount of share-based payment expense was RMB421,210 (six months ended 30 June 2020:nil), which was recognised in profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

During the six months ended 30 June 2020 and 2021, the Group entered into the following transactions with related parties:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<i>Purchases of goods and services from</i>		
The holding company		
Yonyou	1,767	1,936
Associates of the holding company		
Execution (Beijing) Internet Co., Ltd. ("Execution (Beijing)") (執行力(北京)網絡科技有限公司)	455	415
Beijing Xi Ma Guo Zheng Technology Co., Ltd. ("Xi Ma Guo Zheng") (北京西瑪國正科技發展有限公司)	110	35
Suirui Group Co., Ltd. (隨銳科技集團股份有限公司)	24	–
Sinotone (Beijing) Consulting Co., Ltd. ("Sinotone Consulting") (漢唐信通(北京)諮詢股份有限公司)	4	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Fellow subsidiaries		
Yonyou Fintech Information Technology Co., Ltd. ("Yonyou Fintech") (用友金融信息技術股份有限公司)	425	–
Shanghai Dayi cloud computing Co., Ltd. (上海大易雲計算股份有限公司)	21	51
Yonyou Mobile	2	1
Shanghai Yonyou Government Affairs Software Co., Ltd. ("Shanghai Yonyou Government Affairs") (上海用友政務軟件有限公司)	7	8
Shanghai Bingjun Network Technology Co., Ltd. ("Bingjun Network") (上海秉鈞網絡科技有限公司)	–	13
UFIDA (Nanchang) Industrial Base Development Co., Ltd. ("UFIDA (Nanchang)") (用友(南昌)產業基地發展有限公司)	2	–
A company of which a director of the Company is a shareholder with significant influence		
Beijing Red Mansion Culinary Culture Co., Ltd. (北京紅邸餐飲文化有限公司)	51	38
Subsidiary of the associate of the holding company		
Sinotone (Beijing) Technology Co., Ltd. ("Sinotone Tech") (漢唐信通(北京)科技有限公司)	48	21
Sinotone (Sichuan) Business Consulting Co., Ltd. (四川漢唐信通商務諮詢有限公司)	–	7
	<u>2,916</u>	<u>2,525</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<i>Sales of goods and services to</i>		
Associate of the holding company		
Xi Ma Guo Zheng	226	182
ZhongGuanCun Bank Ltd. ("ZhongGuanCun Bank") (北京中關村銀行股份有限公司)	67	-
Sinotone Consulting	9	-
Subsidiary of the associate of the holding company		
Sinotone Tech	90	23
	392	205

During the six months ended 30 June 2021, the Group recognised interest income of RMB3,627,000 from deposits placed with ZhongGuanCun Bank (six months ended 30 June 2020: RMB3,441,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

Rent office buildings from related parties

During the six months ended 30 June 2021 and 2020, 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:

	Right-of-use assets RMB'000	Lease Liabilities RMB'000
As at 1 January 2021	4,318	4,502
Addition	2,616	2,616
Depreciation charge	(2,387)	-
Interest expense	-	115
Payments	-	(2,548)
As at 30 June 2021 (Unaudited)	<u>4,547</u>	<u>4,685</u>
	Right-of-use assets RMB'000	Lease Liabilities RMB'000
As at 1 January 2020	9,461	9,692
Adjustment	(591)	(591)
Depreciation charge	(2,392)	-
Interest expense	-	169
Payments	-	(2,595)
As at 30 June 2020 (Unaudited)	<u>6,478</u>	<u>6,675</u>

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 RMB393,000 from Yonyou for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB243,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

Rent office buildings from related parties (continued)

During the six months ended 30 June 2021 and 2020, the Group rent office buildings from UFIDA (Nanchang), 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:

	Right-of-use assets RMB'000	Lease Liabilities RMB'000
As at 1 January 2021	686	718
Depreciation charge	(342)	-
Interest expense	-	12
Payments	-	(367)
	<hr/>	<hr/>
As at 30 June 2021 (Unaudited)	<u>344</u>	<u>363</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions with related parties (continued)

Rent office buildings from related parties (continued)

	Right-of-use assets <i>RMB'000</i>	Lease Liabilities <i>RMB'000</i>
As at 1 January 2020	1,371	1,402
Depreciation charge	(342)	–
Interest expense	–	28
Payments	–	(367)
	<u>–</u>	<u>(367)</u>
As at 30 June 2020 (Unaudited)	<u>1,029</u>	<u>1,063</u>

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 RMB334,000 from UFIDA (Nanchang) for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB194,000).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties

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

Due from related parties

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade related:		
Associate of the holding company		
Xi Ma Guo Zheng	216	–
Subsidiary of the associate of the holding company		
Sinotone Tech	8	–
Fellow subsidiary		
Shanghai Yonyou Government Affairs	–	1
Bingjun Network	–	6
Yonyou Fintech	–	425
	<u>224</u>	<u>432</u>

Deposits placed with

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Associate of the holding company		
ZhongGuanCun Bank	<u>150,003</u>	<u>150,003</u>

As at 30 June 2021, the Group had interest receivables of RMB19,674,000 due from ZhongGuanCun Bank (31 December 2020: RMB16,047,000).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties (continued)

Due to related parties

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade related:		
The holding company		
Yonyou	1,529	1,898
Associate of the company		
Chanjet Payment	1,020	1,020
Associate of the holding company		
Execution (Beijing)	563	1,436
Xi Ma Guo Zheng	496	765
Sinotone Consulting	174	–
Subsidiary of the associate of the holding company		
Sinotone Tech	173	166
Fellow subsidiaries		
Shenzhen Yyfax Financial Services Co., Ltd. (深圳友金所金融服務有限公司)	38	38
Shanghai Yonyou Government Affairs	6	–
A company of which a director of the company is the beneficial controlling party		
Shangzhuangyuan (Beijing) Technology Co., Ltd. (北京商狀元科技有限公司)	14	14
Other payables:		
The holding company		
Yonyou	1,288	–
Associate of the holding company		
Xi Ma Guo Zheng	10	10
	<u>5,311</u>	<u>5,347</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	<i>RMB'000</i>
Short term employee benefits	18,109	8,746
Accrued Bonus	7,804	–
Pension scheme contributions	346	182
Equity-settled share-based payment expense	174	(27)
	26,433	8,901
Total compensation paid to key management personnel	26,433	8,901

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)

24. 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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Financial assets				
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	43,536	53,463	43,536	53,463
Financial assets at fair value through profit or loss	196,863	102,278	196,863	102,278
	<u>240,399</u>	<u>155,741</u>	<u>240,399</u>	<u>155,741</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

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)

24. 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 wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. 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 2021 and 31 December 2020:

	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 2021: 4.1x to 6.8x (31 December 2020: 4.3x to 7.0x)	Positive correlation (31 December 2020: positive correlation)
		Average P/E multiple of peers	30 June 2021: 75.1x (31 December 2020: 88.8x)	Positive correlation (31 December 2020: positive correlation)
		Discount for lack of marketability	30 June 2021: 16.0% to 27.7% (31 December 2020: 18.0% to 28.7%)	Negative correlation (31 December 2020: negative 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)

24. 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 2021

	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	-	-	43,536	43,536
Financial assets at fair value through profit or loss	-	196,863	-	196,863
	<u>-</u>	<u>196,863</u>	<u>43,536</u>	<u>240,399</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Fair value hierarchy (continued)

As at 31 December 2020

	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	-	-	53,463	53,463
Financial assets at fair value through profit or loss	-	102,278	-	102,278
	<u>-</u>	<u>102,278</u>	<u>-</u>	<u>102,278</u>
	<u>-</u>	<u>102,278</u>	<u>53,463</u>	<u>155,741</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

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 2020: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. 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 2021

	Fair value measurement using			Total
	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	
Long-term receivables	-	6,200	-	6,200

As at 31 December 2020

	Fair value measurement using			Total
	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	
Long-term receivables	-	5,982	-	5,982

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2021

	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	
Lease liabilities	-	5,557	-	5,557

As at 31 December 2020

	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	
Lease liabilities	-	5,903	-	5,903



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. EVENTS AFTER THE REPORTING PERIOD

As at the approval date of these interim financial statements, the board of directors recommended the issuance of five (5) capitalization shares to all shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital. The plan of transfer from capital reserve to share capital shall be subject to the approval by the shareholders' meeting of the Company.

26. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

27. 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 18 August 2021.



DEFINITIONS

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

“Board”	the board of directors of the Company
“Chanjet Payment”	Beijing Chanjet Payment Technology Co., Ltd. (北京暢捷通支付技術有限公司), a company with limited liability established in the PRC on 29 July 2013 and held by the Company as to 19.28%
“Chanjet U.S.”	Chanjet Information Technology Corporation, a company incorporated in California on 5 November 2012 under the laws of the State of California of the United States and a wholly-owned subsidiary of the Company
“Chanjet Yunhui”	Beijing Chanjet Yunhui Information Technology Co., Ltd. (北京暢捷雲匯信息技術有限公司), a company with limited liability established in the PRC on 12 April 2019 and a wholly-owned subsidiary of the Company
“Company” or “Chanjet”	Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed and traded on the Hong Kong Stock Exchange
“Director(s)”	member(s) of the Board, including all executive, non-executive and independent non-executive directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
“Employee Share Ownership Scheme”	the 2020 employee share ownership scheme adopted by the Company on 28 December 2020
“Employee Trust Benefit Scheme”	the employee trust benefit scheme adopted by the Company on 8 June 2015

DEFINITIONS (CONTINUED)

“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
“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
“Latest Practicable Date”	2 September 2021, being the latest practicable date for ascertaining certain information contained herein
“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
“Long-term Incentive Bonus Scheme”	the 2020 long-term incentive bonus scheme adopted by the Company on 28 December 2020
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Wang”	Mr. Wang Wenjing, the Chairman of the Board, a non-executive Director and the ultimate controlling Shareholder
“MSE(s)”	micro and small scale enterprise(s)

DEFINITIONS (CONTINUED)

“Point Scheme”	the long-term employee incentive point scheme 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 2021
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shareholding Platform”	five limited partnerships established by the Employee Share Ownership Scheme Participants, including Tianjin Binhai New Area Huiyun Hongchuang Technology Partnership (limited partnership)* (天津濱海新區慧雲宏創科技合夥企業(有限合夥)), Tianjin Binhai New Area Yundao Tongsheng Technology Partnership (limited partnership)* (天津濱海新區雲道同盛科技合夥企業(有限合夥)), Tianjin Binhai New Area Yunzhi Jietong Technology Partnership (limited partnership)* (天津濱海新區雲智捷通科技合夥企業(有限合夥)), Tianjin Binhai New Area Yunda Xiangsheng Technology Partnership (limited partnership)* (天津濱海新區雲達祥晟科技合夥企業(有限合夥)) and Tianjin Binhai New Area Yuntongjuxin Technology Partnership (limited partnership)* (天津濱海新區雲通聚新科技合夥企業(有限合夥)), for the purpose of implementing the Employee Share Ownership Scheme

DEFINITIONS (CONTINUED)

“Substantial Shareholder(s)”	has the meaning ascribed to it in the Securities and Futures Ordinance
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“US\$” or “U.S. 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
“%”	percent