

INTERIM REPORT

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Chinasoft International Limited
中軟國際有限公司*

Incorporated in the Cayman Islands with Limited Liability
Stock Code: 0354

* for identification purpose only

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2 HIGHLIGHTS

Results for the first half of 2022	For the six months ended 30 June		% Change
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	
Income statement highlights			
Revenue	10,025,275	8,340,938	20.2%
Service revenue	9,820,494	8,258,599	18.9%
Profit for the period	570,880	516,998	10.4%
Profit attributable to Owners of the Company	571,554	517,724	10.4%
Basic EPS (RMB cents)	19.62	18.92	3.7%
<ul style="list-style-type: none">• The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022.• No closure for the Register of Members of the Company.			

Dear Investors:

We are halfway through the Year of the Tiger (2022). In face of the multiple testing of the international environment and repetitive epidemic outbreaks, the Group has accelerated the implementation of SP302 Strategy, tenaciously responded to the normalization challenge of the epidemic with the productivity strategy, set off fluctuation and uncertainty risks of the first growth curve through SOP lean operation 2.0, and refined leadership through the crisis. Meanwhile, the Group has seized the rare opportunities arising from the changes in the past 100 years for explosive growth, "persistently stay true to ourselves", intensify our belief in the great cause of national rejuvenation, firmly follow to the examples of great enterprises and follow the Huawei Pattern, and insist on establishing our "one tenth of the global market share" vision. Starting from the "One", we will constantly maintain our initial enthusiasm for entrepreneurship, actively follow the great tide of digital productivity investment, seek the model of vertical industry reconstruction, pursue the joint innovation and win-win layout of collaborating with strategic partners to overcome difficulties, and endeavor to stimulate the second growth curve to the greatest extent by relying on the cloud intelligence and AIoT, and constantly respond and strive to address authentic problems of customers in the real world. We will enroot downwards, and make break throughs upwards, thereby realizing the great-leap-forward development.

During the reporting period, the half-year revenue of the Group has exceeded the milestone of RMB10 billion for the first time. The foundation services of the Group have been steadily progressed, the cloud intelligence service as has also been developed rapidly, while new services including intelligent IoT and enterprise application services have advanced gradually with milestone breakthroughs. The Group has been customer-oriented, continued to establish a high-quality, valuable and meaningful business portfolio development array, responded to external changes with systematic approach, implemented high-dimensional innovation in an evolutionary manner, made break throughs in new sectors, explored new potential possibilities, and addressed authentic problems and add values for clients. The Group ranked the 80th among Gartner's global ITS service providers, the fastest growing entity in China, and continued to contribute to drive China leading the world in the construction of digital society and digital economy.

I. In-depth Exploration of the “Optimal Site” of OpenHarmony, Leader in the Innovation and Development of Intelligent IOT

The Group has firmly laid out the services of HarmonyOS and joined hands with Shenzhen Kaihong Digital Industry Development Co., Ltd. (hereinafter referred to as “SZ Kai Hong”), adhered to the original intention of “From Open-source and For Open-source”, built a win-win open-source ecosystem by relying on the industry ecological precipitation of Chinasoft International based on OpenHarmony system framework, continued to expand the industry boundary, realized the AIoT, empowered the digital transformation and upgrading of thousands of industries, and provided full stack service support for government and enterprise customers. On the demand side, the Group has provided the platform-based service for the “supply-demand handshake” based on the knowledge map and digital intelligence operation of the AIoT platform. On the supply side, the Group has established the industry OS customization and digital intelligent service capabilities by treating KaihongOS as the foundation.

The Group has established the intelligent IoT Initiative group (AIG) with the mission of booming ecosystems, the goal of being a preferred value partner of Harmony and OpenHarmony ecology and with SZ Kai Hong' s “KaihongOS” and corresponding technology as the base and support, and has made joint innovation with key products of leading vendors around the localization of AIoT, made breakthroughs the industry and key regional markets, focus on the “Industry Harmony” to promote the intelligent upgrading of industry and transform the position advantage into competitive advantage. The Group aims to be the leader of OpenHarmony and HarmonyOS Connect ecology construction, and pioneered the second stronghold of the Group's software and hardware integration services in the consumption and industry sectors.

By closely following the strategic orientation of China's science and technology development, the Group has focused on building HarmonyOS cities in Shenzhen and Tianjin with OpenHarmony scenario innovation as the driver, and built open-source industry heights with perfect industrial ecology, leading core technology, extensive application scenarios and formidable industrial competitiveness. The Group has fully integrated the “Jointforce Platform” with AIoT, initiated HarmonyOS Connect Joint Innovation, launched industrial Internet platforms in key cities, organized ISVs serving the AIoT, united Chinese software engineers, sorted out and released the application requirements for OpenHarmony by deepening the application and precipitation of HarmonyOS Connect ecological platform, and assisted ecological enterprises in interfacing with the consulting, migration, adaptation and certification of OpenHarmony system, and actively promoted the application of OpenHarmony in numerous industries and sectors.

The Group has implemented the first joint creation with China Mobile based on the “9 One Platform” to provide integrated delivery services for China Mobile IoT based on OneNET urban IoT platform. The Group has been listed in the industrial Internet sub library and big data service scenario Sub-library of China Mobile's DICT integrated library, and implemented comprehensive cooperation in the sectors including 5G, industrial Internet and DICT solutions. Furthermore, the Group has also become the consulting service development community partner of China Mobile Digital Intelligent Technology Co., Ltd. in the five major sectors including the party and government, industry energy, transportation, finance, and big data, providing the package of services for corresponding “consulting + products + services”. The Group has made breakthroughs in the comprehensive cooperation with China Mobile in the fields involving intelligent IoT and DICT.

II. Focus on Digital Intelligence, and Accelerate the Value-based Implementation of Cloud Services and Industrial Solutions

During the reporting period, the Group has continued to improve the cloud service capability covering the full life cycle, and the cloud intelligence service revenue of the Group has maintained rapid growth to become a non-linear growth driver. For the cloud intelligent services of the Group, vertical improvements have been made for the conversion rate by means of the route of the “Cloud Sales, Cloud Management and Cloud Native”, and the business pattern of the “platform + service”; and expanded industry solutions and industry services by means of the “Cloud Adept, Industry Adept and Ecosystem Aggregation”. The Group has maintained a leading position in the field of cloud professional and management services, achieving the continuous and large-scale growth of cloud services in the process of industrialization and regionalization. In the “IDC China Cloud Professional Service Market Insight”, the Group has topped in the list once again in two market segments including the cloud migration service and cloud development services, and has become the preferred solution provider and consulting expert for digital transformation of government and enterprise clients.

The Group has cooperated with the top ICT infrastructure and intelligent terminal provider in the industry to create a solution matrix covering the full digital transformation scenario. In the financial industry, the Group has focused on in-depth R&D deployment of e-CNY, supply chain finance, and credit innovation sector. In the transportation industry, the Group has continued to accumulate the capacity of large-scale rail transit solutions, consolidated the leading strengths in airport data service, and deepened strategic cooperation with Tianjin Port and Zhoushan Port in the construction of an intelligent benchmark for port terminals. In the manufacturing industry, the Group has joined hands with MCC Baosteel to set up a digital scenario solution for equipment management and operation site in the line of iron and steel. Furthermore, the Group has focused on smart hospital, smart education, buildings & real estate, smart mines, etc. to create comprehensive solutions, and the smart parks and platforms independently developed by the Group have been awarded with a total of 34 software copyrights.

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Based on the “Brand-oriented, Willingness-driven, Strength-based and Trust-supported” strategic partnership, the Group has influenced the development of digital transformation business based on application services, and cooperated with Yonyou, Kingdee and other major partners around the strategic cooperation consensus of “platform + service”, so as to jointly serve multiple head customers in the energy, manufacturing, high-tech and other industries, and launch a joint customer secondary development center to accelerate the capacity deposition. By relying on the channels of super integrators such as Huawei, operators, local governments and state-owned assets platforms, the Group has made efforts to build, cultivate and precipitate digital consulting and solution service capabilities, reach the digital transformation market of central enterprises and state-owned enterprises, and constantly improve the brand influence of “digital transformation service experts”.

The Group has jointly built the “Platform + Service” ecosystem with Baidu AI Cloud, and became the authorized ASP service provider of Baidu Intelligent Cloud KG Knowledge Middle Office products. By relying on the advantages for software engineering capability, systematic customer development capability, national delivery service capability and as well as Baidu digital capability base, the Group has jointly set up a joint customer development center with standard system and standard framework. Furthermore, the Group has launched the business line of intelligent transportation solutions, and implemented the benchmark projects in the aspects involving the vehicle road coordination, MaaS and intelligent expressway.

III. Core Business Enters the Era of Lean Operation 2.0 and Software Factory to Realize Delivery Output

The integration of process-oriented finance is capable of supporting the great-leap-forward development of the foundation service productivity, and serves as a fundamental transformation project for the Group to upgrade to Lean Operation 2.0. The Group has treated business operation perspective as the starting point for the integration of the process-oriented finance, and actively drove the improvement of service quality and efficiency, hierarchically decomposed key activity factors of processes in two core lines including the talent supply chain (IHSC) and management service delivery (MSD), developed measurement indicators, derived the business SOP requirements, and secured the implementation by process operation. During the reporting period, key indicators involving the standard labor cost rate, utilization rate of resources and demand satisfaction degree of the foundation services highlighted on reform projects have been significantly improved. To a certain extent, it has hedged against the impacts of the pandemic, customer demand, and other short term impacts and help built a long term operational foundation to maintain profitability.

The Group has positioned the “Software Factory” as the carrier of core competence, realized the capability output of lean mode 2.0, and guided the expansion of incremental market space. The software factory has continued to accumulate the service capacity and experience of key customers for the core business, improved the reuse ratio of delivery experts, knowledge and code, built an efficient, agile and safe digital R&D base, established an end-to-end service capability for customers, and empowered the development, research, application and development of the Group on products and technologies. By focusing on the whole process of software factory service, the Group has comprehensively established the “Self-management” service mode for digital production line of software factory, and assisted customers in effectively reducing outsourcing management cost, improving R&D quality and efficiency, and achieving the optimal comprehensive cost of R&D of products.

The Group has continued to strengthen the trusted security management on the software supply chain, safeguarded the code level security based on the trustable evaluation model and construction, and has been selected as one of the first member organization for “software supply chain security laboratory” by China Academy of Information and Communications Technology (CAICT). The “Zeus Security Laboratory” of the Group has been stationed into the security subdivision field to implement the security threat research and security attack & defense drill experiments at home and abroad. The Group has been constantly exploring the deep level of technology commercialization and field industrialization, continuously providing customized security protection solutions for emerging scenarios, up-to-date technologies and state of the art models in the industry, and comprehensively building the industrial digital protection security matrix.

IV. Stable and Far-Reaching Jointforce Platform Guarded the Overall Process of Digital Transformation of Government and Enterprise Customers

During the reporting period, Jointforce Platform has accelerated the setup of the overall digital process software supply chain management service system dominated by the “Platform + Service” mode, and further expanded the scope of explorations in cities. Based on Suzhou, Nanjing, Chongqing and Shenzhen, four new cities of Wuhan, Changsha, Ningbo and Zhengzhou have been newly added to form the “4+4” urban intensive exploration pattern. By targeting at the government market and relying on bridgehead businesses including the government data and government procurement, the Group has expanded the coverage of party and government authorities, public security, medical care, education and other customers. By targeting at the business market, the Group has expanded the coverage of finance, energy, vertical e-commerce and other sectors with light-weight services involving the commodity price monitoring and sourcing of suppliers, and enabled new market growth points.

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Jointforce platform has significantly upgraded and optimized the overall process service, built differentiated competitiveness, and further improved the service delivery efficiency and quality. The software industry dictionary has been formed based on the extraction and characterization of massive project cases while the data capacity of the platform was continuously enhanced based on knowledge map. The Group has expedited the construction of ISV ecology and industry "Magazine", focused on key links of customer project construction, and built the project management knowledge base, thereby demonstrating the aggregation value of industrial Internet platform.

During the reporting period, Beijing Institute of Technology (BIT) - Chinaoft International Information Technology Innovation Academy has been officially put into operation, facilitating BIT to run the school of information & innovation and school of special software, and jointly boosting blooming open-source ecology in Harmony, Euler, Gauss and other fields. Furthermore, Shenzhen Kaihongdigi, as one of the graduate internship and training bases of school of information & innovation, thereby outputting more comprehensive, diversified and professional global open-source talents for the prosperity of open-source ecology!

"Return to the general and great philosophy while originating from it". The Group has taken the initiative to build a truly quality, valuable and meaningful entity by seeking the transformation and innovation. The Group has actively implemented the reform projects including the incentive closed loop for strategic performance, built a solid underlying system through the construction of "surefooted and consolidated" basic management system, and created a high-quality development of the enterprise's management system. Based on the "Unchanged Appearance" as the prior principle, the Group has coped with shifting incidents by adhering to a fundamental principle, to achieve the excellent operation of responsibility centers in face of the ultimate challenge goal, and has targeted and proper motivation, establish an energy field, and realize the self-iteration of the organization to enable the organization to be full of vigor, vitality and iconic figures.

Dear investors, 2022 is a critical year for the Group to realize the great-leap-forward development. The era is calling for vanguards. The Group will firmly adhere to its belief in the great cause of national rejuvenation and ambition to become an absolute leader in China's IT service field, and achieve "the most needed by the homeland, the most critical industry, most recognized by customers, most trusted by partners and most respected by employees". The Group will intensively be consolidating the foundation and opening up new visions; aggressively seek outstanding talents, and act resolutely; abandon the obsolescence and embrace freshness, learn and develop, create and share, and grow together. Only the greatest sincerity and honesty in the world can surpass the best deeds in the world. We will adhere to our original initiatives, and completely fulfill our mission and belief from the start to the end, successfully and satisfactorily, and we believe that our goal of "one tenth of the global market share" will be realized in the near future!

Chairman
Chen Yuhong

Summer 2022

Intelligent IoT

During the reporting period, the Company has cooperated with Shenzhen Kai Hong Digital Industry Development Co., Ltd. (hereinafter referred to as “SZ Kai Hong”) to continuously engage in R&D innovation of technology base for OpenHarmony and capacity of digital ecological platform construction. The Company, based on technical innovation and connection capacity of SZ Kai Hong’s OpenHarmony Operating System(KaihongOS), has established multi-scenario intelligent services, integrated the development requirements on different industries, built a multi-win and shared ecosystem, effectively empowered the digital and intelligent development of the industry, and continuously improved the core momentum for creating digital scenario applications. The Company has developed large-scale industry & enterprise customers in core cities, built the “Industry Harmony” and scenario solutions around customers, set the OpenHarmony application benchmark in fields including the intelligent transportation, digital energy, intelligent manufacturing, smart party & government, smart finance, smart home, etc., promoted the adaptation and application of OpenHarmony commercial distribution, seek the industry heights with complete industrial ecology, cutting-edge core technology, extensive application scenarios and powerful industrial competitiveness, making it the preferred choice for regions to promote the development of innovation industry for information technology and IoT industry. During the reporting period, the Company has formally entered into a strategic cooperation agreement with the Municipal People’s Government of Tianjin to jointly build a city for OpenHarmony in the northern part of China and establish a Tianjin-based “JinHarmony” system, released the Technical Specifications and Standards on Operating Systems for Intelligent Manufacturing of Tianjin, actively promoted the development of digital industry ecology led by OpenHarmony scenario innovation, and join hands with partners to take Tianjin Port as the starting point to open a port intellectualization scenario pilot in Tianjin Port.

The Company, based on the customized development capability for localized software and hardware, operations management of digital software factory, first-class service and delivery as well as ecological service capabilities of other software, has built an “one-stop-cloud terminal” end-to-end integrated full stack service system of the “Cloud-Management-Terminal”, which consolidated the digital intellectualization foundation, and added new growth momentum to the era process of intelligent connection of all things. The Company has fully exerted six core capabilities of KaihongOS involving the smart connection, elastic deployment, system-level security, end-cloud synergy, smooth system flow and seamless flow, gathered the super terminal management platform, launched scenario-based solutions by penetrating into industries, enabled the digital transformation of industries in the infrastructure, elderly care, mining and other sectors, and built the multi-win ecosystem for intelligent IoT. In terms of technology co-construction, the Company has joined hands with SZ Kai Hong, OpenCV and Southern University of Science and Technology, jointly laid out the setup of machine vision capability for OpenHarmony, and implemented ultimate performance of OpenCV under the super terminal. The Company jointly prepare the robot TSC project with prestigious universities and industry partners including Beijing Institute of Technology and China University of Mining and Technology. In terms of the deepening of products, the Company has actively developed the release distribution of KaihongOS in the financial industry, and achieved the commercial implement in the field of smart finance with industry partners such as CHASE and UROVO. With KaihongOS as the technological base, the

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Company has continued to make innovations, broaden the industrial boundary, improve the intelligent IoT industry ecosystem, then drove the integrated output of intelligent IoT businesses, products and solutions of the Company, and jointly built a new pattern for independent innovation and intelligent IoT based on the service capacity of full stack.

The Company has fully combined the “JOINTFORCE” with AIoT, initiated HarmonyOS Connect Joint Innovation, launched industrial Internet platforms in key cities, organized ISVs serving the AIoT, united Chinese software engineers, sorted out and released the application requirements for OpenHarmony by deepening the application and precipitation of HarmonyOS Connect ecological platform, and facilitated ecological enterprises connecting with the consulting, migration, adaptation and certification of OpenHarmony system, and actively promoted the application of OpenHarmony in numerous industries and sectors. The Chinasoft International (Suzhou) HarmonyOS Connect Internet of Vehicle Joints Innovation Center and Chinasoft International (Zhongshan) Honglian Digital Economy Innovation Base” established by the Company became a new height for domestic Harmony ecological innovation. Moreover, the Company has jointly established HarmonyOS Connect Joint Innovation Center with local departments of industry and information technology in Zhuhai, Wuzhen, Zhengzhou, Yancheng and other places, gathered OpenHarmony ecological enterprises, and created OpenHarmony demonstration scenarios, serving key distribution areas of AIoT as Beijing-Tianjin-Hebei Collaborative Development Zone, Yangtze Delta Economic Circle, Guangdong-Hong Kong-Macao Greater Bay Area and Central China Economic Belt.

Chinasoft International, as an enabling service provider of HarmonyOS Connect ecology, has been actively building the software and hardware solution capabilities of HarmonyOS Connect. Relying on the continuous innovation for the technology base, the Company has broadened the industry boundary, sorted out and released the application requirements on OpenHarmony, and provided integrated output of “Operating System + Products + Solutions” for all sides in the industry. The Company has constantly explored on the way of facilitating the digital transformation and upgrading of ecological industry from quick access of service partners to HarmonyOS Connect ecology, to the implementation of R&D on innovative products by working with customers, and then to the upgrading of abundant and self-developed development board kits, and has been provided with fully mature enabling service capabilities. The Company has assisted in ecological enterprises in connecting the consulting, migration, adaptation and certification of OpenHarmony system, and actively promoted the application of OpenHarmony in basic services of the national economy. Up to present, a total of over 2,000 ecological partners have joined HarmonyOS Connect, the number of customers served by HarmonyOS Connect has exceeded 500, with the number of access categories greater than 300, covering multi-scenario intelligent products of smart home, intelligent travel, sports & health, entertainment audio-visual service, smart office, etc. Moreover, the Company has established close collaboration with industry leading brands to jointly boom the ecological system. During the reporting period, the Company has accomplished the R&D and marketing of a number of self-developed modules and solution boards in Harmony innovation.

Intelligent Cloud Services and Solutions

The intelligence cloud businesses of the Company follow the strategic positioning of “Cloudization, Cloud Management, Cloud Native, Cloud Adept, Industry Adept and Ecosystem Aggregation”, continued to move forward being the preferred solutions provider and preferred advisory professional for digital transformation of governmental and corporate customers, and facilitated globally leading digital society and digital economy of China.

During the reporting period, the Company has persistently deepened the strategic collaboration with Huawei Cloud, continued to expand the scale, strengthened the partnership, focused on the marketing, further explored the industry, closely followed the growth of Huawei Cloud, and completed the strategic business layout. Moreover, the Company promoted the implementation of multi-cloud strategy, enlarged and strengthened the distribution of public clouds, actively promoted joint solutions at the hybrid cloud track, continued to operate the matrix for products covering the whole-scenario digital transformation involving the digital government, smart medical care, intelligent real estate, smart manufacturing and smart park, expanded value customers, and fully empowered thousands of industries with the power of ecology.

1. Cloud Services

- **Cloud Broker:** The cloud broker business of the Company has maintained rapid development. The Company has deepened and strengthened the platform capacity, unremittingly improved the sales efficiency, and promoted the transformation of cloud management and cloud native. In terms of ecological cooperation, the Company has continued to promote the implementation of the multi-cloud strategy, continuously deepened collaborations with cloud vendors such as Huawei Cloud, E-Cloud, Mobile Cloud, Tencent Cloud and Volcengine. On one hand, the Company has closely aligned with the growth of Huawei Cloud, improved the refined operation capability, resolutely continued to expand the scale, steadily guided ecological partners and customers to trade on Huaxia Cloud Platform, and intensified the adhesion of partners and customers by means of localized operations; and on the other hand, the Company has attached importance to the layout of E-cloud, leveraged the Telecom resources of governments and enterprises, and expanded the sales routes of self-innovate sales. During the reporting period, the number of commercial and channel partners of the Company has increased from 3,000 to over 5,000, and the number of solution and ISV partners has increased from 300 to over 600, covering multiple categories including consulting & planning, integrated delivery, development, cloud market, retailers, etc.

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- **Cloud Migration and Cloud Application Development:** The Company relied on mature cloud architecture design capabilities, storage data multi-scheme synchronous migration capabilities, host data real-time/timed migration capabilities, database cluster heterogeneous deployment capabilities, middleware migration batch deployment capabilities, etc. to ensure that the overall solution structure is stable, the data is complete, and the migration speed, cost and security are leading, as it continued to help communication infrastructure service companies, financial and insurance companies, etc. to migrate quickly and smoothly to the cloud. The Company is the first entity certified with MSP for Huawei Cloud and E-cloud. According to IDC's report titled Professional Service Market Insight for China Cloud (2021H2), Chinasoft International has continued to consecutively rank in the first place in the two professional cloud service fields of cloud migration and cloud development. In terms of cloud migration business, the depth and breadth of long-term cooperation has been strengthened with cloud vendors including Huawei Cloud, E-cloud and Tencent Cloud. On top of the continuous expansion of the public cloud business, other services such as HCS hybrid cloud service are expected to be further increased in the future.
- **Hybrid Cloud:** The CloudEasy Cloud Management Platform (CMP) has continuously improved the supply, O&M and operation management capabilities for uniform resources, explored customer requirements, and seized the opportunities of cloud intelligence transformation, achieving performance growth. For the Cloud Business platform (CBP), the capacity for operational scenarios has been built and improved, with the emphasis shifted to large-scale governmental and corporate markets, so as to become a partner highly aligned with business plans of the customers and achieve business growth. The Company has continued to improve the self-developed tool chain of cloud native on the CAP cloud application platform, upgrade the version of self-developed products and improve the competitive edges of self-developed products, and promoted the end-to-end closed-loop management of product versions. The Company has continued to deepen partnership with MCC BAOSTEEL, Guizhou-Cloud Big Data, NSouthern Guizhou Intelligent Cloud and Shenzhen GovCloud, and continued to set an industry benchmark.
- **Industry Cloud Operation:** During the reporting period, the Company has accelerated the industrial layout and continued to facilitate the digital transformation of enterprises and regional industrial upgrades through industrial operation. Chinasoft International has joined hands with Huawei Cloud to further deepen ecological cooperation and established four new joint operation innovation centers in Hebei, Zhejiang, Guangdong and Xi'an. Currently, the number of innovation centers jointly operated by Chinasoft International has amounted to be 13, ranking the first place in the third-party industry cloud operation mode of China. In particular, Xi'an Ascend Computing Center is the first innovation center of Chinasoft International Ascend Segment. The Company has continued to strengthen the sustainable operations of the existing innovation centers, and effectively addressed the problems faced by enterprises in the process of digital transformation by means of cloud resources and solutions.

2. Big Data

The Company provided end-to-end data engineering services such as consulting, evaluation, implementation and development, asset management, and value operation for the construction of enterprise-level data infrastructure (data center/data platform). The Group achieved continuous breakthroughs in the field of NLP, knowledge graph, machine learning technology integration, self-developed tools and products covering metadata, ETL task scheduling, sharing and exchange and other field. The Company has accumulated advanced data and middle-office solutions to consolidate the foundation of smart data base. The Company cultivated big data implementation services for many years, and has accumulated standard solutions in many industries such as government affairs, airports, railways, and public security. It has a complete and comprehensive data base and application construction implementation methodology, and its capabilities cover the entire data warehouse and analysis system life cycle building. Relying on the solid foundation of data implementation services, the Company has successfully built a number of industry-leading customer success stories, and has won numerous awards for excellent case studies from authoritative organizations in the industry of government affairs and airport industries.

The Company focused on government digital transformation planning consultation, data census, data governance, big data platform and data application capacity building, and continued to deepen cooperation with the big data bureaus of key cities in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing regions. During the reporting period, the Company cooperated with Dongguan Digital Group to build a data operation management platform and applied it in the second phase of the city's digital brain project, and promoted it to 35 towns and streets (parks). As a support platform for the Company's operation service projects in Dongguan, the data operation management platform formed a data stewardship model with platform + service. In the future, it will be replicated and promoted to other provincial and municipal data bureaus through platform productization.

In terms of expanding other industries, the Company also made breakthroughs. With its excellent data implementation and delivery capabilities, it has successfully been shortlisted for the human resources supplier database of a large state-owned enterprise. Furthermore, the Company has reached a project cooperation with a well-known environmental protection big data research institute and successfully participated in its large-scale environmental protection Big data research project.

In addition, the Company is committed to polishing full-link data governance tools, focusing on strengthening the five major modules of master data, data model, data security, data asset management and IoT data governance. In terms of technical architecture, the data governance tool has been upgraded from a master architecture to a spring cloud cluster with a front-end and back-end separation architecture. Based on AI technology, data standards are intelligently dropped and a knowledge map for data quality management is built.

3. Intelligent Cloud Solutions

3.1 Smart Finance

During the reporting period, the Company has continued to explore technology and model innovations while steadily promoting the extensive finance businesses, closely aligned with digital strategies of the customers, and provided highly competitive professional technical services and end-to-end digital solutions. The Company has vigorously responded to the financial technology development planning guidelines of China, continued to implement R&D and deployment in the fields of cloud services, data intelligence, digital currency, and information technology, and boosted upgrading application products and building technology platforms. According to the “China Banking Industry IT Solutions Market Share 2021” report released by IDC, Chinasoft International ranks TOP2 in the three major areas of payment and settlement, transaction banking, and risk management, and ranks TOP4 in channel management, Internet credit, and mobile banking, data intelligence. Lastly, it ranked TOP 5 in credit operations, occupying a dominant market position.

In terms of cloud services, the Company continued to work closely with leading cloud vendors to co-build financial cloud ecosystems. In terms of the cloud native development and application integration, the Company has appropriately advanced the micro service transformation, DevOps, low-code solution and other solutions, further aligned to the cloud demands of financial customers, improved the one-stop service system for IT architecture of hybrid cloud, and facilitated financial customers achieving the optimal solutions for cloud resource utilization.

In terms of data service, the Company has deepened the setup of data center of leading financial institutions and successfully won the bid for annual data framework of a shareholding commercial bank. Furthermore, the Company has made fruitful achievements in the subdivided segments involving the data governance, data lake and data mart of urban commercial banks, and aided customers in realizing the data sharing, opening and driving, improving the digital operation capacity, business response capacity and competitiveness of enterprises.

In terms of e-CNY, the Company has promoted the application of e-CNY scenarios by closely observing national policy guidance, and actively joined in the setup of e-CNY of large state-owned commercial banks, national shareholding banks, urban commercial banks, rural credit cooperatives as well as foreign banks. In the course of assisting customers in establishment the core of e-CNY, channel system, preliminary bank service, bank settlement and digital currency scenarios, the program features in aspects such as the hardware wallet, dual offline, smart contract, e-CNY red packet and distributed architecture and other aspects have been highlighted.

In the field of digital settlement, the Company has continued to utilize the strength in the top-level capabilities and expertise of the industry in the specific sector, provided customers with new merchant-acquiring services covering the all scenarios of BCG end, built the “payment +” digital service ecosystem by concentrating on merchants, integrated financial products involving bank loans, money management, insurances, points, equities and installments, and effectively improved the brand effects of the bank. Such solution, based on the technical system for microservices, was designed with reference to the construction concept of Alibaba Internet platform, fully considered the overall planning with the data middleground, and supported subsequent data-driven control.

In terms of bill businesses, the Company has established partnerships with trial members of bill exchanges in the trend of comprehensive upgrading and integration of electronic papers and paper trading systems by the bill exchanges, and further maintained the leading position in the paper market. The full-featured bill products support new e-bill business products via directly connected interfaces of bill exchanges. During the reporting period, the Company has successfully won the bid for 30 bill projects, involving the establishment of new generation bill systems of shareholding commercial banks and urban commercial banks.

In terms of the supply chain finance, the Company has actively explored the multi-industry application of supply chain finance business by means of comprehensive solutions for supply chain financing under the background that financial policies tended to support small and micro businesses, and successfully implemented projects involving the industrial finance platform and electronic creditor's right voucher circulation platform for commercial banks, large Internet vendors, large state-owned enterprises and other customers, thereby consolidating the leading position in the market.

In terms of insurance businesses, the Company has continued to intensify the in-depth cooperation with key customers and actively expanded the fields of cooperation, and further broadened business coverage of major customers, especially in the field of life insurance and property insurance. Furthermore, the Company has been recognized by more customers for its technical capability and solution strength in the field of data intelligence, awarded bids for data application projects in the field of insurance, and has further consolidated the project experience and case accumulation of data center capability in the field of insurance.

In terms of securities business, the Company has maintained a leading position in the data, supervision and other related orientations for systems and business. In the orientation of financial infrastructure customers, the Company has successfully won the bids for FP Internet, core and data business of Shanghai Stock Exchange.

3.2 Smart Transportation

During the reporting period, the Rail Transit business of the Company won the urban rail cloud construction project for Guiyang Urban Rail Transit, and successfully improved the capacity of large-scale rail transit solutions in addition to cloud ticketing, and is expected to be a benchmark project for rail transit industry construction in future. The smart cloud solutions of the Company have witnessed continued joint innovation in cloud native development, active-active ticketing system and domestic databases.

In terms of Airport and civil aviation services, the Company has continued to consolidate the intensiveness and extensiveness of the airport data service field, and constantly maintained the leading position of construction of the airport intelligent data center. During the reporting period, the Company has completed the construction of intelligent data center for Ezhou Huahu Airport, the largest cargo hub airport in Asia. The aviation-based revenue audit and settlement system established by the Company for the customer Shijiazhuang Airport has been successfully handed over and successfully put into operation, promoting the upgrading and multi-scenario applications of products. The system has also been successfully duplicated into the aviation-based revenue data audit project for Nanchang Airport, a competitive data solutions provider in the field of aviation audit.

In terms of railway, land transport and water transport, the Company has continued to engage in the construction of systems related to the digital transformation of a railway administration, focused on the analysis and application of professional data of industrial power supply, integrated the big data of operators, deeply optimized the application of professional data of passenger transport, vigorously expanded the application of freight and other professional data, and empowered the acceleration of the digital transformation of departments of railway operation. In terms of vehicle-road coordination, Chinasoft International and Baidu jointly provide AI-based travel solutions framework, tailor-made all-weather travel reservation service for high-speed traffic, successfully solved the technical problems of high-speed quasi-all-weather traffic. Through acquiring smart devices, exploring and practicing multi-sensor data fusion, relying on Baidu's deeply optimized AI algorithm, the Company can timely and accurately provide travelers with Bboardcast real-time information on road conditions, traffic conditions, event detection information, recommended driving speed and other series of assisted driving information. At Yongzhou Container Terminal, a terminal in Zhoushan Port, Ningbo, the Company has succeeded in an efficient multimodal transport project for highway, railway and water transport, and created an intelligent benchmark in the field of ports and terminals.

3.3 Smart Manufacturing

During the reporting period, the Company has continued to explore in the manufacturing field, and successfully won the bid for the governance project of a leading group in the manufacturing industry. The Company has been recognized by customers in new industries with profound technical experience and professional service capacity, thereby laying a solid foundation for expanding the manufacturing data service market. The Company has cooperated with MCC BAOSTEEL in the intelligent troubleshooting IoT platform, intelligent algorithm application and IT technology service project, realized the extension of digital capacities of equipment management and operation site oriented to the industry of iron and steel, and further promoted the unmanned and flexible manpower application of digital products and solutions in iron and steel enterprises. The Company has cooperated with Zhanjiang Iron and Steel on the unmanned vehicle driving project of the waste steel slag yard. In the project, unmanned transfer of engineering vehicles and the remote control of equipment have been built under the working conditions of the iron and steel enterprise, so as to create an innovative scenario application of unmanned and flexible manpower line road cooperation technology in the iron and steel enterprise.

3.4 Smart Regulation

During the reporting period, the Company has continued to maintain the leading position in the audit sector. In terms of government audit, the Company has newly reached 6 district-county networking customers and 5 insurance bill-combating customers, and provided district-county data analysis and platform audit services for 22 district-county networking customers and 14 insurance bill-combating customers. In terms of business audit, the Company has initiated in-depth cooperation with long-term strategic partners including Postal Savings Bank of China and Huaxia Bank in terms of audit and audit derivative technology services, horizontally expanded audit businesses of urban commercial banks, and has performed in-depth communication with Guangdong Huaxing Bank and Bank of Nanjing to jointly create audit cases for urban commercial banks.

In terms of social security during the reporting period, the Company had covered the fund supervision service businesses for social insurance over 80% of provincial-level nodes, and newly introduced Jiangsu provincial-level nodes based on Phase II expansion project of social insurance fund supervision system for Golden Insurance Project of Ministry of Human Resources and Social Security of the People's Republic of China, and has achieved the implementation of four localization application projects for social insurance fund supervision at provincial-level nodes in total.

3.5 Smart Park

During the reporting period, the Company focused on hospitals, industrial parks, smarter education, construction & real estate, manufacturing parks, industrial estates, intelligent mines, intelligent buildings and other aspects in smart park services so as to create intelligent solutions for smart parks. The self-developed smart park platforms by the Company have been registered with 34 items of software copyrights. The Company has developed 20 categories, 120 business systems, 256 ecological partners for smart parks and smart hospitals, and has integrated and connected the equipment and subsystems of hundreds of vendors including IOT of Basepoint, GIS of Zondy Cyber, access control checking-in of JIESHUN as well as energy consumption and environmental monitoring system of HUAZHAO. During the reporting period, the Company has built a unified dispatching and directing center for the smart hospital by collaborating with Wuhan Union Hospital of China, and attracted much attention at the 2022 World Health Expo. The unified dispatching and directing center for the smart hospital, based on the brand-new 3D data visualization, was designed by combining peacetime and wartime purposes, the concept of intelligent left and right brain has been introduced to realize the linked commanding of indicators such as medical quality situation and business situation, and guide the upgrading of intelligent management and operation of the hospital. Moreover, the Company has become a certified integrated services partner, a preferred planning and consulting partner of Chinese governments and enterprises, and has been certified with Grade II qualification of specialist contractor for electronic & intelligent engineering and Grade II qualification of specialist contractor for building decoration engineering. The Company has received the Outstanding Contribution Award for the "One Network Unified Management" Project Team of Shenzhen Smart City Technology Development Group Co., Ltd., and elected as the director organization of China Mobile 5G New Smart City Alliance, aiding in new development of 5G + New Smart City.

3.6 Digital Office

During the reporting period, the Company has accomplished the incubation of industrial solutions for manufacturing, construction and real estate in terms of digital office, reinforced the expansion of key customers in the industry, and successfully won bids for benchmark projects of Great Wall Motor Phase II, Founder Microelectronics, PKPM, Yunnan Communications Investment & Construction Group Co., Ltd., GAC Motor Phase II, etc., achieved the complete brand upgrading of content collaboration platform (CCP) for self-developed products, and JFUN Box (HCS version) has been selected into the first batch of associated products of Huawei Cloud Store. The Company has continued to boost the collaboration in terms of data storage and machine vision and jointly innovate data asset management solutions. By means of light application R&D of digital office and third-party software integration, the Company has cooperated with WeLink, and formally reached strategic cooperation with Huawei Cloud in cloud desktop, cloud disk and other business fields, becoming the first SaaS business partner of Huawei Cloud for businesses overseas in the Middle East.

Chinasoft International's government affairs cloud office solution, based on 5G communication transmission, cloud platform construction, big data integration, party and government business analysis, and intelligent response, built a government affairs data exchange and sharing platform, an integrated government affairs service application platform, and realized the integration of government affairs department resources, business integration, closed-loop supervision, to achieve the deep integration of technological innovation and government services, through digital and intelligent management methods, to create a convenient, innovative, reliable and diversified government service center, and to accelerate the promotion of "one-stop service" for government services.

Digital Transformation of Government and Enterprise

1. IT Consulting

With profound enterprise digitalization practice, rich industry knowledge accumulation, and mature expert training mechanism, Chinasoft International is engaged in digital strategic planning, organizational and process transformation, digital human resources management, digital financial management, digital marketing management, supply chain and procurement management, etc. The Company accelerated the layout in multiple fields, and continued to become the inquirer, enabler and accompany of the digital transformation of government affairs, finance, transportation, energy, construction and other industries. The Company innovated the efficient and coordinated interactive service model of "consultation + development and implementation", and successively successfully implemented projects such as data governance of Nanhai Group, data operation of Shenzhen Medical Insurance Bureau, and digital transformation consulting of industrial cloud bases, and deepened data governance consulting cooperation with GAC Group.

2. Enterprise Application Services

By focusing on the strategic cooperation consensus of “Platform +Service”, the Company and major partners including Yonyou Software and Kingdee Software have joined hands to serve multiple large and medium-sized customers in industries such as energy, manufacturing, high-tech and massive health. And provided pan-ERP application products based on strategic partners, covering consulting, implementation, customized development, operation and maintenance and other digital transformation services. During the reporting period, the Company has focused on lines of business such as digital human resources, intelligent finance, supply chain and digital marketing, and established cooperation cases for benchmark projects (implementation + customer development) in subdivided area. The Company has reached cooperation intentions with over 30 institutions, and established teams for experts, solutions, implementation + customer development staff, as well as a benchmark model for regional institutional cooperation, thereby laying a solid foundation for further expansion of the business scale.

During the reporting period, the Company has accomplished strategic investments in Elitesland and Fxiaoke CRM, and introduced a mature business management system to ensure the quality of services such as implementation, operation and maintenance. Also accelerated the building of service delivery system and tool platform by increasing R&D investments. Replying on years of experience for project management and software engineering capability, the Company has launched a joint customer development center for partners, gradually finalized the templates for solutions by means of standard customer development delivery management system and joined hands with partners to accelerate the digital transformation of customers.

3. AI Application

With its leading service capabilities in the field of knowledge graphs, the Company has become an ASP authorized service provider for Baidu Smart Cloud KG knowledge middle-end products, established an exclusive certification service team, and has obtained all the delivery certification qualifications. The Company continued to deepen its capabilities in areas such as model construction and optimization, AI data governance, knowledge-based middle-stage implementation, customized development, and continuous operation. With its service advantages, the Company has cooperated with Baidu Cloud in energy, manufacturing, finance, government affairs, operators, airlines and other industries. The two cooperated to create the best practice of “platform + service” in the field of AI. Furthermore, the Company and Baidu have jointly developed the intelligent transportation solution business field, and have implemented benchmark projects in the directions of vehicle-road collaboration, MaaS, and smart expressways, covering Jiangsu, Shaanxi, Hebei and other regions. Among them, the Company’s MaaS project is the first full-travel scene integration project in China, which has demonstrative value for the promotion of MaaS solutions.

4. Industrial Internet Platform-JOINTFORCE

During the reporting period, JOINTFORCE Platform has accelerated the set up of its “Platform + Service” digital full process system based on the “Platform + Service” mode, established a personal project housekeeper service mode, guarded the overall process of digital transformation of government and enterprise customers, and accelerated the establishment of ammunition depot capacity and service mode for digital transformation of governments and enterprises. During the reporting period, JOINTFORCE Platform has provided over 1,000 overall process services for nearly 930 projects of 438 government and enterprise customers with a total project amount up to RMB3.8 billion, achieved a gross transaction value (GTV) with an income of RMB1.62 billion, accumulated a total of 65,000 cases and solutions, including 43,000 high-quality cases.

During the reporting period, JOINTFORCE Platform has further expanded the scope of urban exploitation, added four emerging cities including Wuhan, Changsha, Ningbo and Zhengzhou based on the existing layout of Suzhou, Nanjing, Chongqing and Shenzhen in previous year, thereby forming a “4 + 4” urban in-depth layout pattern. In face of the government market, JOINTFORCE Platform has expanded the client coverage relied on bridgehead businesses involving the government data, government procurement, etc., and had the overall process services covering 438 customers involving multiple industries such as party and government authorities, public security authorities, medical care institutes and education institutes during the first half of the year. In face of the enterprise market, JOINTFORCE Platform has achieved the coverage of over 20 industry leading customers with light-weight services such as the commodity price monitoring and supplier sourcing, including Shanghai Pudong Development Bank, China Minsheng Bank, State Grid, Western Region Supply Chain, etc., with industries involving the insurance, energy and vertical e-commerce, so as to set the enterprise service benchmarks, drive the overall process service transformation of enterprise scenarios, and enable new market growth points.

During the reporting period, the Company has fully balanced the actual requirements and feedbacks in the process of serving customers. JOINTFORCE Platform has significantly upgraded and optimized the overall process services and strengthened the shaping of differentiated competitiveness. In face of the big data administration and other coordinating departments, the Company has optimized the supervision service for the full life cycle (FLC) of the project, established the service mode for the “Front Shop, Back Factory”, improved the client service experience and efficiency, focused on the evaluation and review on core services, and assisted customers in making accurate decisions based on massive case data, and has received high recognitions from numerous new and regular customers. The Company has optimized and upgraded overall process services capacity for regular employers, consolidated the services involving the pre-project requirement investigation and procurement requirement review in the requirement management stage, and incubated new services including the preparation of project construction program and evaluation on cloud resources consumption, which have been successfully verified in Ningbo, Lian and other cities up to present, strengthened standardized service delivery process and closed loop of online platform delivery supervision with respect to the evaluation and other services in the project construction stage, and effectively improved the service quality and customer experience.

During the reporting period, Jointforce has initially taken shape based on a multi-terminal full-process service platform. For government and enterprise customers, it is a mobile service platform, providing one-stop full project process, personal butler service, project progress, key link risks, inspection reports, problem scheduling, etc. It is an easily controlled, fast feedback and closed-loop service, making the process problem free for the customers. At the same time, it is a full process service operation center for project experts, project stewards, and partners with a process-based job scheduling and empowerment center. Through the efficient SOP work order engine and enabling tools, the service efficiency and quality are greatly improved, including customer satisfaction.

During the reporting period, the data capacity of JOINTFORCE platform based on mapping knowledge domain has been further enhanced. Up to present, a total of 173 million real project cases have been extracted and depicted. For Party A and Party B, the information accumulation and basic description of Party A's 430,000 entities with over 30 depiction dimensions have been fulfilled; 450,000 depictions of Party B's suppliers with over 200 depiction dimensions have been fulfilled; 2.8 million information-based project cases have been depicted, and the software industry dictionary (label system) with over 670 categories and 5,200 subcategories has been established.

During the reporting period, JOINTFORCE expedited the construction of "magazine" for ISV ecology and industry. Over 1000 ISV deep connections and extraction of corresponding cases/solutions were formed in the process of serving Party A's government and enterprise customers, and 65,000 cases and solutions including 43,000 excellent cases were accumulated. High-quality solutions and magazine capacity of JOINTFORCE Platform have begun to take shape, the case analysis report for digital construction, list of suppliers, industry white paper, etc. have been outputted based on different industries/scenarios, and such documents have been jointly released by well-known universities, industry associations and other institutions in China.

Software and Technology Service

1. Software Factory

The Company positioned the "software factory" as the core capability. Relying on extensive industry accumulation, best practice traction, mature tool platform, and systematic methodological support, the Company continued to accumulate key customer service capabilities and experience, and improved "delivery experts", knowledge, and code. It built an efficient, agile and secure digital R&D base, built end-to-end service capabilities for customers, empowered enterprise product technology R&D and application development, accelerated the process of digital transformation, and drove the transformation of the IT service industry.

During the reporting period, the software factory achieved the capability output of the lean 2.0 model, forming a new high-quality scale market space. Through the linkage of three modules of human resources, talent supply chain and service delivery, it ensured the timely and effective supply of high-quality human resources; provided high-quality and credible project delivery through the management service delivery system; provided safe and reliable venue services through systems and tools, and solved the problem of lack of local resources with the help of offshore delivery. Focusing on the entire business process of the software factory, the Company built a “digital production line” covering the human resources operation support platform, project operation management platform, measurement system, project management platform, and “leadership cockpit” to fully support the efficient operation of the software factory.

During the pilot process of the software factory in Shenzhen, the Group continued to open up large-scale market space for application development, testing, and technical support in a “standardized and replicable” way. In the field of pan-communication equipment manufacturers and telecommunications, through the introduction and self-incubation of professional capabilities, the Company led customers to operate continuous FP projects, promoted high-quality delivery with standardized services, developed market space with higher quality and scale, and grew together with strategic customers. Currently, the software factory equipment tool products have been officially launched and have been successfully delivered in many fields.

2. Digital Operations

In the field of digital operation, the Company continuously improved its business analysis, process design, and system development capabilities, established an active supplier performance management mechanism, and built the advantages of quality management, training management, and flexible and specialized resource supply management to help customers quickly deploy digital operations and reduce costs.

During the reporting period, the Company has maintained stable partnerships with multiple customers such as Tencent, Meituan, CCTV, JD, Kugou, Xiaohongshu and Xiaomi Technology and other customers for the content audit service. The service types were expanded in the fields involving the compliance audit, security-oriented audit, qualification-oriented audit, flash purchase labeling and manual audit collection, completed the full coverage of audit service types, with delivery bases involving multiple regions such as Dalian, Maanshan, Chengdu and Chongqing.

The Company cooperated with the Meituan Platform Department on a public opinion review project, set up a public opinion reconnaissance team, and conducted hourly and day-level data review and review for domestic and foreign current political hotspots. The Company conducted Principal audits involving all categories such as graphics, videos, and comments, interpreted national security review policies, set up special projects such as violence and terrorism, dark and gray affairs, and accumulated comprehensive audit capabilities. In the assessment on BPO suppliers of Meituan, the Company has been awarded with “Level A Service Supplier” and “Excellent Supplier -Best Quality Award”, and successfully concluded annual framework for BPO and annual framework for customer services.

The Company has continued to strengthen the cooperation with JD, and has successively expanded the services involving the book review, information erasing, qualification review and customer services. Among them, the Company assisted the retail department of <http://JD.com> to conduct compliance audits on the qualifications of e-commerce merchants on <http://JD.com> to ensure that the information and sources of merchants’ listings are legal and compliant, safeguarding the business platform.

3. Key Industry Development

3.1 Finance

During the reporting period, the financial services of the Company grew steadily, and 27 new customers including domestic and foreign banks, private banks, non-bank financial institutions and overseas financial institutions have been newly added. In the context of COVID-19 and global economic downturn, the Company has actively adjusted service deployment to tackle external impacts, maintaining stable and promising growth trend.

Regarding domestic financial customers, the Company worked with numerous major customers to realize the dual development both in breadth and depth, and constantly explored new sources of growth. The Company has successfully been listed in annual service frameworks of state-owned commercial banks, shareholding commercial banks, large-scale insurance institutions and state-owned trust companies, in which there were quite a few single ten million-level exclusive projects, and achieved the breakthrough from scratch in some completely new lines of businesses involving the consulting for non-traditional customized development and design for online financial business experience.

In terms of foreign financial business, the Company has inaugurated deep cooperation with benchmarking customers including Standard Chartered Bank and AIA in terms of digital innovation, steadily boosted the development of MCRA service in Hong Kong SAR, initiated cooperation with financial credit terminal enterprises, and continued to improve the brand popularity. Moreover, the Company has successfully acquired considerable cooperation shares, fully connected with the existing and newly added requirements of the customers' departments at all levels, and outputted automatic test capabilities, securing smooth transition of global business of large customers to a new architecture.

3.2 Telecommunications

During the reporting period, the Company has continued to explore customers of China Mobile and China Telecom, and steadily facilitated the services for main equipment supplier customers and supplier customers for pan-electronic devices. In terms of cooperation with China Mobile, the Company has entered into the cooperation agreement with China Mobile IoT Company Limited on the ecological project for OneNET urban IoT platform integration. Previously, the Company had successfully won the bid for the project with the top ranking in terms of solutions, capabilities and technical accumulations in the lines of IoT, smart city and smart park, and provided integrated delivery services for OneNET-based urban IoT platform for China Mobile IoT, realizing large-scale delivery of OneNET urban IoT platform project. The Company has won the bids for projects involving DICT service framework for OnePark Smart Park, the first batch of national integrated service projects for OnePark Smart Park, procurement of localization implementation service framework of China Mobile's Integrated self-developed products, as well as the 2022-2024 content operation support services of Migu Video.

For cooperation with China Telecom, service shares of the Company in Bestpay Co. Ltd. (Orange Finance), E-Cloud Technology Co., Limited (E-Cloud), AIoT, Omnichannel Operation Center of China Telecom Corporation Limited, China Telecom Group System Integration Co., Ltd., China Telecom Hongxin and Gansu Wanwei have continued to expand, and further breakthrough has been made for cooperation with Gansu Best Tone. Moreover, the Company has made service breakthroughs with the new customer China Tower and undertook the setup of PMS system, an important core system for China Tower.

In the field of cooperation with master device suppliers, the Company continued to maintain the first tier of shares in key customers such as Datang, Fiberhome and TDTECH, and completed business layout in key customer core lines of business surrounding 5G devices and 5G + AIoT industrial chain and achieved stable growth; implemented diversified and comprehensive cooperation in the government-enterprise market around 5G and digital transformation. In terms of pan-electronic device vendors, the Company has made breakthroughs with leading customers such as Fibocom, Huaqin and MAGOTAN electronics, and continued to expand the business scale in the segmented business fields including the smart wearable devices. In the sector of energy, the Company has made breakthroughs with customers such as Fangtian Power and Mingsheng Power, and implemented in-depth cooperation by focusing on clean energy power generation management, power generation control, power charging and other service to help client achieve a leading position in energy conservation, emission reduction and intelligent power generation.

3.3 Internet

During the reporting period, the Internet customer services of the Company have maintained steady development. In terms of Tencent-related services Tencent-related services, the Company has engaged in all-round cooperation in the video number, WeChat Payment, WeChat Enterprise, live streaming and other lines of businesses, and established the new service cooperation with Tencent Music, Tencent Charity, etc., and the scale of Tencent music business of the Company expanded significantly. In terms of Alibaba-related services, the Company has been successfully shortlisted as a framework supplier for multiple lines of businesses including Ant Digital Technology. The Ant Digital Technology service project has been implemented in Chengdu, and is expected to continue to be developed in the future, becoming a new offshore delivery center and acquiring more development opportunities for other services. In terms of Baidu-related services, the service scope of the Company covered the Industrial Intelligence, Intelligent Driving for Baidu, Enterprise Intelligent Platform for Baidu, Baidu Map and other lines of businesses. Moreover, the Company has reached strategic cooperation with Baidu IDG in the field of autonomous vehicle, and implemented multiple trial projects.

During the reporting period, the Company has realized rapid growth in services by means of cooperation with ByteDance, JD and Meituan. As a newly subscribed supplier of ByteDance ITO Framework in 2021, the Company expanded the services to games, interactive entertainment as well as research & development of products, and achieved coverage in Beijing, Shanghai, Shenzhen, Hangzhou, Guangzhou, Chongqing and other cities. During the reporting period, the Company has doubled the business scale, and explored new cooperation models in the domains of Douyin, TikTok, Dali, Feishu and Huoshan Cloud. In terms of JD-related services, the Company has successfully concluded the annual frameworks for cooperation on projects, covering JD Technology, JD Retails, JD Logistics, JD Health, etc. In particular, JD Technology has been successfully implemented in Xiamen Air Intelligent Customer Service, Changsha Metro Robotics and other projects, achieving a breakthrough in AI cooperation orientation, and the Company has continued to create ecological cooperation opportunities in digitalization, digital city, finance, big data, energy, transportation and industrial manufacturing. In terms of Meituan-related services, the Company has achieved coverage in lines of business involving Meituan Takeaway and Meituan Flash Purchase, in which the Company's scale of Meituan Flash Purchase services increased by 300%, and the scale of map services increased by 80%, and in-depth cooperation has been successfully made on unmanned aerial vehicle (UAV), advertisements, beauty & aesthetic medicine, flash purchase, map and other services.

3.4 High-tech

During the reporting period, the Company has conducted all-round cooperation with leading customers for Internet IOT ecology in the intelligent terminal service. The Company has become an important core supplier of Mobile Phone Department, Information Technology Department and Automobile Department of Xiaomi. Moreover, the Company has fully interfaced with the three core service groups of Lenovo Solution & Services Group (SSG), Intelligent Devices Group (IDG) and Infrastructure Solutions Group (ISG), and doubled the performance during the reporting period. Besides, the Company successfully implemented the Operation Management System Development Project for Lenovo Tianjin Plant and undertook subsequent operation and maintenance services.

During the reporting period, the Company's service in the home appliance industry continued to steadily progress steadily. Based on the Three Winged Bird Testing Platform Project, the Company has provided professional testing services for the platform primarily popularized by Haier's household appliance scenario, and has successfully launched the first order of household appliance scenario, marking further improvement of the Company's testing capacity in the household appliance industry. The Company has delivered SAP Intelligent CO (Controlling) Monthly Settlement Solutions and SAP E-commerce Inventory Management Solutions to 15 financial companies under Haier, and received high praises in terms of ERP. In overseas regions, benefiting from high satisfactions of the overseas order system development projects in 2021 during the reporting period, the Company undertook Haier's full network integration project in Pakistan, overseas E-commerce B2B project, Hrios project in Thailand and Haier's internal management project - digital transformation core management tool, providing solutions and IT services for internal IT governance.

During the report period, in terms of the services of technology enterprises, the Company has undertaken the development and delivery of the “Unified One Network Governance Project”, “Epidemiological Survey Project” and “White List Project” of Shenzhen Smart City Group, joined in the planning and development of internally self-developed “Integrated Technology Platform” and “Data Platform”, and expanded the service cooperation of the “Credit Reference Platform” of the credit reporting company of secondary company affiliated to Shenzhen Smart City during the reporting period. Moreover, the Company has implemented the service cooperation with SANGFOR in security software, wireless network and other lines, further expanded the market system of SANGFOR, achieved outsourcing transformation in the lines involving R & D platform and self-research project, and become one of the three core suppliers of SANGFOR’s first-line regional outsourcing. The scope of cooperation has been extended to multiple regions such as Chengdu, Wuhan, Xi’an, Hangzhou, Nanjing, Jilin, Harbin and Xinjiang.

3.5 Intelligent Vehicle

During the report period, the Company has further expanded the business scale in terms of automotive software, successfully advanced the project with the First Automobile Works (FAW) Group, provided advisory and implementation services for lean management of the industry-leading “software factory”, established a high-quality delivery service system based on SOP, and made successful breakthrough with mainstream auto vendors in the automotive field including China Automobile Intelligence Creation Technology Co., Ltd., Nanjing Coolwell and Shanghai Xingyu. The Company has established partnerships with Geely Zeekr, Lotus, Volvo, Lynk & Co and other vendors. the Company was ranked among TOP 3 IT service providers of Geely, joined in and cooperated in the development of ecosystem applications of user platforms, communities, portals, motorists’ clubs and other three-party services in Changan AVATR automobile vehicle terminal and terms of user terminals, and achieved business breakthroughs in terms of intelligent cockpit and auxiliary driving of Hozon new energy vehicles. During the reporting period, the Company has introduced Dongfeng Mengshi automobile project and PATEO Internet of vehicle project for automobile Tier1 vendor, and entered the business negotiation stage with a number of prominent automobile technology companies. Furthermore, the Company has made steady progress in services for new generation of digital cockpits, intelligent driving, intelligent vehicle control, vehicle machine interconnection, new energy for vehicles and other fields for customers such as Great Wall, NIO and ABUP. Especially, the Company had deep cooperation with automobile companies in the field of vehicle new energy. The Company has made breakthroughs in core customers, thereby laying solid foundation for the industry in the future.

In addition, the Company cooperated with CARI Auto Engineering Research Institute to compile the evaluation model and white paper of the digital transformation governance system of the automotive industry, contributing to the improvement of the basic capabilities of the digital transformation of automobile manufacturing.

Huawei

- The Company has continued to adhere to the commitment of “Standing with Customers”, target at five roles including (the provider of high-quality resources, stable and high-quality deliverer of the optimal comprehensive cost, co-builder and guardian of products, and strict executor of internal control management)”, organize critical activities with the performance thinking of active supplier, and exert the scale effect of system management, thereby achieving the optimal comprehensive cost and high performance beyond the requirements of customers.
- The Company has seized the strategic opportunities for leapfrog development of the industry attributed by the teamwork strategy, engaged in joint innovation in key industries, and formed industry solutions with great strategic relevance. The Company has implemented the solutions for intelligent mine and AI intelligent detection with respect to the coal mine, port, power, government affairs, transportation and other industries. The company won the bids for ASP hardware of the partner, park service and other frameworks, and explored the services in lines of enterprises in China.
- The Company has maintained in-depth cooperation based on software and hardware in multiple aspects: In terms of intelligent terminals, the Company has assisted in creating the ultimate experience and building the core competitiveness of products. In terms of businesses involving the intelligent vehicle control, intelligent cabin and full-scale test, the Company has assisted partners in building ecological capacities for vehicle parts and long-term competitiveness of five intelligent aspects of vehicles. In terms of operating system, the Company has built the harmony ecology based on Open Harmony digital base. In terms of cloud services, the Company has explored the digital intelligence, fully opened the scenario cloud services, and jointly created a whole scenario HMS application ecology. In terms of all-in-one home intelligence, the Company has assisted Huawei in leading the interactive transformation, and facilitated the all-in-one home intelligence 1+2+N solution for full upgrading.
- The Company has promoted the construction of the process-oriented organizations, and improved the quality and efficiency by building the process of LTC/IHSC/MSD/MHR and SOP-based lean management. In terms of knowledge management, accumulation of software engineering capacity and systematic support, the Company has rapidly promoted the standardization construction of software plant, optimized and improved the production efficiency of the Company by means of efficient and high-quality delivery of software factory mode, and formed a differentiated competitive advantage of traditional services.

KEY OPERATING DATA

During the first half of 2022, the Group's businesses achieved steady growths. The Group's revenue, service revenue, profit for the period, profit attributable to the owners of the Company, and EPS increased by 20.2%, 18.9%, 10.4%, 10.4%, and 3.7% respectively.

	Six Months Ended 30 June		% Change
	2022 RMB'000	2021 RMB'000	
Revenue	10,025,275	8,340,938	20.2%
Service revenue	9,820,494	8,258,599	18.9%
Profit for the period	570,880	516,998	10.4%
Profit attributable to Owners of the Company	571,554	517,724	10.4%
Basic EPS (RMB cents)	19.62	18.92	3.7%

The Key operating date (unaudited) for the six months ended 30 June 2022 are as follow:

	Six Months Ended 30 June		% Change
	2022 RMB'000	2021 RMB'000	
Revenue	10,025,275	8,340,938	20.2%
Service revenue	9,820,494	8,258,599	18.9%
Cost of sales and services	(7,543,550)	(6,047,180)	24.7%
Gross Profit	2,481,725	2,293,758	8.2%
Other income	188,917	214,194	(11.8%)
Other gains or losses	20,911	(6,532)	(420.1%)
Selling and distribution costs	(511,289)	(451,136)	13.3%
Other expenses	(27,473)	(23,199)	18.4%
Administrative expenses	(1,445,384)	(1,381,478)	4.6%
Finance costs	(51,868)	(44,955)	15.4%
Impairment losses under expected credit loss model, net of reversal	(12,995)	(15,096)	(13.9%)
Share of results of investments accounted for using the equity method	(30,627)	(8,860)	245.7%
Loss from derecognition of financial assets measured at amortised cost	(1,464)	(553)	164.7%
Profit before taxation	610,453	576,143	6.0%
Income tax expense	(39,573)	(59,145)	(33.1%)
Profit for the period	570,880	516,998	10.4%

GENERAL OVERVIEW

In 2022, with the backdrop of repeated domestic epidemics and changing global situation, the Group responded to external changes with a systematic approach, seized the “software will define the future and drive the future opportunities”, continuously strengthened capacities, focused on customers, and thoroughly delivered the annual operation objectives. As a result, the Group achieved sustained and stable interim result growths. The Group’s cornerstone business has made steady progress, the cloud intelligence business has developed rapidly, and new businesses such as intelligent Internet of Things, enterprise application services, and intelligent vehicles have achieved milestone breakthroughs. Lastly, the Group has been ranked in Gartner’s “TOP100 Global IT Service Market Share Report” for four consecutive years, improving its ranking to 80th place, and demonstrating the value of China’s leading IT service enterprises.

During the reporting period, the Group, guided by the scene-based innovation of OpenHarmony, focused on the development of the digital economy, built Harmony City and the industrial highland of OpenHarmony, and became the main force in the ecological construction of OpenHarmony and HarmonyOS Connect. The Group actively promoted the application of OpenHarmony, built a new pattern of independent innovation and intelligent Internet of Things, opened up the second battlefield of the Group’s To-C software and hardware integrated business, promoted the ecological development of OpenHarmony, and contributed new momentum to the accelerated development of the digital economy.

During the reporting period, the cloud intelligence business maintained rapid growth. The cloud intelligent business vertically increased the conversion rate along the path of “cloudization, managing cloud, and cloud native”, and built the “platform + service” business; and expanded industry solutions and industry services by means of the “cloud adept, industry adept and ecosystem aggregation”. The Group continued to create high-quality solutions in industries such as government administration, transportation, manufacturing, finance and energy, and provided leading cloud solutions and cloud services for government and enterprise institutions while continuing to improve its cloud service capabilities to cover the entire life cycle. The Group cooperated with major partners such as Yonyou and Kingdee to jointly create a product matrix covering all scenarios of digital transformation in industries such as energy, manufacturing, high-tech, and healthcare, with goals to empower customers comprehensively. During the reporting period, the Group completed the strategic investment in Elitesland and Fenxiangpinke, built a service delivery system and tool platform, accelerated the digital transformation of customers, and boosted the development of the digital economy.

During the reporting period, Jointforce accelerated the creation of a digital full-process service system based on the “platform + service” model, and carried out substantial optimization and upgrades. The Group further expanded the scope of deep cultivation in cities, established a personal service model to include “project butler”, escorted the whole process of digital transformation of government and enterprise customers, and accelerated the ammunition establishment of capabilities and service models for digital transformation of government and enterprises.

During the reporting period, the Group rapidly promoted the standardization of software factories, officially launched software factory equipment tools and products, and successfully delivered them in many fields. The Group seized the opportunity of the industry leapfrog development strategy brought by the top ICT infrastructure in a industry and the strategy of intelligent terminal service providers, and jointly innovated in key industries such as coal mines, ports, electric power, and government affairs to form a variety of industry solutions and accelerate the process of digital transformation of enterprises.

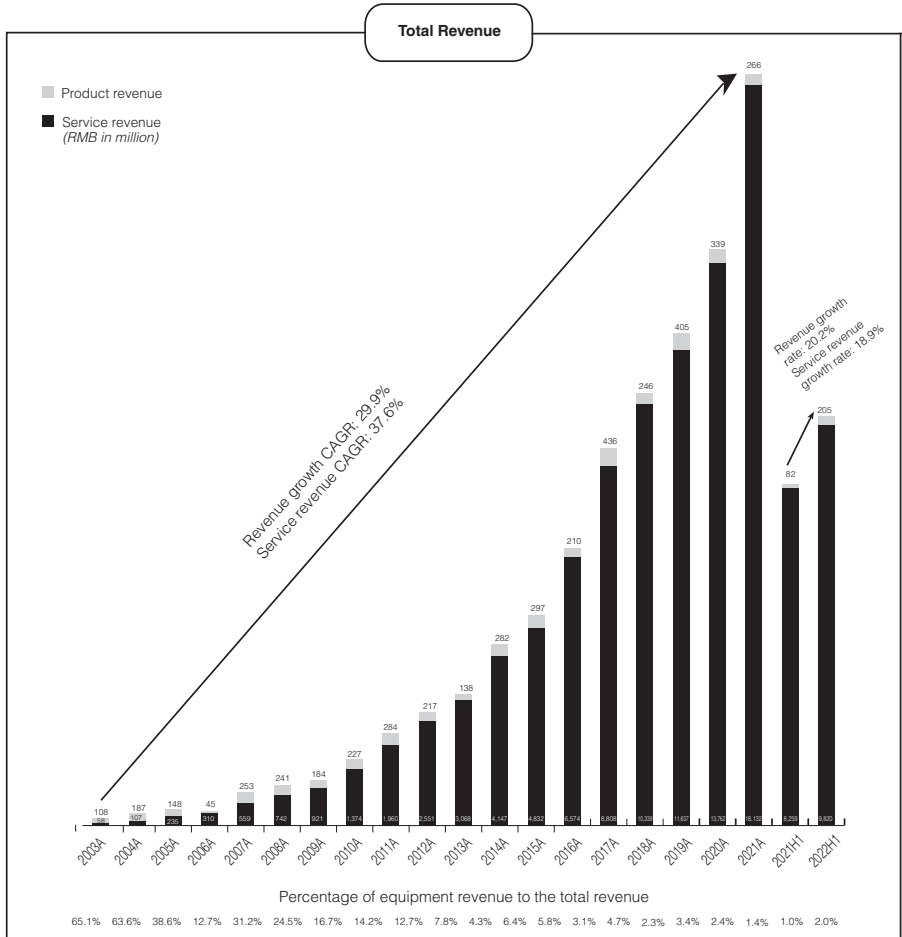
During the reporting period, the Group's financial business grew steadily, adding 27 new customers including domestic and foreign banks, private banks, non-bank financial institutions, and overseas financial institutions. The Group actively participated in the e-CNY construction of many large state-owned banks, national joint-stock banks, city commercial banks, rural credit cooperatives and foreign banks, helping customers in the e-CNY core, channel system, bank front-end, acquiring and various digital currency scenarios construction.

During the reporting period, the Group continued to develop its two major telecommunications operators, China Mobile and China Telecom, and steadily promoted the business of major equipment supplier customers and pan-electronic equipment supplier customers. The Group realized the large-scale delivery of the OneNET city IoT platform project for China Mobile IoT. The Group's operator IT service business has grown steadily, and its share has continued to expand, breaking through China Tower as customer for the first time.

During the reporting period, the Group continued to deeply cultivate the Internet industry. While maintaining a leading position in the business of major customers such as Tencent, Ali, and Baidu, it continued to expand the customers of well-known Internet companies such as ByteDance, JD.com, and Meituan. The Group deeply explored customer business scenarios and accumulated digital operation service practices.

Looking forward to the second half of the year, China's economy will recover, and the digital economy will usher in faster development in the context of the overall economic environment. The Group will actively follow the wave of digital productivity investment, and firmly, persistently, and resolutely enroot downwards, make breakthroughs upwards, and achieve its own leap-forward development. The Group will continue to move towards the goal of becoming a global leader in technology-based IT services that is "one of the best in the world"!

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growths, recording a CAGR of 29.9% and 37.6% from 2003-2021. For the first half of 2022, the revenue and service revenue achieved a YoY growth of 20.2% and 18.9%. The details are as follow:



Customer

The Group's customers are located all over the world, in addition to Greater China, it also includes Asia Pacific, North America, Europe, Latin America and other regions. In the China market, especially in mainstream industries such as finance, Internet, communications, and high-tech, the Group maintains a large market share. In the first half of 2022, the service revenue from the top five and top ten customers accounted for 70.5% and 77.5% of the Group's service revenue.

As of 30 June, 2022, the Group has 196 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

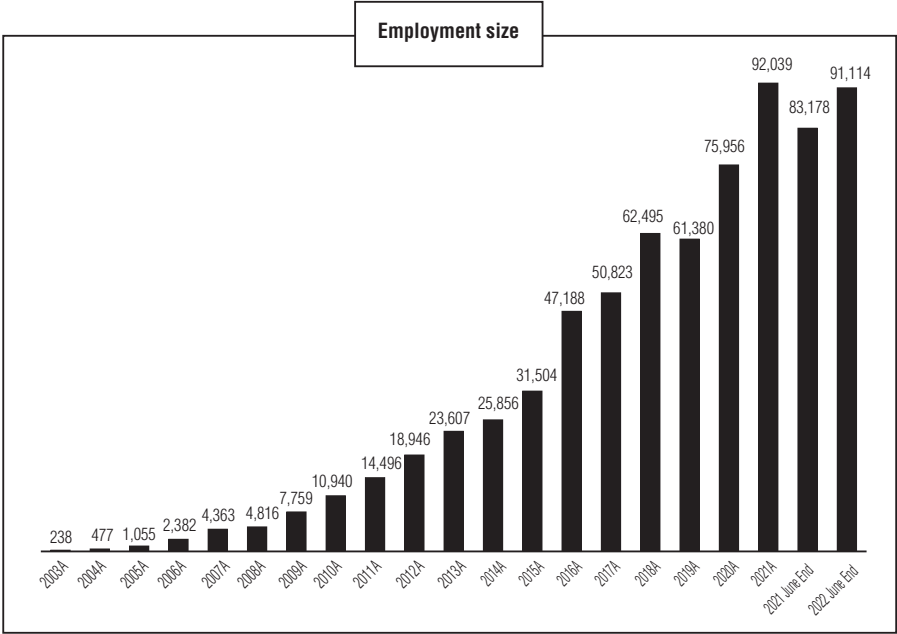
Market

During the reporting period, the Group's core businesses were concentrated in Greater China, the huge market potential in the Greater China continues to bring growth opportunities for the Group. The Group provides ITS to customers from 47 countries and a number of Top 500 companies in the world, including Tencent, Honor, Alibaba, Ping An, Baidu, China Mobile, China Telecommunication, a global financial institution and a top ICT infrastructure and smart terminal provider in the industry, accumulating experiences in servicing international customers. Going along with the "Belt and Road" initiative, the group will combine product cooperation and industry cooperation with a top ICT infrastructure and intelligent terminal provider in an industry to speed up its global blueprint. Furthermore, the Group will leverage its existing global strategic centers in China, United States, Japan, India, Singapore, Malaysia, etc., to increase cooperation and layout. Lastly, the Group will utilize cloud driven digitalization services to promote global servicing blueprint, become a "global Chinasoft", and build China's influence in the global IT market.

Human Resources

As of 30 June, 2022, the Group employs a total of 91,114 employees, representing a YoY increase of 9.5% (2021H1: 83,178).

The Group's growth in employee size since listing on the Growth Enterprise Market in 2003 is as follows:



Operating Results

The following is the Group's consolidated comprehensive income statement for the first half of 2021 and 2022 (unaudited):

	2022			2021		
	For the First half RMB'000	% of Revenue	% of Service Revenue	For the First half RMB'000	% of Revenue	% of Service Revenue
Revenue	10,025,275	N/A	N/A	8,340,938	N/A	N/A
Service revenue	9,820,494	N/A	N/A	8,258,599	N/A	N/A
Cost of sales and services	(7,543,550)	(75.2%)	(76.8%)	(6,047,180)	(72.5%)	(73.2%)
Gross profit	2,481,725	24.8%	25.3%	2,293,758	27.5%	27.8%
Other income	188,917	1.9%	1.9%	214,194	2.6%	2.6%
Other gains or losses	20,911	0.2%	0.2%	(6,532)	(0.1%)	(0.1%)
Selling and distribution costs	(511,289)	(5.1%)	(5.2%)	(451,136)	(5.4%)	(5.5%)
Other expenses	(27,473)	(0.3%)	(0.3%)	(23,199)	(0.3%)	(0.3%)
Administrative expenses	(1,445,384)	(14.4%)	(14.7%)	(1,381,478)	(16.6%)	(16.7%)
Finance costs	(51,868)	(0.5%)	(0.5%)	(44,955)	(0.5%)	(0.5%)
Impairment losses under expected credit loss model, net of reversal	(12,995)	(0.1%)	(0.1%)	(15,096)	(0.2%)	(0.2%)
Share of results of investments accounted for using the equity method	(30,627)	(0.3%)	(0.3%)	(8,860)	(0.1%)	(0.1%)
Loss from derecognition of financial assets measured at amortised cost	(1,464)	(0.0%)	(0.0%)	(553)	(0.0%)	(0.0%)
Profit before taxation	610,453	6.1%	6.2%	576,143	6.9%	7.0%
Income tax expense	(39,573)	(0.4%)	(0.4%)	(59,145)	(0.7%)	(0.7%)
Profit for the period	570,880	5.7%	5.8%	516,998	6.2%	6.3%
Profit attributable to Owners of the Company	571,554	5.7%	5.8%	517,724	6.2%	6.3%

Revenue

For the first half of 2022, the Group's revenue was RMB10,025.275 million, representing a YoY growth of 20.2% (2021H1: RMB8,340.938 million). The Group's service revenue was RMB9,820.494 million, representing a YoY growth of 18.9% (2021H1: RMB8,258.599 million). The growth was mainly driven by the steady growth of the core large customer businesses and the rapid growth of cloud intelligence business.

For the first half of 2022, the segment's revenue to total revenue and growth are as follow:

	Six Months Ended 30 June 2022		Six Months Ended 30 June 2021		Growth Rate
	RMB'000	% of Total	RMB'000	% of Total	
TPG	9,056,975	90.3%	7,374,486	88.4%	22.8%
IIG	968,300	9.7%	966,452	11.6%	0.2%
Total	10,025,275	100%	8,340,938	100%	20.2%

The Group's revenue includes the cloud resource resale business, which is recognized on a net basis. For the first half of 2022, the Group's purchase amount of this business was RMB626.311 million. For the first half of 2022, the Group's revenue was RMB10,025.275 million, after deducting the purchase amount of cloud resources of RMB626.311 million, the total amount before deduction was RMB10,651.586 million.

Cost of Sales and Services

For the first half of 2022, the Group's cost of sales and services was RMB7,543.550 million, representing a YoY increase of 24.7% (2021H1: RMB6,047.180 million). The Group's cost of sales and services was 75.2% of the Group's total revenue, representing a YoY increase of 2.7% (2021H1: 72.5%).

Gross Profit

For the first half of 2022, the Group's gross profit was RMB2,481.725 million, representing a YoY growth of 8.2% (2021H1: RMB2,293.758 million). The Group's gross margin was 24.8%, representing a YoY decrease of 2.7% (2021H1: 27.5%) The Group's gross margin (to service revenue) was 25.3%, representing a YoY decrease of 2.5% (2021H1: 27.8%). The decrease in gross margin was mainly due to the large-scale resurgence of the COVID-19 pandemic during the reporting period and the frequent occurrence of domestic pandemics in multiple locations; at the same time, the company continued to increase its mid-to high-end technical talent pool and rising labor costs, resulting in a decrease in overall gross margin.

Other Income

For the first half of 2022, the Group's other income was RMB188.917 million, representing a YoY decrease of 11.8% (2021H1: RMB214.194 million). The decrease of other income during the reporting period is mainly due to the decrease in government subsidies compared with the same period of the previous year.

Other Gains or Losses

For the first half of 2022, the Group's other gains were RMB20.911 million (2021H1 Other Losses: RMB6.532 million). This is mainly due to fluctuations in the exchange rate of Hong Kong dollar against RMB during the reporting period.

Other Expenses

For the first half of 2022, the Group's selling and distribution expenses were RMB511.289 million, representing a YoY increase of 13.3% (2021H1: RMB451.136 million). The Group's selling and distribution expenses accounted for 5.1% of the total revenue, representing a YoY decrease of 0.3% (2021H1: 5.4%).

For the first half of 2022, the Group's administrative expenses were RMB1,445.384 million, representing a YoY increase of 4.6% (2021H1: RMB1,381.478 million). The Group's administrative expenses accounted for 14.4% of the total revenue, representing a YoY decrease of 2.2% (2021H1: 16.6%). This is mainly due to the decrease in share-based payments during the reporting period as compared to the same period last year.

Finance Costs and Income Tax

For the first half of 2022, the Group's finance costs were RMB51.868 million, representing a YoY increase of 15.4% (2021H1: RMB44.955 million). The Group's finance costs accounted for 0.5% of the total revenue, the same as the period last year.

For the first half of 2022, the loss from derecognition of financial assets measured at amortized cost was RMB1.464 million, representing a YoY increase of 164.7% (2021H1: RMB0.553 million).

For the first half of 2022 the Group's income tax was RMB39.573 million, representing a YoY decrease of 33.1% (2021H1: RMB59.145 million). The Group's effective income tax rate was 6.5%, representing a YoY decrease of 3.8% (2021H1: 10.3%). The decrease in income tax was mainly due to the tax refund generated after the final settlement of income tax during the reporting period.

Other Non-Cash Expenses

For the first half of 2022, the Group's other expenses were RMB27.473 million, representing a YoY increase of 18.4% (2021H1: RMB23.199 million). The Group's other expenses accounted for 0.3% of the total revenue, the same as the period last year.

For the first half of 2022, the Group's impairment losses under the expected credit model, net reversal was RMB12.995 million, representing a YoY decrease of 13.9% (2021H1: 15.096 million).

Working Capital, Financial and Capital Resources

For the first half of 2022, the Group's total available cash balance (the sum of bank balances, cash and pledged deposits) was RMB4,574.691 million (2021: RMB5,578.368 million).

For the first half of 2022, the Group's net current assets were RMB8,627.805 million (2021: RMB9,534.026 million). For the first half of 2022, the current ratio (current assets divided by current liabilities) was 2.7, a slight decrease from 3.4 in 2021.

For the first half of 2022, the Group's borrowings were RMB2,612.035 million (2021: RMB1,938.291 million). Gearing ratio is calculated by dividing the net borrowing amount (borrowing and convertible loan notes minus available cash (bank balance and the sum of cash and pledged deposits)) by total equity. For the first half of 2022, the Group's cash available balance was higher than the sum of borrowings and convertible notes, resulting in a negative net gearing ratio.

Profit for the Period and Earnings Per Share (EPS)

For the first half of 2022, the Group's profit was RMB570.880 million, representing a YoY growth of 10.4% (2021H1: RMB516.998 million). The Group's profit accounted for 5.7% of the total revenue, representing a YoY decrease of 0.5% (2021H1: 6.2%). The Group's profit accounted for 5.8% of the service revenue, representing a YoY decrease of 0.5% (2021H1: 6.3%).

For the first half of 2022, the Group's profit attributable to the owners of the Company was RMB571.554 million, representing a YoY growth of 10.4% (2021H1: RMB517.724 million).

Based on the profit attributable to the owners of the Company, the Group's EPS was RMB19.62 cents for the first half of 2022, representing a YoY increase of 3.7% (2021H1: RMB18.92 cents).

Segment Revenue and Results

For the first half of 2022, the Group's revenue and results growth of each business group is as follows:

	Revenue			Results		
	Six Months Ended 30 June 2022 RMB'000	Six Months Ended 30 June 2021 RMB'000	Growth Rate	Six Months Ended 30 June 2022 RMB'000	Six Months Ended 30 June 2021 RMB'000	Growth Rate
TPG	9,056,975	7,374,486	22.8%	570,817	632,155	(9.7%)
IIG	968,300	966,452	0.2%	117,898	118,292	(0.3%)
Total	10,025,275	8,340,938	20.2%	688,715	750,447	(8.2%)

In terms of segment revenue, TPG's revenue achieved a YoY growth of 22.8%. The growth came mainly from the growth of core customer business including Tencent, Alibaba, Honor, a global financial institution and a top ICT infrastructure and smart terminal provider in the industry. IIG's revenue achieved a YoY growth of 0.2%. In the second half of last year, the Group sold its subsidiary Catapult. Excluding the above impact, the Group's business maintained overall steady growth.

In terms of segment results, TPG's result decreased by 9.7% YoY. This was mainly due to the decrease in the gross profit margin of the business during the reporting period due to the impact of the COVID-19 epidemic. IIG's result decreased slightly by 0.3% YoY, maintaining the same profit margin as the same period as that of last year.

The Group believes that as the Group's cloud intelligence business, which has been deployed for many years, enters a stage of rapid expansion, it will become the driver for the Group's revenue growth and increase in the Group's profit margin.

FUNDRAISING ACTIVITIES

During the current and last reporting periods, no fund raising activities had been conducted by the Group. The details of the fund raising activity which had been conducted by the Group with unused proceeds is summarised as below:

On 4 October 2021, the Company entered into the placing agreement with the placing agent, UBS AG Hong Kong Branch, to procure not less than six places on a best efforts basis to purchase up to an aggregate of 162,000,000 placing shares at the placing price of HK\$12.26 per placing share.

The placing shares were allotted on 12 October 2021 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2021. The net proceeds from the placing is approximately HK\$1,970 million (after deduction of commission and other expenses of the placing). The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 30 June 2022	Expected time of utilisation (Note)
Approximately HK\$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$569 million were used for the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$219 million to be for the intended use	Before 31 December 2023
Approximately HK\$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$86 million were used for developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$702 million to be for the intended use	Before 31 December 2023
Approximately HK\$394 million	For general working capital of the Company	Approximately HK\$394 million were used for general working capital of the Company	-	-

Note: The expected time frame for fully applying the unutilised proceeds is based on the best estimation of the future market conditions and strategic development made by the Group, which may be subject to changes and adjustments based on the future development of market conditions.

INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
	Notes		
Revenue	3	10,025,275	8,340,938
Cost of sales and services		(7,543,550)	(6,047,180)
Gross profit		2,481,725	2,293,758
Other income		188,917	214,194
Other gains or losses		20,911	(6,532)
Selling and distribution costs		(511,289)	(451,136)
Other expenses		(27,473)	(23,199)
Administrative expenses		(1,445,384)	(1,381,478)
Finance costs	4	(51,868)	(44,955)
Impairment losses under expected credit loss model, net of reversal		(12,995)	(15,096)
Share of results of investments accounted for using the equity method		(30,627)	(8,860)
Loss from derecognition of financial assets measured at amortised cost		(1,464)	(553)
Profit before taxation		610,453	576,143
Income tax expense	5	(39,573)	(59,145)
Profit for the period		570,880	516,998
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		1,743	3,366
Total comprehensive income for the period		572,623	520,364
Profit for the period attributable to:			
Owners of the Company		571,554	517,724
Non-controlling interests		(674)	(726)
		570,880	516,998
Total comprehensive income attributable to:			
Owners of the Company		573,297	521,090
Non-controlling interests		(674)	(726)
		572,623	520,364
Earnings per share	7		
– Basic (cents)		19.62	18.92
– Diluted (cents)		18.70	17.77

		(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		1,193,503	1,220,085
Right-of-use assets		584,234	627,641
Intangible assets		205,380	192,855
Goodwill		843,654	843,654
Investments accounted for using the equity method		728,353	384,641
Equity instrument at fair value		98,513	78,513
Other receivable		26,323	26,565
Pledged deposits		–	5,699
Deferred tax assets		3,011	3,013
		<u>3,682,971</u>	<u>3,382,666</u>
Current assets			
Inventories		171,829	162,631
Trade and other receivables	8	6,935,495	5,894,431
Bills receivable		45,373	42,438
Contract assets		2,039,030	1,740,630
Amount due from related companies		62,310	106,828
Pledged deposits		28,715	16,289
Bank balances and cash		4,545,976	5,556,380
		<u>13,828,728</u>	<u>13,519,627</u>
Current liabilities			
Trade and other payables	9	1,807,811	2,251,585
Consideration payable on acquisition		19,992	–
Bills payable		39,606	56
Lease liabilities		218,520	213,849
Contract liabilities		359,974	410,877
Amounts due to related companies		12,640	10,657
Dividend payable		81	81
Taxation payable		130,264	181,075
Borrowings	10	2,612,035	917,421
		<u>5,200,923</u>	<u>3,985,601</u>
Net current assets		<u>8,627,805</u>	<u>9,534,026</u>
Total assets less current liabilities		<u>12,310,776</u>	<u>12,916,692</u>

42 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Non-current liabilities			
Deferred tax liabilities		12,799	13,312
Consideration payable on acquisition		–	19,992
Lease liabilities		202,090	235,959
Borrowings	10	–	1,020,870
		<u>214,889</u>	<u>1,290,133</u>
		<u>12,095,887</u>	<u>11,626,559</u>
Capital and reserves			
Share capital	11	138,701	138,703
Share premium		6,223,404	6,293,665
Treasury shares		(553,915)	(588,741)
Reserves		6,265,733	5,760,294
		<u>12,073,923</u>	<u>11,603,921</u>
Equity attributable to owners of the Company		<u>12,073,923</u>	<u>11,603,921</u>
Non-controlling interests		<u>21,964</u>	<u>22,638</u>
Total equity		<u>12,095,887</u>	<u>11,626,559</u>

	Attributable to the owners of the Company											Total RMB'000	
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Fair value through other comprehensive income RMB'000	Transition reserve RMB'000	Equity- settled share-based payment reserve RMB'000	General reserve fund RMB'000	Statutory enterprise reserve fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated profits RMB'000		Non- controlling interests RMB'000
At 1 January 2021	131,956	4,734,154	(605,387)	(122,769)	(13,834)	(13,045)	149,473	15,793	26,749	257,519	41,927,879	23,323	8,776,411
Profit for the period	-	-	-	-	-	-	-	-	-	-	517,724	(726)	516,998
Other comprehensive (expenses) income for the period	-	-	-	-	-	3,366	-	-	-	-	-	-	3,366
Total comprehensive income (expenses) for the period	-	-	-	-	-	3,366	-	-	-	-	517,724	(726)	520,364
Issue of ordinary shares upon exercise of share-based payments	43	5,321	-	-	-	(1,152)	-	-	-	-	-	-	4,412
Recognition of share-based payments expenses	-	-	-	-	-	125,465	-	-	-	-	-	-	125,465
Vesting of share awards	-	-	74,980	-	-	(79,277)	-	-	-	-	(908)	-	-
Appropriations	-	-	-	-	-	-	-	-	508	-	-	-	-
Dividends paid to ordinary shareholders	-	(70,117)	-	-	-	-	-	-	-	-	-	-	(70,117)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(506)	(506)
At 30 June 2021	131,999	4,674,475	(530,427)	(122,769)	(13,834)	(9,679)	193,479	15,793	26,749	258,027	47,100,065	22,091	9,355,939
At 1 January 2022	108,703	6,293,665	(588,741)	(122,769)	(13,834)	(16,027)	283,073	15,793	26,749	286,796	53,003,513	22,638	11,626,559
Profit for the period	-	-	-	-	-	-	-	-	-	-	571,554	(674)	570,880
Other comprehensive (expenses) income for the period	-	-	-	-	-	1,743	-	-	-	-	-	-	1,743
Total comprehensive income (expenses) for the period	-	-	-	-	-	1,743	-	-	-	-	571,554	(674)	572,623
Issue of ordinary shares upon exercise of share-based payments	1,023	143,991	-	-	-	(29,431)	-	-	-	-	-	-	115,573
Recognition of share-based payments expenses	-	-	-	-	-	683,686	-	-	-	-	-	-	683,686
Repurchase of shares	-	-	(148,371)	-	-	-	-	-	-	-	-	-	(148,371)
Cancellation of repurchased shares	(1,025)	(24,805)	123,830	-	-	-	-	-	-	-	-	-	-
Vesting of share awards	-	-	(5,236)	-	-	(107,013)	-	-	-	-	-	-	(54,036)
Purchase of shares under share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	(84,147)
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2022	108,701	6,293,404	(593,915)	(122,769)	(13,834)	(14,284)	215,215	15,793	26,749	286,796	53,720,667	21,964	12,085,987

44 CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net cash used in operating activities	(798,572)	(526,769)
Net cash used in investing activities	(573,157)	(196,125)
Net cash generated from financial activities	<u>302,897</u>	<u>553,290</u>
Net decrease in cash and cash equivalents	(1,068,832)	(169,604)
Effect of foreign exchange rate changes	58,428	(18,354)
Cash and cash equivalents at the beginning of the period	<u>5,556,380</u>	<u>3,786,777</u>
Cash and cash equivalents at the end of the period	<u>4,545,976</u>	<u>3,598,819</u>

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at their fair values.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as at 1 January 2022.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current interim period.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements of the Group.

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable operating segment:

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Technical Professional Services Group (TPG)	9,056,975	7,374,486	570,817	632,155
Internet IT Services Group (IIG)	968,300	966,452	117,898	118,292
	10,025,275	8,340,938	688,715	750,447

During the six months ended 30 June 2022, the segment revenue is reported after eliminating inter-segment services revenue of RMB394,772,000 (2021: RMB260,782,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Segment results	688,715	750,447
Other income, gains and losses unallocated	26,532	6,533
Interest on borrowings	(15,441)	(16,205)
Corporate expenses	(20,767)	(39,197)
Share-based payment expenses	(68,586)	(125,435)
Profit before taxation	610,453	576,143

Segment revenue by products and services:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales of software and hardware products	204,781	82,339
Technical Professional Services Group (TPG)	9,042,704	7,308,234
Internet IT Services Group (IIG)	777,790	950,365
	9,820,494	8,258,599
	10,025,275	8,340,938

4. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest on borrowings	42,244	36,052
Interest of lease liabilities	9,624	8,903
	<u>51,868</u>	<u>44,955</u>

5. TAXATION

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	33,451	55,793
Others	6,122	3,352
	<u>39,573</u>	<u>59,145</u>

PRC Enterprise Income Tax is calculated at the rates prevailing in relevant districts of the PRC.

Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

During the six months ended 30 June 2022, a final dividend of HK\$0.0323 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2021 (2020: HK\$0.029) was declared to the owners of the Company and paid on 21 June 2022. The aggregate amount of the final dividend declared during the six months ended 30 June 2022 amounted to HK\$99,148,317 (2021: HK\$84,265,513).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings for the purposes of calculating basic earnings per share and diluted earnings per share	571,554	517,724
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,913,695,916	2,736,299,877
Effect of dilutive potential ordinary shares:		
Share options	11,883,742	30,881,229
Share award scheme	130,187,530	146,065,293
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	3,055,767,188	2,913,246,399

The computation of diluted earnings per share for the period ended 30 June 2022 and 30 June 2021 assume the exercise of all of the Company's share options granted since the exercise prices of all these share options were lower than the average market price of shares of the Company.

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Trade receivables, net of allowance	6,172,147	5,256,303
Advances to suppliers	516,883	406,638
Deposits, prepayments and other receivables, net of allowance	<u>272,788</u>	<u>258,055</u>
	<u>6,961,818</u>	<u>5,920,996</u>
Analysed for reporting purposes as:		
Non-current assets	26,323	26,565
Current assets	<u>6,935,495</u>	<u>5,894,431</u>
	<u>6,961,818</u>	<u>5,920,996</u>

Included in the non-current assets are other receivables representing the refundable lease deposit for the rental office.

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance), presented based on the dates of invoices for sales of goods and services for projected-based development contracts, and dates of rendering of other types of services at the end of the reporting period is as follows:

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Within 90 days	5,037,987	4,547,394
Between 91 – 180 days	573,881	417,732
Between 181 – 365 days	451,007	210,631
Between 1 – 2 years	<u>109,272</u>	<u>80,546</u>
	<u>6,172,147</u>	<u>5,256,303</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed each time.

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Trade payables	592,357	768,297
Other payables	<u>1,215,454</u>	<u>1,483,288</u>
	<u>1,807,811</u>	<u>2,251,585</u>

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

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Within 90 days	233,577	428,871
Between 91-180 days	144,827	133,023
Between 181-365 days	130,879	100,324
Between 1-2 years	62,974	82,555
Over 2 years	<u>20,100</u>	<u>23,524</u>
	<u>592,357</u>	<u>768,297</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that sufficient working capital is maintained to meet its obligations when they fall due.

The fair value of the Group's trade and other payables at 30 June 2022 was approximately equal to the corresponding carrying amount.

10. BORROWINGS

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Unsecured bank loans <i>(Note (i))</i>	1,537,999	916,411
Secured bank loans <i>(Note (ii))</i>	<u>1,074,036</u>	<u>1,021,880</u>
	<u>2,612,035</u>	<u>1,938,291</u>
	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Carrying amount repayable:		
Within one year	2,612,035	917,421
Within a period of more than one year but not more than two years	<u>–</u>	<u>1,020,870</u>
	2,612,035	1,928,291
Less: Amounts due within one year shown under current liabilities	<u>(2,612,035)</u>	<u>(917,421)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>1,020,870</u>
	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility <i>(Note (ii))</i>	1,074,036	1,021,880
At floating interest rates – others <i>(Note (iii))</i>	350,000	330,000
At fixed interest rates – others <i>(Note (iv))</i>	<u>1,187,999</u>	<u>586,411</u>
	<u>2,612,035</u>	<u>1,938,291</u>

10. BORROWINGS (CONTINUED)

Other than the loan's which is denominated in Hong Kong dollars as described in Note (ii) below, the Group's borrowings are denominated in currencies of the relevant group entities' functional currencies.

Notes:

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) During 2020, the Company has raised loans of HK\$1,800 million in two tranches from its loan facility with a group of financial institutions. The loans represent the full amount of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in July 2021, January 2022, July 2022, and January 2023. The first three instalments of a total of HK\$540 million, accounted for 30% of the loan, was repaid in 2021. The contracted interest rate is the applicable HIBOR plus 1.90% per annum, and the effective interest rates range from 2.90%-2.96% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company.

In addition, the Group is required to pledge a deposit which amounts to RMB7,672,000 and is classified as current as at 30 June 2022. (2021: RMB5,699,000). The Group shall not withdraw any amount from the relevant deposit account, unless with the prior written consent of the facility agent, or for the prepayment or repayment of any loan outstanding, provided that (a) no default is continuing or would result from such withdrawal, and (b) the amount in the deposit account will not fall below the required balance as stipulated in the facility agreement. The required balance represents the aggregate of interest that will accrue on all the loans outstanding for a three-month period.

- (iii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2022 is 3.20% (2021: 3.21%) per annum.
- (iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 2.50% to 3.50% (2021: 3.32% to 3.55%) per annum.

11. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:

		Number of shares	Nominal amount HK\$
Authorised			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022		4,000,000,000	200,000,000
	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2021	2,904,707,358	145,235,369	131,956
Exercise of share-based payments	1,000,000	50,000	43
At 30 June 2021	2,905,707,358	145,285,369	131,999
At 31 December 2021 and 1 January 2022	3,068,907,358	153,445,369	138,703
Exercise of share-based payments	25,000,000	1,250,000	1,023
Cancellation of repurchased shares	(24,300,000)	(1,215,000)	(1,025)
At 30 June 2022	3,069,607,358	153,480,369	138,701

12. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements – acquisition of property, plant and equipment	5,060	6,004
	5,060	6,004

In addition, as at 30 June 2022, the Group is committed to contributions of further capital amounting to RMB811,016,000 (2021: RMB128,390,000) under the relevant agreements for its investments in entities accounted for using equity method and using fair value.

13. RELATED PARTY TRANSACTIONS

During the relevant periods in 2021 and 2022, the Group had the following transactions with the following related parties:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Provision of IT outsourcing services by the Group	36	–
Provision of IT solution services by the Group	–	198
Provision of other services by the Group	4,351	3,413

The Directors are of the opinion that the above transactions were conducted under normal commercial terms in the usual course of business of the Company.

14. EMPLOYEE AND OTHER INFORMATION

The total employee benefits expenses of the Group amounted to approximately RMB8,598,009,000 including the directors' emoluments of approximately RMB12,585,000 during the six months ended 30 June 2022 (2021: approximately RMB7,078,528,000, including the directors' emoluments of approximately RMB24,082,000). The increase in employee remuneration resulted from the increase in the number of employees from 83,178 to 91,114.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2022 of the Group amounted to approximately RMB27,473,000 (2021: RMB23,199,000) and approximately RMB220,863,000 (2021: RMB181,941,000), respectively.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2022, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2022 to 30 June 2022, except for the following deviations as explained:

- (i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.
- (ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2022 in Hong Kong (the “2021 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the quarantine restrictions against COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2021 AGM;
- (iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2021 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board members who attended the 2021 AGM were available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2022.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2022, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

Long positions in shares of HK\$0.05 each in the capital of the Company ("Shares")

Name	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Total number of shares	Approximate % of total issued ordinary share as at 30 June 2022
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	305,492,861 (Note 1)	-	330,142,144	10.76%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	24,649,283 (Note 2)			
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 (Note 3)	-	19,027,765	0.62%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 (Note 4)	1,400,000	0.05%
Gao Liangyu	Beneficial owner	-	1,000,000 (Note 4)	1,000,000	0.03%
Zeng Zhijie	Beneficial owner	-	800,000 (Note 4)	800,000	0.03%
Lai Guanrong	Beneficial owner	-	800,000 (Note 4)	800,000	0.03%
Mo Lailan	Beneficial owner	-	800,000 (Note 4)	800,000	0.03%

Notes:

- (1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested during May 2021 and another 5,600,000 awarded shares were vested during the reporting period and transferred to Dr. Chen during July 2022. The remaining awarded shares will be vested by period based on future performance.
- (2) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the “Kunlun”) and Dan Capital Management Limited (the “Dan Capital”) on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 3A - Director/Chief Executive Notice - Interests in Shares of Listed Corporation dated 16 June 2022 for further details of the shareholding structure.
- (3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested during May 2021 and another 1,440,000 awarded shares were vested during the reporting period and transferred to Dr. Tang during July 2022. The remaining awarded shares will be vested by period based on future performance.
- (4) The interests in underlying shares of the Company represent interests in options granted to the director.

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2022	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2022	Percentage	Total No. of	Percentage	Note
					of total issued ordinary share of the Company as at 30 June 2022	ordinary shares interested as at 30 June 2022	of total issued ordinary share of the Company as at 30 June 2022	
Zhang Yaqin	5.65	1,000,000	-	1,000,000	0.03%	1,000,000	0.03%	(i)
Gao Liangyu	5.65	1,000,000	-	1,000,000	0.03%	1,000,000	0.03%	(i)
Zeng Zhijie	5.65	800,000	-	800,000	0.03%	800,000	0.03%	(i)
Lai Guanrong	5.65	800,000	-	800,000	0.03%	800,000	0.03%	(i)
Mo Lailan	5.65	800,000	-	800,000	0.03%	800,000	0.03%	(i)

Note:

- (i) These share options were offered on 27 August 2020 under the new share option scheme of the Company adopted on 20 May 2013 and accepted on 20 September 2020. The share options are exercisable for a period of 4 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Exercise Period Ending	Number of share options exercisable
27/08/2021	26/08/2024	40% of the total number of share options granted
27/08/2022	26/08/2024	30% of the total number of share options granted
27/08/2023	26/08/2024	30% of the total number of share options granted

Save as disclosed above and so far as was known to the Directors, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests or shorts in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be Company and the Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2022, pursuant to the new share option scheme approved by the shareholders at the AGM held on 20 May 2013 (the "New Share Option Scheme"), the share options to subscribe for an aggregate of 63,800,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding representing 2.08% of the total issued ordinary share capital of the Company as at 30 June 2022. The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under the New Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme ("Scheme Mandate Limit"). The Scheme Mandate Limit was refreshed and approved by the Shareholders at the AGM of the Company held on 18 May 2021 and a total of 290,570,735 shares were issuable under Scheme Mandate Limit as at 30 June 2022, representing approximately 9.47% of the total issued ordinary share of the Company as at the date of 2022 Interim Report.

During the six months ended 30 June 2022, no share options were granted under the New Share Option Scheme. An aggregate of 25,000,000 share options were exercised and no share options were lapsed.

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain selected employees (including directors) and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018.

During the period ended 30 June 2022, a total consideration of approximately HK\$67,000,000 has been used to acquire 7,374,000 shares of the Company from open market by the independent trustee of the Company. During the same period of 2021, no consideration was paid as no shares of the Company were acquired from open market by the independent trustee of the Company.

As at 30 June 2022, 167,511,000 shares (2021 same period: 153,205,000 shares) of the Company were held by the independent trustee of the Company, representing 5.46% (2021 same period: 5.27%) of the total issued ordinary share capital of the Company as at 30 June 2022.

Selected Employee	Granted but not vested as at 1 January 2022	Granted during the period	Vested during the period (Note)	Grant but not vested as at 30 June 2022
Chen Yuhong (Director)	11,000,000	–	5,600,000	5,400,000
Tang Zhenming (Director)	5,760,000	–	1,440,000	4,320,000
Employee	113,589,000	–	22,186,000	91,403,000
	<u>130,349,000</u>	<u>–</u>	<u>29,226,000</u>	<u>101,123,000</u>

Note: The shares vested during the period were transferred to the selected employee after the period end due to the delay of postage caused by the COVID-19 pandemic.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2022 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2022 none of the Directors had any rights to acquire shares in the Company.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2022, the Company had adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules relating to dealings in securities. Having made specific enquiry with all the Directors, the Directors had complied with the Model Code regarding securities transactions during the six months ended 30 June 2022.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2022, the following persons (not being a Director or chief executive of the Company) had interests or short position in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions/short positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate % of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	330,142,144(L)	10.76%
UBS Group AG (Note 2)	Interest of controlled corporations	308,098,930(L)	10.04%
Bank of Communications Trustee Limited (Note 3)	Trustee	167,511,000(L)	5.46%
BlackRock, Inc. (Note 4)	Interest of controlled corporations	145,154,694(L) 768,000(S)	4.73% 0.03%

Abbreviations: "L" stands for long position
"S" stands for short position

62 OTHER INFORMATION

Notes:

- (1) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the "Kunlun") and Dan Capital Management Limited (the "Dan Capital") on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 underlying shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 2 - Corporate Substantial Shareholder Notice dated 16 June 2022 for further details of the shareholding structure.
- (2) UBS Group AG is deemed to be interested in the long positions of 308,098,930 shares in the Company held by its wholly owned subsidiaries. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 27 April 2022 for further details of the shareholding structure.
- (3) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and administer the Share Award Scheme of the Company. Details of the Share Award Scheme are set out in the section headed "Other Information" of this report.
- (4) BlackRock, Inc. is deemed to be interested in the long positions of 145,154,694 shares and short position of 768,000 shares of the Company held by its wholly owned subsidiaries. Please refer to the Form 2 – Corporate Substantial Shareholder Notice dated 19 May 2022 for further details of the shareholding structure.

Save as disclosed above, as at 30 June 2022, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 30 June 2022, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 2 June 2003 and amended its written terms of reference in compliance with the requirements as set out in the CG Code of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie and Dr. Lai Guangrong as the members of the Audit Committee.

The Audit Committee has reviewed the Group's interim result for the six months ended 30 June 2022 in compliance with Rule 3.21 of the Listing Rules, and the relevant code provisions of the CG Code of the Listing Rules and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the interim result for the six months ended 30 June 2022 have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

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

During the six months ended 30 June 2022, the Company repurchased 28,116,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before the date of this announcement. The total amount paid for the repurchases of HK\$175,269,980 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
April 2022	18,800,000	6.54	5.72	115,240,020
May 2022	8,050,000	7.00	5.71	50,689,280
June 2022	1,266,000	7.30	7.20	9,160,680
	<u>28,116,000</u>			<u>175,269,980</u>

64 OTHER INFORMATION

The repurchase of the Company's shares was effected by the Directors, pursuant to the mandate granted by the shareholders of the Company to the Directors at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

During the period ended 30 June 2022, the Company's trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the open market a total of 7,374,000 shares of the Company at a total consideration of approximately HK\$67,000,000.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2022.

On behalf of the Board

Dr. Chen Yuhong

Chairman and Chief Executive Officer

29 August 2022, Hong Kong