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

Contents

Corporate Information

THE BOARD OF DIRECTORS

Executive Directors

Dr. Chen Yuhong *(Chairman & Chief Executive Officer)*
Dr. He Ning *(Vice Chairman)*
Dr. Tang Zhenming

Non-executive Directors

Dr. Zhang Yaqin
Mr. Gao Liangyu

Independent non-executive Directors

Dr. Lai Guanrong
Professor Mo Lai Lan
Mr. Yeung Tak Bun J.P.

REMUNERATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Professor Mo Lai Lan
Mr. Yeung Tak Bun J.P.

AUDIT COMMITTEE

Professor Mo Lai Lan *(Chairman)*
Dr. Lai Guanrong
Mr. Yeung Tak Bun J.P.

NOMINATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Professor Mo Lai Lan
Mr. Yeung Tak Bun J.P.

COMPANY SECRETARY

Ms. Leong Leung Chai Florence

AUTHORISED REPRESENTATIVES

Dr. Chen Yuhong
Ms. Leong Leung Chai Florence

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

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STOCK CODE

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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China CITIC Bank International Limited
HSBC Bank (China) Company Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.

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Dear Investors,

In 2023, the Group commemorated its 20th anniversary since going public. From the outset, the Group has been devoted to the vision of "creating and sharing, growing together with China's software industry," embodying idealism, self-awareness, and honesty. Over the past two decades, we have remained steadfast in our original aspirations, never wavering and always maintaining the enthusiasm of our entrepreneurial beginnings. Today, the Group has achieved its initial goal of business development in scale, with sales revenue increasing 400 times since the beginning. We have risen in the rankings among global ITS service providers to 73rd place, becoming the largest software enterprise in China.

In 2023, the Group launched the SP304 strategic plan, explicitly stating its commitment to "embracing the AIGC industrial revolution, binding itself to Huawei's grand pace-setting role in the industrial transformation process, and fully empowering the development of new quality productivity." Focusing on "Artificial Intelligence+", with the Intelligent Cloud as the foundation, the Group concentrated on AIGC application and model factory services, HarmonyOS AIoT and digital twins, ERP consulting implementation, and digital transformation services, thus forming a "1+3" business matrix. Simultaneously, leveraging core technologies such as ShenKaihongOS, JointPilot, and large-scale Agant applications, the Group organized itself with sales platforms as legions and scalable software engineering delivery service resources as strongholds, solidifying a "Spearhead-Legion-Stronghold" collaborative combat formation. It focuses on core regions such as Beijing, Guangdong-Hong Kong-Macao Greater Bay Area, Jiangsu, and Sichuan, reaching valued industry customers in government, finance, energy, manufacturing, telecommunications, internet, transportation, water conservancy, and public utilities. With unwavering dedication and tireless efforts, the Group aims to become the "strongest in capability, fastest in development, and most profitable" strategic partner, growing into a formidable battleship within Huawei's carrier battle group. Despite a decline in business scale during the reporting period, the Group achieved revenue of RMB17.12 billion. Through continuous efforts in financial and quality integration, it lowered the standard cost rate, optimized the efficiency of management expenses, and enhanced resource utilization. Even with the decrease in business scale, the Group achieved a significant increase in net profit margin, reaching 4.2%, an increase of 0.4% percentage points.

I. STRUCTURING THE JOINTPILOT PLATFORM AND SERIES AGENT APPLICATIONS, MODEL FACTORY SERVICES TO BREAK THROUGH THE 'LAST MILE' OF LARGE MODEL APPLICATION IMPLEMENTATION WITH AI FULL STACK AUTONOMOUS CAPABILITIES"

The Group established the Jointforce AIGC Research Institute and collaborated with Huawei and ecosystem partners to build AI-native application engine platform capabilities, becoming a leading contributor, operator enabler, and complementary force in the Agent application space. It released JointPilot (Lingxi) AI application platform, dedicated to creating an AIGC application ecosystem, reducing application development barriers, and driving ISV transformation into IMV and IAV. The Agent application series is tailored to specific scenarios for industry customers, continuously accumulating task points by solving tasks, gradually accumulating industry data, promoting progressive optimization of model training, and forming capabilities such as intent understanding, NL2SQL, proactive analysis, and deep reasoning tailored to industry characteristics. Currently, the Group has signed a cooperation agreement with Huawei Cloud for the PanGu large model; formed an AIGC joint solution with Huawei's Power Legion and Huawei Cloud aPaaS product line; the government's "Wen Shu" large model has become the baseline solution for Huawei's government comprehensive networking legion, and the two parties jointly released the "City Large Model

Joint Solution." The model factory focuses on rigid value scenarios of government-enterprise customers, model suppliers, and computing power centers, helping establish enterprise-level model frameworks, conducting model consulting selection, data construction, model design, computing power preparation, model training and fine-tuning, model evaluation, and integrated deployment. Currently, a large-scale model operation management system is being jointly constructed in Gui'an cooperation. As a Huawei AI application integration partner, the Group provides private deployment of comprehensive AIGC solutions for key customers and cloud-based Agent series products for the long-tail customers. Additionally, the Group signed a strategic cooperation agreement with Huawei Kunpeng, focusing on finance, government, manufacturing, and other industries to jointly provide autonomous and controllable software and hardware integrated AI full-stack solutions, and co-create industry-specific versions of the Agent series all-in-one machines for ISV customers.

II. EMBRACING HARMONYOS'S SINGLE-FRAMEWORK NATIVE APPLICATIONS AND BECOMING THE FULL-STACK LEADER IN THE SMART IOT INDUSTRY

The Group, based on the 1+1 (KaihongOS + Super Device Management Platform) full-stack industry practice, is fully committed to building an independent and controllable smart Internet infrastructure and a "end, edge, cloud, network, and application" integrated software and hardware solution, actively expanding the market of "national vital projects and cutting-edge urbans". During the reporting period, Chinasoft, in collaboration with Shen Kaihong and Shenzhen Smart City Ltd., signed a comprehensive strategic cooperation agreement, focusing on the Shenzhen Digital Twin Pioneer City Action Plan, promoting the integration of open-source Harmony and AIGC large-scale model technology into the "city lifeline" construction. Using KaihongOS as the digital foundation, it launched a series of innovative smart connectivity products – Leize Smart Link all-in-one machine, Yiwang Smart Link Companion, and Suiming Smart Link Perception Platform. In the water conservation industry, it has initially formed a systematic matrix of domestically developed smart Internet products; in the transportation industry, it has achieved the first domestic "Harmony Tunnel" solution practice case, empowering the intelligent upgrade of subway construction; the Group and Huawei's government comprehensive networking legion jointly created an open-source Harmony smoke exhaust fire prevention solution in Nanjing. At the 2023 Huawei Terminal HDC Conference, the Group, as the exclusive IT service provider, signed a single framework Harmony element service development center agreement. During the reporting period, the Group actively expanded Harmony single-framework native application development, element service development, and obtained Harmony development projects from many key financial institutions, cultural tourism and education institutions; it also made breakthroughs in adapting core equipment in industries such as transportation, ports, and security to Harmony. The Group actively assists in the deep synergy between Harmony and Ascend Cloud, promoting the sinking of Ascend Cloud AI capabilities into the Harmony system. Based on industry-education integration, it has collaborated with over a hundred universities nationwide to cultivate Harmony talents and launched the country's first "Open Source Harmony Talent Class" at Beijing Institute of Technology. The Group has obtained Harmony developer certification for over 35,000 employees, ranking first in the ecosystem.

III. ACCELERATING THE LAYOUT OF ERP APPLICATION SERVICES FOR CENTRAL AND STATE-OWNED ENTERPRISES, BUILDING A 'NEW PILLAR' FOR DIGITAL TRANSFORMATION CONSULTING SERVICES

The digital transformation of central state-owned enterprises has become a pressing need. The consulting industry in China will present a pattern of "International decline, local prosperity", and China is bound to produce world-class consulting companies. Chinasoft is best positioned to become such a top-tier brand consulting company. During the reporting period, the Group actively conducted pan-ERP "lighthouse" projects with leading central state-owned enterprises, establishing deep cooperation relationships with industry leaders such as Kunlun Digital Technology Co.,Ltd., Sinochem Information Technology Co., Ltd., and Beijing China-Power Informationa Technology Co., Ltd.. Additionally, it continuously won multimillion-dollar information technology construction projects from energy companies such as CNOOC and Shandong Energy. The Group actively participated in Huawei's pan-ERP related development and implementation work, receiving awards at Huawei's "Hero Crossing the Dadu River" recognition event. At the same time, the Group launched the "Phoenix" consulting partner program, introducing major partners, high-end consulting talents, and teams with backgrounds from world-class consulting companies to provide end-to-end services for enterprises' digital transformation, including consulting planning, enterprise application service solutions, data governance, IT development, and more. With its consulting headquarters based in Changping, Beijing, the Group aims to create a competitive environment and become the "new pillar" in empowering the industry with digitalization.

IV. JOINING HANDS WITH HUAWEI CLOUD TO WEATHER THE STORM ON THE SAME SHIP, USING CLOUD AS THE CORE ENGINE TO ACCELERATE INTELLIGENT APPLICATION INNOVATION ACROSS ALL INDUSTRIES

After more than six years of "sailing on the same boat" strategic cooperation, the Group has transformed from a general distributor and solution provider of Huawei Cloud to a comprehensive partner in all fields of Huawei Cloud. It was honored with the "Huawei Cloud Ecological Conference: Exclusive Heavyweight Award", the "Huawei Cloud Ecological Rock Award", and became one of the first "Advanced Cloud Digital Transformation Consulting and System Integration Partners" of Huawei Cloud. Over the past six years, the business scale has grown by more than 30 times, continuously leading the Huawei Cloud ecosystem, and making an absolute contribution to the construction and sales growth of Huawei Cloud capabilities. During the reporting period, the Group actively built a high-quality cloud foundation, creating a stable and sustainable second growth curve. It continued to increase the proportion of core business, focusing on developing services such as large-scale model application services, data intelligence, toolchains, security, and more. It delved into industries such as digital government, large enterprises, manufacturing, healthcare, education, and the Internet, actively expanding customer and channel resources, and nurturing multiple capabilities of SI/services/software partners, becoming Huawei's strongest, fastest-growing, and most profitable strategic partner. It actively assisted in the deep collaboration between Ascend Cloud and Harmony, accelerating the integration of Ascend Cloud's system-level AI capabilities into the Harmony system through "cloud-cloud collaboration". In IDC's latest "China Cloud Professional Services Market Tracking" report, the Group once again topped the list in two major cloud professional service segments: cloud migration services and cloud development services, maintaining its leading position.

V. CONTINUOUSLY CULTIVATING THE HONG KONG, SOUTHEAST ASIA, AND MIDDLE EAST MARKETS, EXPANDING THE OVERSEAS BUSINESS BLUEPRINT

The Group is closely following the opportunities for Chinese investment abroad, upgrading its capabilities in research and development delivery, pre-sales services, and global operations with Hong Kong as its base. It continues to export leading services and solutions overseas, focusing on deepening its presence in Southeast Asia and the Middle East markets, contributing significantly to the "new choice" for the Third World. During the reporting period, the Group landed projects in smart government, smart policing, and smart ports in Hong Kong, becoming an active provider of information technology professional services. It completed market layouts in Singapore, Malaysia, Thailand, Indonesia, and India in the Asia-Pacific region. The scope of hybrid cloud business expanded from the Middle East and Asia-Pacific markets to the European market, and the customer base expanded from single governments to include telecommunications operators. Starting from scratch, it established local project delivery capabilities in the Middle East, such as in the UAE and Saudi Arabia, and completed initial project deliveries. It delved into preliminary design work for the NEOM smart city and NEOM data center, achieving new breakthroughs in the Middle East market in comprehensive system integration. In the future, it will continue to improve its overseas service system, strengthen compliance construction, and provide global customers with more excellent product and service experiences.

Dear investors, the Group is dedicated to achieving a comprehensive advantage through scale and pursuing long-term effective growth centered on value, striving for a leapfrog development. Home is where the heart is. On the path of growth, we become more resolute in our faith in the great rejuvenation of our nation, more determined to follow the path of great companies like Huawei, and more steadfast in our confidence that one can indeed make a significant mark in the world. Living in a great era, following great companies, dedicating ourselves to great struggles, we aim to achieve great victories! The experience of being part of this journey and the struggle is unforgettable and fortunate. We have full confidence to overcome all difficulties and hardships, to build the Group into a world-renowned Chinasoft International, and to become the most valuable IT service brand contributing to the magnificent blueprint of our great motherland. Constantly remembering our mission and tirelessly pursuing it, keeping pace with the times, there will surely be an echo to our efforts!

Chen Yuhong
2024 Spring

BUSINESS OVERVIEW

The Group is a leading global technology software and information technology services company, founded in 2000. It provides end-to-end IT software, solutions, and services to global clients, with rich consulting, design, implementation, and service experience in the digital application of new technologies such as artificial intelligence, HarmonyOS smart IoT, data elements, and cloud computing. It helps enterprises transform digitally in depth and assists in the construction of new quality AI production. Since its listing in 2003, the Group has been committed to becoming a world-class leader in information technology services. It has consistently ranked among the top 100 in the Gartner Global IT Services Market Share for five consecutive years, currently ranked 73rd, with its ranking continuously rising. The Group serves many Fortune 500 companies and numerous specialized clients with high growth potential, covering industries such as finance, energy, government, telecommunications, transportation, high-tech, internet, automotive, and public utilities. Its business spans major cities in China, with the Greater Bay Area as its base and Hong Kong as its foothold. It is accelerating its coverage of the Middle East and Southeast Asian markets and embarking on a new global market layout. Its major clients include Huawei, HSBC, Honor, Ping An, Bank of Communications, China Construction Bank, AIA Insurance, Postal Savings Bank of China, Tencent, Alibaba, Baidu, Microsoft, China Mobile, China Telecom, PetroChina, Sinochem, State Grid Corporation, and BYD, among others.

GROUP STRATEGY

The Group seizes the opportunity presented by the AIGC cycle, the localization of domestic and controllable technologies, and the deepening of enterprise digital transformation. It aligns itself with Huawei's leading role in industry transformation and the grand strategy of China's key industries, empowering the development of new quality production forces comprehensively. Focusing on "AI+", with the intelligent cloud as its foundation, it concentrates on AIGC application and model factory services, HarmonyOS AIoT and digital twinning, ERP consulting and implementation, and digital transformation services, thus forming a "1+3" business lineup. It strengthens the end-to-end business chain and organizational structure of "Spearhead-Legion-Stronghold" deepens its understanding of "first principles," and directs its efforts to charge forward and achieve victory. The cornerstone business pursues the optimal comprehensive cost, enhances quality and efficiency, strengthens flexible management capabilities, improves individual productivity through AI technology, and continuously builds a healthy profit capability.

- **Building a high-quality intelligent cloud foundation**

  Aim to become the vanguard force in the cloud market, positioning as the preferred choice for enterprises transitioning to cloud services, aiming to be the top cloud service player in China and a leading domestic cloud solution provider. Focus on developing capabilities in roles such as advanced cloud digital transformation consulting and system integration partners, service partners, and software partners with Huawei; vigorously expand offerings in four core products: Ascend Cloud Services, databases, security, and toolchains; increase investment in direct and indirect sales to mid-market clients; enhance the empowerment level of the total agent platform by gathering high-quality ecosystem resources, maintaining the top ranking in national and key regional ecosystem rankings.

- **Harnessing the power of JointPilot to create a new engine for AIGC**

  Collaborate with JointPilot (Lingxi) Artificial Intelligence Application Platform to empower application operations by creating dedicated scenarios for large models tailored to government and enterprise clients. Strengthen the sales of proprietary Agent "Wen" series large models in the digital government market, and establish benchmarks in new areas such as cloud empowerment, government affairs, electricity, transportation, and public utilities for rapid replication. Partner with Huakun Zhenyu to jointly develop industry-leading integrated solutions for AI large model computing power, algorithms, data, and applications, accelerating the deep integration of software and hardware for autonomous and controllable development.

- **Becoming a leading full-stack player in the intelligent Internet of Things (IoT) industry**
  Seize the opportunities in both the northern and southern directions of HarmonyOS. In the northern direction, capture the demand for HarmonyOS-native applications and secure opportunities for native HarmonyOS applications. In the southern direction, grasp opportunities for collaborative development with open-source HarmonyOS, access to SKUs, and integration of HarmonyOS applications into various industries, leading to opportunities in chipsets, subsystems, and peripheral driver adaptations. Seize the opportunity of integrating HarmonyOS into urban lifelines, focusing on sectors such as gas, electricity, water management, heating, and fire safety. Initiate the development of edge-to-cloud, domestically produced, integrated products by integrating percept.

- **Forging the leading brand in enterprise digital services guided by consultancy**
  Build a strong brand influence among central enterprise clientele, garner recognition from industry-leading clients, become the top partner in domestic ERP localization, and achieve long-term commercial synergy. Develop highly competitive AIGC Pilot consultancy services, a massive knowledge empowerment platform, and an operational system. Establish strategic cooperative alliances/JVs with top-tier consultancy firms to strengthen market presence in specific industries/fields through mutual business and capability enhancement mechanisms.

- **Consolidating the synergy of "Spearhead-Legion-Stronghold" collaborative operational model**
  The core business continues to systematize, benchmarking against industry-leading enterprises, achieving utmost efficiency and quality in existing markets, ensuring sustained profit growth. With a customer-centric approach, implement key scenarios, projects, products, and breakthroughs, converting the efficiency of stronghold delivery into effective competitiveness for the spearhead. The legion bridges upwards and downwards, with solution research and management, solution sales and market expansion, and ecosystem development as core areas, driving business expansion and rapid growth.

- **Seizing the opportunity of domestication, propel breakthroughs in core technologies for software localization**
  Harnessing key information infrastructure industry solutions, deeply engaging in the localization of core technologies such as operating systems, cloud services, databases, toolchains, ERP, and other essential components. Achieving continuous breakthroughs in localized business domains, focusing on key sectors including government, telecommunications, defense, energy, manufacturing, transportation, and finance. Providing customers with superior services and solutions, aiming to become a core software service provider in the industry's digital innovation landscape.

- **Seizing the opportunity of Chinese enterprises going global to expand Chinasoft presence in overseas markets and explore the international ecological landscape**
  Committed to becoming a global enterprise and establishing China's influence in the global IT arena. Based in Hong Kong, Chinasoft aim to continuously export leading services and solutions overseas, establish integrated local sales and service teams, and enhance investment and financing capabilities. This will help Chinasoft generate new revenue and profit growth opportunities overseas, while expanding into markets such as Singapore, Malaysia, Thailand, the UAE, Saudi Arabia, and Chile. Additionally, it will closely follow top Chinese state-owned enterprises and financial institutions as they expand overseas, strategically deploying resources and participating in planning and implementation to steadily develop its overseas capabilities.

RECENT BUSINESS DEVELOPMENTS

1. AIGC Large Model Services and Model Factory

During the reporting period, the Group established the Chinasoft AIGC Research Institute, which is based on the accumulation of data technology and ecological partnerships. It has developed a strategic plan for the development of the large model application ecosystem. This includes strengthening joint innovation in the AIGC field with customers, universities, research institutions, computing hardware partners, and ISV partners. Focusing on the development trends and key technological innovations in the software industry, Chinasoft has utilized experimental bureaus to create incubated product solutions, leading to the implementation of large-scale model applications in government and enterprises and the commercial operation of large-scale model products. Additionally, Chinasoft signed a comprehensive strategic cooperation agreement with Huawei Kunpeng, accelerating the deep integration of software and hardware for autonomous and controllable computing, providing the world with another choice for computing power.

1.1. "Wen Series" Solutions and Integrated Machine for Large Model Applications

During the reporting period, the Group delved deep into AIGC, focusing on empowering data innovation applications with large-scale models, and created the "Wen Question Series" solutions as its core. The core products of the series, based on the intelligent agent model, create data analysis intelligent assistants, reducing technical barriers and usability difficulties, and enabling users to complete self-service data analysis and report/dashboard generation in minutes, helping users easily tackle various data tasks. By integrating domain data, it has developed capabilities such as intent understanding, NL2SQL, proactive analysis, and deep reasoning tailored to industry characteristics, further launching six industry-specific versions such as "Power Question", "Audit Question", and "Port Question" to empower various industries. During the reporting period, the "Wen Series" solutions have deepened cooperation with Huawei, entering the baseline of products such as "Government Integrated One Network", and forming joint solutions with Huawei's Power product lines. Additionally, "Wen" application cases have been included in the "Big Model Industry Application White Paper" jointly published by the China Quality Certification Center and the Zhongguancun Intelligent Use Artificial Intelligence Research Institute.

1.2. JointPilot (Lingxi) Artificial Intelligence Application Platform

During the reporting period, the Group launched the JointPilot (Lingxi) Artificial Intelligence Application Platform, providing key features such as model and resource encapsulation access, data/knowledge processing, enhanced knowledge retrieval capabilities, application orchestration, and compliance constraints. This platform serves as an integrated AI application platform for customers and ISVs, facilitating the implementation of large-scale model applications. The platform underwent several iterations based on real project demands for large model application development, evolving into an AI Agent development platform tailored for intelligent agents. It offers frameworks for Agent construction, integration, collaboration, and management, along with enhanced tool layer management and trustworthy governance for Agents. Currently, JointPilot has attracted numerous partner developers to develop large model applications and intelligent agents based on the platform. It was included in the China Electronics and Information Industry Federation's "2022-2023 Innovation Software Product Promotion Catalog" and was awarded the title of "Outstanding Innovative Software Product for 2022-2023".

1.3. Model Factory

During the reporting period, the Group focused on the construction and development of the Ascend + Pangu ecosystem, leveraging the JointPilot (Lingxi) Artificial Intelligence Application Platform and the "Wen" series of large models as service bases, based on which the AIGC submitted to achieve commercial closure. Through the introduction of large models consulting, the Group streamlined and planned model requirements, guided new AIGC scenarios, and consolidated capabilities in large model application development, model training/migration services, and computing power services. The Group delved deeper into areas such as energy and power, smart vehicles, smart cities, and intelligent manufacturing, building integrated solutions comprising hardware-software integration, models, and applications. This effort entailed the development of industry-specific application models, targeted data sets for training, refined tool methodologies, and computing power scheduling management capabilities, supporting commercial customers in the rapid and lightweight deployment of private models in specific industry scenarios.

In the talent recruitment field, the Group's HR large model has achieved intelligent recruitment of digital employees, enhancing the efficiency and accuracy of the entire recruitment process. In the intelligent customer service domain, the model factory collaborates with China's top 500 service industry enterprises to create social security customer service robots using dialogue-based large models.

In the model migration field, the Model Factory successfully assisted a high-tech client in Beijing in migrating its models from the NVIDIA computing platform to the Huawei Ascend computing platform. This migration effectively reduced model application costs, improved model training and inference efficiency, and ensured the security of customer data through secure and reliable data storage and management practices. With comprehensive technical support and services, the Model Factory provides strong support for the intelligent transformation of various industries, driving industries towards a more efficient and intelligent future, and helping clients bridge the last mile of AI application implementation.

1.4. Ascend Computing Power Operation

During the reporting period, the Group continued its Ascend AI computing power operation services in cities such as Xi'an and Suzhou. The Group's self-developed products and service capabilities covered various aspects of computing center hardware, software platforms, integrated construction, operation, and maintenance, forming a complete closed-loop capability. Targeting computing power customers such as governments, universities, research institutes, and enterprises, the Group provided model consulting, model operation, and training data set/knowledge base services to meet diverse scenarios, specifications, and deployment requirements for computing/storage and various models. The Group released a computing power scheduling platform product to establish a comprehensive computing power operation service system for customers, forming an integrated solution of "product + service + operation," providing strong support and guarantee for computing power consumption and operation.

During the reporting period, the Group launched a computing power scheduling platform, widely applicable to various business scenarios such as government cloud, industry cloud, industrial cloud, hybrid cloud, artificial intelligence computing centers, and supercomputing centers. The platform provides one-stop diversified computing power supply, integrated scheduling, transaction, and operation management capabilities. With scheduling technology at its core, the platform achieves optimal matching between computing power demand (tasks) and computing resources through strategies and algorithms, meeting the computational needs of different scenarios and realizing flexible access to and efficient utilization of computing resources. It has been widely applied in various industry scenarios in China, including at a certain artificial intelligence computing center in Xi'an, a smart computing center in Hefei, a hub node of the "National Integrated Big Data Center," and a smart city project in Sichuan. At the 2023 AlgoCloud Integration Industry Conference hosted by CAICT and the Beijing Communications Administration, the Group, as one of the first enterprises to access the scheduling platform, received an award and demonstrated on-site computing power procurement scheduling as a benchmark computing center under the theme of "East Numerical West Calculation."

During the reporting period, the Group established a global operations center in the Gui'an area and established an IT talent incubation center based on the demand for digital transformation. With the support of operation tools such as application development tools, large model development kits, and data toolkits, the Group utilized operation methods such as computing power platforms, operation management systems, and model malls to assist Gui'an in connecting with the demand for cloud and AI application fields within the region. This initiative aims to promote the industrialization of large models in Guizhou and support the real economy in improving quality and efficiency.

1.5. AI Government and Enterprise Market and Partner Ecosystem

During the reporting period, the Group positioned itself as a crucial cornerstone in the construction of Digital China, further solidifying its presence. The Group provided end-to-end services nearly 2,500 times for 3,723 projects for over 1,500 government and enterprise clients, with a total project value of approximately 17.28 billion RMB. These efforts generated a Gross Transaction Value (GTV) of 14.4 billion RMB, representing projects that generated service revenue. The market expansion strategy transitioned from focusing on 4+4+2 key cities to a model that deepened penetration into the three major regions of East China, South China, and Central China. While maintaining nearly 100% contract renewal rate with existing clients, the Group expanded its services from provincial and municipal levels to district and county-level big data bureaus, covering more than 50 big data bureaus across 25 cities.

During the reporting period, the Group actively promoted the implementation of large-scale model applications in various industries such as government affairs, finance, ports, healthcare, education, and energy. It served more than 50 key government and enterprise clients, deploying benchmark projects in cities including Nanjing, Shenzhen, and Yuyao, covering scenarios such as public opinion analysis, economic operations, smart transportation, and city-specific applications using Harmony's "Wen" platform. The Group successfully secured a contract for an AIGC project with a state-owned bank, undertaking AI research and development across various financial business scenarios.

During the reporting period, the Group continued to engage in multi-level cooperation with ISV ecosystem partners to accelerate the development of the AIGC capability partner system. In terms of strategic partnerships, collaborations were established with Huawei, Baidu, Netease, and iFlytek, among others, through joint product solution development, industry expansion, and customer co-creation initiatives. With industry ISV partners, the Group collaborated with over 10 ISV partners to conduct joint research and development, jointly creating solutions for industries such as ports, healthcare, and procurement. Regarding research partners, collaborations were established with renowned universities such as Tsinghua University, The Hong Kong Polytechnic University, and Shanghai Jiao Tong University to establish joint innovation laboratories, exploring cutting-edge technologies in large-scale models and conducting joint practices such as model evaluation services and specialized agent product incubation. Additionally, the Group empowered nearly a hundred ISV partners to embrace large-scale models through initiatives such as organizing JointHackathon innovation competitions, training camps, and industry salons.

During the reporting period, the Group positioned itself as a leader in industry innovation and actively participated in the formulation of norms and standards for innovative applications of large-scale models. Collaborating with institutions such as the China Electronics Chamber of Commerce, the Ministry of Industry and Information Technology (MIIT), the China Academy of Information and Communications Technology (CAICT), and the China Artificial Intelligence Industry Development Alliance, several industry standards in the field of large-scale models were jointly launched. As a member of the OpenAtom Foundation's Technical Oversight Committee (TOC), the Group shared its experiences in the deployment of enterprise applications of large-scale models, new paradigms in software development, and exploratory practices in the open-source community on more than ten occasions. Additionally, the Group was selected for the Beijing General Artificial Intelligence Industry Innovation Partner Program and included in the "2023 Large-Scale Model and AIGC Industry Atlas" by CAICT.

1.6. *Software and Hardware Integration Capability Building*

The Group signed a comprehensive strategic cooperation agreement with Huakun Zhenyu, focusing on key foundational industries such as finance, government, and manufacturing. Together, they will develop an "AI domestic high-end hardware platform + AI full-stack application service," jointly creating a leading integrated solution for AI large model computing power, algorithms, data, and applications in the industry. This collaboration aims to accelerate the deep integration of software and hardware for self-reliance and control, providing the world with an alternative choice for computing power.

In the field of large-scale model applications, the Group and Huakun Zhenyu will jointly launch integrated products based on model laboratories for industries such as finance and manufacturing, providing ready-to-use services. For data and knowledge application scenarios for government and enterprise clients, they will collaborate on the "Wen" series integrated software and hardware products, comprehensively enhancing the experience of intelligent government applications. Leveraging the application modularization services of Chinasoft International's Model Factory, the two parties will jointly accumulate core capabilities such as industry-specific application models, targeted training datasets, fine-tuning tools, and computing power scheduling management, supporting commercial clients in the rapid and lightweight deployment of private models in specific industry scenarios.

2. **HarmonyOS Intelligent IoT and Its Application Ecosystem**

The Group regards Shenkai Hong as the missile force, the Intelligent IoT Corps (AIG) as the assault brigade, and the Intelligent IoT Business Group (ABG) as the heavy-duty army, deeply participating in the construction of the open-source Harmony ecosystem, gradually forming a comprehensive business model in the pan-AIoT field. Following Huawei's Harmony ecosystem to become one of the world's three major intelligent terminal ecosystems, the Group is committed to promoting the commercial success of the Harmony ecosystem business, striving to become the main force and leader in the construction of the Internet of Everything ecosystem, and practicing the construction of Digital China.

*2.1. **Open Harmony OS and Digital Twin Platform***

The Group is fully committed to building a self-controllable intelligent Internet of Things (IoT) foundation and an end-to-end integrated solution of edge, cloud, network, and application, based on the 1+1 strategy (HarmonyOS + Super Device Management Platform). It is closely aligned with the needs of key industries such as water conservancy, transportation, urban lifeline, military and energy, continuously expanding our presence in national vital projects and cutting-edge urbans.

During the reporting period, the Group independently developed the HarmonyOS All-in-One series, HarmonyOS Companion series, HarmonyOS Central Control Tablet, as well as the Euler Edge All-in-One Machine and Euler Edge Server, among other smart IoT product lines. The Group's independently developed domestically produced industrial central control screens have been successfully deployed and utilized in various industrial sectors and institutions. Among these, the jointly developed product "Mining Harmony All-in-One Machine" with China Railway Construction Heavy Industry has obtained "Mining Harmony" certification and has been put into operation in mining operations.

During the reporting period, the Group collaborated with Kobit to develop the KaihongOS drone, which enables real-time dynamic twin mapping on tablets and computer devices, achieving a technological breakthrough where one person can control multiple drones in the future. The Group jointly developed a product with Red Flag Charging Piles called the Smart Supercharger All-in-One Machine, which is the world's first high-power DC liquid-cooled supercharger charging pile based on OpenHarmony in the new energy field. The Group, together with Deepin Harmony and Huawei, introduced a new joint solution called the Information Technology Innovation Digital Classroom Solution, creating atomized services such as "Smart Whiteboard" and KaihongOS Full-Scenario Experiment Boxes and Development Boards. This initiative brings real R&D tools from enterprises into teaching, significantly enhancing students' and teachers' engineering practical capabilities using open-source HarmonyOS technology across the physical, system, network, and perceptual layers. During the reporting period, the Group collaborated with Huawei's Government and Enterprise Network Communication Division to co-create the OpenHarmony Smoke Prevention and Firefighting Solution. This solution, as an innovative reform topic for urban HarmonyOS scene construction, has been implemented as a benchmark project in Nanjing and has been listed in Huawei's Government and Enterprise Network Communication Division's OBP catalog.

2.2. Harmony Single Framework Migration and Native Application Development

During the reporting period, the Group focused on HarmonyOS development, leveraging technical advantages such as "one-time development, multi-device deployment" and "innovative AI interaction." It developed a series of HarmonyOS basic framework capabilities, security capability libraries, media and graphics component libraries, as well as innovative components for enhanced animations. These were tailored to industry application requirements, providing end-to-end solutions for industry users covering the entire lifecycle of HarmonyOS native applications, meta-services, and third-party SDK development, testing, and operations. This initiative aimed to assist enterprises in embracing HarmonyOS rapidly, efficiently, and cost-effectively.

The Group actively aligns with Huawei's Terminal Business Group (BG) strategic plans, focusing on the HarmonyOS ecosystem development path. It closely follows Huawei's HarmonyOS Ecological Sailing Plan and has initiated deep applications in various industries such as hotels, tourism, education, healthcare, finance, entertainment, home appliances, transportation, and ports. This effort assists customers in swiftly achieving HarmonyOS single-framework application migration and development. Collaborative agreements have been signed with Zimi Technology, Shunhe Group, Shushi Hui, and Aiju Technology to advance HarmonyOS ecosystem cooperation. As a strategic partner of Huawei's HarmonyOS ecosystem, agreements have been reached with numerous HarmonyOS ecosystem partners including Intelligent Technology, Lutong IoT Technology, Kungfu Bean Technology, LePu Health, HelioTrek, and Zhiwei Intelligence to comprehensively promote the deployment of native applications for the HarmonyOS system.

For consumer end of the financial industry, the Group fully embraces the industry transformation brought by HarmonyOS, extending its robust product engineering capabilities in the direction of native HarmonyOS application development to various financial institutions. During the reporting period, the Group launched a HarmonyOS native technical development platform tailored for the financial sector. This platform supports the flexible expansion of mobile applications and iterative development of functionalities. Additionally, the Group successfully bid for HarmonyOS development projects from several heavyweight financial institutions.

The Group is driving the development of HarmonyOS element services, including the migration of WeChat mini-programs, one-to-one replication of mini-programs without the need to modify the original system to add HarmonyOS element service clients. Furthermore, the Group is promoting the development of industry-specific element services. In the cultural tourism sector, it is creating synergistic software and hardware solutions, initiating business collaborations with cultural tourism entities such as Weihai Cultural Tourism in Shandong and Nanxun Cultural Tourism in Huzhou. This initiative assists clients in establishing new cultural tourism brands and enriching the cultural tourism landscape.

2.3. Harmony Ecosystem Contribution

During the reporting period, the Group totaled 35,252 certified Harmony developers, securing the top position and establishing a strong foothold as a service provider within the Harmony ecosystem.

The HarmonyOS Smart Connection SKU Access Service, based on Huawei's HarmonyOS Connect technology, targets clients in industries such as smart home and fitness, providing them with solutions for the development, testing, certification, and mass production of smart hardware products within the Harmony ecosystem. This service aids clients in various industries such as power, security, transportation, and energy in adapting their products to HarmonyOS, offering hardware-software integrated HarmonyOS solutions.

The Group, certified as an official "HarmonyOS Connect Ecological Solution Partner" by Huawei, has signed a strategic agreement for HarmonyOS Smart Connection. Currently, it ranks first among comprehensive ISVs, serving over 300 categories and 200 brands, with millions of connected devices. In collaboration with Harmony, the Group continuously releases Harmony industrial tablets, Harmony full-scene experiment boxes, Harmony controllers, and other smart connection products, establishing a self-developed matrix of smart connection products. As of now, a total of 43 products have passed OpenHarmony compatibility assessments.

In the OpenHarmony domain, the Group, in collaboration with Harmony, has contributed over 2.4 million lines of code to the main repository of the OpenHarmony community, ranking first in contribution rate outside Huawei. As recognition of its contributions, the Group has been awarded the "Outstanding Contribution Unit" medal by the OpenHarmony community.

During the reporting period, the Group solidified the data security foundation for "City Harmony" and "Industry Harmony," facilitating the expansion of application scenarios from policy-driven to industry-driven, along with technological innovation. Presently, Harmony Industrial Parks have been established in 10 cities including Wuzhen, Zhengzhou, Suzhou, Yancheng, Zhongshan, Tianjin, Chengdu, Wuhan, and Nanjing. Additionally, four co-creation labs were set up in Qingdao, Chengdu, Yancheng, and Suzhou, serving nearly 20 cities and providing services to over 1,800 government and enterprise clients. This effort has led to the formation of landmark Harmony co-creation camp IPs.

2.4. Industry Solutions

2.4.1. Harmony Smart Water Conservancy

During the reporting period, there was a breakthrough in the smart water conservancy solution based on open-source HarmonyOS technology, with successful implementation in flood control, drainage, and ecological water replenishment coordination projects in Suzhou High-tech Zone. In this project, the Group aimed to build a digital twin basin platform for “four predictions” and combined the achievements of flood control and ecological water replenishment in Suzhou High-tech Zone, applying digital water network twin technology for refined management of water conservancy projects. The project solution was recognized as an excellent case of enterprise digital transformation at the China International Digital Economy Expo (referred to as “CIDEE”) in 2023. In the water conservancy industry, the Group utilized HarmonyOS as the digital foundation and launched the Harmony Innovation Smart Connection series products, including the Leize Smart Connection All-in-One Machine, Yiwang Smart Connection Companion, and Suiming Smart Connection Perception Platform. This initiative laid the foundation for a systematic matrix of domestically developed smart connected network products and gradually completed the release of solutions for five major scenarios: small and medium-sized reservoirs, irrigation area water conservancy projects, supply and drainage safety supervision, and hydropower station safety supervision, as well as modern hydrological stations.

2.4.2. Harmony Smart Transportation

During the reporting period, the Group signed a strategic cooperation agreement with HuaChi Traffic and Shenzhen OpenHarmony, aiming to jointly develop scenario-based, intelligent, and domestically produced transportation solutions in the smart transportation field based on the open-source HarmonyOS. They successfully won the bid for a large tunnel electromechanical project in Wenzhou City, Zhejiang Province, marking the implementation of the first domestic “Harmony Tunnel” solution.

During the reporting period, the Group, in collaboration with Shenzhen OpenHarmony, invested in the construction of smart urban rail transit. Together with Huawei and Guangzhou Metro Group, they initiated the first subway construction solution enabled by HarmonyOS, starting from the shield tunnel construction method in the subway tunnels.

During the reporting period, the Group developed the HarmonyOS smart port solution, achieving intelligent management of port machinery, vehicles, personnel, ships, goods, and the environment, thereby facilitating the construction of smart ports. Furthermore, the Group, along with Shenzhen OpenHarmony and Tianjin Port Group, continued the second-phase cooperation in the Tianjin Port project.

2.4.3. Harmony Smart City Lifeline

During the reporting period, the Group formally signed a comprehensive strategic cooperation agreement with Shenzhen Smart City Technology Development Group Co., Ltd., focusing on Shenzhen's Digital Twin Pioneer City Action Plan. The collaboration aimed to promote the comprehensive cooperation of emerging technologies such as open-source Harmony and AIGC Big Models in various fields including Pioneer Infrastructure, Pioneer Applications, Pioneer Data, and Pioneer Technology, achieving mutually beneficial development. As one of the first members, the Group participated in the establishment of the Digital Twin Pioneer City Industry Alliance, aiming to build a "data integration, coexistence, real-time interaction, and millisecond response" digital twin pioneer city in Shenzhen. Leveraging the leading technology advantages of HarmonyOS from Harmony, the Group and Shenzhen Smart City Technology Development Group Co., Ltd. jointly worked on solidifying infrastructure, innovating applications, building ecosystems, restructuring models, and expanding markets, advancing the comprehensive application access of urban-level IoT perception platforms. This initiative aimed to construct a comprehensive smart city service intelligence body covering end-edge-cloud-network-use-service, jointly researching and formulating national, industry, and regional standards based on IoT perception. Furthermore, focusing on intelligent innovation around "CIM+ Smart Water Conservancy, Smart Transportation, Smart Utility Tunnels," the Group promoted the integrated development of KaihongOS with AIGC Big Models and digital twin solutions, driving the construction of "Industry Harmony." Leveraging independently developed intelligent interconnection and collaborative creation products and technologies, they worked together to create intelligent and controllable digital twin pioneer demonstration applications, contributing to Shenzhen's goal of becoming a trillion-yuan core industry value-added digital economy highland driven by innovation and digital empowerment.

3. Pan ERP and Digital Transformation

The Group is steadfast in implementing a "platform + service" model for its comprehensive ERP services, seizing the evolving landscape of the domestic enterprise application service market's digital transformation. It aims to establish itself as the foremost brand in enterprise digitalization services driven by consultancy. The Group focuses on key sectors like petrochemicals, energy, aerospace and defense, and equipment manufacturing, crafting a business model that emphasizes industry consultancy driving comprehensive ERP implementation. This involves optimizing the synergy between consultancy services, secondary development services, and customized development services, thereby building end-to-end consultancy planning and implementation capabilities. Furthermore, the Group aims to develop highly competitive AIGC Pilot consultancy service pioneer products, a vast knowledge empowerment platform, and a streamlined operational system.

3.1 Consultancy Planning

During the reporting period, the Group's consulting team expanded to a scale of 900 people, incorporating consulting teams benchmarked against international standards, and establishing end-to-end comprehensive solution capabilities. This enabled the provision of companion-style services to clients, facilitating rapid business expansion in strategic planning, digital transformation planning, marketing transformation, supply chain transformation, enterprise architecture, IT planning, data architecture, data governance, ERP upgrades, and domestic substitution. Presently, the Group's consulting business has extended its coverage to industries including government affairs, finance, pharmaceuticals, manufacturing, automotive, and human resource services.

The Group has established cooperative relationships with large central state-owned enterprises in various industries. In a major digital transformation project in the petroleum industry, the Group received unanimous praise from state-owned enterprise leaders. In the future, there will be further deep collaboration and integration in implementing digital transformation and data governance, exploring more possibilities. In a project with a national power grid, based on meticulous business process analysis, the Group streamlined the integration of business and finance, established standardized data systems, and enhanced enterprise efficiency and management levels. Leveraging this power grid project, the Group aims to gradually expand coverage to other provincial power grid companies.

During the reporting period, the Group formed strategic partnerships with top international consulting firms. It also deepened cooperation with a leading ICT infrastructure and smart terminal provider in the industry, securing the top position in the ICT planning consulting sector in China. Projects covered five major areas: digital R&D, integrated supply chain, digital marketing, digital operations, and data governance and security.

Additionally, leveraging its proprietary software products, the Group established an operational management platform (HOJI) to enhance the scale and management efficiency of its consulting business.

3.2 ERP Implementation Service

During the reporting period, the Group aggregated its products and channel partners, continuously strengthening its presence in key industries such as petrochemicals, energy, aerospace and defense, automotive, equipment manufacturing, transportation, and logistics. Leveraging its professional service capabilities tailored to specific segments (such as chemicals), the Group established deep cooperation with industry leaders including China National Petroleum Corporation ("CNPC"), Kunlun Digital Technology Co.,Ltd., Sinochem Information Technology Co., Ltd., Beijing China-Power Informationa Technology Co., Ltd., COMAC Shanghai Aviation Industrial (Group) Co., Ltd., Chongqing Changan Automobile Co., Ltd. And Jianlong Group.

During the reporting period, the Group successfully secured bids for projects such as CNPC's SAP centralized HR & audit consulting, CNPC's Planning Institute APS technical services, and Yangnong Jinhu's SAP implementation. It also delivered multiple projects including CNPC's Planning Institute APS and Teabasedao Supply Chain Middleware, continuously enhancing its supply chain solution delivery capabilities. Furthermore, the Group introduced industry partner teams from the energy and petrochemical sectors to continuously improve project delivery capabilities and implement benchmark projects in the industry. Currently, it has established the capability to deliver billion-level ERP projects for large central enterprises, forming a unique management model in complex enterprise architecture and project management.

3.3 Application Modernization

During the reporting period, as one of the founding members of the Application Modernization Industry Alliance, the Group participated in the drafting and formulation of the "Application Modernization Technology Capability Maturity Assessment Model" along with other alliance members such as Huawei, UFIDA, and Kingdee. Together, they contributed to establishing industry standards, promoting industrial consensus, and deepening industry cooperation. This standard fills the gap in the field of application modernization construction in China, marking an important step forward in domestic application modernization construction.

3.4 *Data Services*

During the reporting period, the Group focused on the government, transportation, and energy sectors in the big data business market, continuously strengthening its capabilities in data middle platforms and data governance, and establishing solutions for data applications in various industries, forming industry accumulation.

In the government and public sectors, the Group continued to cooperate with the government big data bureaus of key cities in the Yangtze River Delta, the Pearl River Delta, the Beijing-Tianjin-Hebei region, and the Chengdu-Chongqing region, implementing projects such as governance of government data resources in a certain city in the Yangtze River Delta, governance of data infrastructure in the municipal public security bureau, and establishment of a government data asset service platform in a new area of a city in Northeast China.

In the transportation sector, the Group maintained its leadership position in the construction of intelligent data centers for airports, completing the digital upgrade and transformation of the financial system of a domestic airport. After the transformation, the business startup time was reduced by 62.5%, and the data backup time was reduced by 75%. At the same time, the core business performance and system security mechanism were greatly enhanced.

3.5 *Small and Medium-sized Enterprise (SME) Digital Transformation Services*

The Group's digital solutions for small and medium-sized enterprises (SMEs) focus on four key areas in the manufacturing industry: research and development, production, logistics, and services. They help enterprises improve quality, efficiency, and momentum in manufacturing. By combining their own practical experience and industry operation experience, they provide intelligent diagnosis services for enterprises, tailor-made feasible digital transformation plans, and help solve difficulties encountered by enterprises in the process of digital transformation. This assists enterprises in efficiently embarking on the path of digital transformation and bridging the "last mile" of digital transformation. They have accumulated rich practical experience in digital transformation, having produced over 1,500 digital diagnosis reports and created more than 100 benchmark enterprises in digital transformation. During the promotion of digital transformation projects in pilot cities for SMEs, the Group has been shortlisted in the vendor lists of over 10 cities, selected as the "National-Level Digital Traction Unit for the Pilot City of Digital Transformation for SMEs in Dongguan," and awarded multiple honors and qualifications, including being recognized as the "First Batch of Digital Service Providers for the Pilot City of Digital Transformation for SMEs in Xiamen" and the "First Batch of Industrial Digital Service Providers in Fujian Province."

4. **Cloud intelligence business**

During the reporting period, the Group transitioned from being a general distributor and solution provider for Huawei Cloud to becoming a comprehensive partner across all fields of Huawei Cloud. In terms of customer expansion, they fully aligned with Huawei Cloud's core partner expansion track, focusing on the entire process of customer digital transformation, industry-specific scenarios, deepening industry expertise, achieving capability symbiosis and commercial success, and accelerating customers' intelligent transformation. In terms of capability building, the Group focused on the development of capabilities in roles such as Huawei's advanced cloud digital transformation consulting and system integration partners, service partners, and software partners. Throughout the year, they obtained certification for 7 primary tags, completed the development of 7 major Offering services, delivered over 45 projects, and created more than 10 benchmark cases. They deeply penetrated various industries including digital government, large enterprises, manufacturing, healthcare, education, and the internet, comprehensively embracing the construction of capabilities on Huawei Cloud, stimulating diverse ecosystem collaboration, and building a solid foundation of capabilities. They strive to become the "strongest in capabilities, fastest in development, and most profitable" core partner, actively exploring industry customers for independent operation, aiming to be a dominant player in the region and a major platform. They aim to build a company with a high-quality intelligent cloud foundation, with a ratio of ten to one.

*4.1. **Huawei Cloud Market and Ecosystem***

As the first partner to sail in the same boat with Huawei Cloud, the Group's public cloud business closely follows the growth rate of Huawei Cloud, building full-stack cloud service capabilities based on cloud to provide cloud services covering the entire lifecycle of cloud consulting, integration, migration, development, and operation and maintenance for enterprises. It jointly bites the industry NA and waist clients' high-end service market with Huawei Cloud to reach industry leading and middle-to-long-tail customers. Facing the GrowCloud ecosystem, the Group fully aligns with Huawei Cloud's track, continuously adjusts the sales structure, provides deep high-end services, enhances customer stickiness, and drives business growth. In terms of customer operations, it insists on stabilizing the market share of existing customers while promoting new customer increments, focusing on providing high-value services and serving valuable customers through deep service industry scenarios. In terms of building ecological capabilities, it accelerates the expansion of waist combat, enhances the growth of value customers, continuously develops, cultivates, inspires, and supports partners, incubates partner capabilities, and works with partners to operate and promote growth. So far, it has aggregated more than 5000+ ecological partners, providing digital solutions and services for 20,000+ customers, achieving continuous explosive growth, and its business scale has grown more than 30 times in six years, continuously leading the Huawei Cloud ecosystem, becoming a comprehensive partner of Huawei Cloud. In 2022 and 2023, it won the "Huawei Cloud Ecological Rock Award" twice in a row, contributing absolute strength to the construction of Huawei Cloud capabilities and sales growth. During the reporting period, the Group ranked first in cloud migration and cloud development professional services in the "IDC China Cloud Professional Service Market Tracking" report, and ranked second in the cloud management service market.

During the reporting period, the Group continued its deep collaboration with Huawei in empowering the cloud domain. It consistently conducted enterprise empowerment and existing business operations in 14 regions including Nanjing, Xiamen, Fuzhou, Nantong, and Lishui. Among them, the Nanjing region became the pilot base for the AI intelligent cloud industry. Additionally, in the field of Robotic Process Automation (RPA), the Group assisted Huawei in establishing the first RPA base in Tangshan, and cooperation with Huawei's RPA projects in other regions is steadily progressing.

4.2. CTSP Cloud Transformation Service

During the reporting period, as a top-tier cloud transformation service partner, the Group successfully obtained certifications for 7 primary CTSP professional service tags (Cloud Management and Operations, Big Data Services, Data Management and Analytics Services, Cloud Planning and Implementation Services, Baseline Solution Integration and Implementation, HCS Infrastructure Planning and Implementation, IoT Services) and 12 secondary CTSP professional service tags (Cloud Planning and Implementation Service Capability, Big Data Migration Capability, Data Enablement Consultation, Data Integration and Development, Data Governance and Data Security Implementation, BI Application Development, Business Investigation and Integration Architecture Planning and Design Capability, Platform Operation and Maintenance Support, Technical Support Capability, General Solution Integration and Implementation Capability, IoT Cloud Deployment and Implementation, HCS Cloud Platform Infrastructure Planning and Implementation Capability), ranking at the top in the partner rankings. The Group possesses robust delivery capabilities in various fields such as Huawei Cloud, helping enterprises optimize business processes, improve operational efficiency, and reduce costs. During the reporting period, the Group provided comprehensive CTSP landing services to dozens of cloud customers, successfully completing benchmark big data migration projects for companies such as Xinwu Technology, Yikang Pharmaceuticals, and Beijing Wuli. At the 2023 Huawei Cloud Ecological Conference, the Group was honored with the "2023 Huawei Cloud Excellent Service Partner Award."

4.3. Advanced Cloud Integration Business

As one of Huawei's first batch of Advanced Cloud Digital Transformation Consulting and System Integration Partners, the Group continuously delves into industry supply, strengthens industry customer reach and value operation. It employs consulting planning to initiate top-level design, integrates AIGC and industry solutions, and provides customized development services. This includes integrating Huawei's public cloud resources, private cloud deployment, database and security software products, Ascend cloud services, and its joint baseline solutions with Huawei Cloud, to drive deep digital transformation for government and enterprise clients. During the reporting period, the Civil Aviation Second Institute project and a certain financial institution's database application project, both serving as benchmarks for Huawei's Advanced Cloud Integration.

4.4. Intelligent Cloud Solutions

4.4.1. Intelligent Finance

During the reporting period, the Group's collaboration with top-tier clients such as state-owned banks, nationwide joint-stock banks, policy banks, and large insurance institutions has progressed steadily. This collaboration has strengthened the Group's expertise in digitalization, securing multiple projects in artificial intelligence, data intelligence, and financial cloud-native services. These successes signify mutual breakthroughs in both the scale and depth of cooperation with clients.

In the field of transaction banking, the Group has successfully bid for nearly 40 new-generation bill systems projects, serving over 20 banking clients. Additionally, the Group actively supports bill innovation by launching the Supply Chain Bills Platform (SCDP), which serves as a fully online supply chain bill operation system for core enterprises, B2B e-commerce platforms, banks, and financial companies, facilitating operations for upstream and downstream businesses.

In the field of supply chain finance, the Group was selected as an excellent case in the "Insights into the Innovation and Development Market of Supply Chain Finance Technology in China" published by IDC, thanks to its mature supply chain finance full-stack solution.

In the field of digital currency (digital RMB), the Group successfully won a series of digital RMB projects. Among them, the project for planning and scenario application construction of a digital RMB operating agency for a large commercial bank is the industry's first bidding project in this direction.

During the reporting period, the Group's implementation of the data governance foundation system construction project for a certain city commercial bank won the "IDC China Financial Industry Technology Application Scenario Innovation Excellent Case" award and was selected for the "IDC PeerScape China Financial Industry Data Governance Practices and Cases, 2023" report.

The Group, leveraging its enterprise-level data system and Huawei's GaussDB as the core, introduced data asset operation products based on the DataArts platform, as well as domestic solutions and product integration services based on big data products (MRS, DWS, DataArts, etc.). During the reporting period, the Group successfully bid for a project involving the domestication of data middleware for a crucial financial infrastructure entity. Acting as the general contractor, the Group comprehensively coordinated product selection, design, deployment, and maintenance for the project. Additionally, the Group independently developed the TOPLINK5.0 bank distributed microservices architecture platform, which widely supports various domestic software such as operating systems, middleware, and browsers.

4.4.2. Intelligent Audit

During the reporting period, in the government audit field, the Group completed the delivery of software for collecting pre-budget and final accounts data for the Audit Office and participated in the subsequent development and service projects of the Golden Audit Project. The intelligent audit rectification integrated platform was promoted and implemented in provinces and cities such as Guangdong and Heilongjiang.

In the energy audit field, the digital audit project achieved continuous success in securing multi-million-dollar pure audit informatization construction projects for energy companies such as China National Offshore Oil Corporation and Shandong Energy. The first phase of the project was completed on schedule, contributing to the successful selection of clients in the list of influential teams for the year 2023 by the China Information and Communication Research Institute.

In the social security field, upgrades and transformations were realized for the supervision systems of social security funds in five provincial-level nodes, including Henan, Zhejiang, Heilongjiang, Jiangsu, and Hunan, with the completion of project construction plans for provinces and municipalities such as Chongqing, Yunnan, Hubei, and Shanghai.

4.4.3. Intelligent Park

During the reporting period, the Group's smart park solutions gained further industry influence and brand value, receiving awards such as the "Smart Park Value Contribution Award," the "Excellent Cooperation Award for Digital Transformation Services," and the "Best Practice Partner Award for Product Portfolio Solutions." Additionally, the Group collaborated with Huawei to launch joint park solutions and an overseas version of smart park solutions.

During the reporting period, the Group signed contracts for smart park projects with institutions such as Chengdu Vocational and Technical College, Bazhong Party School, Jiaxing Party School, Fujian Party School, Laos Electric Power, Hongyu Federation, and Civil Aviation Second Institute. This led to the benchmarking, construction, and replication of industrial parks, office parks, and smart campuses.

4.4.4. Intelligent Medical Care

During the reporting period, the Group launched the Smart Hospital Integrated Platform, providing professional services for scenarios such as medical system integration, big data governance, and interconnection for domestic top-tier hospitals. Simultaneously, the Group introduced a comprehensive smart hospital solution integrating medical, service, and management aspects.

The Group, in collaboration with Huawei, has provided services to numerous domestic and international hospital clients, including Gansu Maternal and Child Health Hospital, Wuhan Union Hospital, Guangdong Second People's Hospital, Tongji Hospital in Shanghai, Sanming First Hospital, Yibin First Hospital, Shenshan Central Hospital, Xiamen Maluan Bay Hospital, and the Qingyi Fangcang Hospital in Hong Kong.

4.4.5. Intelligent Energy

The Group, in collaboration with DataWisdom, has jointly launched the Smart Energy Digital Twin Solution, which includes multiple modules such as the Energy Twin Simulation Platform, Dynamic Vision Intelligence Platform, and Panoramic Fusion Space System. Through deep cooperation with Yunwen, the Group has forged a Smart Energy Knowledge Model Solution, achieving the intelligent upgrade of operation and maintenance scenarios in the power generation industry.

During the reporting period, the Group reached a strategic cooperation agreement with China Energy Investment Corporation's Comprehensive Smart Energy Technology Co., Ltd., actively engaging in collaborative innovation in areas such as product development, software localization, cloud-edge device intelligence, and decentralized smart energy AIGC large models.

In the oil and gas sector, the Group obtained Huawei ISDP service certification, officially becoming one of Huawei ISDP's first strategic partners. Focusing on on-site operational safety in the industry, the Group and Huawei jointly developed the "Construction Site Safety Operation Control Platform," supporting digital construction sites and enhancing operational management intelligence with a focus on site safety operations.

4.4.6. Intelligent Manufacturing and Automobile

During the reporting period, the Group identified 16 typical business management needs based on the business scenarios of steel industry clients, such as complex ore quality control and low efficiency and quality of raw material weighing in the steel production process. It rapidly implemented more than 10 application scenarios, including ore classification and grading, unmanned weighing stations, and intelligent conveyor belt inspection, to build a 5G+ Smart Steel Solution. This initiative facilitated the digital application landing of steel enterprises.

During the reporting period, in response to the trend of software-defined automobiles, the Group deeply engaged in automotive OEMs' outsourcing management, product development systems, and intelligent product research and development. It provided strong support for automotive OEM customers to achieve digitalization, intelligence, and connectivity transformation. Currently, the Group has served nearly 20 well-known automotive OEMs in China, with business operations spanning over ten cities nationwide and a total team size exceeding 3000 people.

5. **Domestic Market Blueprint**

The Group closely aligns with Huawei's key business ecosystem development strategies in computing, government-enterprise, consumer, and Huawei Cloud domains. It strategically lays out to build a full-stack domestic IT service capability covering bottom-layer hardware, computing power hardware, cloud resources, basic software such as development tools, operating systems, databases, to ERP systems, AI industry big model applications, model factory services, and top-level consulting planning. It collaborates in co-building HarmonyOS and open-source HarmonyOS product solutions, accelerating the domestic adaptation process of bottom-layer hardware. It partners with Huawei Kunpeng to deploy AI Ascend computing power hardware platforms. It constructs comprehensive IT service capabilities to support cloud transformation for enterprises of all sizes. It follows up on the development and implementation of domestic toolchains such as codeArts. It advances the development of the Harmony OS operating system for "Industry Harmony" and "City Harmony" construction targeting key industries and cities domestically. It promotes the domestic transformation and application of the Gauss database in various industries such as finance and telecommunications. It accumulates high-end consulting and design service experience in the ERP domain, closely following the domestication process and layout of ERP. It continually enhances the compatibility of self-developed AI solutions such as JointPilot platform and "Wen" series with Ascend Cloud & Pangu big models, and explores market expansion. During the reporting period, the Group also independently developed the enterprise-level Panshi operating system based on openEuler and the enterprise-level Panshi database based on openGauss.

5.1. ***Panshi Operating System: An Enterprise-Level Server OS Based on openEuler***

During the reporting period, the Group developed the enterprise-level server operating system "Panshi Operating System" based on the openEuler community edition. This system is widely applicable to various application scenarios such as databases, big data, cloud computing, and web services. Simultaneously, a series of tools and solutions were created to assist enterprises in achieving seamless migration of business systems, greatly simplifying the operation process and significantly reducing system migration costs. The system has passed the compatibility technology evaluation of the openEuler open-source community and obtained compatibility certification from the Huawei Kunpeng Ecological Innovation Center for Kunpeng full-stack solutions, along with compatibility mutual recognition with products from Longxin, Changan Computing, Dameng, Massive Data, Kingdee, Eastern Communication, and Weaver Network Technology. The Group joined the "Photosynthesis Organization", and products of the Panshi series were included in the Dalian Information Technology Application Innovation Product Resource Pool (third batch), jointly innovating and serving customers with the Sichuan Information Technology Application Innovation Alliance, Cloud Shaanxi, and Shaanxi Information Technology Application Innovation Adaptation Center in multiple cities. The Group successfully won the bid for China Mobile Financial Technology's "2023 Operating System Baseline Version Development Project" and China Mobile's "Cloud Capability Center 2023-2024 Provincial Company Operating System Migration Technology Service Project," achieving continuous breakthroughs in the field of domestic innovation and creation. In December 2023, the Group participated in the co-organization of the "Operating System Conference & openEuler Summit 2023" and delivered a keynote speech in the sub-forum. At this conference, the Group was awarded the title of "Outstanding Contribution Unit of the openEuler Community" for the year 2023 and the "openEuler Special Contribution Award" by the China Electronics Standardization Institute, demonstrating its outstanding technical strength and market performance.

The Group, as a partner of the openEuler community, a silver donor to the community, a member of the community user committee, an openEuler service partner (OESP), and a significant contributor to the community, provides users with professional services such as operating system migration, maintenance and support, security reinforcement, and customized operating systems. Additionally, the Group has developed numerous tools within the ecosystem. By deeply integrating technology with industry, academia, and research, the Group has become a key contributor to the openEuler ecosystem's innovative team.

5.2. Panshi Database: An Enterprise-level Relational Database Based on openGauss

As an openGauss community partner, the Group actively participates in open-source ecosystem development. Leveraging the openGauss 5.0.0 kernel, the Group has created the enterprise-level relational database, Panshi Database. Innovatively integrating Panshi Database with domestically produced CPU hardware and operating systems, the Group offers diverse deployment scenarios, including primary-backup and centralized deployment, with automatic failover capability to meet customer disaster recovery needs. Panshi Database is capable of managing data volumes at the petabyte level, supporting both OLTP and OLAP characteristics, enhancing MySQL's SQL syntax compatibility, and providing migration tools from MySQL to Panshi Database for seamless transition. It is suitable for various industries and large enterprise customers, including finance and telecommunications. The Group has been actively involved in the development, testing, and service cooperation of Huawei GaussDB products for an extended period, supporting POC testing, experimental site testing, and deployment implementation, mastering the implementation methodology of the complete project and accumulated rich experience in the installation, deployment and upgrading operation of GAUSSDB database.

During the reporting period, the Group attended the openGauss 2023 Developers Conference and was among the first batch of certified service partners. With professional openGauss practical experience and technical capabilities, the Group can provide customers with professional openGauss technology and development services. In the future, through the "3 years in the community + 3 years as a partner" version lifecycle service, the Group will provide customers with a minimum of six years of professional service assurance. In September 2023, at the Huawei Full Connection Conference, Panshi Database made its official debut. In December 2023, at the openGauss Summit 2023, the Group was honored with the openGauss Outstanding Enterprise Contribution Award as the outstanding contributor of the openGauss community in 2023 and participated in the joint release ceremony of the openGauss database distribution. In December 2023, the Group released several tools including the SQL audit tool SQL-ADT, the database performance monitoring and alert tool DSDP, the database cluster management tool HouseKeeper, the SQL development tool SQL-DEV, and the database migration tool Evolve.

6. **Overseas Market Blueprint**

During the reporting period, the Group established Hong Kong as its overseas business hub, achieving rapid growth in Hong Kong operations. Strengthening existing overseas service capabilities, the Group upgraded its capabilities in research and development delivery, pre-sales services, and global operations centers. Seizing opportunities for cooperation with the Hong Kong government's information technology projects, the Group actively invested in product development and delivery in government system construction, data governance, and comprehensive service operations. It conducted informationization project construction and maintenance services in areas such as smart government, smart policing, and smart ports, contributing to digital governance by the Hong Kong government. The Group gained recognition from the Hong Kong government clients, becoming an active supplier of information technology professional services in Hong Kong, opening up opportunities for the Group in the Hong Kong Special Administrative Region's information technology construction services sector, further enhancing its competitiveness in the Hong Kong and international markets. Additionally, the Group completed its expansion into the Asia-Pacific markets including Singapore, Malaysia, Thailand, Indonesia, and India. During the reporting period, the Group successfully bid for an annual cooperation project with a multinational financial institution's Malaysian branch, taking an important step in the Southeast Asian financial IT services market. Furthermore, the Group established local project delivery capabilities in the Middle East, including the UAE and Saudi Arabia, from scratch and completed initial project deliveries. It conducted preliminary design work for the NEOM smart city and NEOM data center, achieving new breakthroughs in the Middle Eastern market in comprehensive system integration. During the reporting period, the Group developed a product and service system tailored to the needs of government and enterprise clients in Southeast Asia, including hybrid clouds, distribution clouds, partner clouds, empowerment clouds, and sovereign clouds. Its business scope expanded from the Middle East and Asia-Pacific markets to the European market, and its customer base expanded from solely government clients to include telecommunications operators. In the future, the Group will continue to improve its overseas service system, strengthen compliance construction, and provide global customers with even more outstanding product and service experiences.

7. **Software and Technical Services**

7.1. Financial

During the reporting period, the Group's financial business showed steady progress. On one front, it expanded its cooperation scale and deepened collaboration with leading clients such as state-owned banks, commercial banks, city commercial banks, and major insurance and securities companies. Simultaneously, breakthroughs were made in niche areas such as futures, wealth management, policy banks, financial infrastructure units, and financial companies.

In the domestic financial IT services market, the Group secured contracts for several large-scale annual service frameworks with leading financial institutions. Leveraging cutting-edge technologies like AI, data intelligence, and blockchain, the Group provided comprehensive support for the digital transformation needs of financial institutions. This included core system upgrades, optimization of enterprise operations, risk management, and fostering business innovation through consulting, development, testing, and operational services.

Furthermore, in the realm of domestic branches of foreign financial institutions, the Group renewed contracts with several renowned multinational banks. It also won bids for multi-million-dollar system development projects, setting benchmarks for expanding the systems of foreign banks and implementing cross-border payment projects.

7.2. Telecommunication

During the reporting period, the Group continued to deepen its engagement with major telecommunications operators such as China Mobile, China Telecom, and China Unicom. It also strengthened and expanded its business relationships with primary equipment suppliers and general electronic device suppliers. Additionally, the Group actively explored and achieved breakthroughs in the new energy vehicle sector, contributing to its continued growth in both the telecommunications and new energy industries.

During the reporting period, the Group secured new contracts for various projects including the Smart Transformation Business Project with China Mobile Design Institute, Resident Research and Development Project with China Mobile Terminal, Software Development Project for Integrated Traffic Monitoring System with China Mobile, Data Growth Project for Internet Data Platform Capability Development with China Mobile, Informationization Project for Industry Planning and Pre-sales Support Services with Shaanxi Mobile, Research and Development Project for Guangdong Mobile Bay Area Innovation Institute, Migu Culture Service Project, Migu Video, Migu New Air Operations, among others.

In cooperation with China Telecom, further breakthroughs were achieved in R&D projects with Hengyuan Chuangzhi and State Grid Medical Health. During the reporting period, new contracts were signed with Beijing Evermobilesoft Information Technology Company Limited, China Telecom Wanwei Information Technology Co., Ltd., China Telecom Digital Intelligence Technology Branch and Chinatelecom Cloud, promoting the Group's continued and mutually beneficial collaboration with China Telecom.

In collaboration with major equipment suppliers, the Group maintains its leading position among key clients such as Datang Telecom, FiberHome, and TD Tech. Within the broader electronic equipment supplier domain, the Group continues its partnerships with leading clients like Huawei, Datang Telecom, and Meten Electronics, expanding its presence in the smart wearable sector. Significant breakthroughs were made in the new energy sector with top manufacturers like Xiaopeng Motors, contributing to the Group's efforts to continuously enhance consumer experiences in the smart driving domain.

7.3. Energy

During the reporting period, the Group further deepened its cooperation with central state-owned enterprises (SOEs) such as PetroChina, Sinopec, and Power Construction Corporation of China (PowerChina), while also successfully expanding its outsourcing partnerships with clients including CNOOC, Sinochem, State Grid, National Energy Group, and China Coal Group. In the energy sector, the Group ranked first in the comprehensive share of digital business with PetroChina Kunlun, covering core ERP business and big data research and development services in sectors such as refining, oil and gas, and cloud computing. In the future, it will continue to provide services for large-scale centralized upgrade projects for clients. Additionally, the Group expanded the depth and breadth of its collaboration with CNOOC, winning projects such as production management, laying a solid foundation to become a core IT services supplier for central SOEs.

7.4. Internet and Hi-Tech

During the reporting period, the Group's business with Tencent continued to develop steadily, with ongoing deepening of cooperation in fields such as Tencent Music and Weimin Insurance. The establishment of the Wuhan Delivery Center aimed to meet business development needs and lay a foundation for acquiring more business opportunities.

During the reporting period, the Group was selected as one of the four core suppliers for Ant Technology's business in the Changsha region. The establishment of a new delivery center in Changsha enabled the commencement of business operations, leading the Group to secure the second position in business delivery in Changsha.

During the reporting period, the Group's business with Baidu continued to grow steadily, with service offerings spanning multiple business domains within the Baidu ecosystem. A joint solution for AI-powered smart transportation, known as the AI Smart Travel, was developed in collaboration with Baidu IDG.

During the reporting period, the Group's ByteDance business achieved significant growth, securing the overseas testing service project for TikTok by ByteDance. Additionally, the confirmation of overseas expansion plans for projects such as Toutiao, Feishu, Xigua, and Huoshan holds strategic significance, laying a solid foundation for cooperation between the Group and ByteDance in international markets.

During the reporting period, the Group entered into a comprehensive cooperation agreement with OPPO, expanding business collaboration across various sectors including telecommunications, multimedia, and internet services, successfully delivering multiple projects. Simultaneously, collaborations with Xiaomi were established in multiple fields including smartphones, Internet of Things (IoT), large screens, and smart automobiles, fully supporting Xiaomi's strategic deployment of the "All-in-One Ecosystem for People, Vehicles, and Homes".

During the reporting period, the Group's Business Process Outsourcing (BPO) continued to establish favorable partnerships with multiple clients including Tencent, Meituan, Ant Group, JD.com, ByteDance, and Kugou, facilitating the rapid implementation of various business initiatives such as ByteDance's POI, Ant Group's advertising review, Meituan's ChatGPT, and ByteDance's e-commerce review.

8. Huawei

The Group adheres to the principle of "customer-centricity", unwaveringly follows the FFW route, firmly binds to Huawei's capabilities, benchmarks against the self-management nine-dimensional model (human resources, quality, engineering capabilities, internal control compliance, safety and trustworthiness, business continuity, ODC site, CSR&EHS, communication/response and collaboration), continuously enhances delivery capabilities, and supports the achievement of the Group's "Five Ones" and strategic supplier goals. It will continue to strengthen proactive management of evaluations, adapt to the deepening changes in customer evaluation management, optimize evaluation management mechanisms, and ensure evaluation comes first.

In the field of enterprise digitalization, Flow IT has released multiple Huawei collaborative solutions, including Enterprise Middle Platform and Enterprise Operations. Furthermore, GTS has expanded cooperation with Huawei GTS & software products (RPA/iTA, etc.) channel ecosystem, while exploring the application of AIGC in appropriate business areas such as IT operations to enhance individual productivity. There's continued deepening cooperation with Huawei Consumer Business, covering a wide range of areas including terminal hardware, software, cloud services, and intelligent vehicle selection. This encompasses comprehensive support for the release of new products such as the Huawei P60 series, Nova series, and Qinyun commercial brand series, as well as the restoration of intelligent terminal supply scale, marking the return of the king. Additionally, support has been extended for HarmonyOS 3.1/4.0 system releases and terminal device upgrades. The collaboration extends to Huawei's dialogue large model training and testing, enhancing the logical thinking and analytical capabilities of large models, upgrading the comprehensive intelligent interaction capabilities of Xiaoyi, and expanding application coverage to 1+8+N terminal devices (smartphones, PCs, in-car systems, wearable devices, smart home devices, sports and health). Moreover, comprehensive support is provided for the release of intelligent driving HUAWEI ADS 2.0, with collaboration on popular car models such as AITO M5 Smart Driving Edition, M7 Smart Driving Edition, ARCFOX Alpha S First Edition, and AVTAR 11/12, assisting Huawei in achieving product upgrades in intelligent vehicles and a new layout in the new energy vehicle industry.

During the reporting period, the Group was honored with several awards from Huawei, including the Gold Supplier Award for the China Region in 2023, the Special Contribution Award for FPGGP (Huawei Smart Finance Partner Outbound Program), the IMOC ICT Preferred Partner Certification, and the Huawei Cloud Asia-Pacific Annual Service Partner Award.

In the legion business segment, the Group successfully secured contracts for projects such as the Smart Park Data Service Framework, self-developed platform software and middleware service frameworks, and ASP frameworks. It became the sole supplier with comprehensive delivery capabilities in all domains, covering Huawei products, platforms, scenario-based solutions, and consultancy services. As a result, it received several accolades, including the Outstanding Partner Award in the Huawei Partner Conference 2023 – Government Sector, the ISDP ICT Certification-Level Service Partner, and the RPA ICT Certification-Level Service Partner.

In 2023, the Group experienced steady business development. The Group's revenue, service revenue, profit, profit attributable to owners of the Company, and EPS decreased by 14.4%, 14.7%, 6.1%, 6.1%, and 0.9% YoY respectively.

	2023 *RMB'000*	2022 *RMB'000*	% Increase (decrease) over the same period last year
Revenue	**17,116,894**	20,005,171	(14.4%)
Service revenue	**16,631,560**	19,489,625	(14.7%)
Profit for the year	**712,667**	758,829	(6.1%)
Profit for the year attributable to owners of the Company	**713,394**	759,441	(6.1%)
Basic earnings per share *(cents)*	**25.88**	26.11	(0.9%)

KEY OPERATING DATA

	2023 *RMB'000*	2022 *RMB'000*	% Increase (decrease) over the same period last year
Revenue	**17,116,894**	20,005,171	(14.4%)
Service revenue	**16,631,560**	19,489,625	(14.7%)
Cost of sales and services	**(13,113,818)**	(15,405,001)	(14.9%)
Gross profit	**4,003,076**	4,600,170	(13.0%)
Other income	**428,905**	347,953	23.3%
Loss from derecognition of financial assets measured at amortised cost	**(2,332)**	(2,740)	(14.9%)
Impairment losses under expected credit loss model, net of reversal	**(117,313)**	(89,451)	31.1%
Impairment loss on investment accounted for using the equity method	**(22,377)**	–	N/A
Other gains or losses	**83,905**	34,447	143.6%
Selling and distribution costs	**(868,347)**	(948,868)	(8.5%)
Administrative expenses	**(1,354,733)**	(1,682,638)	(19.5%)
Research and development costs	**(1,078,296)**	(1,238,035)	(12.9%)
Other expenses	**(105,680)**	(55,210)	91.4%
Finance costs	**(202,833)**	(113,212)	79.2%
Share of results of investments accounted for using the equity method	**(30,028)**	(22,534)	33.3%
Profit before taxation	**733,947**	829,882	(11.6%)
Income tax expense	**(21,280)**	(71,053)	(70.1%)
Profit for the year	**712,667**	758,829	(6.1%)
Profit for the year attributable to owners of the Company	**713,394**	759,441	(6.1%)
Basic earnings per share (cents)	**25.88**	26.11	(0.9%)

GENERAL OVERVIEW

In 2023, amidst the backdrop of a slow global economic recovery and various uncertainties in the external environment, the Group persisted in driving management reforms and development. It diligently advanced strategic decision-making deployments, resulting in the Group's performance maintaining stability and improvement, with a continuous enhancement in operational quality. For five consecutive years, the Group was recognized in Gartner's Global IT Services Market Share TOP100, rising to the 73rd position, demonstrating fully the market positioning and development resilience of China's leading IT services enterprise.

During the reporting period, the Group established the AIGC Research Institute and implemented a development strategy focusing on the application layer of large-scale models. This strategy aimed to strengthen collaborative innovation in the AIGC field with clients, universities, research institutions, computing hardware partners, and ISV partners. The Group deepened its involvement in the AIGC track, with a core focus on empowering data innovation applications through large-scale models, leading to the creation of "Question Series" solutions and large-scale-model all-in-one machine. In the digital government market, the Group intensified the sales of self-developed Agent "Question" series large-scale models both in hardware and software. It established benchmarks in key directions such as new empowerment clouds, government affairs, electricity, transportation, and public utilities, facilitating rapid replication. Simultaneously, the Group launched the JointPilot (Lingxi) Artificial Intelligence Application Platform, offering clients and ISVs an integrated platform for large-scale model application deployment. Centering around the development of the Ascend+Pangu ecosystem, the Group utilized the JointPilot (Lingxi) Artificial Intelligence Application Platform and the "Question Series" large-scale models as service foundations. It aimed to achieve commercial closure based on AIGC submission. The Group upgraded its software factory to a model factory, focusing on rigid value scenes for government and enterprise clients, model suppliers, and computing centers. This involved assisting in establishing enterprise-level model frameworks, conducting model consulting, data construction, model design, computing readiness, model training and fine-tuning, model evaluation, and integrated deployment. Leveraging AI full-stack autonomous capabilities, the Group aimed to help clients overcome the final challenges in large-scale model application deployment.

During the reporting period, the Group, based on the 1+1 strategy (KaihongOS + Super Device Management Platform), exerted full efforts to build an independent and controllable Smart Internet of Things (IoT) foundation and an end-to-edge-cloud-network-integrated solution. This strategy aimed to cater to critical industries such as water conservancy, transportation, urban lifeline, defense, and energy, continuing to expand into the market segments of "national key equipment and urban innovation." The Group actively aligned with Huawei's Terminal Business Group (BG) strategic plan, focusing on the development path of HarmonyOS in the northbound ecosystem. It closely followed Huawei's HarmonyOS ecosystem development plan and has already launched extensive applications in various industries such as hospitality, tourism, education, healthcare, finance, entertainment, home appliances, transportation, and ports. These efforts have facilitated rapid migration and development of HarmonyOS single-framework applications for clients. During the reporting period, breakthrough progress was achieved in smart water conservation and smart transportation solutions based on open-source HarmonyOS technology. The Group signed a comprehensive strategic cooperation agreement with Shenzhen Smart City Technology Development Group Co., Ltd., to support Shenzhen in becoming a trillion-level core industrial value-added digital economic highland driven by information creation and empowered by digital technology.

During the reporting period, the Group remained steadfast in its commitment to the "platform + service" model of comprehensive ERP, continually providing high-quality digital transformation consulting services to its clients. Focusing on industries such as petrochemicals, energy and power, aerospace and defense, and equipment manufacturing, the Group adopted a business model driven by industry consulting and implemented comprehensive ERP solutions. It optimized the synergy of "consulting services + implementation services + customized development services," establishing end-to-end consulting planning and implementation service capabilities. By strengthening its brand influence among central enterprise clients, the Group gained recognition from industry-leading clients. Leveraging AI-driven next-generation consulting services, the Group significantly enhanced the intelligence and efficiency of its consulting services delivery, creating highly competitive AIGC Pilot consulting service pioneer products, a massive knowledge empowerment platform, and operational systems.

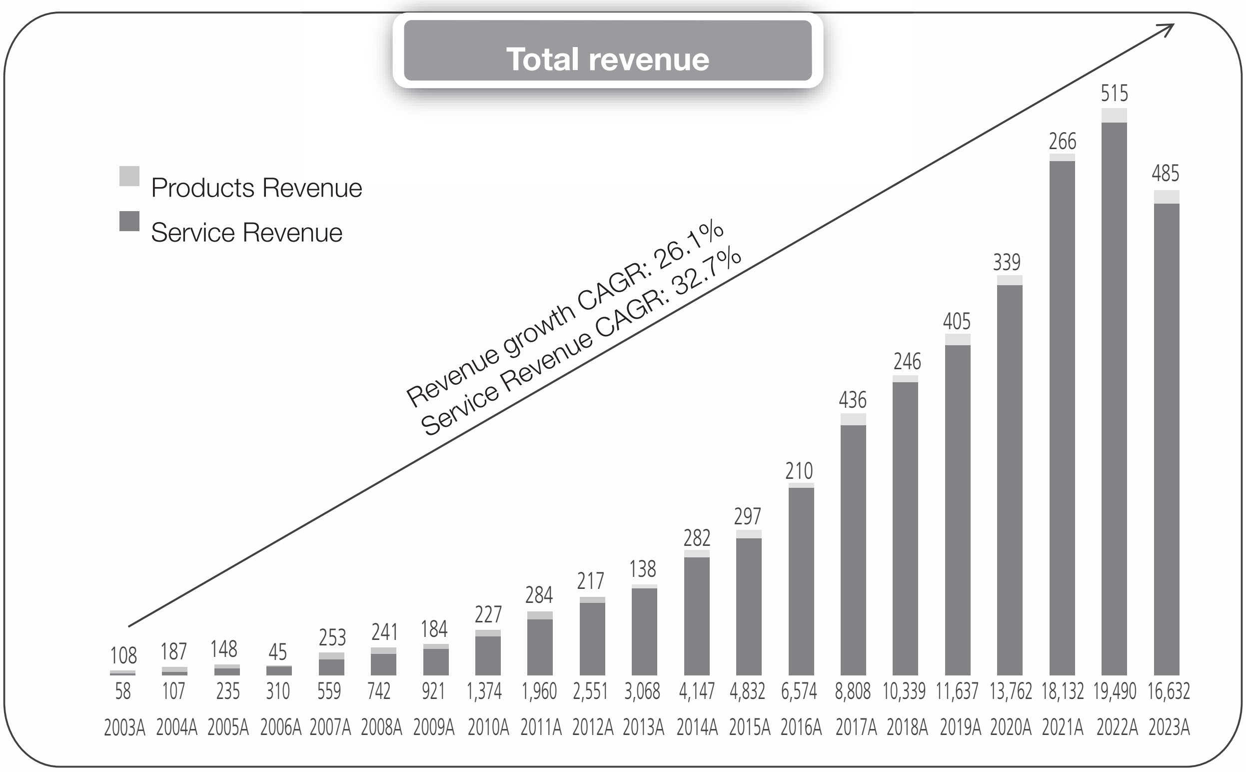
During the reporting period, the Group transitioned from being a general distributor and solution provider for Huawei Cloud to evolving into a comprehensive partner across all fields of Huawei Cloud. As a top-tier cloud transformation service partner, the Group achieved success by obtaining seven primary labels and twelve secondary labels, securing the top position among partners. Additionally, in the specialized areas of cloud migration services and cloud development services, the Group maintained its leading position, continuously leading the market. Furthermore, the Group actively explored new opportunities in cloud empowerment, promoting collaborative solutions. As one of Huawei's first partners in advanced cloud digital transformation consulting and integration, the Group accelerates the development of smart finance, intelligent auditing, smart parks, smart healthcare, smart energy, smart manufacturing, and automotive sectors. This effort aimed to cover a comprehensive product matrix for digital transformation across all scenarios, leveraging the power of the ecosystem to empower various industries comprehensively. This initiative is aligned with the Group's commitment to facilitating enterprise digital transformation and driving China's digital economy to lead globally.

During the reporting period, the Group continued to strengthen its overseas business expansion capabilities, achieving growth in overseas segments with high gross profit margins. Using Hong Kong as a hub for overseas business outreach, the Group experienced rapid growth in its operations there. It reinforced existing overseas service capabilities and upgraded its three major centers of expertise: research and development delivery, pre-sales services, and global operations. Simultaneously, the Group expanded its presence in the Asia-Pacific market, including Singapore, Malaysia, Thailand, Indonesia, and India. Moreover, the Group established local project delivery capabilities in the Middle East, particularly in the United Arab Emirates and Saudi Arabia, from the ground up, completing early-stage project deliveries. The Group conducted in-depth preliminary design work for projects such as the NEOM smart city and NEOM data center, achieving significant breakthroughs in the comprehensive system integration field in the Middle East market.

During the reporting period, the Group made steady progress in its financial services, expanding cooperation with leading clients such as state-owned banks, joint-stock commercial banks, city commercial banks, large insurance companies, and securities firms, while also deepening collaboration in various segments such as futures, wealth management, policy banks, financial infrastructure units, and financial companies. In telecommunications, the Group continued to focus on clients like China Mobile, China Telecom, and China Unicom, solidifying and expanding its business scope with major equipment and electronic device vendors. Simultaneously, it actively pursued breakthroughs in the field of new energy vehicles. In the energy sector, the Group further strengthened cooperation with central enterprises such as CNPC, Sinopec, and Power Construction Corporation of China (PowerChina). It successfully explored outsourcing partnerships with clients like CNOOC, Sinochem, State Grid, National Energy, and China Coal. Notably, the Group ranked first in comprehensive market share in the Kunlun Smart Business of CNPC. In the internet and high-tech sectors, the Group maintained its leading position with major clients such as Tencent, Ant Group, Baidu, and ByteDance, while also expanding its reach with key clients like OPPO and Xiaomi.

In 2024, the Group will continue with unwavering confidence, aligning closely with Huawei to lead the industrial transformation with innovative solutions tailored to key sectors in China. The Group will fully empower the development of new quality productivity, leveraging core technologies to build, cultivate, and consolidate full-stack service capabilities around core business sectors. It will delve deeper into industries to reach broader digital transformation markets, advancing steadily towards the goal of becoming a global leading technology-based IT service enterprise with unique offerings.

Since the Group's listing on the Growth Enterprise Market in 2003, the compound annual growth rate (CAGR) of revenue reached 26.1%, while the CAGR of service revenue reached 32.7%. Please refer to the following graph for details:



CUSTOMERS

The Group's customers span across the globe, encompassing regions beyond Greater China, including Asia-Pacific, North America, Europe, Latin America, and others. In the Chinese market, particularly in mainstream industries such as finance, energy, government, telecommunications, transportation, high technology, and internet, the Group holds significant market share. In 2023, the service revenue from the top five customers accounted for 61.7% of the Group's total service revenue, while the service revenue from the top ten customers accounted for 70.4% of the Group's total service revenue.

In 2023, the Group had 2,191 active clients. Among them, there were 182 large clients with service revenue exceeding RMB 6 million.

MARKET

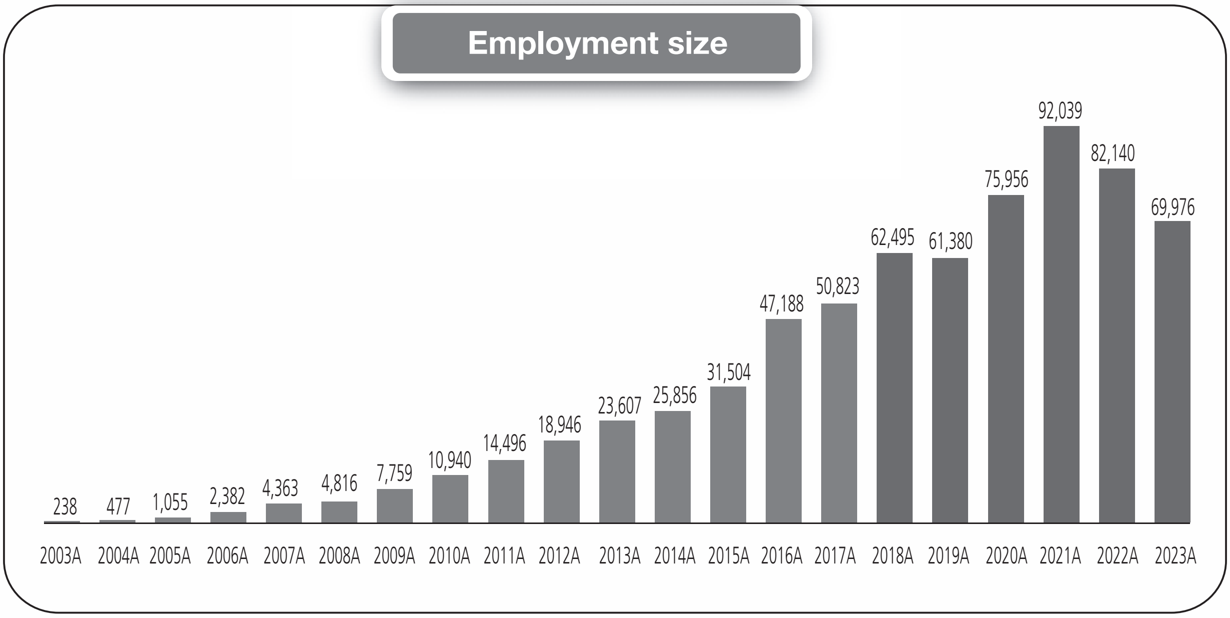
During the reporting period, the Group's business primarily focused on the Greater China region, where substantial market potential continuously presented growth opportunities. The vast market potential within the Greater China region has been a key driver of growth for the Group. The Group has maintained long-term partnerships with global Fortune 500 companies such as Huawei, HSBC, Honor, Ping An, Bank of Communications, China Construction Bank, AIA Insurance, Postal Savings Bank of China, Tencent, Alibaba, Baidu, Microsoft, China Mobile, China Telecom, CNPC, Sinochem, State Grid, and BYD, among others. These partnerships include numerous customers with high growth potential, specialized expertise, and innovative capabilities. The Group's business operations extend across major cities in China, with a focus on the Greater Bay Area. Leveraging its base in Hong Kong, the Group continuously exports leading services and solutions overseas, establishing integrated local sales and service teams, as well as investment and financing capabilities. This strategy has resulted in new revenue and profit growth opportunities overseas, with expansions into markets such as Singapore, Malaysia, Thailand, the United Arab Emirates, Saudi Arabia, and Chile. Moreover, the Group has followed leading Chinese state-owned enterprises and financial institutions into overseas markets, participating in planning and implementation efforts, and continuously advancing the construction of overseas capability systems.

HUMAN RESOURCES

As of the end of 2023, the total number of employees in the Group reached 69,976 (end of 2022: 82,140 employees), representing a decrease of 14.8% from the previous year. Throughout the reporting period, the average total number of employees for the year was 76,058, which marked a decline of 12.7% compared to the average of 87,090 employees for the same period last year. The decrease in the year-end headcount was primarily influenced by fluctuations in core client businesses and the strategic transformation of the Group. Additionally, the Group proactively released some low-margin and low-value personnel of businesses as part of its strategic transformation, while optimizing management efficiency.

As of the end of 2023, the number of technical personnel in the Group reached 67,058, accounting for 95.8% of the total number of employees. Among them, project managers, consultants, and senior engineers totaled 23,562, comprising 35.1% of the total technical personnel in the Group.

Since its listing on the Growth Enterprise Market in 2003, the Group's total personnel has changed as follows:



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2023 and 2022:

	2023 RMB'000	% of revenue	% of service revenue	2022 RMB'000	% of revenue	% of service revenue
Revenue	17,116,894	N/A	N/A	20,005,171	N/A	N/A
Service revenue	16,631,560	N/A	N/A	19,489,625	N/A	N/A
Cost of sales and services	(13,113,818)	(76.6%)	(78.8%)	(15,405,001)	(77.0%)	(79.0%)
Gross Profit	4,003,076	23.4%	24.1%	4,600,170	23.0%	23.6%
Other income	428,905	2.5%	2.6%	347,953	1.7%	1.8%
Loss from derecognition of financial assets measured at amortised cost	(2,332)	(0.0%)	(0.0%)	(2,740)	(0.0%)	(0.0%)
Impairment losses under expected credit loss model, net of reversal	(117,313)	(0.7%)	(0.7%)	(89,451)	(0.4%)	(0.5%)
Impairment loss on investment accounted for using the equity method	(22,377)	(0.1%)	(0.1%)	–	0.0%	0.0%
Other gains or losses	83,905	0.5%	0.5%	34,447	0.2%	0.2%
Selling and distribution costs	(868,347)	(5.1%)	(5.2%)	(948,868)	(4.7%)	(4.9%)
Administrative expenses	(1,354,733)	(7.9%)	(8.1%)	(1,682,638)	(8.4%)	(8.6%)
Research and development costs	(1,078,296)	(6.3%)	(6.5%)	(1,238,035)	(6.2%)	(6.4%)
Other expenses	(105,680)	(0.6%)	(0.6%)	(55,210)	(0.3%)	(0.3%)
Finance costs	(202,833)	(1.2%)	(1.2%)	(113,212)	(0.6%)	(0.6%)
Share of results of investments accounted for using the equity method	(30,028)	(0.2%)	(0.2%)	(22,534)	(0.1%)	(0.1%)
Profit before taxation	733,947	4.3%	4.4%	829,882	4.1%	4.3%
Income tax expense	(21,280)	(0.1%)	(0.1%)	(71,053)	(0.4%)	(0.4%)
Profit for the year	712,667	4.2%	4.3%	758,829	3.8%	3.9%
Profit for the year attributable to the Owners of the Company	713,394	4.2%	4.3%	759,441	3.8%	3.9%

REVENUE

In 2023, the Group achieved revenue of RMB 17,116.894 million (2022: RMB 20,005.171 million), representing a YoY decrease of 14.4%. The service revenue amounted to RMB 16,631.560 million (2022: RMB 19,489.625 million), showing a YoY decrease of 14.7%. The decline in revenue was mainly due to the reduction in demand from core customers during the reporting period, as well as the Group's strategic transformation focus on expanding high-value projects and reducing low-value projects.

TPG and IIG's revenue and proportion of total revenue in 2023 are as follow:

	2023 ***RMB'000***	**Weight**	2022 *RMB'000*	Weight	Growth Rate
TPG	**15,020,564**	**87.8%**	17,930,401	89.6%	(16.2%)
IIG	**2,096,330**	**12.2%**	2,074,770	10.4%	1.0%
Total	**17,116,894**	**100%**	20,005,171	100%	(14.4%)

COST OF SALES AND SERVICES

In 2023, the Group's cost of sales and services amounted to RMB 13,113.818 million (2022: RMB 15,405.001 million), marking a YoY decrease of 14.9%. The proportion of cost of sales and services to revenue for 2023 was 76.6% (2022: 77.0%), reflecting a YoY decrease of 0.4%.

GROSS PROFIT

In 2023, the Group achieved a gross profit of RMB 4,003.076 million (2022: RMB 4,600.170 million), representing a YoY decrease of 13.0%. The Group's gross profit margin for 2023 was 23.4% (2022: 23.0%), representing a YoY increase of 0.4%. The proportion of gross profit to service revenue for the Group in 2023 was 24.1% (2022: 23.6%), representing a YoY increase of 0.5%. The increase in gross profit margin was mainly due to the Group's strategic transformation and the exploration of high-value projects during the reporting period, as well as the successful integration of finance and quality reforms at the traditional business level, leading to an enhancement in operational quality.

The Group will continue to improve its gross profit margin through the following measures in the future:

1. Continue to increase the proportion of high-margin service businesses, solidifying the "1+3" strategic layout, delving into industries, and providing better China solutions for domestic and overseas clients.

2. By transforming into software and hardware products, sell proprietary technologies (such as KaihongOS, JointPilot, large-scale model Agent, etc.), and upgrade the business model.

3. By integrating finance and quality, continuously reduce the standard cost rate, optimize the management fee-to-effectiveness ratio, and enhance resource utilization.

OTHER INCOME

In 2023, the Group's other income amounted to RMB 428.905 million (2022: RMB 347.953 million), representing a YoY increase of 23.3%. This increase was primarily attributed to higher interest income compared to the same period last year.

OTHER GAINS OR LOSSES

In 2023, the Group's other gains amounted to RMB 83.905 million (2022: RMB 34.447 million), representing a YoY increase of 143.6%. This increase was mainly due to the Group's disposal of its part of intelligent park business.

OPERATING EXPENSES

In 2023, the Group's selling and distribution costs amounted to RMB 868.347 million (2022: RMB 948.868 million), representing a YoY decrease of 8.5%. The proportion of selling and distribution costs to revenue for 2023 was 5.1% (2022: 4.7%), representing a YoY increase of 0.4%.

In 2023, the Group's administrative expenses amounted to RMB 1,354.733 million (2022: RMB 1,682.638 million), representing a YoY decrease of 19.5%. The proportion of administrative expenses to revenue for 2023 was 7.9%, representing a decrease of 0.5% (2022: 8.4%). During the reporting period, the Group achieved effective enhancement in functional and business department management efficiency by strengthening budget management.

In 2023, the Group's R&D costs amounted to RMB 1,078.296 million (2022: RMB 1,238.035 million), representing a YoY decrease of 12.9%. The proportion of R&D costs to revenue for 2023 was 6.3%, representing a slight increase of 0.1% (2022: 6.2%).

FINANCE COSTS AND INCOME TAX

In 2023, the Group's finance costs amounted to RMB 202.833 million (2022: RMB 113.212 million), representing a YoY increase of 79.2%. The proportion of finance costs to revenue for 2023 was 1.2%, rising by 0.6% compared to 0.6% in 2022. The increase in finance costs was mainly due to the rise in interest on overseas syndicated loans during the reporting period. Taking into account interest income as a hedge against interest expenses, net interest expenses accounted for a 0.2% increase compared to the same period last year.

In 2023, the Group's loss from derecognition of financial assets measured at amortised cost amounted to RMB 2.332 million (2022: RMB 2.740 million), representing a YoY decrease of 14.9%.

In 2023, the Group's income tax expense amounted to RMB 21.280 million (2022: RMB 71.053 million), marking a YoY decrease of 70.1%. The effective income tax rate for 2023 was 2.9%, showing a decrease of 5.7% compared to 8.6% in 2022. This decrease was primarily due to increased tax refunds resulting from the settlement and payment of income taxes and the implementation of new policies regarding the additional deduction for research and development expenses.

OTHER EXPENSES

In 2023, the Group's other expenses amounted to RMB 105.680 million (2022: RMB 55.210 million), representing a YoY increase of 91.4%. The proportion of other expenses to revenue for 2023 was 0.6%, rising by 0.3% compared to 0.3% in 2022. This was mainly due to an increase in donation expenses during the reporting period.

In 2023, the Group's impairment loss on investment accounted for using the equity method amounted to RMB 22.377 million (2022: Nil), primarily stemming from impairment of investments in the education sector.

In 2023, the Group's impairment loss under expected credit loss model, net of reversal, amounted to RMB 117.313 million (2022: RMB 89.451 million), representing a YoY increase of 31.1%.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2023, the Group's total available cash balance (comprising bank balances and cash, term deposits, and pledged bank deposits) amounted to RMB 5,088.641 million (2022: RMB 5,112.410 million).

In 2023, the Group's net current assets amounted to RMB 9,983.119 million (2022: RMB 10,047.236 million). The current ratio in 2023, calculated as the ratio of current assets to current liabilities, was 4.4, representing an increase of 0.6 compared to 3.8 in 2022.

In 2023, the Group's borrowings amounted to RMB 3,016.817 million (2022: RMB 1,928.531 million). The net borrowing ratio is calculated by dividing the borrowing amount (borrowings and convertible notes minus available cash balances, including bank balances and cash, term deposits, and pledged bank deposits) by the total equity. The Group's available cash balance exceeded the sum of borrowings and convertible notes in both 2023 and 2022, resulting in a negative net borrowing ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2023, the Group achieved a profit of RMB 712.667 million (2022: RMB 758.829 million), representing a YoY decrease of 6.1%. The profit in 2023 accounted for 4.2% of revenue (2022: 3.8%), showing a YoY increase of 0.4%. Additionally, the profit in 2023 accounted for 4.3% of service revenue (2022: 3.9%), indicating a YoY increase of 0.4%.

In 2023, the Group's profit attributable to the owners of the Company amounted to RMB 713.394 million (2022: RMB 759.441 million), representing a YoY decrease of 6.1%.

Based on profit attributable to the owners of the Company, the Group's basic EPS for 2023 amounted to RMB 25.88 cents (2022: RMB 26.11 cents), representing a YoY decrease of 0.9%.

SEGMENT REVENUE AND RESULTS

In 2023, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2023	2022	Growth Rate	**2023**	2022	Growth Rate
	RMB'000	*RMB'000*		***RMB'000***	*RMB'000*	
TPG	**15,020,564**	17,930,401	(16.2%)	**798,823**	797,998	0.1%
IIG	**2,096,330**	2,074,770	1.0%	**147,454**	175,316	(15.9%)
Total	**17,116,894**	20,005,171	(14.4%)	**946,277**	973,314	(2.8%)

In terms of segment revenue, revenue from the TPG decreased by 16.2% YoY. This decline was primarily attributed to the reduction in demand from core customers in industries such as telecommunications, finance, and internet, as well as the impact of the Group's strategic shift towards expanding higher-margin businesses. Additionally, revenue from the IIG increased by 1.0% YoY, remaining largely consistent with the previous year.

In terms of segment results, TPG saw a 0.1% YoY growth. Despite a decline in operating profit due to a decrease in scale, but its profitability improved during the reporting period. At the same time, due to an increase in interest income, the segments result remained basically unchanged YoY. On the other hand, IIG saw a 15.9% YoY decrease, mainly attributable to reduced investment income during the reporting period.

The Group believes that by creating a new growth curve through the development of 1+3 (Cloud Intelligence, HarmonyOS, Comprehensive ERP, AIGC) new businesses, and actively participating in the construction of critical information infrastructure industries within China, it will continuously activate new development momentum. As a result, the business structure of the Group will continue to improve, and profit margins will gradually increase.

FUND RAISING ACTIVITIES

During the current and last year, 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 placees 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 31 December 2023	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$657 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$131 million to be for the intended use	Before 31 December 2024
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$231 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$557 million to be for the intended use	Before 31 December 2024
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.

A. CORPORATE GOVERNANCE PRACTICES

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 to safeguard the interests of shareholders, customers, service vendors, employees and other stakeholders. The code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2023 to 31 December 2023, except for the following deviations as explained:

Code Provision C.1.6

Under Code provision C.1.6, independent non-executive directors and other non-executive directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business commitment, two independent non-executive Directors and two non-executive Directors were unable to attend the annual general meeting of the Company held on 22 May 2023 in Hong Kong (the "2022 AGM").

Code Provision C.2.1

Under Code provision C.2.1, The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. 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.

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.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2023.

C. BOARD OF DIRECTORS

1. Composition of the Board of Directors

During the year in review and up to the date of this report, the board of directors of the Company (the "Board") comprises:

Executive directors:

Dr. Chen Yuhong *(Chairman and Chief Executive Officer)*
Dr. He Ning *(Vice Chairman)*
Dr. Tang Zhenming

Non-executive directors:

Dr. Zhang Yaqin
Mr. Gao Liangyu

Independent non-executive directors:

Mr. Zeng Zhijie	*(retired on 22 May 2023)*
Dr. Lai Guanrong	
Professor Mo Lai Lan	
Mr. Yeung Tak Bun J.P.	*(appointed on 22 August 2023)*

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director are suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

To the best knowledge of the Company, there are no financial, business and family relationships among members of the Board.

2. Meetings and Board Practices

Pursuant to the code provision C.5.1 of the CG Code, at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2023, the Board held four regular board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance records of the board meetings and general meetings held are set out below:

	Attended/ Number of regular board meetings held	Attended/ Number of general meetings held during the year
Executive Directors		
Dr. Chen Yuhong	4/4	1/2
Dr. He Ning	4/4	1/2
Dr. Tang Zhenming	4/4	1/2
Non-executive Directors		
Dr. Zhang Yaqin	4/4	0/2
Mr. Gao Liangyu	4/4	0/2
Independent Non-executive Directors		
Mr. Zeng Zhijie	1/1*	0/1*
Dr. Lai Guanrong	4/4	0/2
Professor Mo Lai Lan	4/4	2/2
Mr. Yeung Tak Bun J.P.	1/1*	0/1*

* *Only the meeting held during his tenure is counted*

The Directors will receive details of agenda items for decision and detailed documents in advance of each Board meeting. The Company Secretary is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings.

3. Functions of the Board of Directors

The Board is accountable to the shareholders for managing the Company in a responsible and effective manner. Also, the Board decides on overall strategies and monitors the Group's performance.

The Board is responsible for the oversight of the Company's business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters such as approving the annual results and interim results, notifiable and connected transactions, material acquisitions, disposal or investments, appointment and re-appointment of Directors, declaring dividends and reviewing the effectiveness of the internal control system, etc.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors and the management. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

4. Independent Non-executive Directors

The independent non-executive Directors appointed by the Company have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders, of whom Professor Mo Lai Lan has appropriate professional qualifications in accounting or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Following the retirement of Mr. Zeng Zhijie on 22 May 2023, who has served the Company for more than nine years, the Board comprised only two independent non-executive Directors, which fall below the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. Mr. Yeung Tak Bun J.P. has been appointed as an independent non-executive Director of the Company with effect from 22 August 2023, the Board has then fulfilled the requirement under the Listing Rules.

Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

5. Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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.

6. Terms of Appointment of Non-executive Directors

Each of the non-executive Directors of the Company is appointed for a specific term of three years and is subject to re-nomination and re-election by the Company in general meetings unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

7. Appointment, Re-election and Removal of Directors

According to the articles of association of the Company, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

Prior to the convening of the annual general meeting of the company in May 2024, the board of Directors resolved that Dr. He Ning, Mr. Gai Liangyu and Dr. Lai Guanrong should retire and stand for re-election at the annual general meeting in accordance with the requirements under the articles of association of the Company. Mr. Yeung Tak Bun J.P. was appointed on 22 August 2023 and shall hold office only until the next annual general meeting and shall then be eligible for re-election.

8. Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Except for the period from the retirement of Mr. Zeng Zhijie at the 2022 annual general meeting held on 22 May 2023 to the appointment of Mr. Yeung Tak Bun J.P. as an independent non-executive director on 22 August 2023, during the year 2023 and as at the date of this report, the Board comprises seven male directors (representing 87.5% of the Board) and one female director (representing 12.5% of the Board). All eight board members are Chinese. They have expertise in IT, asset management, finance, accounting and auditing. There are three senior management members of the Company, two of whom are male (representing 66.7% of the senior management) and one is a female (representing 33.3% of the senior management). The Company will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board of Directors and senior management.

9. Directors' Training

According to the code provision C.1.4 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company encourages all Directors to attend relevant training courses and continuously updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2023, all Directors namely Dr. Chen Yuhong, Dr. He Ning, Dr. Tang Zhenming, Dr. Zhang Yaqin, Mr. Gao Liangyu, Mr. Zeng Zhijie, Dr. Lai Guanrong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. have participated in continuous professional development, including attending seminars or training sessions and reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.. The Company also encouraged all Directors to participate relevant courses which enable them to develop and refresh their knowledge and skills for better fulfillment of the directors' duties.

10. Indemnity of Directors

The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company.

11. Company Secretary

Ms. Leong Leung Chai, Florence has been the Company Secretary of the Company since 30 August 2013. Ms. Leong is a full-time employee of the Company and assists the Chairman in preparing the agenda of the Board meetings and ensures all relevant rules and regulations of the procedures of such meeting are complied with. The Company Secretary files for and maintains the detailed minutes of each Board meeting, and makes such minutes available and accessible for all Directors.

According to Rule 3.29 of the Listing Rules, Ms. Leong has taken not less than 15 hours of relevant professional training for the year ended 31 December 2023.

D. BOARD COMMITTEES

1. Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 28 June 2005 and amended its written terms of reference on 28 March 2012 to comply with the requirement in the CG Code. The terms of reference of the Remuneration Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the board of Directors for the remuneration of non-executive Directors. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Company, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Except for the period from the retirement of Mr. Zeng Zhijie at the 2022 annual general meeting held on 22 May 2023 to the appointment of Mr. Yeung Tak Bun J.P. as an independent non-executive director and a member of the Remuneration Committee on 22 August 2023, the Remuneration Committee normally comprised four Directors during the year 2023, namely Dr. Lai Guanrong as the Chairman of the Remuneration Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie (retired on 22 May 2023), Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. (appointed on 22 August 2023) as the members of the Remuneration Committee. Dr. Chen Yuhong is an executive Director, and the remaining members are independent non-executive Directors.

Details of attendance of the meeting of the Remuneration Committee are set out as follows:

Name of Director	Number of attendance
Dr. Lai Guanrong *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	0/0*
Professor Mo Lai Lan	1/1
Mr. Yeung Tak Bun J.P.	0/0*

* *Only the meeting held during his tenure is counted*

The board of Directors considered that the existing terms of appointment and levels of remuneration of the Directors and senior management of the Company are fair and reasonable, and resolved that a review be carried out again in the year ending 31 December 2024.

The Company adopted a new share option scheme on 20 May 2013 which was expired on 20 May 2023 ("2013 Share Option Scheme"). The provisions of the 2013 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiry or otherwise as may be required in accordance with the rules of the 2013 Share Option Scheme. Therefore, the outstanding options granted under the 2013 Share Option Scheme shall continue to be valid and exercisable in accordance with the provisions of the 2013 Share Option Scheme and their terms of issue. The Company also adopted a share award scheme on 10 December 2018 which is valid and effective for a period of 10 years commencing on 10 December 2018. These schemes serve as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme and share award scheme are set out in note 41 to the financial statements. The grant of the share options and awarded shares to the Directors has been approved by the Remuneration Committee and the Board (except for the relevant Director who has abstained from voting in relation to the grant of share options or awarded shares to himself/herself). The grant of the share options or awarded shares to the Directors also forms part of their remuneration packages under their respective service contracts with the Company, and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.73(6) and Rule 14A.95 of the Listing Rules. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 11 to the financial statements.

2. **Audit Committee**

The Company established an audit committee (the "Audit Committee") on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group's financial reporting and internal control system. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2023.

Except for the period from the retirement of Mr. Zeng Zhijie at the 2022 annual general meeting held on 22 May 2023 to the appointment of Mr. Yeung Tak Bun J.P. as an independent non-executive director and a member of the Audit Committee on 22 August 2023, the Audit Committee normally comprised three independent non-executive Directors during the year 2023, namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie (retired on 22 May 2023), Mr. Lai Guanrong and Mr. Yeung Tak Bun J.P. (appointed on 22 August 2023) as the members of the Audit Committee.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The Audit Committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the Audit Committee has, amongst others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements, annual reports, accounts and interim report;
- reviewing and monitoring the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

During the year under review, four meetings were held by the Audit Committee. Details of attendance of the Audit Committee meetings are set out as follows:

Name of member	**Number of attendance**
Professor Mo Lai Lan *(Chairman)*	4/4
Mr. Zeng Zhijie	0/2*
Dr. Lai Guanrong	4/4
Mr. Yeung Tak Bun J.P.	1/1*

* *Only the meeting held during his tenure is counted*

3. **Nomination Committee**

The Company established a nomination committee (the “Nomination Committee”) on 28 March 2012 and amended its written terms of reference on 9 January 2019 to comply with the requirement in the CG Code. The terms of reference of the Nomination Committee, a copy of which is posted on the website of the Company and the Stock Exchange, in line with the provisions of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and select and make recommendations to the Board on the appointment of Directors and senior management.

Except for the period from the retirement of Mr. Zeng Zhijie at the 2022 annual general meeting held on 22 May 2023 to the appointment of Mr. Yeung Tak Bun J.P. as an independent non-executive director and a member of the Nomination Committee on 22 August 2023, the Nomination Committee normally comprised four Directors during the year 2023, namely Dr. Lai Guanrong as the Chairman of the Nomination Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie (retired on 22 May 2023), Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. (appointed on 22 August 2023) as the members of the Nomination Committee. Dr. Chen Yuhong as an executive Director, and the remaining members are independent non-executive Directors.

Details of attendance of the meeting of the Nomination Committee are set out as follows:

Name of Director	**Number of attendance**
Dr. Lai Guanrong *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	0/0*
Professor Mo Lai Lan	1/1
Mr. Yeung Tak Bun J.P.	0/0*

* *Only the meeting held during his tenure is counted*

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, gender, age, cultural, educational background, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. **Corporate Governance Functions**

The Board was responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code. During the year, the Board has reviewed the Company’s policies and practice on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company’s compliance with the CG Code.

E. ACCOUNTABILITY AND AUDIT

1. Director's Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements. The Company's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors acknowledges their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Internal Control

The Board acknowledges that it has the overall responsibility of the internal control system to enhance the awareness of risk management and assets protection. The internal control system is designed to provide reasonable policies and procedures to manage business risk and to avoid misstatement of the performance of the Group. The Company has a clearly defined organisation chart by functions, an effective filing system to maintain proper records for accounting and business transactions, well established procedures in approving payments and safeguarding the appropriate use of assets. The Company periodically conducted reviews of its financial, operational and risk management control activities to ensure the Group's compliance with applicable laws and regulations. The Company also reviews its internal control system periodically and report to the senior management of the Company quarterly and to the Audit Committee annually thereafter, taking effective actions on recommendation, if any, to improve its system.

3. Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the fees paid or payable to Deloitte Touche Tohmatsu for their professional services provided to the Group are as follows:

	2023 RMB'000
2023 annual audit	7,208
Non-audit related professional services	400
	7,608

F. RISK MANAGEMENT AND INTERNAL CONTROL

1. Accountability

The Board understands that its responsibility is to assess and determine the nature and level of risks that the Group is willing to accept in the process of reaching strategic targets, and to ensure the Group establishes and maintains an appropriate and effective risk management and internal control system. This system is aimed at managing but not eliminating the risk of not reaching business targets, and will provide reasonable but not absolute guarantee that major misrepresentations or business losses will not occur.

2. Structure of Risk Management and Internal Control Governance

The Board is responsible for the assessment and determination of significant risks and the effectiveness of risk management monitoring for the year; it is responsible for the maintenance of an appropriate and effective risk management and internal control system; it is responsible to make conclusions as to the effectiveness of the risk management and internal control system, after considering the work and review results of the Audit Committee every year.

The Audit Committee is responsible for assisting the Board in the assessment and monitoring of the risks encountered by the Group, and the design and performance of the relevant risk management and internal control system. It reports to the Board after properly reviewing the Group's effectiveness of annual risk management and the internal control system.

The management is responsible for the proper design, implementation and monitoring of the Group's risk management and internal control system as authorised by the Board, and the confirmation provided to the Board as to the effectiveness of the system.

The risk assessment team is responsible for the coordination of risk identification and assessment procedure, preparation of risk assessment reports, bringing identified risks to the attention of the Audit Committee, and reporting the actions taken in relation to the management of such risks.

The internal audit team is responsible for assisting the Audit Committee to review the effectiveness of the Group's risk management and internal control system, and to conduct independent assessments of the established risk management and internal control system in accordance with the internal audit procedures.

Business divisions and functional department are responsible, in accordance with their duties and the scope of their respective business and functional areas to carry out risk management procedures and internal control measures.

3. **Risk Management**

The Group is committed to continuously improving its risk management system to ensure the long-term growth and sustainable development of the Group's business by enhancing its risk management capabilities.

3.1 ***Risk Management Objectives***

The objective of corporate risk management is to manage significant risks that the Company is faced with, and take specific responsive and monitoring actions on significant risks, through the establishment of a proper organizational system and management model. The specific objectives are as follows:

- Identify, assess, quantify, respond and manage all current and future significant risks, and contain them at all times at a level and in a scope acceptable to management;

- Establish a consistent and effective monitoring and reporting system for all significant risks;

- Provide reasonable assurance that the Company will comply with the requirements of relevant laws and regulations of external monitoring authorities, and that various departments comply with relevant internal rules and regulations;

- Provide reasonable assurance that significant measures to achieve the Company's targets are properly implemented.

3.2 ***Major Processes of Risk Management***

Risk management mainly includes four major areas: risks identification, risks assessment, risks mitigation and risk monitoring and reporting.

Risk identification: each business and functional department conducts, at least once in a year, an identification of potential internal and external risks in its respective operation processes. During risks identification, references are mainly made to the impact the risks have on the Company's objectives, and major problems or risk incidents in the business activities for the past year. Risks identified are summarised and categorised to establish a risk data base.

Risk assessment: according to the risks assessment standards, each business and functional department reviews the risks identified, and assesses the possibilities of occurrence and the extents of impacts in order to screen out the significant risks. The Group adopts a combination of bottom-up and top-down risk assessment procedures to fully identify all of the Group's significant risks, which are then given rankings. Significant risks are then reported to the appropriate management level, Audit Committee and the Board. A final list of significant risks is confirmed after thorough communication and discussion.

Risks mitigation: the responsible department of the identified risks formulates a risk response plan by properly applying methods such as risk avoidance, risk reduction, risk sharing and risk retention, with consideration of the Group's level of risk tolerance. This allows the Group to properly allocate resources for risks response or improvements on risks response measures, with an aim to reduce the overall risk of the Group to an acceptable level.

Risk monitoring and reporting: risk monitoring and reporting are carried out by integrating the use of risk warning indicators, internal auditing and periodic summarised risk reports.

3.3 *Significant Risks*

In accordance with the corporate risk management framework, the Group conducted an overall risk audit and assessment in 2023. The following lists the risks of the Group and its major affiliates, the changes in the nature and level of these risks, and the relevant responds measures to prevent or mitigate these significant risks.

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Policies and Regulatory Risk	**Risk relating to violation of policies, regulations and regulatory requirements** With the development of the Company's business scale and the continued expansion of its overseas business, and under the complex and changing external environment, the accurate interpretation of and compliance with domestic and foreign markets' regulatory policies, laws and regulations and industrial practices have become a major challenge for the Company. Failing to respond to external regulatory and environmental changes and timely review its compliance with policies will restrict the long-term business development of the Company.	The Company has taken practical measures and through continuous resource investment and with the guidance of compliance policy, the Company has established an independent compliance management organizational structure, and constantly strengthens the construction of the compliance management system, as well as enhances the professional capabilities of compliance management. The Company keeps monitoring external regulatory compliance, requirements for investment in overseas markets and environmental changes, deeply interprets extenal regulatory changes and requirements based on different business scenarios, decomposes and incorporates them into its business activities and processes to realise compliance management and supervision of all parts of its business operations and provide strong support for its overseas investment and operation. The Company constantly carries out active communication and cooperation with major customers, business partners and other stakeholders to discuss compliance concepts and practices control measures and enhance mutual trust in compliance and collaborative governance.	No change

Risk Type	Risk Item (Key Risks)	Risk Response Plan	Risk Trend
Risk Relating to Market Competition	**Risk relating to intensifying market competition** With the development of new technologies and new forms of business such as cloud technology, big data and digitalization, as well as the continuous entry of competitors and the pressure of iterative upgrade of technologies, our customers' requirement of our products and services quality will continue to rise. An enterprise that is lacking innovation capability, unable to fully understand and grasp leading-edge knowledge, timely optimise business structure, and upgrade products and services to meet market demands, will not be well recognised by the customers and the society.	By consistently putting emphasis on customer experience as well as technological innovations, the Company has constantly explore and practice new technologies and methods while striving to provide high quality products and services to its customers. It actively advocates a spirit of innovation, fosters a culture of creativity, applying the concept of Zero Distance Innovation down to the business divisions with a commitment to achieving rapid upgrading of products and services cycles. At the same time, the Company focuses on integrating business innovation activities with risk management, further strengthening supply chain management and cost control, promoting high-quality development of the Company's business and building a "healthy and win-win" ecosystem with its partners.	Increasing
Risk Relating to Business Continuity	**Risk relating to the disruption of business due to emergencies** With the deepening of international division of labor and collaboration, it is inevitable that a certain degree of dependence or a high degree of synergy will be established between the Company and its major customers and business partners. In the event of calamities such as natural disasters, public health emergency and social security issues in the regions in which the Company or any business with its major customers and business partners operates, the Company's operations may be partially or completely disrupted, which may have a significant adverse impact on the Company.	By highly emphasizing on the risk management relating to business continuity, the Company has established the BCM organization structure with top-down distributed management structure, and constantly optimised. Emergency and business recovery plans under significant risk scenarios are developed and constantly reviewed and updated, so as to improve the Company's abilities of risks prevention and continuous operation, and ensure the continuity of key businesses and services. Also, the Company continues to strengthen the business continuity management and coordination with major customers. It also constantly carries out investigation, analysis and assessment of business continuity risks on the part of supply chain partners and improves the ability to jointly respond to emergencies.	Reducing

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk Relating to Social Responsibility	<u>Risk relating to inadequate implementation of corporate social responsibility</u> Corporate social responsibility is subject to the constant attention of investors, regulatory authorities and public opinions. A deficiency in corporate social responsibility will not only affect the brand reputation of an enterprise, but also restrict the sustainable development of the enterprise.	The Company adheres to the SA8000 Standards and is committed to strengthening the construction of its key CSR modules. To advance its system of social responsibility in terms of cultural values, ideology and labour systems, creating sustained momentum for the long-term development and improvement of international competitiveness of the Company. In daily operation, the Company proactively performs its social responsibility, fulfills a green and innovative environmental protection concept, and pays attention to the environment and resources by reducing energy consumption. It also actively promotes and practices outstanding corporate citizenship, pays attention to the demands and expectations of stakeholders, and effectively implements social responsibility communication and management.	No change
Risk Relating to Human Resources	<u>Risk relating to the market's competition for talents</u> To maintain the superb technical and management capabilities of the Company, it relies on a team of high-quality personnel. Under the backdrop of the Company's accelerated business development and the increasingly fierce competition for talents in the industry, it can only attract talents and develop their potentials by investing more in human resources to recruit and retain key talents. All these present a bigger challenge to the construction of the human resources management and system.	The Company continuously optimises its management systems of value creation, value assessment and value distribution, so as to promote the employees' sense of responsibility and mission, with respect, trust, opportunities, honors and rewards. The organization's vitality is maintained through attracting talented personnel and retaining key talents. The Company is committed to achieve the common development of the Company and the employees, through the creation of a human resources performance management system that promotes fair, open and energetic competition among the employees and the continuous improvement of process management structure.	No change

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk Relating to Network and Information Security	**Risk of improper maintenance of information security** The Company values the protection of its own and the customers' privacy information and trade secrets, as it understands that the leakage, loss or theft of its own or customers' sensitive information will have a major impact on itself and its customers.	The Company continues to strengthen its information security management mechanism and system construction, puts a lot of focus on key customers' businesses and major risks. Risk factors in business operation pertaining to the threat of information security, network security and privacy are identified with compliance as bottom line. Control measures are put in place to ensure solutions or contingency plans are formulated with 100% coverage. In addition to maintaining the validity of ISO27001 information security certification, the Company has also introduced ISO27701 personal privacy protection certification, ensuring 100% coverage of all staff in information security, network security and privacy protection.	No change

4. **Internal Control**

4.1 ***Internal Control Objectives***

The Board acknowledges its responsibility to supervise the effectiveness of the Company's internal control system, and a sound and effective internal control system is achieved through a management structure with explicit authorization and internal control accountability. The objectives are:

- to reasonably assure that the enterprise is operated and managed in compliance with the laws and regulations, its assets are safe, and its financial reports and related information are true and complete;
- to enhance operating efficiency and performance;
- to promote the achievement of the enterprise's development strategies.

4.2 *Internal control*

The Group has referred to the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework, and incorporated the Group's business management characteristics in the design of its internal control system, and has established an internal audit team to take responsibility of the internal control function. As at the year ended 31 December 2023, the Group completed risk-oriented internal review and assessments on day-to-day fund management, financial reporting management, procurement and inventory, asset management, and business and debt collection procedures, and periodically followed-up with the rectifications of the problems identified by internal control assessment. Management and Audit Committee reviewed the internal control assessment reports, and assessed the effectiveness of the Group's risk management and internal control systems. The scope of the review included the Group's major control and risk management functions, such as financial control, operations control and compliance control.

The Board considered that, as at 31 December 2023, the Group had carried out internal control's "plan, review, report and follow-up" processes of the close-loop management system, that the Group's risk management and internal control systems were effective and adequate, that the Company's procedures on financial reporting and the compliance of the provisions under the Listing Rules were effective and adequate and that no significant areas of concern that might affect the Group's financial control, operations control, compliance control and risk management functions had been uncovered.

In the process of the review, the Board considered that the resources, qualifications, experience of staff of the Group's accounting and financial reporting, as well as their training and budget were adequate.

4.3 *Inside information*

The Company is aware of and strictly comply with the requirements of the currently applicable laws, regulations and guidelines, including the obligations to disclose inside information under the Securities and Futures Ordinance and the Listing Rules, and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission, at the time when the relevant businesses are transacted. The Group has established the authority and accountability, as well as the handling and dissemination procedures in relation to inside information, and has communicated to all relevant personnel and provided them with specific trainings in respect of the implementation of the continuous disclosure policy.

The Board considers that the Company's handling and dissemination procedures and measures in relation to inside information are effective.

G. INVESTORS AND SHAREHOLDERS RELATIONS

The Company commits to promoting transparency and maintaining effective communication with investors, analysts and the press. The management periodically meets with existing and potential investors to make corporate presentations. The Company also communicates with its shareholders and investors through the publication of annual and interim reports, announcements and press releases, as well as the Company's website at http://www.chinasofti.com. The Company hosts an annual general meeting each year to meet the Company's shareholders and answer their enquiries.

H. SHAREHOLDER'S RIGHTS

1. How shareholders can convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. The procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong by post for the attention of the Board.

3. The procedures and sufficient contact details for putting forward proposals at shareholders' meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out above.

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 1 to the financial statements. During the year under review, there were no significant changes in the Group's principal activities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 126.

The Directors have recommended the payment of a final dividend of HK$0.0811 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2023. The proposed dividend payments from share premium account of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on Monday, 20 May 2024 at 2:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Monday, 24 June 2024 to shareholders whose names shall appear on the register of members of the Company on Friday, 7 June 2024.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 May 2024.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 June 2024.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2023 are approximately RMB3,394,217,000.

SHARE CAPITAL

Details of movements in share capital and shares issued of the Company during the year are set out in note 32 to the financial statements.

During the year, the Company has issued a total of 690,000 fully paid up ordinary shares of the Company at a total consideration of approximately RMB3,564,000, as a result of exercise of share options under the share option scheme of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the Group's property, plant and equipment are set out in note 14 to the financial statements.

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB30,330,000 (2022: approximately RMB9,060,000).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 232. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

(i) Review of our business

A review of the business of the Group for the year ended 31 December 2023 as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 6 and pages 31 to 42 respectively of this annual report.

(ii) Principal Risks and Uncertainties

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk internal control system.

(1) Financial Risk

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes borrowings, convertible loan notes, net of cash and cash equivalents and equity attributable to the owners of the Company (including share capital, share premium, reserves and accumulated profits).

The Directors review the capital structure semi-annually. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues and as well as the issue of new debts or the redemption of existing debt.

Interest rate risk

The Group's fair value interest rate risk is the risk that the fair value of a fixed rate financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest bearing financial assets are mainly bank deposits (mainly of a short term nature); and interest bearing financial liabilities are mainly bank loans which are on a floating rate basis. The Group is exposed to fair value interest rate risk in relation to fixed rate term deposits, pledged bank deposits, borrowings with fixed interest rates and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings and bank balances which are mainly concentrated on the fluctuation of prevailing interest rate announced by the Peoples' Bank of China in respect of unsecured bank loans and HIBOR arising from the Group's HK$ denominated borrowings. The Group kept certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's policy is to obtain the prime rate.

Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, trade and other payables arising from purchases and borrowing denominated in foreign currencies, which expose the Group to foreign currency risk. The Group's principal operating subsidiaries are located in the PRC, Hong Kong and Japan, and the Group's principal businesses are conducted in Renminbi. The Group is mainly exposed to United States Dollar, Hong Kong Dollar and Japanese Yen. Other than the bank borrowings denominated in Hong Kong Dollar with a higher foreign exchange exposure, the impact of other foreign exchange exposure is minimal, and the management has kept on monitoring the movement of all foreign currency exposure.

Credit risk

The Group conducts business with credible third parties. The Group's policy is that all customers intending to conduct business on credit are required to pass a credit assessment procedure: in order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors consider that the Group's exposure to credit risk is significantly reduced.

(2) Business Risk

Market risk

Loss of market share is a market risk encountered by the Group. The Group constantly faces fierce market competition in the core markets of the PRC. The financial position of the Group may be adversely affected if it fails to respond to market changes resulting to loss of business to opponents. The Group has professional sales and client management teams and is committed to ensure that the existing clients and business will be retained through competitive quality services and pricing policy.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, safety standard, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

(iii) Significant events after the reporting date affecting the Group

No any significant events which happened after the reporting date of 31 December 2023 affecting the Group.

(iv) Future development of the Group

An indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 6 and pages 31 to 42 respectively of this annual report.

(v) **Compliance with Laws and Regulations**

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations; in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

(vi) **Environmental Policies and Performance**

The Group encourages environmental protection and promotes awareness towards environmental protection in its daily business operation. For the year ended 31 December 2023, the Group is in compliance with international and national environmental standards and implemented green production policies to raise efficiency and minimise both energy consumption and pollutant discharge and the details are set out in the "Environmental, Social and Governance Report" in this annual report. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operation to enhance sustainability.

(vii) **Key Relationships with Employees, Customers and Suppliers**

As at 31 December 2023, the Group had a headcount of 69,976 employees (31 December 2022: 82,140). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance. The Company has also adopted a share option scheme and share award scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality. The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 December 2023.

DIRECTORS

The Directors during the year end and up to the date of this report are:

Executive Directors:	Non-executive Directors:	Independent non-executive Directors:
Dr. Chen Yuhong	Dr. Zhang Yaqin	Dr. Lai Guanrong
Dr. He Ning	Mr. Gao Liangyu	Professor Mo Lai Lan
Dr. Tang Zhenming		Mr. Yeung Tak Bun J.P.

Mr. Zeng Zhijie was retired as an Independent non-executive Director of the Company with effect from 22 May 2023.

Mr. Yeung Tak Bun J.P. was appointed as an Independent non-executive Director of the Company with effect from 22 August 2023.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

In accordance with article 87 of the Company's articles of association, one-third of the Directors (who have been longest in office since their last election) will retire from office by rotation and, being eligible, offer themselves for re-election.

Details of the Directors' appointment and resignation are set out in the Corporate Government Report of this annual report.

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong has entered into a service agreement as an Executive Director with the Company for a term of two years from 20 June 2003. The service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice.

Dr. He Ning has entered into a service agreement as an Executive Director with the Company for a term of three years from 18 May 2021. The service contract shall continue since expiry of such term.

Dr. Tang Zhenming has entered into a service agreement as an Executive Director with the Company for a term of three years from 1 February 2023. The service contract shall continue since expiry of such term.

Dr. Zhang Yaqin and Mr. Gao Liangyu have entered into service agreements as non-executive Directors with the Company for a term of three years from 1 October 2014 and 3 July 2017 respectively. The appointment of the non-executive directors have continued since expiry of such term.

Dr. Lai Guanrong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. were appointed as independent non-executive Directors pursuant to letter of appointment for a term of two years from 2 June 2015, 15 August 2018 and 22 August 2023 respectively. The appointment of Dr. Lai Guanrong and Professor Mo Lai Lan have continued since expiry of such term.

Details of the Directors' remuneration are set out in note 11 to the financial statements. Save as disclosed in note 11 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors which are required to be disclosed under the Listing Rules, or section 383 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) or the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 662G, Laws of Hong Kong). Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2023, 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.

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	Total approximate % of the issued share capital as at 31 December 2023
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	315,488,861 *(Note 1)*	–	340,138,144	11.56%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	24,649,283 *(Note 2)*			
He Ning	Beneficial owner and beneficiary of trust	6,000,000 *(Note 3)*	–	6,000,000	0.20%
Tang Zhenming	Beneficial owner and beneficiary of trust	24,891,765 *(Note 4)*	–	24,891,765	0.85%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 *(Note 5)*	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 *(Note 5)*	1,000,000	0.03%
Lai Guanrong	Beneficial owner	–	800,000 *(Note 5)*	800,000	0.03%
Mo Lai Lan	Beneficial owner	–	800,000 *(Note 5)*	800,000	0.03%
Yeung Tak Bun	Beneficiary of trust	1,000,000 *(Note 6)*	–	1,000,000	0.03%

Notes:

(1) On 1 June 2020, there were 16,600,000 awarded shares granted to Dr. Chen Yuhong and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested and transferred to Dr. Chen during May 2021 while another 5,500,000 awarded shares were vested during June 2022 and transferred to Dr.Chen during July 2022. During the reporting year, 1,650,000 awarded shares were vested during June 2023 and transferred to Dr. Chen during August 2023. On 30 August 2023, there were 9,996,000 awarded shares granted to Dr. Chen Yuhong and held by the same trustee, of which no awarded shares were vested and transferred to Dr. Chen during the year. 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) On 30 August 2023, there are 5,000,000 awarded shares granted to Dr. He Ning and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which no awarded shares were vested and transferred to Dr. He during the year.

(4) On 1 June 2020, there were 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested and transferred to Dr. Tang during May 2021 while another 1,440,000 awarded shares were vested during June 2022 and transferred to Dr. Tang during July 2022. During the reporting year, 432,000 awarded shares were vested during June 2023 and transferred to Dr. Tang during August 2023. On 30 August 2023, there were 5,000,000 awarded shares granted to Dr. Tang Zhenming and held by the same trustee, of which no awarded shares were vested and transferred to Dr. Tang during the year. The remaining awarded shares will be vested by period based on future performance.

(5) The interests in underlying shares of the Company represent interests in options granted to the directors.

(6) On 30 August 2023, there are 1,000,000 awarded shares granted to Mr. Yeung Tak Bun J.P. and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which no awarded shares were vested and transferred to Mr. Yeung during the year.

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2023	No. of share options exercised during the year	No. of share options granted during the year	No. of share options outstanding as at 31 December 2023	Percentage of total issued ordinary share of the Company as at 31 December 2023	Total No. of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 31 December 2023	*Note*
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)
Lai Guanrong	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(i)
Mo Lai Lan	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 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 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions 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 provisions 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 notified to the Company and the Stock Exchange.

As at 31 December 2023, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2023, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2023, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2023, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2023, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2023.

SHARE OPTION SCHEME

A share option scheme (the "2003 Share Option Scheme") was originally adopted by the Company for a period of 10 years pursuant to a written resolution of all the shareholders of the Company on 2 June 2003. The 2003 Share Option Scheme was subsequently terminated on 20 May 2013 and a new share option scheme (the "2013 Share Option Scheme") with substantively similar terms to the Share Option Scheme was adopted on the same day at the AGM of the Company for a further 10 years. Upon the expiry of 2013 Share Option Scheme on 20 May 2023, the provisions of the 2013 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiry or otherwise as may be required in accordance with the rules of the 2013 Share Option Scheme. Therefore, the outstanding options granted under the 2013 Share Option Scheme shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue.

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 2013 Share Option Scheme ("Scheme Mandate Limit"). Since 2013 Share Option Scheme was expired on 20 May 2023, a total of 37,300,000 shares were issuable under Scheme Mandate Limit as at 31 December 2023, representing approximately 1.27% of the total issued ordinary share of the Company as at 31 December 2023.

As at 31 December 2023, no share options granted to certain directors and employees of the Group pursuant to the 2003 Share Option Scheme were outstanding and 37,300,000 Shares (2022: 62,990,000 Shares) granted to certain directors, employees and suppliers of the Group pursuant to the 2013 Share Option Scheme were outstanding, representing 1.27% (2022: 2.08%) of the total issued ordinary share capital of the Company as at 31 December 2023. The terms on the exercise of such share options granted as set out in note 41 to the financial statements and notes in the section headed "Directors' Interests in Shares" above.

During the reporting year before the 2013 Share Option Scheme expired, no share options were granted under the 2013 Share Option Scheme. An aggregate of 690,000 share options were exercised and 25,000,000 share options were lapsed. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year was HK$6.34 per share.

Save as disclosed above, no share options have been granted, exercised or have lapsed pursuant to the 2003 Share Option Scheme and the 2013 Share Option Scheme as at 31 December 2023.

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 employees 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. There is no scheme mandate or service provider sublimit applicable to the Share Award Scheme. As the grant of Awarded Shares to Directors also forms part of their remuneration packages under their respective service contracts with the Company, it is therefore exempt from the reporting, announcement and independent Shareholders’ approval requirements under Rule 14A.73(6) and Rule 14A.95 of the Listing Rules. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018 and note 41 to the financial statements.

On 1 June 2020, the Company had granted a total of 152,000,000 awards to certain Directors and employees of the Company pursuant to the Share Award Scheme, of which 23,800,000 awards were granted to the Directors of the Company. The 152,000,000 awards represented the value of approximately HK$604,960,000 with the closing price of HK$3.98 per share on the date of grant. As at 31 December 2023, 82,971,000 awarded shares granted on 1 June 2020 were unvested, representing 2.82% of the issued share capital of the Company as at 31 December 2023.

On 30 August 2023, the Company had granted a total of 145,460,000 awards to certain Directors and employees of the Company pursuant to the Share Award Scheme, of which 20,996,000 awards were granted to the Directors of the Company. The 145,460,000 awards represented the value of approximately HK$740,391,400 with the closing price of HK$5.09 per share on the date of grant. As at 31 December 2023, 145,460,000 granted on 30 August 2023 were unvested, representing 4.94% of the issued share capital of the Company as at 31 December 2023.

Details of share awards granted under the Share Award Scheme during the year ended 31 December 2023 are as follows:

Name or Category of Grantees	Date of Grant	Unvested Awards Outstanding as at 1 January 2023	Vesting Period	Awards Granted During the Year	Awards Vested During the Year	Purchase Price	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Year)	Awards Cancelled During the Year	Awards Lapsed During the Year	Unvested Awards Outstanding as at 31 December 2023
Chen Yuhong *(Executive Director)*	1/6/2020	5,500,000	1/6/2020-31/5/2025	–	(1,650,000)	Nil	HK$5.6803	–	–	3,850,000
Tang Zhenming *(Executive Director)*	1/6/2020	4,320,000	1/6/2020-31/5/2027	–	(432,000)	Nil	HK$5.6803	–	–	3,888,000
Five highest paid employees *(excluding director)*	1/6/2020	16,600,000	1/6/2020-31/5/2027	–	(4,224,000)	Nil	HK$5.6803	–	–	12,376,000
Other Employees	1/6/2020	74,703,000	1/6/2020-31/5/2027	–	(11,846,000)	Nil	HK$5.6803	–	–	62,857,000
Total		101,123,000		–	(18,152,000)			–	–	82,971,000
Chen Yuhong *(Executive Director)*	30/8/2023	–	30/8/2023-29/8/2030	9,996,000	–	Nil	N/A	–	–	9,996,000
He Ning *(Executive Director)*	30/8/2023	–	30/8/2023-29/8/2030	5,000,000	–	Nil	N/A	–	–	5,000,000
Tang Zhenming *(Executive Director)*	30/8/2023	–	30/8/2023-29/8/2030	5,000,000	–	Nil	N/A	–	–	5,000,000
Yeung Tak Bun *(Independent Non-Executive Director)*	30/8/2023	–	30/8/2023-29/8/2030	1,000,000	–	Nil	N/A	–	–	1,000,000
Five highest paid employees *(excluding director)*	30/8/2023	–	30/8/2023-29/8/2030	–	–	Nil	N/A	–	–	-
Other Employees	30/8/2023	–	30/8/2023-29/8/2030	124,464,000	–	Nil	N/A	–	–	124,464,000
Total		–		145,460,000	–			–	–	145,460,000

Details of share awards granted to the five highest paid individuals (including Directors) under the Share Award Scheme during the year ended 31 December 2023 are as follows:

Date of Grant	Unvested Awards Outstanding as at 1 January 2023	Vesting Period	Awards Granted During the Year	Awards Vested During the Year	Purchase Price	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Year)	Awards Cancelled During the Year	Awards Lapsed During the Year	Unvested Awards Outstanding as at 31 December 2023
1/6/2020	22,100,000	1/6/2020-31/5/2027	–	5,874,000	Nil	HK$5.6803	–	–	16,226,000
30/8/2023	–	30/8/2023-29/8/2030	19,996,000	–	Nil	N/A	–	–	19,996,000
	22,100,000		19,996,000	5,874,000			–	–	36,222,000

Each of the awards represents a conditional right to receive one awarded share subject to certain terms and conditions of the grant of such awards.The awarded shares will be settled by way of existing issued shares of the Company held by the independent trustee of the Share Award Scheme of the Company. During the year ended 31 December 2023, a total consideration of approximately HK$751,404,000 (2022: HK$67,261,000) has been used to acquire 143,184,000 shares (2022: 7,374,000 shares) of the Company from open market by the independent trustee of the Company. As at 31 December 2023, 263,316,762 shares (2022: 140,154,000 shares) of the Company were held by the independent trustee of the Company, representing 8.95% (2022: 4.63%) of the total issued ordinary share capital of the Company as at 31 December 2023.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the Directors, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiary, its holding company or any subsidiary of its holding company was a party and in which a Director or entities connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year, the Group had conducted "continuing connected transactions" which constituted fully exempted transactions under Chapter 14A of the Listing Rules. These connected transactions have been entered into under normal commercial terms and in the ordinary and usual course of business, and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. Since the highest applicable percentage ratios involved in these transactions are less than 0.1%, these transactions are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year are set out in note 44 to the consolidated financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non exempt connected transactions/continuing connected transactions.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 60.01% (2022: 64.52%) of the Group's total turnover and the Group's largest customer accounted for approximately 45.16% (2022: 49.12%) of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 43.00% (2022: 26.20%) of the Group's total purchases and the Group's largest supplier accounted for approximately 13.31% (2022: 9.52%) of the Group's total purchases.

None of the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the five largest suppliers or customers of the Group.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2023, the interest of the persons (not being a Director or chief executive of the Company) 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 in Shares

Name	Nature of interest	Approximate number of Shares	Approximate percentage 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	340,138,144	11.56%
Bank of Communications Trustee Limited *(Note 2)*	Trustee	269,243,962	9.15%
UBS Group AG *(Note 3)*	Interest of controlled corporations	239,936,370	8.15%

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) 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 to administer the Share Award Scheme of the Company.

(3) UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Shanghai) Ltd, UBS Asset Management (Singapore) Limited, UBS Asset Management (Australia) Ltd., UBS Asset Management (Deutschland) GmbH, UBS Fund Management (Luxembourg) S.A.,UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG, UBS Asset Management (UK) Limited, UBS AG, UBS Switzerland AG, Credit Suisse Asset Management (Schweiz) AG, Credit Suisse Funds AG, Credit Suisse International, Credit Suisse Fund Management S.A. and Credit Suisse (Hong Kong) Limited Total are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 239,936,370 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 13 December 2023 for further details of the shareholding structure.

Save as disclosed above, as at 31 December 2023, 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.

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

During the year ended 31 December 2023, the Company repurchased 84,402,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before 31 December 2023. The total amount paid for the repurchases of HK$436,812,660 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of shares repurchased	Highest	Lowest	Total price paid
		HK$	*HK$*	
May 2023	36,102,000	4.99	4.63	174,156,380
June 2023	16,300,000	5.11	4.76	79,549,620
September 2023	32,000,000	6.00	5.44	183,106,660
	84,402,000			436,812,660

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme and share award scheme as an incentive to the Directors and eligible employees, details of the scheme is set out in note 41 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors (on a named basis) and the five highest-paid employees (including the senior management of the Group) are set out in note 11 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

COMPETING INTERESTS

As at 31 December 2023, none of the Directors of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business apart from the Group's business which competed or might compete with the business of the Group.

AUDITOR

There was no change in auditor of the Company in any of the preceding three years. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Chen Yuhong
Chairman & Chief Executive Officer

Beijing, 28 March 2024

INTRODUCTION TO THE REPORT

As an industry-leading global software and information technology services company, Chinasoft International understands that the healthy development of an enterprise is closely connected to good environmental, social and governance performance. The Group pays close attention to environmental, social and governance issues and actively fulfills its corporate social responsibilities in the areas of social contract, social responsibility, green innovation and employee care, with a view to creating sustainable driving force for the Group's long-term development and improvement of international competitiveness, and contributing its corporate strength to the economy, society and the environment. This report provides a comprehensive account of the important events and performance of the Group in terms of environment, society and governance in the year 2023, guided by relevant policies, philosophies and objectives of the Group, focusing on low carbon emission, water management, responsible management, value chain partners, environment, employees and society, etc.

SCOPE OF THE REPORT

This report covers the period from 1 January 2023 to 31 December 2023 (the "Reporting Period"), and some contents may exceed the abovementioned period due to explanation needs. This report covers the headquarters and affiliated companies of Chinasoft International Group (hereinafter referred to as the "Group" or "Chinasoft International").

BASIS OF PREPARATION

This report is prepared in compliance with Appendix C2 of the Environmental, Social and Governance Reporting Guide of the Listing Rules of the Hong Kong Stock Exchange and with reference to the standards of the Global Reporting Initiative (GRI). The governance of the Group is set out in the Corporate Governance Report section of the Annual Report.

DATA DESCRIPTION

The financial data in this report is derived from this annual report and other statistics include the headquarters and affiliated companies of Chinasoft International Group unless otherwise stated. Currency amounts in this report are denominated in RMB unless otherwise stated.

REPORTING PRINCIPLES

- Materiality: The materiality of the Group's ESG issues is determined by the Board and the process of stakeholder communication and identification of material issues and the materiality matrix are disclosed in this report.

- Quantitative: The statistical criteria, methods, assumptions and/or calculation tools for the quantitative KPIs in this report, as well as the sources of the conversion factors, are described in the report explanatory notes.

- Balance: This report presents the Group's performance for the Reporting Period in an unbiased manner so as to avoid statements that may unduly influence the decisions or judgements of the readers of the report.

- Consistency: The statistical methods used to disclose data in this report are consistent.

ESG GOVERNANCE STATEMENT FROM THE BOARD

The Group and the Board of Directors comply with the requirements under the Code of Corporate Governance for Listed Companies of the China Securities Regulatory Commission and the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited and continuously promote the improvement of the Group's environmental, social and corporate governance (hereinafter referred to as "ESG") management system. The Group and the Board of Directors are committed to deeply integrating ESG factors into the Company's major decision-making and business practices and constantly strengthen the supervision and participation of the Board of Directors in the ESG affairs of the Group.

The Board of Directors of the Group holds the highest authority over the Group's ESG-related issues, assumes full responsibility for the Group's ESG strategy, reporting and supervision, and is responsible for guiding and reviewing the Company's overall ESG goals, implementation plan, ESG risk assessment and countermeasures. The ESG Working Committee under the Board of Directors is responsible for supervising the commitment and performance of key ESG issues, ensuring the integration of ESG concept and corporate strategies, and reporting to the Board of Directors on a regular basis. The ESG Working Committee is chaired by the Chairman and CEO of Chinasoft International, with the presidents of the business units and the persons in charge of the functional departments of the Group's head office as members, and is responsible for the coordination and management of the Group's ESG work. The ESG Working Committee integrates ESG management requirements into the end-to-end process from business planning to business lifecycle management by focusing on the three aspects of environment, society and governance, and integrating them with the Company's technology service business attributes to make ESG a reality.

The ESG Working Committee identifies the Group's ESG risks in light of changes in the external economic environment, macro policies and the corporate development strategy, regularly reviews important ESG issues to identify the Company's ESG governance priorities, identifies specific reasons for non-achievement of ESG objectives and realizes a balance between the Company's operations and ESG. During the Reporting Period, the Board focused on driving the Group to formulate and improve ESG concepts and strategies, explore low-carbon development paths, and carefully review the performance of the Company's ESG-related environmental targets. This report discloses in detail the progress and formulation of Chinasoft International Group's ESG work and targets for 2023, which have been approved by the Board of Directors.

TOPIC: DIGITALIZATION FACILITATING LOW CARBON DEVELOPMENT AND EMPOWERS GREEN TRANSFORMATION OF INDUSTRIES

Following the national strategic goal of "carbon peak and carbon neutrality", and relying on its more than 20 years of experience in the software industry and its innovative service system of digital technology, Chinasoft International has fully utilized the strengths of its "service+platform+ecology" service model to comprehensively promote digital empowerment, provide diversified and appropriate solutions for low-carbon development. The Group continues to focus on digital technology empowering the green economy, and join hands with many ecological partners to carry out in-depth cooperation to jointly explore new ideas for digital transformation and upgrading.

Helping customer enterprises save energy and reduce consumption, creating a new benchmark for smart industrial parks

With the continuous development of technology, smart industrial parks have become an important part of modern city construction. Chinasoft International has been committed to exploring and promoting the construction of smart industrial parks. Through the application of advanced technologies such as information technology, internet and big data, Chinasoft International provides comprehensive solutions for industrial park managers to efficiently manage and optimize the use of resources in the industrial parks in order to improve the management level and achieve cost reduction and efficiency.

Case study: Chinasoft International builds the first smart industrial park project platform in a Province

The new hospital district of a provincial women and children's healthcare hospital is subordinate to a Provincial Central Hospital, which is an internationalized, modernized, research-oriented, multi-functional, air-port medical and health care complex integrating "medical treatment, health care, prevention, rehabilitation, scientific research and teaching".

The Group delivered an integrated operation and control platform for the day-to-day operation and management of the hospitals for the women and children medical complex in the province, with a total of 1 general overview and 9 system projects. The project successfully passed the final acceptance in December 2023 and has been in stable operation, fully realizing the "8+1" smart hospital application scenario.

The energy consumption management project created by Chinasoft International in the project carries three core businesses of energy consumption overview, energy consumption alarm, and energy consumption analysis which helps the provincial women and children's healthcare hospital to realize two capabilities: firstly, through the full-volume monitoring of energy consumption data (water, electricity, natural gas, and (heat), it realizes the detailed visualization of energy utilization; secondly, through the statistical analysis of energy consumption, analysis of energy consumption trend, analysis of energy consumption report, and horizontal and vertical comparison analysis, it provides effective support for the integrated management of energy consumption.

Through data-driven measurement of electricity consumption, the Group has helped to reduce the overall energy consumption of the industrial park by 15%, and has also helped to enhance the park's intelligent management level in terms of convenient access, integrated security, asset management, facility efficiency and command and control efficiency, thereby helping to realize the customer value of "All-round Sensing, All-round Connectivity, Fine Management, Precise Service and Efficient Operation". This project will become a new highlight of the medical and healthcare industry and help improve the local medical level. In the future, Chinasoft will continue to contribute to the development of the medical industry and jointly promote the innovation and upgrading of medical services.

Empowering the development of the smart energy industry and creating a new digital energy engine

Under the guidance of the "carbon peak and carbon neutrality" goal and the new development concept, the pace of China's green energy and low-carbon transformation has been accelerating, and distributed intelligent energy has become a "new trend" of the times with the unique strengths of "greener energy supply and more orderly energy consumption". The Group is committed to the ecological construction of the smart energy industry, relying on the digital intelligence capability of the whole stack, focus on the energy Internet of Things + consumer Internet, to help digitize the energy and power industry and promote the development of the smart energy industry.

Case study: Chinasoft and SPIC Smart Energy enters into a strategic partnership

Chinasoft International enters into strategic partnership with State Power Investment Corporation Comprehensive Smart Energy Technology Co., Ltd.. Both parties will collaboratively endeavor to digitally empower the development of the smart energy industry, achieving horizontal integration across the comprehensive energy business scenarios of source, grid, load, and storage. Vertically, there will be a fusion of advanced technologies such as "cloud computing, big data, Internet of Things, mobile Internet, AI and blockchain," aiming to construct a full spectrum of applications. These applications, including energy management, carbon energy, energy efficiency, energy empowerment, intelligent operation and maintenance, and ecological libraries, are oriented towards meeting user demands. The ultimate goal is to establish a comprehensive smart energy system with multi-energy complementarity through the innovative technology of "Big data + Large models + AI algorithms", thereby contributing to the dual control of carbon emissions, ensuring a balance between economic development and environmental protection.

SPIC is the world's largest operator of new energy. It took the lead in proposing the concept of general intelligent energy and made it a major strategic deployment for State Power Investment to comply with the general trend of energy power development and cope with the current global economic changes. The Group and SPIC will focus on the full spectrum of "energy management", "energy carbon", "energy efficiency" and "energy empowerment" applications to jointly build a safe and efficient energy system. The Group and SPIC will focus on the full spectrum application of "energy management", "carbon energy", "energy efficiency" and "energy empowerment" to jointly build a safe, efficient, clean and low-carbon, flexible and intelligent distributed energy digitalization platform.

This cooperation meets the requirements of high-quality development of the economy and society, it is also an important component of the new energy system and a key vehicle for realizing the "carbon peak and carbon neutrality" goal. In the future, Chinasoft will give full play to its responsibility and commitment as a "digital transformation service expert" and contribute to the realization of the carbon peak and carbon neutrality goal, the high-quality development of industries, and national energy security.

Innovative smart zero-carbon solutions, opening a new chapter of zero-carbon smart brain

Against the backdrop of the global response to climate change, China is facing tremendous pressure and challenges in energy conservation, emission reduction and low-carbon development. The Group has always been committed to assisting enterprises in their transformation and upgrading through professional technology and excellent project management, aiming to contribute to the national "30-60 target" for carbon peak and carbon neutrality while ensuring energy security and meeting the needs of economic and social development.

Case Study: Chinasoft International launches "Smart Zero Carbon One-Stop Solution"

Chinasoft International has launched an intelligent zero-carbon one-stop solution, using the carbon accounting engine as the carbon digital base, based on the smart industrial park integration platform, innovating multi-industry zero-carbon application scenarios, and aggregating digital assets to construct a zero-carbon smart brain. The solution covers a wide range of industry scenarios, including smart city, smart energy, smart industrial park, education, transportation, construction, etc. Through the use of advanced technologies, such as artificial intelligence, cloud computing, Internet of Things, and big data, the solution can help promote the balance of energy supply and demand, recycling of resources, improvement of environmental quality, easing of traffic congestion, optimization of energy saving in buildings, and enhancement of community services, thereby creating significant economic, social, and environmental values for a wide range of customers.

The Group has strengthened its carbon accounting standard capabilities based on the carbon accounting SaaS platform to empower projects such as zero-carbon industrial parks, corporate carbon asset management, and product carbon footprints, and promote the realization and implementation of carbon neutrality targets. The functions of the carbon accounting engine include:

- **Accounting standards and emission factors database**: constructing carbon data models to improve carbon emissions management;
- **Blockchain platforms**: enhancing trust and efficiency in carbon markets;
- **Data collection integration platform**: improve the accuracy and completeness of carbon data;
- **Carbon accounting SaaS platform**: meet the needs of carbon accounting in multiple scenarios.

With the IOC zero carbon smart brain, Chinasoft International assists clients to build intelligent zero carbon industrial parks that are energy efficient, environmentally friendly, and socially shared for green development, helping clients to realize the goals of energy conservation and consumption reduction, lowering carbon emissions from industrial parks, promoting green industry development, and shaping the industrials parks into exemplary and benchmark brands. In the future, Chinasoft International will continue to promote the low-carbon intelligent construction of smart industrial parks with the carbon accounting engine as the carbon digital base, and continue to iterate the zero-carbon technology system, optimize the efficiency of energy utilization, and strengthen the management of carbon emissions. Chinasoft International will also join hands with many eco-partners to carry out in-depth cooperation, and jointly promote the "carbon peak and carbon neutrality" solutions and technology applications, and create industry benchmarks.

Intelligent guarding of urban water security, setting a new paradigm of healthy water veins

Water is the key to the operation of the city, and is also one of the key indicators to measure the level of scientific development. With the rapid development of cities, problems such as water shortage, poor water quality and flooding have emerged one after another, undoubtedly becoming a major factor hindering economic and social development. Through in-depth research and practice in the field of digital water management, the Group is committed to solving urban water management problems and ensuring the sustainable utilization of water resources and the stability of the ecological environment.

Case Study: Chinasoft International contributes to the water management and decision-making command center for a northern city

Chinasoft International constructed a "Digital Water Management Integration Platform" for a city in the north of China to assist water management in a more detailed, dynamic and smart way, eliminating the obstacles in the process of water resources allocation, dispatch and water-related management, promoting the development of the city's water management work, and exploring a unique model of water management and water revitalization for the city.

The Group's "Digital Water Management Integration Platform" helps the city to manage a citywide "plants, stations and network" covering five major water sources, 29 sewage treatment plants, 24 storage tanks, 12 lifting and draining pumping stations, and more than 2,000 kilometers of rainwater and sewage pipelines, 64 drainage outlets and other nodal facilities, constituting the digital nerve network of urban water treatment.

- "**Plant**": through digital means to control the drug injection, water purification aeration and other key factors, connecting sewage pumping station, pumping pit data to the sewage treatment plant central control platform, achieving uniform scheduling and intelligent operation;

- "**Station**": adopting IOT control technology to establish an integrated sewage pumping station, realizing intelligent monitoring and remote control, saving the labor cost of sewage treatment plant, and facilitating real-time all-round monitoring of the pumping station;

- "**Network**": While promoting rainwater and sewage diversion, internal probing of retained and completed pipe networks in urban areas will be carried out to facilitate timely rehabilitation and maintenance of the pipe networks.

In addition, the Group empowers the "intelligent brain" of urban water management through AI technology, carries out real-time monitoring of meteorology, water accumulation, pipelines and rivers, and conducts dynamic data projection of the floods in the next six hours, so as to accurately predict and give advance warning of potential locations with potential risks of urban flooding, so as to take measures to block the spread of the floods in advance and solve the problem of urban flooding from the source.

Through the "Digital Water Management Integration Platform", Chinasoft International helps the city to manage the citywide "plants, stations and network", monitor status of the water quality of the city's water sources, various river sections and sewage treatment in real time, and to understand the overall operation of the city's water system, providing strong support for the protection and management of the city's water resources. In the future, the Group will continue to utilize its professional knowledge and experience to bring more efficient and sustainable solutions for urban development and contribute to the development and construction of smart cities.

1. RESPONSIBILITY MANAGEMENT

1.1 ESG MANAGEMENT

ESG Philosophy

With the ESG management principle of "law-abiding management, continuous improvement, pollution prevention and health and safety", Chinasoft International is striving towards the goal of "becoming the most valuable brand that contributes as part of the puzzle to make up our great nation". The Group integrates value investing, core services, employee growth, and social responsibility into its corporate governance, and continues to build an organization with long-term value and sustainable development to build a better life and create a better future together with all stakeholders.

- Concentrate resources on areas that will contribute to the leapfrog development of domestic software service industry for value creation
- Adhere to low-carbon operation and green office internally; leverage its "digital environmental protection" business capabilities for customers to build a green production and lifestyle

- In terms of business layout, become the strategic supplier and professional consultant of customers with the support of technical officers with an extensive understanding of existing technology prospects, business processes and practice
- Share, create and grow together with employees to allow them to develop with dignity

Chinasoft International's ESG Philosophy

- Value Investing: Focusing on investment in areas such as Enterprise Resource Planning (ERP), Artificial Intelligence and Internet of Things (AIoT), and Cloud Services, which can contribute to the leapfrog development of the domestic software service industry, to ensure that the investment activities create long-term value for the enterprise and stakeholders.

- Core services: Based on a deep understanding of the existing technology prospects and business processes, combined with extensive practical experience, the Group is committed to becoming a strategic supplier and professional consultant for our customers, helping them realize Lean Outsourcing 2.0 in outsourcing, integrating AIGC's advanced means to meet customers' demands for rapid talent supply, and enhancing the satisfaction of talents; implementing and (mid-stage) customization in digital transformation; comprehensively laying out the "cloud-pipe-edge-end" technology stack in cloud services, and fully integrating the scenarios of business domain (B domain), operation domain (O domain), and management domain (M domain), connecting the whole cycle process of "consulting-design-development-operation-maintenance"; at the same time, we provide customers with a full-stack of technical services based on the cloud, combined with the advanced technologies accumulation of Harmony, Meta ERP, AICG, etc.

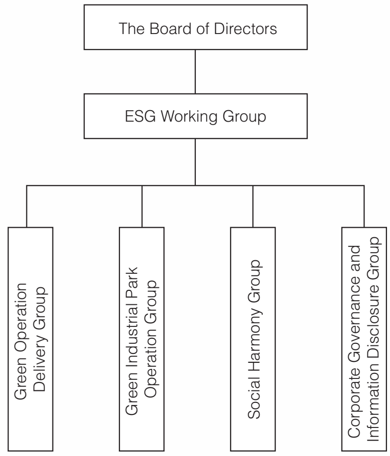
- Employee growth: Adhering to the value of “sharing, creating and growing together”, we have established a talent development system based on “basic positions, cadre appointment and training, appointment certification and ability cultivation of professional staff, talent introduction, and incentive closed loop” by upgrading our human resource management capabilities, and promote the personal development of employees while enhancing the cohesion, centripetal force and stability of the Group.

- Social responsibility: Actively implementing low-carbon operation and green office, Chinasoft International leverages its “digital environmental protection” business capabilities and aggregates the industry’s advanced IT toolset and large-scale software engineering concepts and practices to provide customers with digital smart green solutions, enabling enterprises to transform into digital intelligence and build a green and low-carbon production and lifestyle.

The Group will continue to implement the ESG management philosophy, which integrates value investing, core services, employee growth and social responsibility, to strengthen its ties with customers and achieve efficient, high-quality and sustainable development.

ESG GOVERNANCE STRUCTURE

The Group attaches great importance to ESG work and has established a three-tier governance structure of “Board of Directors – ESG Working Committee – ESG Working Group”. The Group’s Board of Directors is responsible for guiding and reviewing the Group’s overall ESG goals, implementation plans, ESG risk assessment and countermeasures, as well as assuming full responsibility for the Group’s ESG strategy and governance. The ESG Working Committee under the Board of Directors is responsible for overseeing and managing the commitment and performance of the key ESG issues, ensuring the integration of the ESG concepts with the Company’s strategy and reporting regularly on the results of the implementation of the ESG and the major plans to the Board of Directors. Under the ESG Working Committee, there are four groups, including the Green Operation Delivery Group, the Green Industrial Park Operation Group, the Social Harmony Group, and the Corporate Governance and Information Disclosure Group, which are responsible for incorporating ESG into the areas of strategic planning, business delivery, park operation, internal control, risk management, employee development, compensation and welfare, and process development under the leadership of the ESG Working Committee, and promoting the implementation of ESG-related work. It also regularly reports to the ESG Committee on the progress of ESG-related matters.



Chinasoft International ESG Governance Framework

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

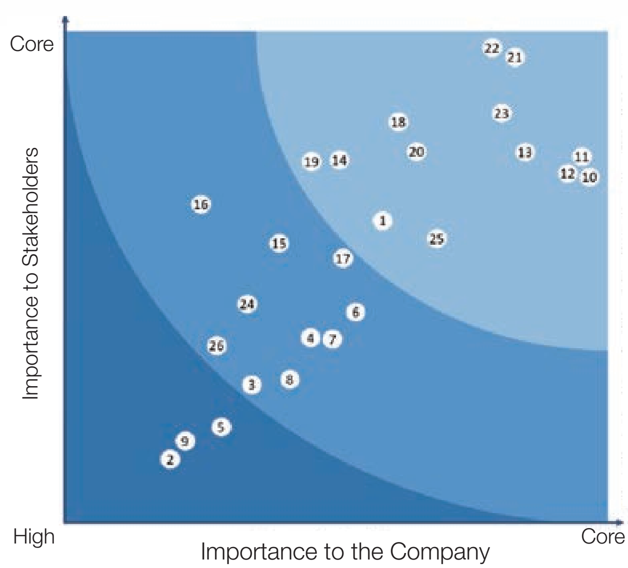
The Group maintains diversified communication channels with stakeholders to identify the feedback and expectations of various stakeholders on the Group, respond to the views of various parties in a timely and effective manner and enhance the Group's ESG performance in a targeted manner. The Group conducts surveys and statistics on issues of concern to stakeholders at different levels to determine the focus of the Group's ESG work, and organizes and forms a stakeholder communication table to provide foundation for the identification of material ESG issues of the Group.

Stakeholders	Expectations	Communication channels
Government and regulatory bodies	– Compliance with laws and regulations and the Listing Rules – Integrity in the business – Payment of taxes according to the law – Assured product safety – To drive forward the technological progress	– Study of policy and guidance documents – Participation in meetings and trainings organised by relevant authorities and associations – Work closely together with relevant authorities during review and inspections – Telephone, email and face-to face communication
Shareholders and investors	– Continuous improvement of business performance – Compliance operations – Sound corporate governance – Timely and full disclosure of information – Considerable investment return	– Convene shareholders' and investors' meetings – Publish financial reports, announcements and other information – Publish news and information via company's websites – Telephone, email and face-to-face communication with investors
Customers	– To assure product and service quality – To ensure delivery on schedule and to perform product responsibility – To ensure the security of customer information – To meet the diverse needs of customers	– Carry out surveys on customers' requirements – Carry out customer service satisfaction questionnaire – Telephone, email and face-to-face communication with customers
Employees	– To protect the interests of employees – Caring for occupational health of employees – To ensure workplace safety – To provide training and development opportunities – To offer fair and reasonable remuneration packages	– Conduct questionnaire surveys on organizational ambiance – Organise regular meetings and employee discussion forums – Organise parties and interactive activities for employees and their families – Establish online communication and Q&A platforms – Telephone, email and face-to-face communication with employees – Measures to protect employees' health

Stakeholders	Expectations	Communication channels
Suppliers	– Open, equitable and fair procurement – Fulfilment of contracts, creation of mutual benefits and win-win situations – Stable demand and common development	– Conduct assessments and interviews through on-site visits – Telephone, email and face-to-face communication with suppliers
Community	– To protect the social environment – To support community development – Equal opportunity employment and protection of human rights	– Maintain networking and dialogue with the community – Participate in community activities – Make charitable donations
Public and media	– Full and transparent disclosure of information – Timely feedback to external inquiries – Sustainable business development	– Publish financial reports, announcements and other information – Publish news and information via company's websites and social media – Establish communication channels such as telephone, email and Internet communication platform

Substantive Issue Identification

In accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules and international standards, the Group conducted materiality assessment on ESG issues that are relevant and important to the Group's business based on the results of the stakeholder communication survey questionnaire, and in light of the actual situation of the Group, and then screened and formed a material issues matrix for use as the basis for the Group's ESG focus and disclosure.



1 Corporate ESG management
2 Greenhouse gas emissions reduction
3 Waste reduction and recycling
4 Environmental compliance
5 Environmental objectives setting
6 Efficient use of energy and resources
7 Efficient use of water resources
8 Ecological environment and natural resources protection
9 Response to climate change
10 Equal and compliant employment
11 Occupational safety and health
12 Employees' rights and welfare
13 Employees' talent development
14 Fair and open procurement
15 Supplier and distributor assessment
16 Supply chain environment and social risk management
17 Green procurement
18 Stable and efficient products
19 Product R&D and innovation
20 Intellectual property protection
21 Information security protection
22 Customer privacy protection
23 Quality customer service
24 Responsible marketing
25 Anti-corruption
26 Social welfare

Chinasoft International Material Issues Matrix and List

1.2 INTEGRITY MANAGEMENT

The Group conducts its business activities in strict compliance with the "Criminal Law of the People's Republic of China", the "Law of the People's Republic of China against Unfair Competition", the "Company Law of the People's Republic of China" and the "Audit Law of the People's Republic of China" and other laws and regulations. The Group attaches great importance to the building of an integrity system and has always adopted a zero-tolerance attitude towards any violation of business ethics.

The Group has identified and established an organizational management system under which the Board of Directors is responsible for risk management, internal control and compliance system at the overall level of the Group. The Group regulates the business ethics requirements of its employees through internal policies and systems, such as the "Code of Conduct for Employees", the "Employee Handbook", and the "Business Conduct Guidelines for Managements". The Group will also review the relevant systems on ethical standards from time to time in accordance with changes in national laws and regulations and make necessary amendments as required. In the "Code of Conduct for Employees", the Group clearly requires employees to eliminate or avoid the following acts of bribery:

- Offering or promising money or any monetary equivalent or other non-pecuniary benefit to relevant personnel of the customer, or offering gifts and hospitality beyond the relevant internal regulations of the customer.

- Offering money or any monetary equivalent or other non-pecuniary benefit to a government official in violation of the law, as well as any gifts and hospitality that may lead to suspicion of a violation of a government official's code of integrity or legal requirements.

- Soliciting, directly or indirectly, gifts, hospitality or any monetary equivalent or other non-pecuniary benefit from a business associate.

- Accepting, directly or indirectly, rebates, commissions, referral fees, remuneration, consumption and other money or any monetary equivalent or other non-pecuniary benefit, and accepting gifts and hospitality that exceed business practices.

- Corruption, misappropriation, theft, personal division, misappropriation of money or any money equivalent or other non-pecuniary benefit of the Company or its customers, directly or indirectly.

- Through a third party to carry out the above acts or to introduce or contact a third party for the purpose of committing the above acts.

In terms of internal employees management, the Group requires management cadres to sign the "Cadre Integrity Commitment" to strengthen the awareness of integrity and self-discipline of management cadres, and build up a strong anti-corruption ideological line of defense at source. The Group establishes a cadre integrity file system to accurately manage the situation of cadres' integrity in the workplace, supervise cadres to perform their duties in an integrity manner, and strictly control cadres' integrity, so as to prevent cadres from "being promoted with corruption problem". The Group has also strengthened the supervision over the behavior of cadres and employees who use their influence on their duties for personal gains.

In respect of supplier management, the Group has deepened integrity co-building with suppliers by setting up integrity clauses and corresponding penalties for non-compliance in procurement contracts, promoting the signing of integrity cooperation agreements with suppliers, etc., and joining hands with suppliers to build up a integrity defense line, and urging both parties to comply with the law and discipline at all times in their business dealings.

During the Reporting Period, the Group had not been subject to any closed fraud cases.

- **Strengthening Supervision and Management**

  The Group has established the Integrity Monitoring Department, which is responsible for building and improving the Group's integrity monitoring system. Through the management systems such as "Management Measures for Integrity Monitoring Reporting and Investigation of Cases", "Internal Audit Management Measures of Chinasoft International" and "Explanatory Document on the Exit Audit Process of Chinasoft International", the Integrity Monitoring Department specifies the process of preventing, detecting and combating irregularities such as corruption, malpractices and bribery, so as to ensure that the Group's various internal control rules and regulations can be effectively implemented and to assist in the fulfillment of the Company's strategies. As for the implementation of other internal control systems, the Integrity Monitoring Department carries out all-round inspections by means of special audits, exit audits and case investigations to prevent ethical and compliance risks.

  The Integrity Monitoring Department regularly conducts audits on an annual basis according to the scale and nature of business to ensure that all significant businesses are audited at least once every three years. During the Reporting Period, the Group conducted a total of four special audits and two exit audits, which included the risk of employee professional ethics and integrity practices in the scope of audit evaluation, identified and notified business risks and management loopholes, and effectively explored clues of malpractice.

- **Unblocking reporting and complaint channels**

  The Group encourages all employees, business partners and other parties to report on corruption, malpractices and other irregularities committed by the Group's employees, and whistleblowers can report on such irregularities in four forms, including report mailboxes, e-mails, WeChat official account and the internal integrity reporting platform. The Group receives reports from all parties in a timely manner, strictly enforces the confidentiality requirements of the whistleblowers and provides certain incentives to the whistleblowers of substantiated and effective reports.

- **Building a Culture of Integrity**

  The Group continues to publicize its integrity culture and enhance employees' awareness of integrity through internal periodicals, prize quizzes, regular push messages on its WeChat official account and cultural activities:

  – Published 26 issues of **internal periodicals** with the theme of integrity publicity and education in the Sunshine Integrity Community, to create an atmosphere of integrity within the Company and build a platform for the building of integrity culture.

  – A one-week "**Sunshine Times 2nd Anniversary Prize Quiz**" was launched to publicize and popularize the knowledge of integrity business and mobilize all employees to participate in the building of integrity culture.

  – The Group's WeChat official account regularly publishes integrity-themed holiday push, and continuously pushes "**integrity holiday**" reminder information to employees to strictly prevent holiday corruption and keep integrity.

  – On 9 December 2023, the Group held a special publicity campaign for the International Anti-Corruption Day under the theme of "**Sunshine Critic**" to share the experience of integrity with all employees.

- **Enhancing integrity training**

  The Group incorporates integrity training into the mandatory training for new employees, and new employees are required to complete the study and pass the examination before entering the probationary period for the regularization process, and the integrity training for new employees during the Reporting Period has achieved 100% coverage. The Group continues to conduct specialized education through online and offline training, and launches targeted integrity knowledge popularization and publicity for employees and cadres, enhancing the awareness of integrity among employees and convey the necessity of strict anti-corruption. During the Reporting Period, the Group organized one anti-corruption training, covering approximately 10,000 employees.

  During the Reporting Period, the Group organized three thematic seminars on integrity to guide the Company's employees to have the ideological awareness of "not daring to, not being able to, and not wanting to become corrupt", to deepen the employees' knowledge and understanding of the anti-corruption and ethical standards through case analysis, legal interpretation and handling of irregularities, enhancing employees' ethical qualities, and raise the awareness of employees' integrity and self-discipline as well as compliance.

The Sunshine Times 2nd Anniversary Prize Quiz

2. WORKING WITH SUPPLY CHAIN PARTNERS

2.1 PRODUCT LIABILITY

With the brand positioning of "digital transformation service expert", the Group strictly complies with relevant national laws and continues to strengthen its competitive strengths in terms of product quality, product R&D, intellectual property protection and customer information security, in order to provide customers with quality services and strive to become a reliable partner of customers.

During the Reporting Period, the Group has been recognized as a Gartner Global IT Services TOP 100 and still maintained its upward trend, with its latest ranking rising to No. 73. The honors and awards received by the Group include but were not limited to the following:

Awards	Continued to be awarded the "Best IR Team" award and honored with the "Best Hong Kong Stock Connect Company" award of the 8th Zhitong Caijing Listed Company Selection
	Awarded "2023 Best Cloud Computing Partner" by Beijing Telecom
	Awarded "Excellent ToG Market Partner" by China Mobile in 2023.
	Honored with HuaW's "Product Portfolio Solution Best Practice Partner Award".
	Awarded by China Mobile as "2022 Shanghai Industrial Research Institute Industrial Excellence Partner".
	Continued to top the list and leading in the cloud migration services and cloud development services of two major cloud professional services sub-sector in IDC "China Cloud Professional Services Market Insights (2022H2)" report

During the Reporting Period, the Group had not been subject to any litigation against the Group's products or material fines.

- **Strict control of product quality**

  The Group strictly complies with the "Product Quality Law of the People's Republic of China" and other laws and regulations, optimizes the business delivery process and bridges the shortcomings in project delivery, and is committed to becoming a provider of quality resources, a stable and high-quality deliverer, a co-builder and guardian of products, an optimizer of integrated costs and an enforcer of internal control management. The Group has obtained ISO 9001 quality management system certification, CMMI 2.0 L5 certification and TMMi Level 3 certification, and its product research and development and project management capabilities have reached an advanced level. During the Reporting Period, the Group further improved its Managed Service Delivery ("MSD") business process framework and Delivery Project Management Process ("DPMP"), and enhanced the quality of project delivery through the following initiatives:

  – In response to common problems in the business development process, the root causes are analyzed regularly, and the management, business and quality personnel work together to complete the problem-specific improvements, identify process defects and solidify them into the MSD process to solve project problems and give full play to the value of the process;

  – Regularly review the implementation of quality management activities, enhance process compliance, improve the effectiveness of the quality system, and realize the orderly operation of quality management standardization;

– Clarify the quality problem handling mechanism and accountability mechanism, assess the quality of the delivery process in a timely manner, intervene to improve the problems found in a timely manner and intercept the risk, realize the quality problems beforehand to analyze and warn, and then be accountable for improvement, and dynamically manage the quality problems;

– Through data metrics forecasting, rolling analysis of project delivery performance, quality construction and engineering capability shortcomings to improve project delivery rate on schedule.

- **Enhancing Information Security and Privacy Protection**

  In accordance with the “Civil Code of the People’s Republic of China”, the “Law of the People’s Republic of China on Network Security”, the “Law of the People’s Republic of China on Data Security”, “Law of the People’s Republic of China on Personal Information Protection” and the “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests”, Chinasoft International continues to optimize the system and processes of information security, network security, and privacy protection for all its related business lines/subsidiaries, and enhance the awareness of risk and security for all employees, and support the Company to become a reliable partner of customers.

  In respect of information and network security, the Group has integrated security requirements into process control and formulated the “Information Security Strategy Master Plan” covering all employees and business areas as the highest-level document on information security, which specifies the objectives of security control and regulates the organization of information security and security responsibilities, and stipulates the management requirements in respect of physical security strategy, telecommunication and operation management and access control, information security incident and risk management, business continuity requirements, inspection and monitoring, etc. to guide the commencement of various information security work. The Group has also adopted the “Information Assets Utilization Guidelines” and “Information Security Rewards and Penalties Requirements” to clarify matters such as classification and utilization control of information assets, information security rewards and penalties for non-compliance. The Group regulates the requirements for network security management through the “Network Management Requirements of Chinasoft International”, “Network Standardization Construction Specifications V1.5” and “Network Equipment Security Configuration Baseline V1.0”.

  In respect of privacy protection, the Group has formulated the “Notice on the Establishment of the Working Group on Information and Network Security and Privacy Protection of the Company”, “Regulations on the Management of Information Confidentiality of Chinasoft International”, “General Outline of the Policy on the Protection of Personal Data/Privacy of Chinasoft International”, “Regulations on the Management of Emergency Response to the Incident of Personal Data Leakage of Chinasoft International” and “Regulations on the Rewards and Penalties for Information and Network Security and Privacy Protection of Chinasoft International” in order to specify the requirements for the confidentiality of the privacy of personal or customer data, the mechanism for handling data leakage, information security rewards and penalties for non-compliance, etc., and minimize the collection and retention of data.

Notice on the Establishment of the Working Group on Information and Network Security and Privacy Protection of the Company	– The Executive Committee is the highest decision-making body for information security, network security and personal privacy protection; – The Information and Network Security and Privacy Protection Working Group has been identified as the day-to-day support organization to support the Executive Committee in decision-making.
Regulations on the Management of Information Confidentiality of Chinasoft International	– Clarify the requirements for confidentiality management of information, regulate the behavior of employees in the use of information about the Company, customers or related parties, strengthen the protection of critical information assets, and promote the efficient flow and sharing of non-critical information assets.
General Outline of the Policy on the Protection of Personal Data/Privacy of Chinasoft International	– Specify the scope of data protection to include customers' personal data/privacy, employees' personal data/privacy, and specifically the full range of data and privacy information generated by or involved in all business processes; – Specify the Company's authority to provide individuals with control over data, including notification of data subjects, data subjects' choice and consent, data collection/use/retention and disposal, disclosure to third parties, cross-border transfers of personal data, and data subjects' right of access; – Provide for regulatory requirements that minimize data collection and retention in all scenarios, while clarifying the tiered review and approval process.
Regulations on the Management of Emergency Response to the Incident of Personal Data Leakage of Chinasoft International	– Emergency drills: At least once a year, the Group organize internal emergency response training and emergency drills for relevant personnel to understand their duties and responsibilities as well as emergency response strategies and procedures; – Response measures: Upon learning of a personal data/privacy protection violation, the Group will promptly organize an internal investigation, assess the severity of the incident, take remedial measures, and notify the regulator and stakeholders within the statutory timeframe upon completion of the process.
Regulations on the Rewards and Penalties for Information and Network Security and Privacy Protection of Chinasoft International	– Clarify the operational principles for rewarding outstanding contributions and imposing penalties for non-compliance in the areas of information security, network security and privacy protection, and strengthen enforcement.

During the Reporting Period, the Group was not imposed of any penalty by regulatory authorities as a result of breaching of the laws and regulations related to personal data and privacy protection. There was no significant event in relation to information security leaks and network security. The Group adopted a number of measures to protect the information security and privacy of customers, including:

– **Improvement of systems:** Continuously improve the information security, network security and privacy protection process system, and pass ISO 27001 certification (including external audit of information security system and system software) and ISO 22301 certification (including information security type business continuity management content).

– **Clarify the responsibilities:** Unify the information security management responsibilities of various functional departments and business lines, continuously promote the coverage of the information security system to the grassroots information security organizations, and open up the cycle of the information security system.

– **Strengthening information security awareness:** The course "Information Security Network Security and Privacy Protection" is a mandatory test for all employees, and employees are required to sign the "Information Security Internal Control Compliance and Zero Violation Commitment".

– **Iterative system:** Continuously iterating the industry's data security software system and self-developed information security control tools, and gradually applying the technical solutions in departments such as finance, personnel, operation, human resources, recruitment, and executive committee office, to realize effective control over key information assets, key activity nodes, and key personnel.

– **Risk identification:** With compliance as the bottom line, identify information security, network security, and privacy protection risks in business activities, and formulate control measures and solutions/emergency plans.

– **Access control:** Establish access control and personal/sensitive data protection mechanism to restrict information access from business process and authority; relocate external mapping servers to DMZ server area, grant minimized access policy on demand, and improve server security; continuously strengthen network isolation, operating system configuration and security control, encryption policy and key management, password management, etc.

– **Reinforce IT network:** Enhance the ability to locate and trace network security problems, track network security risk dynamics and conduct network security attack and defense drills; reinforce security isolation of office network, prohibit inter-access between network segments, and prevent the expansion of horizontal attacks.

– **Regular security checks:** Launching various special checks on networks and office environments to avoid blind spots in the process of review and approval caused by cross or non-separation of duties; cross-auditing of gateway equipment in various places to see if it is configured in accordance with the security baseline, and carrying out rectification of problems identified by the audit to ensure that the requirements of the security baseline are met; and engaging an external audit organization to carry out an information security audit every year.

More than 80% of the enterprises within the business scope of the Group's entities have obtained ISO27001 information security management system certification; domestic and overseas business development entities have obtained ISO27701 privacy information security management system certification, PIPA personal information protection management system certification, DCMM data management capability maturity-party b robust level certification, and quantitative management level certification of data management service provider capability maturity.

- **Optimizing customer service**

  The Group continues to aim at "improving customer satisfaction" in its customer services and resolves issues raised by customers in a timely manner. During the Reporting Period, the Group mainly utilized the following methods to understand the needs of customers in a timely manner and to enhance the communication with customers:

  – **Continuous opening of the official consultation platform:** Continuing to receive business inquiries and complaints from customers through the official consultation line to enhance customer satisfaction.

  – **Optimize Net Promoter Score (NPS) Customer Satisfaction Survey:** Set up an NPS survey team to conduct regular customer satisfaction surveys to identify gaps and improvement points with industry benchmarks; IT-enabled NPS surveys, with the platform automatically filtering items to be surveyed and recording the results into the PIMS system for tracking and closure upon completion of the surveys; establish the core mainstream process of ITR's service flow, and straighten the service flow of acceptance of service requests, problem handling, and problem closure to ensure that problems/appeals arising during and after product or service delivery are effectively dealt with in a timely manner.

  – **Concerted efforts at all levels:** Continuously maintain weekly/bi-weekly/monthly routine communication and occasional daily communication with clients on project level and non-project level to ensure timely response and effective handling of client's requests.

Disclosure of Customer Service Data

Indicator	Data for 2023
Customer Suggestions (cases)	297
Handling Rate of Customer Suggestion (%)	91.60

The customer satisfaction survey conducted by the Group in 2023 showed an NPS of 71%, a year-on-year increase of 5.4%.

- **R&D and innovation**

  The Group continues to encourage R&D and innovation. Guided by the principle of "incentivizing for post duties and rewarding for project results", the Group has established an incentive system for project managers' post contribution awards to encourage project managers to carry out standardized operations in accordance with the Group's requirements, so as to fully stimulate the initiative and subjective motivation of project managers and motivate them to lead their teams in the pursuit of excellent project delivery results, create higher value and achieve personal growth at the same time. During the Reporting Period, the Group's R&D investment amounted to 1,078.296 million, with more than 200 project managers receiving project contribution awards and 1,231 personnel receiving project performance awards.

The Group encourages project team members to participate in the delivery of projects in the energy, water treatment and environmental protection sectors to improve energy efficiency and create new points of economic growth through IT technologies. During the Reporting Period, the Group combined clean technology innovation and information system innovation in the energy and environmental sectors to help customers in the energy industry change their traditional development model.

- **Building a strong barrier to intellectual property protection**

  The Group attaches great importance to the protection of intellectual property rights and has continuously improved its internal intellectual property system in accordance with the "Copyright Law of the People's Republic of China", the "Patent Law of the People's Republic of China", the "Trademark Law of the People's Republic of China", "Advertising Law of the People's Republic of China" and other laws and regulations. During the Reporting Period, the Group mainly carried out the following measures to enhance employees' awareness of intellectual property protection and strengthen the intellectual property management process:

  – **Strengthening IP training:** Developing and teaching IP protection courses to strengthen employees' awareness of IP protection and enhance their inventiveness.

  – **Optimization of internal management process:** Optimize the "Intellectual Property Management Process V1.3" to ensure the regularity, rationality and high efficiency of the IP filing process; at the same time, the implementation of IP management OA workflow improves work efficiency and strengthens the two-way traceability of IP protection.

  During the Reporting Period, the Group received a total of 253 copyright certificates for computer software from the National Copyright Administration of China, as well as 5 invention patents, 2 trademarks and 13 enterprise qualification certificates.

2.2 SUSTAINABLE SUPPLY CHAIN

The Group complies with the "Bidding Law of the People's Republic of China" in carrying out procurement activities. Through the "Measures for the Management of Procurement and Tendering of the Company", the Group has clearly defined the management requirements for the access of suppliers, the management of the procurement process, the assessment of suppliers, and the withdrawal of suppliers to ensure that the procurement process is lawful, compliant and reasonable. At the same time, the Group takes into account energy saving and environmental protection factors in product design, procurement, production, packaging, logistics, sales, services, recycling and reuse, and works with upstream and downstream enterprises to fulfill its social responsibilities in environmental protection, energy saving and emission reduction, and strives to build a green supply chain.

- Supplier management

Supplier access	– The Group conducts a comprehensive assessment of suppliers in terms of corporate credentials, business reputation, quality assurance and contract fulfillment capability before the suppliers are admitted to the Group. – In accordance with the relevant provisions of the "Regulations Governing Purchases and Tenders of the Company", the Group selects suppliers by means of bidding (invitation), competitive negotiation, price comparison and single-source negotiation according to different types and amounts of purchases.
Supplier assessment	– The Procurement Department, in collaboration with relevant departments, annually evaluates the partners of the supplier database in terms of quality, delivery time, price and service; for suppliers with a total score of less than 80 (excluding 80) in the annual assessment, the Procurement Department will conduct tracking and evaluation of their improvement effects, and re-assessment if necessary, and cancel the qualification of their supplier qualification in the event of slow improvement or non-improvement. – During the Reporting Period, the Group conducted on-site assessments of a total of 46 suppliers in Beijing, Xi'an, Changsha, Suwann and Guangdong. As of the end of the Reporting Period, a total of 206 suppliers of the Group scored 85 points or above in the assessment, and the assessment grade was excellent.
Supplier withdrawal	– If the supplier's quality score is less than 25 points, the Procurement Department will put the supplier on the black list and record the reasons for elimination for review.

Provider Data Disclosure

Indicator	Unit	Data for 2023
Total number of suppliers	Supplier	617
Number of suppliers by region – North China	Supplier	227
Number of suppliers by region – South China	Supplier	133
Number of suppliers by region – Eastern China	Supplier	97
Number of suppliers by region – Northwest China	Supplier	66
Number of suppliers by region – Central China	Supplier	55
Number of suppliers by region – Overseas	Supplier	20
Number of suppliers by region – Southwest China	Supplier	19

- **Supply Chain Environmental and Social Risk Management**

  The Group attaches great importance to the fulfillment of environmental and social responsibilities by its suppliers, and strictly controls the material environmental and social risks of its suppliers in terms of qualification audit and process supervision. Through the penetration and promotion of environmental protection concepts, the Group promotes the healthy and sustainable development of the partnership, and constructs a multidisciplinary and ecological digital finance.

  – **Strengthen quality audit:** The Group requires its suppliers to possess ISO 14001 (environmental management system certification), OHSAS 18001 or ISO 45001 (occupational health and safety management system certification); for decoration suppliers and furniture suppliers, they are required to pass ISO 14025 Type III Environmental Certification, product certification from China Quality Certification Centre, and are required to provide quality inspection reports or certificates of their products.

  – **Signing commitment documents:** The Group requires the selected suppliers to submit documents such as commitment on quality and EHS environment, occupational health and safety, network security, corporate social responsibility, integrity and honesty.

  – **Regular on-site assessment:** The Group conducts regular on-site inspections on the scale of the suppliers, the employees on duty, the assets, the degree of cooperation, the undertaking ability, the business scope and geographical area, the use of environmentally friendly materials, the validity period of the qualifications, the social security status of the employees involved in the projects and the implementation of the projects, and terminates the cooperation of the unqualified suppliers in accordance with the Group's rules and regulations and adds them to the blacklist.

  – **Promotion of environmental protection concepts:** The Group actively promotes the environmental protection concepts advocated by the Group to suppliers and channel partners, such as low-carbon travel, online meetings, recycling and sustainable development, and puts into practice the Group's philosophy of being true to its word and being a pioneer in the digital transformation of the industry in the course of cooperation.

- **Selection of Environmental Products and Services**

  When selecting suppliers, the Group gives priority to suppliers with officially certified energy-saving and environmentally-friendly products. In addition, the Group has continued to promote its "digital environmental protection" policy by adopting online tendering as much as possible in order to reduce carbon emissions from business travel and promote the concept of smart travel. During the Reporting Period, the Group organized a total of 25 procurement tenders, of which 20 were in the form of WeLink online tenders.

3. ENVIRONMENT

The Group strictly complies with the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Air Pollution", the "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution" and the "Implementation Plan of the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development on the Domestic Waste Classification System", and formulates environmental management objectives and continuously follows up on the achievement of such objectives, continuously improves the environmental management system, advocates the concepts of green office and energy saving and emission reduction, and ensures that wastes meet the emission standards and are disposed of in compliance with the rules. Based on its strengths in digital technology, the Group leverages on its products and services to help protect the ecological environment, empowering its enterprises in digital and green transformation, and striving to build a green mode of production and lifestyle. During the Reporting Period, the Group's ISO 14001 environmental management system certification remained effective.

3.1 GREEN OPERATION

Environmental Targets and Progress

The Group is closely focused on the targets set in 2021 for the next five years in respect of greenhouse gases, energy consumption, the use of water resources, hazardous waste and non-hazardous waste management, and will carry out multi-dimensional environmental protection actions, continue to promote energy conservation and emission reduction, ensure that relevant systems and measures are in place, and steadily push forward the environmental protection work in accordance with the targets.

Environmental targets for greenhouse gases, energy consumption, and use of water resources:

Using 2021 as the base year, the Company's greenhouse gas emissions per RMB million operating income, comprehensive energy consumption per RMB million operating income and water consumption per RMB million operating income will remain stable over the next five years.

Objectives for hazardous waste management:

In the future, we will continue to promote the implementation of compliance hazardous waste disposal and achieve a standard disposal rate of 100%.

Objectives for non-hazardous waste management:

In the future, we will continue to promote the implementation of separate domestic waste disposal and achieve a standard disposal rate of 100%.

Emissions Management

The Group is an information technology service enterprise and its production and operation activities have minimal impact on the environment. The main sources of emissions are greenhouse gases indirectly emitted from electricity consumption and employees' business trips, non-hazardous waste such as domestic waste, electronic waste from scrapped electronic equipment and domestic sewage generated in the office area. During the Reporting Period, the Group promoted green office and actively implemented emission reduction measures:

- Greenhouse gas emission management

  – Choose a rental space with a fresh air system to keep the indoor temperature and air fresh in winter and summer, and keep the air-conditioning system in energy-saving mode.

  – Support employees to use online communication methods such as phone calls, emails and online meetings in daily office work.

  – Strictly control the use of official vehicles and encourage employees to adopt green modes of travel, so as to reduce greenhouse gas emissions associated with employees commuting and travel.

  – The Xi'an industrial park and Nanjing Jiangning site are equipped with charging piles to facilitate the use of new energy vehicles by employees, which is conducive to the reduction of greenhouse gases generated by the combustion of fossil fuels; and the Xi'an industrial park is equipped with timed switching devices to turn off air-conditioning and heating at night, on weekends and on holidays, thereby reducing the emission of greenhouse gases.

- Non-hazardous waste management

  – Separate garbage bins are installed to separate food waste, recyclables and other garbage generated in the office area into garbage bins to facilitate garbage collection.

  – Equipped with "secondary paper recycling boxes" in the printing area of each venue, internal documents are encouraged to be printed on both sides of the paper or reuse single-sided paper, so as to save printing paper.

  – Adopting measures such as electronic contract signing, electronic version of exit certificates and one-off letters to save paper.

  – Using electronic advertising machines to launch publicity for the departments of Administration, Personnel and Information Security, saved a total of 300 copies of paper and KT board publicity materials.

  – With the implementation of paperless office, the amount of paper used during the Reporting Period was 29.87% lower than that of the previous period.

  – Equip pantries with microwave ovens and refrigerators, encourage employees to bring their own lunches and cups, use ceramic cups to receive visitors, and reduce the use of disposable tableware and paper cups.

- Hazardous and electronic waste management

  – Through enterprises with professional recycling qualifications to carry out unified recycling of waste and scrap electronic equipment, to avoid waste of resources and environmental pollution.

  – Reduce the purchase of electronic equipment and adopt equipment leasing to reduce the generation of electronic waste equipment.

  – Placing recycling baskets for keyboards, mice, power cords and connection cables in office areas, reuse computer hard disks and equipment parts after remodeling, and 18,809 pieces of computer spare parts were recycled and reused during the Reporting Period.

- Sewage discharge management
  - The main source of the Group's sewage is domestic sewage generated from office areas. All sewage is treated in accordance with standardized processes and is discharged to municipal pipelines after it has been transformed into water that can be safely discharged.

During the Reporting Period, the Group did not have any major non-compliance in relation to environmental laws and regulations, nor was it involved in any litigation in relation to environmental pollution.

Emissions data disclosure [Note 1,2]

Indicator	Data for 2021	Data for 2022	Data for 2023
Greenhous gas emissions from direct sources (tonnes of CO_2 equivalent)	69	87	111
Greenhous gas emissions from indirect sources (tonnes of CO_2 equivalent)	21,094	22,019	19,408
Staff Greenhous gas emissions from employee travel[Note 3] (tonnes CO_2 equivalent)	3,029	1,654	11,799
Total greenhouse gas emissions (tonnes CO_2 equivalent)	24,192	23,760	31,318
Greenhouse gas emissions per RMB million operating income (tonnes of CO_2 equivalents/million)	1.32	1.19	1.83
Total domestic sewage discharge (tonnes) [Note 4]	213,897	217,408	176,109
Office domestic waste emissions (tonnes) [Note 4]	6,893	6,700	5,714
Office domestic waste emissions per RMB million operating income (tonnes/million)	0.38	0.33	0.33
Hazardous waste generation [Note 5] (tonnes)	–	1.16	0.46
Hazardous waste generation per RMB100 million operating income (tonnes/100 million)	–	0.058	0.003
Electronic waste generation [Note 6] (tonnes)	16	75	234
Electronic waste generation per RMB million operating income (tonnes/million)	0.001	0.004	0.014

Note: 1. Greenhouse gas emissions are calculated with reference to the "GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) 2012" published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the "Sixth Assessment Report" issued by the Intergovernmental Panel on Climate Change (IPCC); the emission factors used to calculate greenhouse gas emissions from indirect emission sources are determined with reference to the national average grid emission factor in 2022 provided in the "Circular on Maintaining Proper Management of Greenhouse Gas Emissions Reports of Enterprises in the Power Generation Industry (2023-2025) (Letter of Climate of the Environmental Office 2023 No. 43)" issued by the Ministry of Environmental Protection of the People's Republic of China; the emission factors used to calculate greenhouse gas emissions caused by employees' business trips are determined with reference to the EEIO carbon emission factor library released by the UK Department for Environment, Food & Rural Affairs (DEFRA) in 2011.

2. The statistical scope of the Company's emissions data includes the actual data generated by the subsidiaries of Chinasoft International Group registered in the PRC but excludes the data from the overseas offices. The Group's operating revenue for 2023 amounted to 171.17 million.

3. Greenhouse gas emissions from employee travel in 2023 increased more than in 2022, mainly due to the weakening of the impact of the epidemic during the Reporting Period, employees have increased their business trips, and in addition to accounting for aircraft emissions, the carbon dioxide emissions generated by taxis, trains, accommodation and other travel methods were also increasing.

4. The total amount of domestic sewage discharged and the amount of office domestic waste discharged in 2023 decreased significantly compared to 2022, mainly due to the reduction in the amount of domestic sewage and waste generated by the Company as it downsized the number of office premises and personnel.

5. The Group disposed a number of used toner cartridges and ink cartridges during the Reporting Period. According to the "National List of Hazardous Wastes (2021 Edition)", selenium-containing waste (HW25) is toxic to the ecological environment and human health and is classified as hazardous waste.

6. The increase in the amount of electronic waste generated in 2023 compared to 2022 was mainly due to the centralized disposal of the Company's equipment after the downsizing of the Company's business employees.

Effective use of resources

In accordance with the relevant requirements of the "Energy Conservation Law of the People's Republic of China", the Group practiced the concept of "economizing, recycling, and reducing consumption" in its daily work, implements green office and energy conservation and emission reduction initiatives, enhances its ability to utilize resources in an integrated manner and reduces the consumption of energy and resources. The resources used by the Group mainly include electricity consumed by air-conditioning and electronic equipment and water resources consumed in the workplace. During the Reporting Period, the Group actively implemented various energy saving and consumption reduction initiatives:

- Reducing energy consumption

  – We choose to lease energy-saving and environment-friendly buildings for our office sites if possible.

  – Except for important festivals, events and maintenance, the building's landscape lighting is turned off during daily hours, reducing electricity consumption by 20,000 kWh; LED energy-saving lighting is used in all office areas.

  – We implemented the "five turn-offs" policy on premises, requiring employees to turn off power, lights, air-conditioning and other electrical equipment at the end of their working hours, and conducted regular spot checks and notifications. Daily security guards are arranged to conduct safety checks on electricity usage to ensure that lights and air-conditioners in unoccupied areas are switched off. During the Reporting Period, the turn-off rate of off-duty employees was nearly 100%.

– Turn off heating equipment in some vacant or infrequently used rooms and office space, reducing the heating area by 6,015 square meters.

– Reasonably adjust the opening hours of air-conditioning on summer working days according to the needs of business departments and the operating features of air-conditioning.

– Regularly initiate facility and equipment repair and maintenance to reduce energy consumption; Record, observe, analyze, and adjust dynamic parameters of power-using equipment and facilities to achieve low-energy operation of system equipment.

- Water Conservation

  – Water-saving irrigation methods are adopted for outdoor greenery to reduce water consumption.

  – Paying attention to weather conditions and avoiding greening irrigation before or during rainfall, reducing daily greening water consumption by 1,000 tonnes.

  – Water conservation tips are posted in washrooms and other water-using areas to raise employees' awareness of water conservation.

  – Optimize air-conditioning operating hours to reduce air-conditioning water consumption.

  – The Group relies on municipal water supply and has not encountered any problems in obtaining water sources during its operations.

Disclosure of Resource Utilization Data Note 1

Indicator	Data for 2021	Data for 2022	Data for 2023
Consumption of gasoline (liters)	31,811	39,763	50,733
Electricity consumption (million kWh)	3,631	3,861	3,341
Electricity consumption per RMB million operating income (kWh/million)	0.20	0.19	0.20
Comprehensive energy consumption Note 2 (tonnes standard coal)	4,496	4,788	4,160
Comprehensive energy consumption per RMB million operating income (tonnes standard coal/ millions)	0.24	0.24	0.24
Water consumption (tonnes)	251,643	255,775	207,188
Water consumption per RMB million operating income (Tonnes/Million)	13.68	12.79	12.10

Note: 1. The statistical scope of the Company's use of resources data includes the actual data generated by the subsidiaries of Chinasoft International Group registered in the PRC but exclude the data from the overseas offices. The Group's operating revenue for 2023 amounted to 171.17 million.

2. Comprehensive energy consumptions are calculated with reference to the "General Principles for Computing Comprehensive Energy Consumption GBT2589-2020".

Environmental and Natural Resources Protection

The Group adheres to the concept of green and sustainable development and takes "empowering the digital and intelligent transformation of the ecological environment industry and jointly building a new era of smart environment" as its positioning. While realizing its own green and low-carbon development, the Group will do its utmost to support its customers in implementing energy saving, emission reduction and carbon reduction, empowering them with digital technology to digitize and reduce carbon emissions, and to promote the combination of innovation in clean technology and information system in the fields of energy and water treatment, environmental protection, and other fields, creating new points of economic growth.

- **Intelligent water maintenance management solution:** With the drainage network system as the core, the Group utilizes information technologies such as Internet of Things, cloud computing, big data and mobile Internet to deeply explore and widely utilize water service information resources, presenting the condition of pipeline network cleaning and evacuation in the form of maps, and monitoring the information of inspection wells, rainwater outfalls, discharging outlets and other nodes of the network in real-time, so as to enhance the utilization rate of water resources by using digital technology.

- **Network hardware tool development:** The Group developed a clinical self-test hot spare tool to address the problem of material waste caused by a large number of diversified material changes in network products, and adopted a takeover mechanism to improve the reliability of self-test, with the self-test timeout rate dropping from 37.2% to 0, and the self-test time dropping from 15 minutes to 5 minutes. After the clinical self-check hot spare tool was applied to the management of material change of network products, more than 100 problems were intercepted every month, and the clinical cleanliness rate increased to 91.76%.

3.2 RESPONSE TO CLIMATE CHANGE

In view of the "carbon peak and carbon neutrality" target, the Group has formulated a "Carbon Neutrality" planning program to promote the implementation of energy-saving and emission reduction measures, and integrated the response to climate change into the operation and management process, providing a digital solution for the Group itself and its customers to carry out the "carbon peak and carbon neutrality" initiative. The Group has started to identify climate change risks in accordance with the disclosure framework of the Task Force on Climate-Related Financial Disclosures (TCFD) and proposed corresponding countermeasures.

Climate Strategies

The Group has actively responded to the national "carbon peak and carbon neutrality" strategy to reduce greenhouse gas emissions in the course of corporate operations, explored and planned emission reduction paths, and implemented green office and energy-saving and emission reduction initiatives.

In the course of business operations, the Group's major greenhouse gas emissions are direct emissions from fuel use by its own fuel-fired vehicles and indirect emissions from purchased electricity. In order to minimize greenhouse gas emissions, the Group adopts greenhouse gas emission reduction measures:

- Promoting the use of electric vehicles for self-owned vehicles

  In terms of company vehicles, the Group plans to gradually replace 80% of its fuel vehicles with new energy vehicles in the next 10 years.

- Promoting the use of renewable electricity

  In terms of the use of purchased electricity, the Group actively explored the use of clean energy by purchasing 48,000 kWh of green electricity for use in its own and leased office premises, obtaining green electricity certificates, and contributing to the reduction of greenhouse gas emissions and the use of clean energy.

The Group fully implements the concept of green and low carbon, advocates online work mode, and actively uses the WELINK digital platform for office collaboration to reduce indirect greenhouse gas emissions generated from employees travel. In addition, the Group has equipped charging stations at its industrial park and sites in Xi'an and Nanjing to encourage the use of new energy vehicles and encourage employees to adopt a lower-carbon mode of transportation for commuting, thereby reducing the greenhouse gas emissions associated with employee commuting.

While promoting its own low-carbon operations, the Group has leveraged its strengths in IT services and digital ecological resources to proactively engage in the fields of green energy, digital energy and smart energy, striving to build a green and advanced smart energy ecosystem and assisting the country in realizing the strategic goal of "carbon peak and carbon neutrality".

Climate Risk Management

The Group attaches great importance to the potential impact of climate change on its business and, on the basis of its risk management system, identifies and controls the risks arising from climate change on its business operations in light of its business development. In accordance with the recommendations of the TCFD and the Hong Kong Stock Exchange's "Guidance on Climate Disclosures", the Group identifies the physical risks and transformation risks brought by climate change to the business of the Company, maps out the risk maps, and formulates strategies and countermeasures for preventing, responding to, and recovering from climate change beforehand.

The Group's physical risks related to climate change include acute risks and chronic risks. The Group complies with the relevant requirements of "GBT30146-2013 Public Safety Business Continuity Management System Requirements" and "ISO22301 Business Continuity Management-2012" to clarify the major environmental and social risk management objectives and principles, management framework and organizational responsibilities, standardize the management process, reporting mechanism and incident classification standards, carry out emergency response drills on major risks, and strengthen the risk awareness of the Group's employees to ensure business continuity.

- Acute physical risk

  In order to reduce the impact of extreme weather events such as earthquakes and floods on business operations, the Group compiled the "Risk Assessment Report on Climate Disasters", implemented the "Chinasoft International's Earthquake Disaster Emergency Plan", "Chinasoft International's Fire Emergency Plan" and the "Chinasoft International's Typhoon and Rainstorm Disaster Emergency Plan", and other emergency plans, formulated the event classification mechanism, and strengthened the incident response specifications such as event prevention and early alerts, emergency response, emergency handling, emergency protection, information reporting, and so on. The Company has strengthened the assessment and inspection of building safety to control the adverse impacts of extreme weather on the Company's buildings and equipment.

- Chronic physical risk

  In response to chronic risks such as increased average air temperatures caused by changes in rainfall patterns and weather patterns, the Group continuously monitors the duration of use of cooling equipment to avoid increased energy consumption caused by persistently high temperatures, and assesses the impact of increased energy consumption on costs.

  The Group's transformation risks related to climate change include policy and legal risks, market and technology risks and reputation risks. The Group continues to pay attention to changes in the legal and industry environment, and obtains the needs and evaluations of stakeholders to gradually enhance its adaptability to the external environment.

- Policy and legal risks

  The Group has continued to pay attention to the policies, laws and regulations related to climate change and risk governance, followed the requirements and recommendations of external regulators on information disclosure, and continuously improved the level of information disclosure.

- Market and technical risks

  The Group has continued to promote energy saving and emission reduction initiatives to increase the proportion of renewable electricity usage and reduce carbon emissions from its own operations. In addition, the Group leverages its strengths in IT services and digital ecological resources to empower its customers' green and low-carbon transformation and meet their needs for low-carbon products.

- Reputational risks

  The Group obtains external evaluations from customers, investors, the public and other stakeholders in a timely manner, promotes continuous improvement in the quality of its products and services, emphasizes the sustainable development of its supply chain, and safeguards the Group's good reputation.

4. EMPLOYEES

The Group strictly complies with laws and regulations, respects and protects the rights and interests of employees, facilitates the career development of employees, safeguards the occupational health and safety of employees and creates a favorable working environment and corporate atmosphere. During the Reporting Period, the Group formulated the “Corporate Social Responsibility Management Manual” and the “Emergency Handling Procedures for Corporate Social Responsibility Incidents” focusing on labor and employment and occupational health and safety, setting out the management objectives of corporate social responsibility and regulating the hierarchical handling procedures for social responsibility incidents, as well as the levels of non-compliance and punitive measures. The Group’s SA8000 Corporate Social Responsibility System certification remains effective.

4.1 PROTECTING THE RIGHTS AND INTERESTS OF EMPLOYEES

The Group strictly complies with the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China”, the “Regulations on Work Injury Insurance”, the “Law of the People’s Republic of China on the Protection of Minors” and the “Regulations on the Prohibition of Child Labour”. It continues to improve the regulations on the employment of its employees, optimize the structure of its workforce, and proactively protect the rights and interests of its employees in terms of remuneration and benefits and working hours and holidays.

Adhering to equal opportunity employment and promoting diversity in workforce

The Group has further strengthened the management concept of equal employment by formulating the “Equal Employment Policy”, establishing a fair and transparent recruitment process, creating an equal and fair employment environment, and safeguarding the legitimate rights and interests of employees from being infringed upon. The Group optimized the management of its talent supply chain by forecasting its medium– to long-term and short-term talent needs and implementing its talent supply strategy through internal relocation and external supply. During the Reporting Period, the Group achieved a talent demand satisfaction rate of 98.18%, effectively solving the problem of supply of talent resources.

The Group attaches great importance to the diversification of its workforce and has formulated the “Employee Diversity Plan” to build a diversified workforce structure in terms of gender, region, ethnicity, age and academic qualifications. During the Reporting Period, the Group promoted the “AIGC Safeguard Recruitment Efficiency Improvement” project, which utilized intelligent recruitment tools to achieve job matching, improve recruitment efficiency and accuracy, and promote the diversification of the talent team. As of the end of the Reporting Period, the Group had a total of 69,976 employees distributed spread across China and in various countries around the world, including a total of 3,252 ethnic minority employees, accounting for approximately 4.65% of the total number of employees; 436 employees with disabilities, accounting for approximately 0.62% of the total number of employees; and 2,188 fresh graduates were recruited during the year.

Disclosure of Employment Data

Indicator	Data for 2023
Total number of employees (person)	69,976
Number of full-time employees (person)	69,926
Number of part-time employees (person)	50
Number of male employees (person)	48,249
Number of female employees (person)	21,727
Number of employees aged ≤30 (person)	39,708
Number of employees aged 30 < age ≤ 50 (person)	30,069
Number of employees aged >50 (person)	199
Number of employees in Xi'an (person)	13,056
Number of employees in Shenzhen (person)	12,685
Number of employees in Shanghai (person)	6,024
Number of employees in Nanjing (person)	6,399
Number of employees in Beijing (person)	7,089
Number of employees in Chengdu (person)	3,295
Number of employees in Hangzhou (person)	3,013
Number of employees in Wuhan (person)	3,017
Number of employees in Dongguan (person)	3,299
Number of employees in other areas (person)	12,099
Employee turnover rate	**Ratio for the year 2023**
Male employee turnover rate (%)	34.33
Female employee turnover rate (%)	35.40
Turnover rate of employees aged ≤30 years (%)	38.00
Turnover rate of employees aged 30 < age ≤ 50 years (%)	29.74
Turnover rate of employees aged ＞50 years (%)	35.28
Employee turnover rate in Xi'an (%)	28.25
Employee turnover rate in Shenzhen (%)	35.98
Employee turnover rate in Shanghai (%)	29.79
Employee Turnover Rate in Nanjing (%)	31.69
Employee turnover rate in Beijing (%)	40.29
Employee turnover rate in Chengdu (%)	35.11
Employee turnover rate in Hangzhou (%)	43.03
Employee turnover rate in Wuhan (%)	30.94
Employee turnover rate in Dongguan (%)	27.96
Employee turnover rate in other areas (%)	42.22

Safeguarding legitimate rights and interests and enhancing staff cohesion

The Group strictly complies with national laws and regulations on employees' rights and interests and the relevant provisions of the "Articles of Association of the Workers' Congress of Chinasoft International", and continues to improve internal systems such as the "Talent Incentive Management Outline", the "Remuneration Framework Management Measures" and the "Performance Management White Paper", so as to safeguard the legitimate rights and interests of its employees in accordance with the law, create a good working environment and corporate atmosphere, and realize the joint development of the Group and its employees. The Group has adopted various measures to protect the rights and interests of its employees, including:

- Remuneration incentives
  - Optimize the salary map and framework, improve employee grading rules, and unified salary standard;
  - To launch an annual evaluation to recognize and encourage individuals and teams that have made outstanding contributions.
- Performance appraisal
  - The Group has implemented a performance management system for remuneration based on the principle of "the more you work, the more you get, the better you work", refined the performance evaluation process and rules, and strengthened the impact of performance appraisal results on remuneration;
  - Establish a mechanism for routine performance disclosure and strengthen performance communication and process management;
  - The Group continue to optimize the talent incentive and performance management calendar and promote the institutionalization, streamlining and calendarization of remuneration and performance management.
- Management of working hours
  - Flexible working hours are practiced and set according to regional and business characteristics;
  - By using the attendance billboard to present employees' attendance analysis data, business departments can keep track of employees' working hours and rationalize their work and rest time;
  - Employees' attendance data in the customers' system can be synchronized to the Group's system.
- Vacation management
  - Improve the overtime compensation system and provide a channel for vacation settlement;
  - Publish annual leave arrangement notices to remind employees to make reasonable vacation arrangements;
  - Implementing the "parental leave" policy to ensure that employees are entitled to the relevant welfare leave in accordance with the law.

"Chinasoft International's Annual Merit Evaluation"

The Group has established a diversified and systematic incentive system which creates synergy with the existing salary system to encourage all employees to "believe in the power in yourself" and achieve the "glory and dreams" of the Company and every employee. Based on the "strategy-budget-performance" setup of the Group's organizations at all levels, the Group implements end-to-end closed-loop management of operations, and gives recognition and incentives to outstanding teams and individuals who have made outstanding contributions in key areas in 2023, focusing on the two main themes of "scale growth and continuous improvement in operation quality". This year, a total of 10 battle-winning teams and 17 warriors, 1 "CEO Special Award", 15 "Gold Teams", 12 "Gold Individuals", 38 "Outstanding Teams" and 460 "Outstanding Individuals" awards were given, with rewards in different forms such as cash, stocks and prizes.

Attaching importance to human rights protection and abiding by labor standards

The Group respects and protects the rights of its employees and has established the "Control Procedures for Prevention of Discrimination and Harassment" to oppose any form of discrimination and harassment. The Group has established procedural documents such as the "Child Labor and Underage Worker Control Procedures" and the "Prevention of Forced Labor Control Procedures" to eliminate the use of child labor and forced labor. During the Reporting Period, the Group had no violations in relation to child and forced labour.

4.2 SUPPORTING STAFF DEVELOPMENT

The Group adheres to the people-oriented philosophy, improves the talent cultivation and management system, builds an employee development platform, configures a clear job qualification system and rich learning resources, and provides empowerment for employees in various positions and at various stages of career development through an all-round, multi-channel and systematic talent development path, so as to stimulate their potentials and accelerate their growth, and to build the most attractive and learning-oriented organization.

The Group has set up employee groups such as management group, professional group and executive group, and established a multi-channel job ranking system with more than 50 development paths and 15 promotion levels to support the personalized growth of employees and the realization of their career goals. In addition, the Group has actively engaged in employees training to enhance the personal qualities and working abilities of employees and fully mobilize their work initiative and motivation. In terms of management capability training, the Group has launched multi-angle and systematic competency training programs for managements at different levels to enhance their management concepts and skills, and to build a management team that is in line with the Group's cultural values and sustainable development. In terms of professional capability training, the Group has developed learning maps and learning resources based on the professional development paths of its employees and the competency requirements of their positions and grades, through learning activities such as lectures given by experts, exchanges of periodicals and training activities to promote the enhancement of employees' professional ability. In terms of general ability cultivation, we combine the development needs of the Group and the growth aspirations of the employees, and organize learning activities such as vocational literacy enhancement, general vocational skills training, comprehensive quality enhancement, and training of new employees.

"Management/Leadership Development Training"

- **Tactical training team:** With the cultivation concept of "core grinding, cyclic empowerment and accumulation", we have organized the establishment of the "%10" tactical training team composed of M3-level cadres, and carried out capacity enhancement for team members in "business design", "customer management and consultative sales" and "organization and talent building".

- **General skills training for cadres at M1 & M2 levels:** Taking into account the current business pain points and the current status of cadres, three major training themes were drawn up, and two round-the-clock trainings were held in Xi'an and Nanjing, with a total of 67 cadres attending the trainings.

- **Advanced seminar for elite talents:** Through three semesters of systematic training and practical exercises in strategy, management and innovation, to enhance the management skills of junior managements, the number of participants in the first semester is 32.

- **EHS training for junior supervisors:** EHS training was launched for all junior supervisors (SPM&PM) to help new junior supervisors quickly master the standard EHS management actions. The training content mainly included EHS management system, typical cases, and specialized training on the operation of IT systems involved in EHS, and a total of 470 people participated in the training.

"Job-specific Development Training Program"

- **HR rooting engine program:** Taking the qualification of HR sequence as the starting point, the program helps HR to improve the competency of their positions by focusing on the qualification requirements and the shortcomings identified in the job certification. The program was developed by 9 experts from within the Group, and 8 lecturers were coordinated and convened to complete three training sessions in Xi'an, Nanjing and Shenzhen, with a total of 110 HRBPs attending.

- **Project manager conference:** With the aim of supporting the Company's strategic objectives and meeting the needs of business development, the conference helps project managers to improve their abilities and accumulation in an all-round way, and enhances the comprehensive abilities of project managers. In 2023, the Group selected more than 720 excellent project managers and more than 1,700 excellent cases through the conference.

- **Lecture hall:** Launch the "Lecture Hall" training for the key personnel of cloud business, focusing on the enhancement of operation and management-related capabilities, helping to build a highly efficient organization, and gradually realizing the transformation from "catching up Huawei's market share in cloud business" to "catching up Huawei's capability in cloud business". "It also helps the team gain insight into the overall strategic trend of the cloud ecosystem, enhance their innovation capability, explore new ways of landing in the industry, and build a quality cloud base for Chinasoft International.

- **Company technician training:** Invite software technology experts/creators to live-streaming regularly to introduce the latest technology trends and innovations. Based on the company's online platform, organize learning maps and regularly organize training for empowerment. Publish quarterly thematic learning magazines to promote the content of software technology knowledge and promote self-learning. Organize learning salons, invite technical experts to share their valuable experience as salon guides, and explore the new trends in the technology industry. Promote technical exchanges and sharing to strengthen the cooperation and innovation ability of technicians.

"New Employee Training"

The Group launched new employee training for all new employees to help them understand the organization, adapt to the environment, familiarize themselves with their positions, and enter their roles more quickly. New employee training mainly includes departmental introduction, strategy introduction, main business introduction, ethical standard requirements, as well as daily work-related systems and tools training to help new employees to align the organization's awareness, organizational strategy, organizational business, and enhance cohesion of the Group.

In addition, in order to enhance the professional competence and career competitiveness of its employees, the Group has formulated the "Qualification Certificate Management Rules" to specify the management process and incentive policies for employees to participate in professional qualification certifications, encourage employees in various professional positions to obtain professional qualification certificates in the industry, and develop an internal qualification certificate management platform for the management of certified qualification certificates. The Group, in conjunction with Chinasoft Education Group and third-party educational institutions, has been actively expanding channels for external qualification resources to assist employees to receive professional qualification training and obtain certificates. As at the end of the Reporting Period, more than 1,500 employees had obtained various professional qualification certificates.

Disclosure of Development and Training Data

Indicator	Data for 2023
Total training hours of employees (hours)	190,410
Average training hours of employees (hours/person)	2.72
Total training hours of male employees (hours)	131,289
Average training hours of male employees (hours/person)	2.72
Total training hours of female employees (hours)	59,121
Average training hours of female employees (hours/person)	2.72
Average training hours completed by senior management (hours/person)	3.00
Average training hours completed by intermediate management (hours/person)	3.00
Proportion of male employees trained (%)	95%
Proportion of female employees trained (%)	95%
Percentage of senior management trained (%)	100%
Percentage of intermediate management trained (%)	100%

4.3 CARING FOR EMPLOYEES AND THEIR HEALTH

The Group strictly complies with the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Social Insurance Law of the People's Republic of China" and other laws and regulations, and always pays attention to the occupational health and safety of its employees. The Group has continued to strengthen its corporate health management capabilities, provide its employees with a healthy and safe office environment, and provide them with all-around care and protection to continuously enhance their sense of well-being and sense of belonging. During the Reporting Period, the Group's ISO 45001 Occupational Health and Safety Management System certification remained effective.

Focus on Occupational Health and Improvement of Working Environment

The Group attaches great importance to the physical and mental health and life safety of its employees and continues to improve its environmental, health and safety (EHS) management system to provide a safe and healthy office environment. During the Reporting Period, the Group implemented various measures to safeguard the occupational health and safety of its employees:

- **EHS management:** Achieve full coverage of EHS digital system, realize system functions such as EHS information management, EHS risk control, EHS event control, EHS case database management to improve the management efficiency of EHS events; set up EHS risk personnel account, and continuously pay attention to and close the loop of management of physical and mental health of relevant personnel.

- **EHS training:** set up an EHS empowerment theme month to launch EHS empowerment training; invite psychologists to hold a mental health seminar to explain specific stress reduction techniques and help employees master psychological stress relief skills through interactions and games.

- **Physical examination:** Cooperate with large-scale physical examination centers to provide new employees with preferential entry physical examination packages; regularly organize free physical examinations for in-service employees, and 36 employees in special positions participate in occupational health examinations on time; and provide preferential physical examination packages for the families of our employees.

- **Insurance:** Make contribution to five insurances and one fund for current employees in accordance with the law; purchase supplementary medical, maternity, critical illness, accidental injury and other commercial insurance for employees who have served the Company for three years or more and have been confirmed by the department to have good performance, paying approximately RMB7.879 million, benefiting 27,287 employees. Purchase customized supplementary commercial insurance for certain employees in special positions; provide preferential online purchase channels for supplemental commercial insurance to employees with less than three years of service experience, benefiting 2,737 employees; provided employees with preferential purchase channels for children's commercial supplemental insurance, benefiting 4,855 employees' children; and continued to optimize the online self-assisted claim and self-service insurance system for commercial insurance.

- **Psychological assistance for employees:** Organize employees to complete psychological stress tests to assess their psychological quality, emotional stability, stress coping ability, and other indicators; build and improve the Employee Psychological Assistance Program (EAP) care system to identify potential psychological problems and improve employees' mental health through psychological assessments, 24-hour psychological assistance hotlines, psychological counseling, and psychological training.

- **Office environment and om-site safety:** regularly completing site electricity safety and fire safety inspections to ensure that office premises meet fire safety requirements and that fire safety facilities can be used effectively; paying attention to the configuration of office facilities and environmental hygiene, ensuring that the power facilities, property equipment and office equipment in the office premises are in normal operation, improving the risk prevention capability of site management, and creating a comfortable office environment to satisfy the needs of the staff in the office.

- **Sexual harassment reporting and complaint channels:** The Group have established reporting and complaint channels such as official mailboxes, regional EHS specialists, reporting phone numbers, and geek platforms, and at the same time, we maintain strict confidentiality of the information of the parties involved, so as to maintain a safe and healthy working environment.

Health and Safety Data Disclosure

Indicator	2021	2022	2023
No. of work-related fatalities (persons)	0	1	1
Ratio of work-related fatalities (%)	0	0.001	0.001
No. of working days lost due to work-related injuries (days)	801.5	840	1,055

Focusing on employee care and enhancing staff happiness

The Group actively creates a vibrant working atmosphere, provides care and protection to its employees, and organizes a variety of employee activities to continuously enhance the sense of well-being of its employees. During the Reporting Period, the Group's initiatives to promote employee care were mainly as follows:

- **Organizate atmosphere surveys:** In order to understand employees' satisfaction with the Company, the Group organized two atmosphere surveys this year and exported the survey reports, with 56,304 participants in the beginning of the year atmosphere survey and 50,716 participants in the mid-year atmosphere survey.

- **Smooth employee opinions transmission channels:** establish company weibo, HRM mailboxes, senior management mailboxes and other employee opinions transmission channels to respond to employee opinions in a timely manner; set up the "Punishment and Complaint Control Procedures" to encourage all employees to put forward rationalized suggestions or opinions.

- **Holiday sympathy:** Caring sympathy for employees on important holidays to improve employee cohesion and sense of belonging.

"Celebrating Mid-Autumn Festival Together"

The Group organized activities such as "Examiner for All", "Gift Giveaway" and "Mid-Autumn Riddle-guessing" during the Mid-Autumn Festival, the Group collected riddles from employees on themes such as annual sprints, Group development strategies, important product launches, news and events, invited employees to participate in riddle-guessing and lucky draw activities, and distributed holiday benefits to employees.

"Coolness in the summer, warmth in the winter"

The Group launched the "Coolness in the summer" activity in August 2023 and the "Warmth in the winter" activity in December 2023 to serve the frontline employees in Nanjing, Shenzhen and Changsha, to stimulate the motivation of employees, care for the lives of employees and enhance the cohesion and centripetal force of the Group.

"Helping the needy employees"

The Group provides warmth and care to employees in difficulties, helps employees in difficulties to solve their problems and provides timely emergency assistance to employees with sudden and temporary difficulties. In July 2023, the Group actively raised funds for the sick employees of Wuhan Haisi business line, and a total of RMB30,000 was donated by the Group's employees.

5. COMMUNITY INVESTMENT

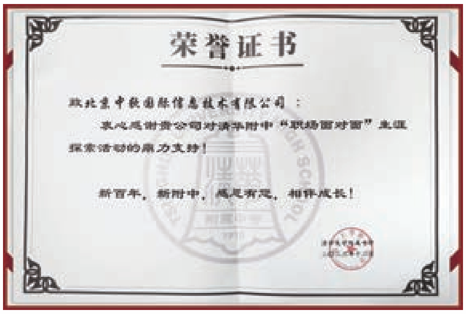
The Group actively undertakes corporate social responsibilities, responds to and supports the needs of the community, and encourages its employees to participate in voluntary services to contribute to the realization of common prosperity and the building of a better society. During the Reporting Period, the Group organized its employees to participate in voluntary activities such as blood donation, community services and charity clinics to warm up the community with love, demonstrate the spirit of selfless dedication and promote the spirit of voluntary services.

"Sick Children Care Program of Xi'an Charity Xinyu Centre"

The Group has continued to pay attention to children with serious illnesses in difficult circumstances and provide practical assistance to them, thus demonstrating its corporate commitment. During the Reporting Period, under the theme of "Spreading Love, Overflowing Love", the Group organized its employees to visit Xi'an Charity Xinyu Home to carry out caring activities, to understand the living and treatment conditions of the sick children in difficulty and to donate living materials to the centre.

"Career Exploration and Exchange Program for High School Students"

The Group is highly concerned about the cultivation of young people and demonstrates the responsibility of a large enterprise. In December 2023, Chinasoft International and the Tsinghua University High School jointly organized the "Career Exploration and Exchange Program for High School Students" to help young people recognize the progress of the frontier of technological innovation in the fields of domestic operating systems and AI models, and to experience the strategic layout of the "strong foundation" and the surging momentum of IT development, which triggered students to think about their future career planning. Through this public welfare activity, Chinasoft International encourages young people with dreams of strengthening the country to set up the ambition of serving the country with science and technology from childhood, and to integrate their personal development with the mission of the country and the destiny of the times through continuous learning and exploration, so as to grow into the pillars of scientific and technological innovation that the country urgently needs.



The profile of the Directors and senior management up to the date of this report are as follows:

DIRECTORS

Executive Directors

Dr. Chen Yuhong (陳宇紅), aged 61, is the Chairman and the Chief Executive Officer of the Company and is responsible for the overall business development of the Group. He has over 20 years of practicing experience in software information industry. Dr. Chen holds a doctorate degree in optics from Beijing Institute of Technology (北京理工大學) in 1991. Prior to joining the Company on 25 April 2000, Dr. Chen worked at China National Computer Software & Technology Service Corporation ("CS&S") from October 1996 to April 2000, subsequently was appointed as vice president in June 1999 and as senior vice president of CNTC (中軟網絡信息技術有限公司) in December 2003. He has also been appointed a director of Chinasoft Resources Information Technology Services Limited. He was also a director of CS&S Cyber Resources Software Technology (Tianjin) Co., Ltd., an associate company of CS&S from 1999 to March 2002. From June 1991 to October 1996, he was the deputy general manager of China Great Wall Computer Software Co., Ltd. (中國長城計算機軟件公司).

Dr. He Ning (何寧), aged 62, has over 38 years of management experience in the areas of science and technology, operations, investments, etc. His work experience has accumulated along with the development of the telecommunications industry and information technology (IT) industry of China. Dr. He is familiar with the rules of development of the technology, media, and telecom (TMT) sector and has rich experience in management and operations. Dr. He graduated from the Nanjing Institute of Posts and Telecommunications in 1983 with a bachelor's degree in telephone automatic switching. He subsequently received a master's degree in business management from Maastricht School of Management of the Netherlands in 2002, and received a Doctor of business administration degree from the Hong Kong Polytechnic University in 2005. Dr. He has been appointed as an executive director and vice chairman of the Board on 18 May 2021. Before that, Dr. He was a director on the board of directors of China Telecom (Hong Kong) Limited from August 1998 to June 2000; a director on the board of directors of China Mobile (Hong Kong) Limited, the chairman of the board of directors and the general manager of Jiangsu Mobile Communication Company Limited* (江蘇移動通信有限責任公司) from June 2000 to January 2003; a director and the deputy general manager of China Mobile (Hong Kong) Limited from January 2003 to December 2005; the chairman of the board of directors and the general manager of China Mobile Group Beijing Co., Ltd.* (中國移動通信集團北京有限公司) from December 2005 to 2 February 2012; the chairman of the board of directors and the general manager of China Mobile Group Device Co., Ltd.* (中國移動通信集團終端有限公司) from February 2012 to October 2015; and the chairman of the board of directors of China Mobile Capital Holdings Co., Ltd.* (中移資本控股有限責任公司) and the chairman of the board of directors of China Mobile Investment Holdings Co., Ltd.* (中移投資控股有限責任公司) from October 2016 to September 2020. In addition, from September 2019 to November 2020, Dr. He also acted as the chairman of the board of directors of 5G Fund Management Company, an executive director of China Mobile Venture Capital Co., Ltd.* (中移創業投資有限責任公司), a director of China Mobile State Innovation Investment Management Co., Ltd.* (中移國投創新投資管理有限公司), and took up the roles as a director and a supervisor, etc. of national 100 billion industrial investment fund limited company.

Dr. Tang Zhenming (唐振明), aged 61, is the senior vice president of the Company. He is responsible for the Group's training business and has over 20 years practicing experience in software information industry. Dr. Tang obtained a doctorate degree in motor electronic control from Beijing Institute of Technology (北京理工大學) in 1994. Prior to joining the Company on 25 April 2000, Dr. Tang was employed by Beijing Institute of Technology Industrial Company (北京理工大學產業總公司) as deputy general manager from May 1995 to July 1998 and by Chinasoft Cyber Information Technology Co., Ltd (Beijing) as deputy general manager from August 1998 to March 2003. Dr. Tang was also employed by American W&P Company, Beijing Office (美國W&P公司北京辦事處) as officer from December 1993 to March 1995.

Non-executive Directors

Dr. Zhang Yaqin (張亞勤), aged 58, was appointed on 31 December 2008. Dr. Zhang Yaqin is chair professor and dean of the Institute for AI Industry Research at Tsinghua University. Dr. Zhang Yaqin was the President of Baidu, Inc. (listed on NASDAQ, NASDAQ: BIDU) from September 2014 to October 2019, in charge of autonomous and intelligent cloud emerging business and basic technology system and etc., and also the Chairman of Baidu R&D Centre in U.S.. Prior to joining Baidu, Dr. Zhang served various positions at Microsoft Corporation (listed on NASDAQ, NASDAQ: MSFT) from January 1999 to September 2014, including: the corporate vice president of Microsoft Corporation, the chairman of Microsoft Asia-Pacific Research & Development Group responsible for driving Microsoft's overall research and development efforts in China and the Asia-Pacific region, the managing director and the chief scientist as well as an original founder of Microsoft Research Asia where he was in charge of Microsoft's mobile and embedded division in Microsoft's headquarters. Dr. Zhang is also a member of Committee 100, a group of leading Chinese- Americans to promote the political, science, social and economic exchanges between the US and China. Dr. Zhang was elected Foreign Member of Chinese Academy of Engineering in 2021. Dr. Zhang honored academician of the American Academy of Arts and Science in 2019. Dr. Zhang was awarded a fellow of the Australian Academy of Technology and Engineering in December 2017, and he has also been a fellow of the Institute of Electrical and Electronics Engineers since March 1997. Dr. Zhang obtained his bachelor's degree in radio electronics and master's degree in telecommunication and electrical systems from the University of Science and Technology of China (中國科技大學) in July 1983 and January 1986 respectively. In February 1990, Dr. Zhang obtained his Ph.D. degree in electrical engineering from George Washington University, Washington D.C. Dr. Zhang has been an independent non-executive director of a number of companies, including AsiaInfo Technologies Limited (listed on the Stock Exchange, stock code: 1675) since August 2018. He has been an independent non-executive director of WPP (NASDAQ: WPPGY) since January 2021.

Mr. Gao Liangyu (高良玉), aged 58, is the chairman of the board of Gao Zheng Asset Management Limited (高正資產管理有限公司) since September 2017. Mr. Gao was served as the chairman of the board of CSOP Asset Management Limited (南方東英資產管理有限公司) since March 2013, engaging in asset management business. Prior to joining CSOP Asset Management Limited, Mr. Gao was previously the deputy general manager at China Southern Fund Management Co., Ltd. (南方基金管理有限公司) in March 1998 and became the general manager of the same company from September 1998 to March 2013, responsible for the management and operation. Mr. Gao acted as the deputy division chief of the Public Offering Supervision Department of the China Securities Regulatory Commission (中國證券監督管理委員會) from March 1993 to March 1998, the section chief of the Finance Management Department of the People's Bank of China (中國人民銀行) from February 1991 to March 1993, studied in the Postgraduate Department of Financial Research Institute of the People's Bank of China from September 1988 to February 1991, and an officer of the Audits Department of Nanjing Agriculture University (南京農業大學) from July 1986 to August 1988. He served as an independent non-executive director of Jutal Offshore Oil Services Limited (巨濤海洋石油服務有限公司), a company listed on the Stock Exchange (stock code: 3303), from 2009 to 2015. Mr. Gao obtained his bachelor's degree in agricultural economics from Nanjing Agricultural University in July 1986.

Independent Non-executive Directors

Dr. Lai Guanrong (賴觀榮), aged 61, was appointed on 2 June 2015. Dr. Lai is the director of Zhongke Industrial Group (Holding) Company Limited. Dr. Lai also is the independent director of China Securities Co., Ltd.(中信建投證券股份有限公司) (Shanghai Stock Exchange stock code: 601066SH), the independent director of Dongxing Securities Co., Limited (東興證券股份有限公司) (Shanghai Stock Exchange stock code: 601198SH), and the independent director of New China Life Insurance Company Limited (新華人壽保險股份有限公司) (Shanghai Stock Exchange stock code: 601336). He previously acted as the deputy general manager (host duty) of Minfa Securities Company Limited (閩發證券有限公司), the deputy director of the Fujian Branch Office of the People's Bank of China (中國人民銀行福建省分行), the general manager of Fujian Min Qiao Trust Investment Company Limited (福建省閩南僑鄉信托投資公司), the president of Huafu Securities Company Limited (華福證券有限責任公司), the president of Jiahe Life Insurance Company Limited (嘉禾人壽保險股份有限公司), the Vice Chairman of Agricultural Bank of China Life Insurance Company Limited (農銀人壽保險股份有限公司), the Chairman of the Supervisory Board of Beijing Zhongguancun Science City Construction Company Limited (北京中關村科學城建設股份有限公司), the Chief Economist and Investment Committee Member of Shenzhen Yuanzhi Fuhai Investment Management Company Limited (深圳市遠致富海投資管理有限公司) and the independent director of Xinyuan Enterprise Group Company Limited (信源企業集團有限公司). Dr. Lai graduated from the Xiamen University with a bachelor's degree in economic. He was awarded a master's degree by the research department of the Graduate School of the People's Bank of China. He was awarded a doctor's degree in economic from the Xiamen University.

Professor Mo Lai Lan (巫麗蘭), aged 65, obtained her bachelor and Ph.D degrees in Accountancy from the Chinese University of Hong Kong and M.B.A. degree from Birmingham University in U.K.. She is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Professor Mo joined City University of Hong Kong in 2011 as Professor of Accountancy and served as the Ph.D Program Coordinator for the Department of Accountancy during 2013-2015, and as Internship Coordinator from 2015 to 2017. She is now the Associate Director of the Research Centre for Sustainable Hong Kong (CSHK), a strategic applied research center established at City University of Hong Kong which aims at conducting impactful research in response to real-life sustainability challenges in Hong Kong and the Region. Previously, Professor Mo served as Professor and Head of the Department of Accountancy at Lingnan University from 2006 to 2011. She also had teaching and research experiences with other prominent research universities. Prior to joining the academia, Professor Mo worked at an international leading CPA firm as a professional auditor and a listed company as an internal auditor. Professor Mo was a member of the Auditing & Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA) from 2012 to 2017, and a member of Board of Review (Inland Revenue Ordinance, Hong Kong) from 2015 to 2020. Currently, she is a member of the Financial Report Review Panel, Accounting and Financial Reporting Council and a Specialist of Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ). Professor Mo's research focuses on audit quality, tax compliance and corporate governance. Many of her papers represent pioneer works on Accounting research published in leading international research journals. She also co-authored a book entitled "A Dream of the Red Chambers and Corporate Governance of Family Businesses"（紅樓夢與家族企業管治）and co-edited a book entitled "Transcending the Bottleneck – The Hong Kong Accountancy Profession"（突破瓶頸－香港會計業). Professor Mo is currently an Associate Editor of the *Accounting and Business Research* (founded by the Institute of Chartered Accountants in England and Wales), *Asia-Pacific Journal of Accounting and Economics* (founded by City University of Hong Kong). She is also a member of the Editorial Board of *AUDITING: A Journal of Practice & Theory and Journal of International Accounting Research* which are leading research journals in Auditing and International Accounting respectively (published by American Accounting Association). At present, Professor Mo also serves as independent non-executive director of Acme International Holdings Limited.

Mr. Yeung Tak Bun, J.P. (楊德斌), aged 58, holds a Bachelor of Science in Electrical Engineering from the University of Texas (Austin) in the US, a Master of Science in Electrical Engineering from Purdue University in the US, and an Executive MBA from the Kellogg School of Management of the University of Northwestern in the US in conjunction with the Hong Kong University of Science and Technology. Mr. Yeung started his career in the Silicon Valley, California in 1987 and had worked for several high-tech companies. Mr. Yeung held senior management positions in several multinational corporations with operations throughout Asia. When Mr. Yeung was the Chief Corporate Development Officer of the Hong Kong Science and Technology Parks Corporation in 2009, he was responsible for the development strategy of the science park, global partnership, incubation programme for start-ups, nurturing bio-tech, green-tech, IT and electronics enterprises, and initiated the science park corporate venture fund. During mid-2015–mid 2018, Mr. Yeung was appointed as the Government Chief Information Officer, head of department, and a Justice of the Peace, by the Hong Kong SAR Government. Mr. Yeung was responsible for formulation of policies and strategies for Hong Kong's information industry in development of the digital economy, e-government, cyber-security, and formulation of the blueprint for developing Hong Kong into the world's leading smart city. Mr. Yeung co-founded Intelli Global Corporation in late 2018 with international smart city and big data experts to provide top-level design and big data/artificial intelligence related products that foster city governments and companies around the world in managing cities with new smart city concepts, improving the quality of life, reducing management costs and improving urban governance efficiency. Mr. Yeung is currently the Chief Executive Officer of and Strategic Adviser to Intelli Global Corporation. Mr. Yeung holds the public positions of an Expert Group Member of the Chief Executive Policy Unit and a Member of the Digital Economy Development Committee of the HKSAR Government. He is also the President of Greater Bay Area International Information Technology Industry Association and the Founding Chairman of the Institute of Big Data Governance. In addition, Mr. Yeung serves as an independent non-executive director of companies which are listed on The Stock Exchange of Hong Kong Limited, including Yau Lee Holdings Limited (Stock Code 406) and UMP Healthcare Holdings Limited (Stock code 722). He also serves as an independent non-executive director of Ping An OneConnect Bank (HK) Ltd., which is a wholly-owned subsidiary of OneConnect Financial Technology Co., Ltd. (listed on the New York Stock Exchange) (NYSE: OCFT) and a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (listed on The Stock Exchange of Hong Kong Limited (Stock Code 2318) and on the Shanghai Stock Exchange (SSE 601318).

SENIOR MANAGEMENT

Mr. Simon Chung (鍾鎮銘), aged 63, is the global chief operating officer of the Company. He is responsible for the Company's overseas strategic development. He has over 30+ years of experience in IT professional services covering account management, service delivery management, technical sales, quality assurance and control, project management and customer support operation of public government, telecom, finance, high-tech and digital transformation sectors. He holds a bachelor's degree in Computing Mathematics from the University of Wollongong in Australia. Prior to joining the Company, he was a project director of Atos Origin responsible for the management of large scale projects and service delivery for major clients in Asia Pacific from 1996 to 2005.

Mr. Liao Yuanfeng (廖元峰), aged 44, is the chief financial officer of the Company. He is responsible for the corporate finance, operations, internal control, and risk management work. He joined the Group in May 2016 and was appointed on 5 November 2018 as vice president and general manager of the financial management department and on 16 April 2020 as deputy chief financial officer. Prior to joining the Company, Mr. Liao had variously been the head of finance of the Ukraine Representative Office of Huawei Technologies Company Limited, Xi'an Huawei, and the finance and quality operations department of a subsidiary from October 2007 to April 2016, and was a senior financial expert. Mr. Liao have also been the finance manager of the Pakistan subsidiary and the senior finance manager of the Asia-Pacific region of the TIENS Group, Tianjin, from April 2003 to July 2007. From September 1997 to August 2001, Mr. Liao worked in the accounting department of Xinfeng County Sub-branch of China Construction Bank. He holds a Master of Business Administration degree from Hunan University and is an associate of the Association of International Accountants (AAIA).

Ms. Leong Leung Chai, Florence (梁良齊), aged 44, is the company secretary and authorised representative of the Company and was appointed as the deputy chief financial officer of the Company in May 2017. She joined the Company in November 2005 to serve as the Financial Controller of the Group, and became the Company Secretary of the Company and an authorised representative since August 2013. Ms. Leong performs the duties of company secretary, and is responsible for the Group's regulatory compliance and financial reporting. Before joining the Company, Ms. Leong worked in an international audit firm for over 5 years where she was mainly responsible for financial auditing and internal control reporting. She has over 15 years' experience in financial auditing, listing compliance and corporate governance. Ms. Leong is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree (Hons) in Accountancy.

COMPANY SECRETARY

Ms. Leong Leung Chai, Florence (梁良齊) is the deputy chief financial officer, qualified accountant, company secretary and authorised representative of the Company. Please refer to the paragraph headed "Senior Management" in this section above for details regarding her background.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINASOFT INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chinasoft International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 126 to 231, which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS – CONTINUED

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We have identified goodwill impairment assessment as a key audit matter because determining the recoverable amount of the relevant cash-generating units (or group of cash-generating units) to which goodwill has been allocated, requires a significant degree of management judgement and may be subject to management bias. The determination of whether goodwill is impaired requires management to make significant estimates such as the discount rates, forecasts of future revenue growth rates and gross margins based on management's view of future business prospects. Details of goodwill and the corresponding key estimation uncertainty on its impairment assessment are disclosed in notes 17 and 4 to the consolidated financial statements, respectively.	Our procedures in relation to goodwill impairment assessment included: • Assessing the valuation methodology; • Challenging the appropriateness of the significant estimates used, including specifically future revenue growth rates and gross margins used in the impairment testing model based on our knowledge on the business and industry; • Performing retrospective review on significant estimates used; and • Performing an independent assessment of the discount rates used in the impairment testing model, including developing a range of independent estimates and comparing those to the discount rates selected by management, with the assistance of our internal specialists.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is To Kim Lai, Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2024

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**17,116,894**	20,005,171
Cost of sales and services		**(13,113,818)**	(15,405,001)
Gross profit		**4,003,076**	4,600,170
Other income	6	**428,905**	347,953
Loss from derecognition of financial assets measured at amortised cost		**(2,332)**	(2,740)
Impairment losses under expected credit loss model, net of reversal	7	**(117,313)**	(89,451)
Impairment loss on investment accounted for using the equity method	18	**(22,377)**	–
Other gains or losses		**83,905**	34,447
Selling and distribution costs		**(868,347)**	(948,868)
Administrative expenses		**(1,354,733)**	(1,682,638)
Research and development costs		**(1,078,296)**	(1,238,035)
Other expenses		**(105,680)**	(55,210)
Finance costs	8	**(202,833)**	(113,212)
Share of results of investments accounted for using the equity method		**(30,028)**	(22,534)
Profit before taxation		**733,947**	829,882
Income tax expense	9	**(21,280)**	(71,053)
Profit for the year	10	**712,667**	758,829

	NOTE	2023 RMB'000	2022 RMB'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,232)**	(1,929)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**1,051**	–
Other comprehensive expense for the year, net of tax		**(6,181)**	(1,929)
Total comprehensive income for the year		**706,486**	756,900
Profit for the year attributable to:			
Owners of the Company		**713,394**	759,441
Non-controlling interests		**(727)**	(612)
		712,667	758,829
Total comprehensive income attributable to:			
Owners of the Company		**707,213**	757,512
Non-controlling interests		**(727)**	(612)
		706,486	756,900
Earnings per share	13		
Basic		**RMB0.2588**	RMB0.2611
Diluted		**RMB0.2506**	RMB0.2518

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,150,858**	1,119,112
Right-of-use assets	15	**320,273**	439,447
Intangible assets	16	**336,136**	280,773
Goodwill	17	**843,654**	843,654
Investments accounted for using the equity method	18	**428,906**	485,163
Financial assets at fair value	19	**282,686**	159,560
Derivative financial assets	39	**28,988**	–
Other receivables	21	**6,562**	21,703
Term deposits	26	**704,000**	10,000
Pledged bank deposits	26	**17,970**	3,930
Deferred tax assets	30	**2,308**	921
		4,122,341	3,364,263
Current assets			
Inventories	20	**96,182**	99,358
Trade and other receivables	21	**6,091,897**	6,156,543
Bills receivable	23	**74,545**	54,563
Contract assets	24	**2,091,903**	1,998,731
Financial assets at fair value	19	**100,000**	90,000
Derivative financial assets	39	**11,325**	–
Amounts due from related companies	25	**112,806**	102,847
Term deposits	26	**556,641**	48,000
Pledged bank deposits	26	**21,920**	45,254
Bank balances and cash	26	**3,788,110**	5,005,226
		12,945,329	13,600,522
Current liabilities			
Trade and other payables	27	**1,662,625**	2,043,359
Bills payable	23	**3,364**	5,350
Lease liabilities	28	**114,663**	180,951
Contract liabilities	29	**254,421**	339,220
Amounts due to related companies	25	**29,464**	44,081
Dividend payable		**81**	81
Taxation payable		**162,819**	154,184
Borrowings	31	**734,773**	766,068
Consideration payable		**–**	19,992
		2,962,210	3,553,286
Net current assets		**9,983,119**	10,047,236
Total assets less current liabilities		**14,105,460**	13,411,499

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**10,667**	11,715
Lease liabilities	28	**41,021**	102,530
Borrowings	31	**2,282,044**	1,162,463
Derivative financial liabilities	39	**4,968**	–
		2,338,700	1,276,708
		11,766,760	12,134,791
Capital and reserves			
Share capital	32	**133,029**	136,837
Share premium	33	**5,474,719**	6,013,911
Treasury shares	41	**(1,114,363)**	(538,555)
Reserves	33	**7,249,076**	6,497,572
Equity attributable to owners of the Company		**11,742,461**	12,109,765
Non-controlling interests		**24,299**	25,026
Total equity		**11,766,760**	12,134,791

The consolidated financial statements on pages 126 to 231 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Dr. Chen Yuhong
DIRECTOR

Dr. Tang Zhenming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to the owners of the Company													
	Share capital RMB'000	Share premium RMB'000 *(note 33)*	Treasury shares RMB'000	Other reserves RMB'000 *(note 33)*	Fair value through other comprehensive income reserve RMB'000	Translation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	General reserve fund RMB'000 *(note 33)*	Statutory enterprise expansion fund RMB'000 *(note 33)*	Statutory surplus reserve fund RMB'000 *(note 33)*	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	138,703	6,293,665	(588,741)	(122,769)	(13,834)	(16,027)	283,073	15,793	26,749	286,796	5,300,513	11,603,921	22,638	11,626,559
Profit for the year	–	–	–	–	–	–	–	–	–	–	759,441	759,441	(612)	758,829
Other comprehensive expense for the year	–	–	–	–	–	(1,929)	–	–	–	–	–	(1,929)	–	(1,929)
Total comprehensive income (expense) for the year	–	–	–	–	–	(1,929)	–	–	–	–	759,441	757,512	(612)	756,900
Issue of ordinary shares upon exercise of share options	1,060	149,458	–	–	–	–	(30,742)	–	–	–	–	119,776	–	119,776
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	110,678	–	–	–	–	110,678	–	110,678
Repurchase and cancellation of shares	(2,926)	(344,705)	–	–	–	–	–	–	–	–	–	(347,631)	–	(347,631)
Vesting of award shares	–	(4,952)	105,122	–	–	–	(100,170)	–	–	–	–	–	–	–
Appropriations	–	–	–	–	–	–	–	–	–	27,279	(27,279)	–	–	–
Dividends paid to ordinary shareholders (Note 12)	–	(79,555)	–	–	–	–	–	–	–	–	–	(79,555)	–	(79,555)
Purchase of shares under share award scheme	–	–	(54,936)	–	–	–	–	–	–	–	–	(54,936)	–	(54,936)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	3,000	3,000
At 31 December 2022	136,837	6,013,911	(538,555)	(122,769)	(13,834)	(17,956)	262,839	15,793	26,749	314,075	6,032,675	12,109,765	25,026	12,134,791
Profit for the year	–	–	–	–	–	–	–	–	–	–	713,394	713,394	(727)	712,667
Other comprehensive expense for the year	–	–	–	–	–	(6,181)	–	–	–	–	–	(6,181)	–	(6,181)
Total comprehensive income (expense) for the year	–	–	–	–	–	(6,181)	–	–	–	–	713,394	707,213	(727)	706,486
Issue of ordinary shares upon exercise of share options	31	4,713	–	–	–	–	(1,180)	–	–	–	–	3,564	–	3,564
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	118,688	–	–	–	–	118,688	–	118,688
Repurchase and cancellation of shares	(3,839)	(394,898)	–	–	–	–	–	–	–	–	–	(398,737)	–	(398,737)
Share options expired	–	–	–	–	–	–	(38,630)	–	–	–	38,630	–	–	–
Vesting of award shares	–	(10,671)	83,888	–	–	–	(73,217)	–	–	–	–	–	–	–
Appropriations	–	–	–	–	–	–	–	–	–	41,620	(41,620)	–	–	–
Dividends paid to ordinary shareholders (Note 12)	–	(138,336)	–	–	–	–	–	–	–	–	–	(138,336)	–	(138,336)
Purchase of shares under share award scheme	–	–	(659,696)	–	–	–	–	–	–	–	–	(659,696)	–	(659,696)
At 31 December 2023	133,029	5,474,719	(1,114,363)	(122,769)	(13,834)	(24,137)	268,500	15,793	26,749	355,695	6,743,079	11,742,461	24,299	11,766,760

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Operating activities		
Profit before taxation	**733,947**	829,882
Adjustments for:		
Depreciation of property, plant and equipment	**186,883**	214,248
Depreciation of right-of-use assets	**160,421**	230,255
Amortisation of intangible assets	**75,350**	55,210
Finance costs	**202,833**	113,212
Loss from derecognition of financial assets measured at amortised cost	**2,332**	2,740
Impairment losses under expected credit loss model, net of reversal	**117,313**	89,451
Impairment loss on investments accounted for using the equity method	**22,377**	–
Share-based payment expenses	**118,688**	110,678
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")	**(2,691)**	(12,847)
Gain on fair value changes of derivative financial instruments	**(35,345)**	–
Gain on fair value change of financial liability at FVTPL	**(3,711)**	–
Interest income	**(152,320)**	(87,073)
Share of results of investments accounted for using the equity method	**30,028**	22,534
Loss on deemed disposal of investments accounted for using the equity method	**3,237**	2,064
Dividend income from financial assets at FVTPL	**(8,161)**	–
Gain on disposal of a subsidiary/business	**(71,044)**	–
(Gain)/loss on disposal of property, plant and equipment	**(1,883)**	574
Gain on disposal of right-of-use assets	**(10,896)**	(10)
Exchange losses/(gains)	**23,384**	(25,324)
Operating cash flows before movements in working capital	**1,390,742**	1,545,594
Increase in trade and other receivables	**(60,944)**	(245,362)
Increase in contract assets	**(131,360)**	(288,564)
Decrease in trade and other payables	**(294,218)**	(138,524)
Decrease in contract liabilities	**(84,799)**	(71,657)
Increase in bills receivable	**(19,982)**	(12,125)
Decrease in inventories	**3,176**	63,273
(Increase)/decrease in amounts due from related companies	**(51,015)**	4,301
Decrease in amounts due to related companies	**(14,597)**	–
(Decrease)/increase in bills payable	**(1,986)**	5,294
Cash generated from operations	**735,017**	862,230
Income taxes paid	**(44,071)**	(139,706)
Income taxes refunded	**28,995**	42,252
Net cash generated from operating activities	**719,941**	764,776

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Investing activities		
Purchases of property, plant and equipment	(270,091)	(196,694)
Placement of pledged bank deposits	(28,587)	(50,785)
Withdrawal of pledged bank deposits	37,879	23,593
Development costs paid	(130,713)	(136,355)
Placement of term deposits	(1,260,641)	(58,000)
Withdrawal of term deposits	58,000	–
Purchase of other intangible assets	–	(6,773)
Purchase of investments accounted for using the equity method	–	(175,652)
Purchase of financial assets at FVTPL	(130,435)	(158,200)
Repayment from related companies	36,775	130
Payment for acquisition of subsidiaries in prior year	(16,281)	–
Net cash inflow on disposal of subsidiaries/business	41,998	2,577
Proceeds from disposal of investments accounted for using the equity method	–	53,375
Interest received	172,424	68,227
Proceeds from disposal of property, plant and equipment	20,256	6,578
Dividend income from financial assets at FVTPL	8,161	–
Dividend received from/repayment from return of investments accounted for using equity method	615	1,627
Advance to related parties	(4,200)	(20,170)
Payment for right-of-use assets	(1,073)	(527)
Payment for rental deposits	(8,976)	(4,646)
Withdrawal of rental deposits	30,057	2,012
Net cash used in investing activities	(1,444,832)	(649,683)
Financing activities		
Dividend paid	(138,336)	(79,555)
New borrowings raised	5,726,050	4,560,703
Proceeds from exercise of share options	3,564	119,776
Purchase of shares under share award scheme	(659,696)	(54,936)
Repurchase and cancellation of shares	(398,737)	(347,631)
Capital contribution from non-controlling shareholders	–	3,000
Advance from related companies	–	20
Repayment to related companies	(20)	(251)
Repayment of borrowings	(4,705,000)	(4,661,283)
Repayments of lease liabilities	(163,829)	(221,853)
Other interest paid	(178,025)	(98,727)
Net cash used in financing activities	(514,029)	(780,737)
Net decrease in cash and cash equivalents	(1,238,920)	(665,644)
Cash and cash equivalents at beginning of the year	5,005,226	5,556,380
Effect of foreign exchange rate changes	21,804	114,490
Cash and cash equivalents at end of the year, represented by bank balances and cash	3,788,110	5,005,226

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2003. On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange. The addresses of the registered office and principal places of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are development and provision of information technology ("IT") solutions services, IT outsourcing services and training services.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Basis of consolidation – continued

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Goodwill – continued

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGUs within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Investments in associates – continued

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Changes in the Group's interests in associates

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Revenue from contracts with customers – continued

Contracts with multiple performance obligations (including allocation of transaction price) – continued

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Revenue from contracts with customers – continued

Principal versus agent – continued

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Recognition of revenue from major sources of revenue

The Group recognises revenue from the following major sources:

(a) Project-based development services

The provision of solutions on project-based development services includes a comprehensive set of activities in the contract, such as project design, implementation, installation, trial launch and/or acceptance, which are highly interdependent and highly interrelated. The Group accounts for all of the goods and services promised in the contract as a single performance obligation. As the Group's performance creates or enhances an asset that the customer controls as the Group performs, the performance obligation is satisfied over time. Accordingly, revenue from provision of solutions on project-based development contracts is recognised based on the stage of completion of the contracts using input method which is determined as the proportion of the costs incurred for the work (i.e. subcontracting costs, material costs and direct staff costs incurred) performed to date relative to the estimated total costs to satisfy of the performance obligation. The directors of the Company consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15 *Revenue from Contracts with Customers*.

(b) Outsourcing services

The outsourcing service is a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, which is accounted for as a single performance obligation. As the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs, the provision of outsourcing services is satisfied over time.

The provision of outsourcing services is billed based on the IT service hours provided and fixed hourly rates. The Group has a right to invoice in an amount that corresponds directly with the value of the Group's performance completed to date. Revenue from the provision of outsourcing services is recognised in an amount to which the Group has a right to invoice.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Revenue from contracts with customers – continued

Recognition of revenue from major sources of revenue – continued

(c) Other services

Other services include corporate training, management, support and consulting services. As the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs, those services are satisfied over time.

(d) Sales of goods

Revenue from sales of third-party software and hardware products is recognised at a point in time when the customer obtains control of the products.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases – continued

Definition of a lease – continued

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 Leases at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices and other assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Lease modifications – continued

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Taxation – continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets or liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Taxation – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Property, plant and equipment – continued

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and is carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Intangible assets – continued

Internally-generated intangible assets – research and development expenditure – continued

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill – continued

In testing CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Group are subsequently measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit– impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income or designated as at fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains or losses" line item.

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivable, other receivables, amounts due from related companies, bank balances, pledged bank deposits and term deposits) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

(i) Significant increase in credit risk – continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). This definition of default is selected as it is consistent with the Group's internal credit risk management purposes that cover both quantitative and qualitative information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

(v) Measurement and recognition of ECL – continued

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'other gains or losses' line item as part of the net foreign exchange gains/(losses);

- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the 'other gains or losses' line item as part of the gain/(loss) from changes in fair value of financial assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

When the shares of the Company are purchased and held under the Company's share award scheme, the consideration paid by the Company, including any directly attributable incremental costs, is deducted from equity as treasury shares until the shares are cancelled or reissued.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bills payable, amounts due to related companies, dividend payable, and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Employee benefits

Retirement benefits costs

Payments to the state-managed retirement benefits schemes or other defined contribution retirement schemes such as the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options and share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

3.2 Material accounting policy information – continued

Employee benefits – continued

Equity-settled share-based payment transactions – continued

Share options and share awards granted to employees – continued

When share options are exercised, the amount previously recognised in equity-settled share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity-settled share-based payment reserve will be transferred to accumulated profits.

When the awarded shares under the Company's share award scheme are vested, the amount previously recognised in equity-settled share-based payment reserve will be transferred to treasury shares. The difference between the amount previously recognised in equity-settled share-based payment reserve and the cost for repurchasing the awarded shares will be transferred from treasury shares to share premium.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgements in identifying performance obligations

In making their judgments, the directors of the Company consider the detailed criteria for identifying performance obligations set out in HKFRS 15 on the Group's project-based development contracts. In identifying performance obligations, the directors of the Company consider whether the customer benefits from each good or service on its own and whether it is distinct in the context of the contract. The provision of solutions on project-based development services includes a comprehensive set of activities in the contract, such as project design, implementation, installation, trial launch and/or acceptance. The directors of the Company consider that individual promised goods and services in the contract are highly interdependent and highly interrelated which is determined to be a single performance obligation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. As at 31 December 2023, the carrying amount of goodwill is RMB843,654,000 (31 December 2022: RMB843,654,000). Details of the recoverable amount calculation are disclosed in note 17.

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances or credit-impaired and contracts assets with significant balances are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually on a collective basis using a provision matrix by groupings of various debtors that have similar loss patterns. The provision rates are based on the Group's historical default rates and taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL, the Group's trade receivables and contract assets are disclosed in notes 35, 21 and 24 respectively.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**2,439,164**	2,364,345
Outsourcing services	**14,015,065**	16,816,750
Other services	**177,331**	308,530
	16,631,560	19,489,625
Sales of software and hardware products	**485,334**	515,546
	17,116,894	20,005,171

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
Over time	**16,631,560**	19,489,625
At a point in time	**485,334**	515,546
	17,116,894	20,005,171

Performance obligations for contracts with customers

Performance obligations of rendering project-based development services, outsourcing services and other services are satisfied over time. Performance obligations of sales of software and hardware products are satisfied at a point in time. Further information about the revenue recognition policies of the Group is set out in note 3.

The Group's contracts for project-based development services typically include payment schedules which require stage payments over the service period once certain specific milestones are reached.

The Group's outsourcing contracts include fixed hourly fee rates, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a regular basis and consideration is payable generally one month after the invoice date.

The period between payment and transfer of the associated goods or services of the Group is typically less than one year. As such, the Group applies the practical expedient under HKFRS 15 of not adjusting the transaction prices of the contracts for the effects of any significant financing component.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Performance obligations for contracts with customers – continued

In respect of contracts for project-based development services, the transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied in relation to the contract liabilities amounts to RMB254,421,000 as at 31 December 2023 (31 December 2022: RMB339,220,000). Such transaction price allocated is expected to be recognised as revenue during 2024.

In respect of contracts for outsourcing services, other services and sales of software and hardware products, the Group applies the practical expedients under HKFRS 15 and does not disclose information about the transaction prices allocated to the remaining performance obligations. The practical expedients cover circumstances where the original expected duration of the contract is one year or less, and circumstances where the Group has a right to invoice in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Segment revenue and results

Information reported to the chief executive officer of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group's operating divisions.

The Group's operating and reportable segments are as follows:

1. Technical professional services group ("TPG") – development, provision of solutions, IT outsourcing services for banks and other financial institutions, telecommunication carriers and other large-scale multinational companies, including sale of products;

2. Internet IT services group ("IIG") – development, provision of solutions and IT outsourcing services for government, tobacco industry and other small-scaled companies and training business, including sale of products.

The following is an analysis of the Group's revenue and results by reportable segments:

	Segment revenue		Segment results	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
TPG	**15,020,564**	17,930,401	**798,823**	797,998
IIG	**2,096,330**	2,074,770	**147,454**	175,316
	17,116,894	20,005,171	**946,277**	973,314

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

	2023 RMB'000	2022 RMB'000
TPG		
Provision of services	**14,888,325**	17,764,725
Sales of software and hardware products	**132,239**	165,676
	15,020,564	17,930,401
IIG		
Provision of services	**1,743,235**	1,724,900
Sales of software and hardware products	**353,095**	349,870
	2,096,330	2,074,770
Segment revenue	**17,116,894**	20,005,171

Segment revenue reported above represents revenue generated from external customers after eliminating inter-segment services revenue of RMB468,854,000 in 2023 (2022: RMB663,670,000).

Inter-segment services are charged at a cost plus margin basis.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit earned by each segment without allocation of loss on deemed disposal of investments accounted for using the equity method, gains on disposal of a subsidiary/business, impairment loss on investment accounted for using the equity method, corporate expenses, share-based payment expenses, unallocated share of result of investments accounted for using the equity method, interest on borrowings raised at corporate level and certain items of other income, other gains or losses recorded at corporate level. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

Reconciliation of segment results to profit before taxation:

	2023 RMB'000	2022 RMB'000
Segment results	946,277	973,314
Loss on deemed disposal of investments accounted for using the equity method	(3,237)	(2,064)
Gains on disposal of a subsidiary/business	71,044	–
Impairment loss on investment accounted for using the equity method	(22,377)	–
Unallocated other income, other gains or losses	45,070	39,148
Unallocated interest on borrowings	(150,086)	(44,780)
Corporate expenses	(36,205)	(20,628)
Unallocated share of result of investments accounted for using the equity method	2,149	(4,430)
Share-based payment expenses	(118,688)	(110,678)
Profit before taxation	733,947	829,882

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and liabilities is presented as the CODM does not regularly review such information for the purposes of resource allocation and assessment of segment performance. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Other segment information

2023	**TPG RMB'000**	**IIG RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	**332,524**	**88,840**	**1,290**	**422,654**
Loss from derecognition of financial assets measured at amortised cost	**2,332**	**–**	**–**	**2,332**
Finance costs	**45,910**	**6,738**	**150,185**	**202,833**
Impairment losses, under expected credit loss model, net of reversal	**68,076**	**49,237**	**–**	**117,313**
Interest income	**(113,441)**	**(3,869)**	**(35,010)**	**(152,320)**
Share of loss (profit) of investments accounted for using the equity method	**85**	**32,092**	**(2,149)**	**30,028**
(Gain) loss on disposal of property, plant and equipment	**(1,996)**	**113**	**–**	**(1,883)**
Gain on disposal of right-of-use assets	**(8,532)**	**(2,364)**	**–**	**(10,896)**

2022	TPG RMB'000	IIG RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	404,348	94,046	1,319	499,713
Loss from derecognition of financial assets measured at amortised cost	2,740	–	–	2,740
Finance costs	60,011	8,391	44,810	113,212
Impairment losses, under expected credit loss model, net of reversal	44,023	45,052	376	89,451
Interest income	(77,933)	(1,661)	(7,479)	(87,073)
Share of loss of investments accounted for using the equity method	95	18,009	4,430	22,534
Loss on disposal of property, plant and equipment	512	62	–	574
Gain on disposal of right-of-use assets	(10)	–	–	(10)

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

The Group's operations are mainly located in its country of domicile, the People's Republic of China ("PRC"), and to a lesser extent, the United States of America ("USA"), Malaysia, Japan, Singapore, India and Saudi Arabia.

The Group's revenues from external customers (based on location of the operations) by geographical location are detailed below:

	Revenue from external customers	
	2023	2022
	RMB'000	RMB'000
PRC	**16,831,384**	19,623,718
USA	**90,537**	167,294
Malaysia	**90,930**	114,817
Japan	**76,302**	85,401
Singapore	**13,767**	3,916
India	**7,976**	6,448
Saudi Arabia	**5,998**	3,577
	17,116,894	20,005,171

As at 31 December 2023, the Group's non-current assets excluding financial instruments and deferred tax assets amount to RMB3,079,827,000 (31 December 2022: RMB3,168,149,000). Majority of the Group's non-current assets are located in the PRC, accordingly, no analysis of geographical information is presented.

Information about major customers

Information about revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group:

	2023	2022
	RMB'000	RMB'000
Customer A	**7,730,674**	9,826,709

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income	152,320	87,073
Government grants	175,655	156,782
Additional value added tax super credit	51,844	93,928
Refund of individual income tax handling fee	12,139	9,330
Venue service income	20,137	–
Dividend income from financial assets at FVTPL	8,161	–
Others	8,649	840
	428,905	347,953

The government grants were mainly incentives provided by local government authorities in the PRC. There were no unfulfilled conditions or contingencies relating to these government grants.

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023 RMB'000	2022 RMB'000
Impairment losses, net of reversal, on:		
– Trade receivables	65,877	56,235
– Contract assets	38,188	30,463
– Others	13,248	2,753
	117,313	89,451

Details of impairment assessment are set out in note 35.

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on borrowings	194,516	96,031
Interest on lease liabilities	8,317	17,181
	202,833	113,212

9. INCOME TAX EXPENSE

	2023	2022
	RMB'000	RMB'000
Income tax expense comprises:		
PRC Enterprise Income Tax		
– current year	38,602	71,308
– over provision in prior years	(18,755)	(10,816)
	19,847	60,492
Others	3,864	10,071
	23,711	70,563
Deferred tax (note 30)	(2,431)	490
	21,280	71,053

The Company is incorporated as an exempted company and as such is not subject to the Cayman Islands taxation.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards unless subject to tax exemptions set out below.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 2 December 2020 and 30 November 2023, Chinasoft International Information Technology Limited ("Chinasoft Beijing") was accredited as a High and New Technology Enterprise for a period up to 1 December 2023 and 29 November 2026 respectively. As a result, Chinasoft Beijing was subject to the income tax rate of 15% for the years ended 31 December 2023 and 2022.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 12 November 2020 and 15 November 2023, Chinasoft International Shanghai Huateng Software Systems Co., Ltd ("Shanghai Huateng") was accredited as a High and New Technology Enterprise for a period up to 11 November 2023 and 14 November 2026 respectively. As a result, Shanghai Huateng was subject to the income tax rate of 15% for the years ended 31 December 2023 and 2022.

According to the Notice of the State Administration of Taxation on the Implementation of the Opinions on the Implementation of Tax Policies Concerning the Western Development Program, Chinasoft International Technology Services Limited ("CSITS") was entitled to a preferential rate of 15% for the years ended 31 December 2023 and 2022.

9. INCOME TAX EXPENSE – CONTINUED

According to the policies promulgated by the Ministry of Finance and the State Taxation Administration for the Integrated Circuit Design and Software Enterprises in 2011, all eligible software enterprises that were profit-making up to the year ended 31 December 2017 were subsequently entitled to two-year income tax exemptions followed by three years' 50% reduction of the statutory income tax rates, starting from their subsequent first profit making year. Chinasoft International Technology Services (Shenzhen) Limited ("CSITS SZ") is qualified as a software enterprise and was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2018. As a result, CSITS SZ was entitled to a preferential income tax rate of 12.5% for the year ended 31 December 2022. Pursuant to a certificate issued by Science, Technology and Innovation Commission of Shenzhen Municipality dated 19 December 2022, CSITS SZ was accredited as a High and New Technology Enterprise for a period up to 18 December 2025. As a result, CSITS SZ was subject to the income tax rate of 15% for the year ended 31 December 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX EXPENSE – CONTINUED

The tax charge for the year can be reconciled to profit before taxation as follows:

	2023 RMB'000	2022 RMB'000
Profit before taxation	733,947	829,882
Tax at PRC Enterprise Income Tax rate of 25% (2022: 25%)	183,487	207,471
Tax effect of share of results of investments accounted for using the equity method	7,507	5,634
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	(32,426)	(56,361)
Tax effect of 200% (2022: 175%) deduction rate on certain research and development expenses	(267,873)	(174,693)
Tax effect of expenses not deductible for tax purpose	83,341	58,901
Tax effect of income not taxable for tax purpose	(9,627)	(2,289)
Over provision in prior years	(18,755)	(10,816)
Tax effect of utilisation of tax losses previously not recognised	(684)	(786)
Tax effect of tax losses not recognised	34,723	4,460
Effect of different tax rates of entities operating in other jurisdictions	41,587	39,532
Income tax expense for the year	21,280	71,053

10. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**30,717**	19,796
Retirement benefits costs (excluding those for directors)	**728,894**	792,433
Share-based payment expenses (excluding those for directors)	**103,877**	82,919
Other employee benefits expenses	**13,452,796**	16,293,557
Total employee benefits expenses	**14,316,284**	17,188,705
Less: Amounts capitalised as development costs	**(130,713)**	(136,355)
	14,185,571	17,052,350
Depreciation of property, plant and equipment	**186,883**	214,248
Depreciation of right-of-use assets	**160,421**	230,255
Amortisation of intangible assets	**75,350**	55,210
	422,654	499,713
Auditor's remuneration	**7,208**	7,408
Cost of inventories recognised as an expense	**440,773**	479,208
Gain on disposal of a subsidiary/business (included in other gains or losses)	**(71,044)**	–
Net foreign exchange loss (gain) (included in other gains or losses)	**23,384**	(25,324)
Fair value gain on financial assets at FVTPL (included in other gains or losses)	**(2,691)**	(12,847)
Fair value gain on derivative financial instruments (included in other gains or losses)	**(35,345)**	–
(Gain)/loss on disposal of property, plant and equipment (included in other gains or losses)	**(1,883)**	574
Gain on disposal of right-of-use assets (included in other gains or losses)	**(10,896)**	(10)

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Details of emoluments to the directors and the chief executive for the year ended 31 December 2023 are as follows:

	Chen Yuhong	**He Ning**	**Tang Zhenming**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
A) EXECUTIVE DIRECTORS				
Other emoluments:				
Salaries and other benefits	5,609	2,587	3,603	11,799
Performance related bonuses	–	1,800	902	2,702
Share-based payment expenses	7,318	2,051	4,351	13,720
Retirement benefits costs	63	63	63	189
Sub-total	12,990	6,501	8,919	28,410

The executive directors' emolument shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acts as the chief executive officer of the Company.

	Zhang Yaqin	**Gao Liangyu**	**Total**
	RMB'000	RMB'000	RMB'000
B) NON-EXECUTIVE DIRECTORS			
Other emoluments:			
Salaries and other benefits	266	266	532
Share-based payment expenses	34	34	68
Sub-total	300	300	600

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments – continued

The non-executive directors' emolument shown above were mainly for their services as directors of the Company.

		Zeng Zhijie RMB'000 (Note a)	Lai Guanrong RMB'000	Mo Lai Lan RMB'000	Yeung Tak Bun RMB'000 (Note b)	Total RMB'000
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS					
	Fees	50	266	269	99	684
	Share-based payment expenses	91	91	91	750	1,023
	Sub-total	141	357	360	849	1,707

The independent non-executive directors' emolument shown above were mainly for their services as directors of the Company.

	RMB'000
Total emoluments for 2023	30,717

Certain executive directors of the Company are entitled to bonus payments which are determined based on their performance and contribution to the Group.

Details of emoluments to the directors and the chief executive for the year ended 31 December 2022 are as follows:

		Chen Yuhong RMB'000	He Ning RMB'000	Tang Zhenming RMB'000	Total RMB'000
A)	EXECUTIVE DIRECTORS				
	Other emoluments:				
	Salaries and other benefits	971	2,425	989	4,385
	Share-based payment expenses	8,402	–	3,657	12,059
	Retirement benefits costs	58	58	58	174
	Sub-total	9,431	2,483	4,704	16,618

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments – continued

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acted as the chief executive officer of the Company.

		Zhang Yaqin	Gao Liangyu	Gavriella Schuster	Total
		RMB'000	RMB'000	RMB'000 (Note c)	RMB'000
B)	NON-EXECUTIVE DIRECTORS				
	Other emoluments:				
	Salaries and other benefits	243	243	345	831
	Share-based payment expenses	323	323	323	969
	Sub-total	566	566	668	1,800

The non-executive directors' emolument shown above were mainly for their services as directors of the Company.

		Zeng Zhijie	Lai Guanrong	Mo Lai Lan	Total
		RMB'000	RMB'000	RMB'000	RMB'000
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS				
	Fees	103	243	258	604
	Share-based payment expenses	258	258	258	774
	Sub-total	361	501	516	1,378

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

	RMB'000
Total emoluments for 2022	19,796

Note a: Mr Zeng Zhijie retired as independent non-executive director of the Company on 22 May 2023.

Note b: Mr. Yeung Tak Bun was appointed as an independent non-executive director of the Company on 22 August 2023.

Note c: Mrs. Gavriella Schuster resigned as non-executive director of the Company on 30 April 2022.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2022: one) were directors of the Company whose emolument were included above. The emoluments of the remaining two (2022: four) highest paid individuals who were not directors of the Company were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	8,410	5,453
Retirement benefits costs	126	218
Share-based payment expenses	4,680	25,514
	13,216	31,185

The number of the highest paid employees, who are not the directors of the Company, whose remuneration fell within the following bands is as follows:

	No. of employees	
	2023	2022
HK$7,000,001 to HK$7,500,000	2	2
HK$7,500,001 to HK$8,000,000	–	1
HK$12,500,001 to HK$13,000,000	–	1
	2	4

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

None of the directors waived any emoluments during both years.

12. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2022 Final – HK5.67 cents (2022: 2021 Final of HK3.23 cents) per share	138,336	79,555

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK8.11 cents per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	713,394	759,441

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,756,978	2,908,811
Effect of dilutive potential ordinary shares:		
Share options	–	10,173
Share awards	89,644	96,588
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,846,622	3,015,572

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the shares of the Company held under the Company's share award scheme (see note 41).

The computation of diluted earnings per share for the year ended 31 December 2023 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2022	893,500	634,078	12,097	4,869	441,884	1,986,428
Exchange adjustments	–	938	–	–	225	1,163
Additions	–	45,210	312	28,720	41,079	115,321
Transfers	–	12,961	–	(15,254)	2,293	–
Disposals	–	(32,137)	(425)	–	(175,030)	(207,592)
At 31 December 2022	893,500	661,050	11,984	18,335	310,451	1,895,320
Exchange adjustments	–	59	–	–	46	105
Additions	–	11,282	1,748	224,518	–	237,548
Transfers	–	–	–	(15,644)	15,644	–
Disposals	–	(97,951)	–	–	(90,734)	(188,685)
Disposal of subsidiaries	–	(2,652)	–	–	(1,436)	(4,088)
At 31 December 2023	893,500	571,788	13,732	227,209	233,971	1,940,200
DEPRECIATION						
At 1 January 2022	76,631	373,085	8,994	–	307,633	766,343
Exchange adjustments	–	210	–	–	160	370
Provided for the year	20,576	116,169	334	–	77,169	214,248
Eliminated on disposals	–	(29,517)	(206)	–	(175,030)	(204,753)
At 31 December 2022	97,207	459,947	9,122	–	209,932	776,208
Exchange adjustments	–	42	–	–	34	76
Provided for the year	20,577	98,185	433	–	67,688	186,883
Eliminated on disposals	–	(79,673)	–	–	(90,734)	(170,407)
Disposal of subsidiaries	–	(2,419)	–	–	(999)	(3,418)
At 31 December 2023	117,784	476,082	9,555	–	185,921	789,342
CARRYING VALUE						
At 31 December 2023	775,716	95,706	4,177	227,209	48,050	1,150,858
At 31 December 2022	796,293	201,103	2,862	18,335	100,519	1,119,112

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% – 3 ⅓%
Furniture, fixtures and equipment	9% – 33 ⅓%
Motor vehicles	9% – 20%
Leasehold improvements	Over the relevant lease terms or 19% – 33 ⅓%, whichever is the lower

At 31 December 2023, the Group is in the process of obtaining the property certificate for the buildings with a carrying amount of RMB511,804,000 (31 December 2022: RMB525,868,000) which are located in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	181,614	446,027	627,641
Exchange adjustments	–	326	326
Additions	–	105,043	105,043
Depreciation charge	(5,807)	(224,448)	(230,255)
Disposal	–	(63,308)	(63,308)
As at 31 December 2022	175,807	263,640	439,447
Exchange adjustments	–	49	49
Additions	–	72,956	72,956
Depreciation charge	(5,807)	(154,614)	(160,421)
Disposal	–	(30,071)	(30,071)
Disposal of a subsidiary	–	(1,687)	(1,687)
As at 31 December 2023	170,000	150,273	320,273

	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	47,899	43,914
Total cash outflow for leases	191,720	268,928

15. RIGHT-OF-USE ASSETS – CONTINUED

The Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 1 month to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices for its operations. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Group has obtained the land use right certificate for the leasehold lands which are located in the PRC. The leasehold lands are depreciated on a straight line basis over a lease term of 30-50 years.

16. INTANGIBLE ASSETS

	Development costs	Technical knowhow	Software	Contract-based customer-related intangibles	Technical expertise	Customer relationship	Patent	Trade name	Technology	Non-compete agreements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST											
At 1 January 2022	587,371	17,367	44,825	19,704	12,494	210,301	13,771	11,075	23,344	3,273	943,525
Additions	136,355	–	6,773	–	–	–	–	–	–	–	143,128
At 31 December 2022	723,726	17,367	51,598	19,704	12,494	210,301	13,771	11,075	23,344	3,273	1,086,653
Additions	130,713	–	–	–	–	–	–	–	–	–	130,713
At 31 December 2023	854,439	17,367	51,598	19,704	12,494	210,301	13,771	11,075	23,344	3,273	1,217,366
AMORTISATION/IMPAIRMENT											
At 1 January 2022	433,940	17,367	26,011	19,704	12,494	198,452	13,769	2,316	23,344	3,273	750,670
Provided for the year	45,214	–	3,201	–	–	4,772	2	2,021	–	–	55,210
At 31 December 2022	479,154	17,367	29,212	19,704	12,494	203,224	13,771	4,337	23,344	3,273	805,880
Provided for the year	66,994	–	1,563	–	–	4,772	–	2,021	–	–	75,350
At 31 December 2023	546,148	17,367	30,775	19,704	12,494	207,996	13,771	6,358	23,344	3,273	881,230
CARRYING VALUE											
At 31 December 2023	308,291	–	20,823	–	–	2,305	–	4,717	–	–	336,136
At 31 December 2022	244,572	–	22,386	–	–	7,077	–	6,738	–	–	280,773

Development costs are internally generated. All other intangible assets were acquired from third parties.

16. INTANGIBLE ASSETS – CONTINUED

All intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technical knowhow	3 – 10 years
Software	3 – 10 years
Contract-based customer-related intangibles	5 years
Technical expertise	5 years
Customer relationship	5 – 10 years
Patent	3.6 – 10 years
Trade name	5 years
Technology	5 years
Non-compete agreements	3 – 5 years

17. GOODWILL

	RMB'000
COST	
At 1 January 2022, 31 December 2022 and 2023	1,041,330
IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 2023	197,676
CARRYING VALUE	
At 31 December 2022 and 2023	843,654

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2023 and 2022 has been allocated to the following CGU or group of CGUs:

	2023	2022
	RMB'000	RMB'000
Chinasoft Beijing	**103,838**	103,838
Shanghai Huateng	**134,188**	134,188
CSITS and related business	**605,628**	605,628
	843,654	843,654

17. GOODWILL – CONTINUED

Impairment testing on goodwill – continued

The recoverable amounts of the following CGU or group of CGUs have been determined based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and applicable discount rates. The discount rates applied reflect the current market assessments of the time value of the money and the risks specific to each of the CGUs or group of CGUs. The cash flows of the CGU or group of CGUs beyond the five-year period are extrapolated using steady growth rates shown below. These growth rates are based on the long-term average growth rate of relevant industry. Management believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and outflows which include budgeted sales and gross margins. Such estimations are based on the past performance of the CGU or group of CGUs and management's expectations.

CGU or group of CGUs	Pre-tax discount rate		Growth rate	
	2023	2022	**2023**	2022
Chinasoft Beijing	**15%**	15%	**2.5%**	3%
Shanghai Huateng	**15%**	15%	**2.5%**	3%
CSITS and related business	**15%**	15%	**2.5%**	3%

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of these CGUs or group of CGUs to exceed their respective recoverable amount as at 31 December 2023.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2023 RMB'000	2022 RMB'000
Cost of unlisted investments	**489,180**	489,180
Share of post-acquisition profits, net of dividend received	**(22,019)**	11,861
Impairment loss	**(38,255)**	(15,878)
	428,906	485,163

The Group's investments accounted for using the equity method include investments in entities and investment funds operating in the PRC over which the Group has significant influence.

In the opinion of the directors of the Company, none of the individual investments accounted for using the equity method materially affected the results or net assets of the Group.

Aggregate information of investments accounted for using the equity method that are not individually material:

	2023 RMB'000	2022 RMB'000
The Group's share of loss and total comprehensive expense for the year	**30,028**	22,534
Aggregate carrying amount of the Group's interests in these investments	**428,906**	485,163

19. FINANCIAL ASSETS AT FAIR VALUE

	2023 RMB'000	2022 RMB'000
Non-current assets		
Financial assets at FVTPL		
– unlisted investment funds (Note (i))	134,051	111,360
– unlisted equity investments (Note (ii))	58,635	48,200
– investments in shares with preferential rights (Note (iii))	90,000	–
	282,686	159,560
Current assets		
Financial assets at FVTPL		
– wealth management products (Note (iv))	100,000	90,000

Notes:

(i) On 23 January 2014, the Group entered into a partnership agreement with PointGuard Management I, L.P. ("PointGuard Management") and other co-investment partners. Under the partnership agreement, the Group agreed to make a total amount of capital commitment of United States dollars ("US$")10,000,000 to PointGuard Ventures I, L.P. ("PointGuard Ventures"), a Cayman Islands exempted limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on technology convergence companies. Pursuant to the partnership agreement, PointGuard Management has the sole and exclusive right to manage, control, and conduct the affairs of PointGuard Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on PointGuard Ventures. As at 31 December 2023, the capital contributions made by the Group in PointGuard Ventures amounted to US$10,000,000 (2022: US$10,000,000) which represents a 13.29% (2022: 13.29%) share of interest.

In 2019, the Group entered into a partnership agreement with other eight co-investment partners to establish Nanjing Turing Ventures I, L.P. ("Turing Ventures"). Under the partnership agreement, as amended by a supplemental agreement, the Group agreed to make a total amount of capital contributions of RMB20,000,000 to Turing Ventures, which represents a 7.47% share of interest. Turing Ventures was established on 13 March 2019 as a PRC limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on artificial intelligence companies. Pursuant to the partnership agreement, the general partner of Turing Ventures has the sole and exclusive right to manage, control, and conduct the affairs of Turing Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on Turing Ventures. As at 31 December 2023, the capital contributions made by the Group in Turing Ventures amounted to RMB20,000,000 (2022: RMB20,000,000).

On 11 January 2022, the Group entered into a partnership agreement with Nanjing Xiangning Ventures I, L.P. ("Xiangning Ventures") and other twelve co-investment partners. Under the partnership agreement, the Group agreed to make a total amount of capital contributions of RMB50,000,000 to Xiangning Ventures, which represents a 4.56% share of interest, and became a limited partner of Xiangning Ventures. Xiangning Ventures was established on 19 July 2021 as a PRC limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies. Pursuant to the partnership agreement, the general partner of Xiangning Ventures has the sole and exclusive right to manage, control, and conduct the affairs of Xiangning Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on Xiangning Ventures. As at 31 December 2023, the capital contributions made by the Group in Xiangning Ventures amounted to RMB40,000,000 (2022: RMB20,000,000).

19. FINANCIAL ASSETS AT FAIR VALUE – CONTINUED

Notes: – continued

(ii) For an investment in a fund where the Group owns a majority of equity interest and acts as a limited partner, the directors of the Company exercise judgment to determine whether control exists by assessing its power over the investee based on contractual terms, exposure to variability of returns from the activities of the fund and whether other party acts as a de facto agent.

The directors of the Company have concluded that the Group has control over this investment in a fund and has consolidated the fund since inception. The unlisted equity investments held by the fund amounting to RMB58,635,000 (2022: RMB48,200,000) are presented as financial assets at FVTPL in the consolidated statement of financial position.

(iii) On 15 December 2023, the Group entered into a sale agreement with Shenzhen Spacei Cloud Technology Co., LTD ("Spacei Cloud") to dispose part of its intelligent park business at a consideration of RMB70,000,000. On 19 December 2023, the Group purchased 18.37% shares with preferential rights in Spacei Cloud, for a total cash consideration of RMB90,000,000. The preferential rights include liquidation preference and anti-dilution rights. The above transactions formed a single transaction designed to achieve an overall commercial effect. The Group has the right to appoint one director and is able to exercise significant influence over Spacei Cloud. The management of the Group concludes that such shares with preferential rights are not substantively the same as ordinary shares under the agreement, hence, the investment is accounted for as financial assets at FVTPL.

(iv) The Group's wealth management products were issued by banks with expected return ranging from 1.85% to 2.59% per annum as at 31 December 2023 (2022: 1.85% to 2.89%).

20. INVENTORIES

	2023	2022
	RMB'000	RMB'000
Computer hardware, equipment and software products	**96,182**	99,358

21. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables, net of allowance	**5,304,724**	5,469,959
Advances to suppliers	**555,238**	435,490
Deposits, prepayments and other receivables, net of allowance	**238,497**	272,797
	6,098,459	6,178,246
Analysed for reporting purposes as:		
Non-current assets	**6,562**	21,703
Current assets	**6,091,897**	6,156,543
	6,098,459	6,178,246

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 invoice dates for sales of software and hardware products and services for project-based development contracts, and dates of rendering of other services at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Within 90 days	**4,019,768**	4,384,078
Between 91 – 180 days	**573,831**	542,808
Between 181 – 365 days	**425,885**	346,246
Between 1 – 2 years	**285,240**	196,827
	5,304,724	5,469,959

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

Details of impairment assessment of trade and other receivables as at 31 December 2023 are set out in note 35.

22. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2023 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (see note 31). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	2023 RMB'000	2022 RMB'000
Carrying amount of bills receivable	44,150	–
Carrying amount of associated liabilities	(44,150)	–
Net position	–	–

As at 31 December 2023, trade receivables amounting to RMB673,553,000 (2022: RMB538,553,000) were factored to independent third parties on a non-recourse basis. The Group has derecognised these trade receivables in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these trade receivables to the counterparties under the non-recourse factoring agreements. Losses related to derecognition of the trade receivables were RMB2,332,000 (2022: RMB2,740,000) which were charged to profit or loss.

23. BILLS RECEIVABLE AND PAYABLE

An aged analysis of bills receivable is as follows:

	2023 RMB'000	2022 RMB'000
Within 90 days	38,169	31,953
90 days to 180 days	36,376	22,610
	74,545	54,563

An aged analysis of bills payable is as follows:

	2023 RMB'000	2022 RMB'000
Within 180 days	3,364	5,350

24. CONTRACT ASSETS

	2023	2022
	RMB'000	RMB'000
Contract assets	2,091,903	1,998,731

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Details of the impairment assessment are set out in note 35.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2023 and 2022, the amounts due from related companies mainly represent trade receivables from providing services with certain associates, dividends receivable from an associate of the Group and the advance to associates of the Group. The balances are unsecured, non-interest bearing and repayable on demand.

At the end of 2023 and 2022, the amounts due to related companies mainly represent trade payables from purchasing services with certain associates and an advance from an associate of the Group, which is unsecured, interest-free and repayable on demand.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TERM DEPOSITS

Bank balances and cash

Bank balances and cash include demand deposits and short-term deposits with an original maturity of three months or less for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.0001% to 1.73% (2022: 0.0001% to 1.25%) per annum as at 31 December 2023.

Pledged bank deposits

Pledged bank deposits carry fixed interest rate ranging from 0% to 2.75% (2022: 0% to 2.75%) per annum. As at 31 December 2023, bank deposits amounting to RMB21,920,000 (2022: RMB45,254,000) have been pledged to secure undrawn facilities and are therefore classified as current assets. As at 31 December 2023, bank deposits amounting to RMB3,930,000 (31 December 2022: nil) are held in designated bank mainly for issuance of long-term bank letters of guarantee and are therefore classified as non-current assets. Bank deposits amounting to RMB17,970,000 (31 December 2022: nil) represent funds that are frozen or regulated by the bank and are therefore categorised as non-current assets. The pledged bank deposits will be released upon release of bank letters of guarantee or the completion of relevant contract.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TERM DEPOSITS – CONTINUED

Term deposits

Term deposits represent short-term and long-term bank deposits at interest rates ranging from 3.10% to 5.45% per annum as at 31 December 2023 (31 December 2022: 3.60% to 3.70%).

At the end of the reporting period, included in bank balances, pledged bank deposits and term deposits are the following amounts denominated in currencies other than the functional currencies of the relevant group entities to which they relate.

	2023 **RMB'000**	2022 RMB'000
Hong Kong dollars ("HK$")	**665,580**	639,609
US$	**381,896**	157,024
Japanese Yen	**53,936**	3,564

As at 31 December 2023 and 2022, the Group performed impairment assessment on bank balances, pledged bank deposits and term deposits and concluded that the probabilities of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided, details of which are set out in note 35.

27. TRADE AND OTHER PAYABLES

	2023 **RMB'000**	2022 RMB'000
Trade payables	**641,287**	665,267
Payroll payables	**892,887**	1,132,888
Other tax payables	**82,259**	150,313
Other payables	**46,192**	94,891
	1,662,625	2,043,359

27. TRADE AND OTHER PAYABLES – CONTINUED

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

	2023 RMB'000	2022 RMB'000
Within 90 days	**258,236**	273,778
Between 91 – 180 days	**26,922**	84,672
Between 181 – 365 days	**145,905**	82,796
Between 1 – 2 years	**99,749**	177,883
Over 2 years	**110,475**	46,138
	641,287	665,267

The average credit period on purchases of goods and services 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.

28. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	**114,663**	180,951
Within a period of more than one year but not more than two years	**34,180**	85,109
Within a period of more than two years but not more than five years	**6,841**	17,421
	155,684	283,481
Less: Amount due for settlement with 12 months shown under current liabilities	**(114,663)**	(180,951)
Amount due for settlement after 12 months shown under non-current liabilities	**41,021**	102,530

The weighted average incremental borrowing rates applied to lease liabilities range from 2.98% to 7.21% (2022: from 0.65% to 4.97%) per annum as at 31 December 2023.

29. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities	254,421	339,220

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	233,664	298,047

30. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movement thereon during the current and prior year:

	Customer relationship RMB'000	Accrued charges RMB'000	Difference between carrying amount and tax basis of interests in an associate RMB'000	Software RMB'000	Trademarks RMB'0000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	(2,202)	2,087	(7,677)	(1,227)	(2,190)	(66,993)	66,993	910	(10,299)
Exchange adjustments	–	–	–	–	–	–	–	(5)	(5)
Credit (charge) to profit or loss	814	(2,087)	–	283	505	25,605	(25,605)	(5)	(490)
At 31 December 2022	(1,388)	–	(7,677)	(944)	(1,685)	(41,388)	41,388	900	(10,794)
Exchange adjustments	–	–	–	–	–	–	–	4	4
Credit (charge) to profit or loss	814	–	–	283	505	19,042	(18,220)	7	2,431
At 31 December 2023	(574)	–	(7,677)	(661)	(1,180)	(22,346)	23,168	911	(8,359)

30. DEFERRED TAXATION – CONTINUED

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	2,308	921
Deferred tax liabilities	(10,667)	(11,715)
	(8,359)	(10,794)

At the end of the reporting period, the Group had unused tax losses of approximately RMB192,313,000 (2022: RMB233,927,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as at 31 December 2023 and 2022 due to the unpredictability of future profit streams and these tax losses will expire in various years before 2028 (2022: 2027).

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according to the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries as at 31 December 2023 amounting to RMB9,113,145,000 (2022: RMB8,068,965,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. BORROWINGS

	2023 RMB'000	2022 RMB'000
Unsecured bank loans (Note (i))	2,972,667	1,928,531
Secured bank loans (Note (iii))	44,150	–
	3,016,817	1,928,531

31. BORROWINGS – CONTINUED

	2023 RMB'000	2022 RMB'000
Carrying amount repayable:		
Within one year	**734,773**	766,068
Within a period of more than one year but not more than two years	**2,282,044**	151,899
Within a period of more than two years but not more than five years	**–**	1,010,564
	3,016,817	1,928,531
Less: Amounts due within one year shown under current liabilities	**(734,773)**	(766,068)
Amounts shown under non-current liabilities	**2,282,044**	1,162,463

	2023 RMB'000	2022 RMB'000
Total borrowings		
At floating interest rates		
– under an instalment loan facility (Notes (i) and (ii))	**2,692,396**	1,166,278
At floating interest rates – others (Notes (i) and (iv))	**180,193**	350,000
At fixed interest rates – others (Notes (i) and (v))	**100,078**	412,253
At fixed interest rates – secured bank loans (Note (iii))	**44,150**	–
	3,016,817	1,928,531

Other than the loan's which is denominated in HK$ 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 2022, the Company entered into a loan facility agreement with a total amount of HK$3,000 million with a group of financial institutions. The Company raised loans of HK$1,650 million and HK$1,350 million in 2023 and 2022, respectively. The total loans of HK$3,000 million represent 100% of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in June 2024, December 2024, June 2025, and December 2025. The contracted interest rate is the applicable Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% 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. The Group has complied with the relevant covenants during the reporting period.

31. BORROWINGS – CONTINUED

Notes: – continued

(iii) Bill receivables with a net carrying value of RMB44,150,000 (2022: nil) are pledged to secure certain bank loans granted to the Group.

(iv) Interests on floating interest rates borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate is 2.19% (2022: 2.82%) per annum as at 31 December 2023.

(v) Interests on fixed interest rates borrowings are charged at interest rate of 2.55% (2022: 3.20%) per annum as at 31 December 2023.

32. SHARE CAPITAL

	Number of shares	Nominal amount
		HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2022, 31 December 2022 and 2023	4,000,000,000	200,000

	Number of shares	Amount	Amount shown in the financial statements
		HK$	RMB'000
Issued and fully paid			
At 1 January 2022	3,068,907,358	153,445,369	138,703
Exercise of share options (Note (i))	25,810,000	1,290,500	1,060
Repurchase and cancellation of shares (Note (ii))	(67,706,000)	(3,385,300)	(2,926)
At 31 December 2022	3,027,011,358	151,350,569	136,837
Exercise of share options (Note (i))	690,000	34,500	31
Repurchase and cancellation of shares (Note (ii))	(84,402,000)	(4,220,100)	(3,839)
At 31 December 2023	2,943,299,358	147,164,969	133,029

Notes:

(i) During the year ended 31 December 2023, share options to subscribe for 690,000 (2022: 25,810,000) ordinary shares of HK$0.05 each were exercised with an exercise price of HK$5.65 (2022: HK$5.65) per share (see note 41). These shares rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31 December 2023, a total of 84,402,000 (2022: 67,706,000) ordinary shares of HK$0.05 each were repurchased and cancelled.

33. SHARE PREMIUM AND RESERVES

Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Other reserves

Other reserves mainly represent the differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries after taking account the effect of reallocation of certain other reserves of the subsidiaries.

General reserve fund and statutory enterprise expansion fund

As stipulated by the relevant laws and regulations in the PRC, foreign invested enterprises are required to provide for the general reserve fund and the statutory enterprise expansion fund. Appropriations to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC and the amount and allocation basis are decided by their respective boards of directors annually. The general reserve fund can be used to make up prior year losses of these subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory enterprise expansion fund is used for expanding the capital base of these subsidiaries by means of capitalisation issue.

Statutory surplus reserve fund

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries other than foreign invested enterprises are required to provide for the statutory surplus reserve fund. Appropriations to such funds are made out of 10% of the net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31 net of cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, share premium, treasury shares and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value	**382,686**	249,560
Financial assets at amortised cost	**10,811,205**	10,979,419
Derivative financial assets	**40,313**	–
Financial liabilities		
Financial liabilities at fair value	**–**	19,992
Financial liabilities at amortised cost	**3,737,205**	2,675,489
Derivative financial liabilities	**4,968**	–

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, amounts due from/to related companies, term deposits, pledged bank deposits, bank balances and cash, financial assets at fair value, derivative financial assets, trade and other payables, dividend payable, borrowings, bills payable and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, other receivables, trade payables arising from purchases dominated in foreign currencies and the Company's borrowings denominated in HK$, which expose the Group to foreign currency risk. Approximately 0.72% (2022: 0.56%) of the Group's income generated from provisions of services is denominated in currencies other than the functional currencies of the group entities providing the services.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**678,727**	644,319	**2,698,946**	1,166,998
US$	**439,171**	179,600	**5,724**	2,377
Japanese Yen	**55,288**	6,033	**3**	184
Others	**22,917**	39,531	**(24)**	96

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise currency risk. The Group's principal businesses are conducted in Renminbi. Since the impact of foreign exchange exposure, other than that of the foreign currency loans (note 31), is minimal, no hedging against foreign currency exposure has been carried out by the management. However, the management has kept on monitoring the movement of all foreign currency exposure including that of the foreign currency denominated loans, and will consider hedging significant foreign exchange exposure should the need arise. During the year, certain foreign currency forward contracts had been entered by the Group.

Sensitivity analysis

The Group is mainly exposed to HK$, US$ and Japanese Yen.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit where Renminbi strengthens 5% against the relevant currencies. For a 5% weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the result.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis – continued

	HK$ Impact (Note a)		US$ Impact (Note b)		Japanese Yen Impact (Note c)	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Post-tax profit for the year	**101,084**	26,228	**(18,353)**	(8,229)	**(2,073)**	(219)

Notes:

(a) This is mainly attributable to the exposure on HK$ denominated bank balances, trade and other receivables, trade payables and borrowings at the end of the reporting period.

(b) This is mainly attributable to the exposure on US$ denominated bank balances, trade and other receivables and trade payables at the end of the reporting period.

(c) This is mainly attributable to the exposure on Japanese Yen denominated trade receivables, bank balances and trade payables at the end of the reporting period.

(ii) Interest rate risk

The Group's fair value interest rate risk is the risk that the fair value of a fixed rate financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2023, except for an amount of RMB2,872,589,000 (2022: RMB1,516,278,000) of floating rates bank borrowings, the remaining bank borrowings of the Group are at fixed rates.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

The Group is exposed to fair value interest rate risk in relation to fixed rate term deposits (see note 26), pledged bank deposits (see note 26), borrowings with fixed interest rates (see note 31) and lease liabilities (see note 28). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings (see note 31) and bank balances (see note 26) which are mainly concentrated on the fluctuation of prevailing interest rate announced by the Peoples' Bank of China in respect of unsecured bank loans and HIBOR arising from the Group's HK$ denominated borrowings. The Group kept certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk as at 31 December 2023 and 2022. The directors of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate borrowings (see note 31). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease is used for borrowings when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

In respect of the floating rate borrowings, if interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by RMB14,268,000 (2022: RMB7,342,000).

(iii) Other price risk

The Group is exposed to other price risk through its investments in certain unquoted equity interests in investees and wealth management products. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The management considers the fluctuation in fair value changes on wealth management products is insignificant, taking into account the short-term duration. Sensitivity analyses for those investments with fair value measurement categorised within Level 3 were disclosed in note 36.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivable, contract assets, term deposits, pledged bank deposits, bank balances, amounts due from related companies and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. Trade receivables reported by the Group's operating entities in the PRC accounted for 99.1% (2022: 98.9%) of the total trade receivables as at 31 December 2023. The Group has concentration of credit risk as 25.8% (2022: 30.9%) and 36.0% (2022: 40.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In addition, there is concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

For the purposes of impairment assessment, other receivables, amounts due from related companies are not considered to have a high credit risk as the counterparties to these financial assets have a fair credit rating.

The credit risk on bank balances, pledged bank deposits and term deposits is limited because the counterparties are reputable banks in the PRC and Hong Kong.

As part of Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed collectively based on provision matrix as at 31 December 2023 and 2022.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Provision matrix:

		2023		2022	
		Gross carrying amount		Gross carrying amount	
Internal credit rating	Loss rates	Trade receivables	Contract assets	Trade receivables	Contract assets
	%	RMB'000	RMB'000	RMB'000	RMB'000
Category-1: Low risk	0.09%-0.44%	432,541	290,764	450,784	256,338
Category-2 to 3: Medium to high risk	1.98%-14.20%	835,641	543,774	754,703	418,832
Category-4 to 5: Very high risk to extremely high risk	45.31%-100.00%	85,770	37,500	81,661	37,476

The estimated loss rates are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

In addition, credit-impaired debtors and certain debtors with significant outstanding balances of a total gross carrying amount of RMB4,308,403,000 (2022: RMB4,474,598,000) and certain contract assets with significant outstanding balances of a gross carrying amount of RMB1,634,892,000 (2022: RMB1,662,924,000) as at 31 December 2023 are assessed individually.

As at 31 December 2023, the Group has provided RMB175,829,000 (2022: RMB131,934,000) and RMB55,222,000 (2022: RMB51,430,000) accumulated impairment allowance for trade receivables and contract assets, respectively, based on the provision matrix. Accumulated impairment allowance of RMB181,802,000 (2022: RMB159,853,000) and RMB359,805,000 (2022: RMB325,409,000) for trade receivables and contract assets, respectively, were made based on individual assessment.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL		
	Not credit-impaired RMB'000	**Credit-impaired** RMB'000	**Total**
At 1 January 2022	119,685	115,788	235,473
Exchange adjustments	79	–	79
Recognised	97,100	17,665	114,765
Reversed	(48,707)	(9,823)	(58,530)
At 31 December 2022	168,157	123,630	291,787
Exchange adjustments	(33)	–	(33)
Recognised	104,565	8,007	112,572
Reversed	(45,952)	(743)	(46,695)
At 31 December 2023	226,737	130,894	357,631

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL		
	Not credit-impaired RMB'000	**Credit-impaired** RMB'000	**Total**
At 1 January 2022	118,678	227,671	346,349
Exchange adjustments	27	–	27
Recognised	51,878	2,576	54,454
Reversed	(23,991)	–	(23,991)
At 31 December 2022	146,592	230,247	376,839
Recognised	31,303	27,097	58,400
Reversed	(16,595)	(3,617)	(20,212)
At 31 December 2023	161,300	253,727	415,027

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with the relevant terms of the agreements.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, the Group has available unutilised general borrowing facilities of approximately RMB4,113,483,000 (2022: RMB5,439,279,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. It has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity tables

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2023
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2023							
Non derivative financial liabilities							
Trade and other payables		687,479	–	–	–	687,479	687,479
Bills payable		3,364	–	–	–	3,364	3,364
Amounts due to related companies		29,464	–	–	–	29,464	29,464
Dividend payable		81	–	–	–	81	81
Borrowings	2.19-2.55/ HIBOR+1.3%	398,333	388,894	2,380,404	–	3,167,631	3,016,817
Leases liabilities	4.22	67,323	49,256	37,437	8,083	162,099	155,684
		1,186,044	438,150	2,417,841	8,083	4,050,118	3,892,889

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity tables – continued

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2022
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022							
Non derivative financial liabilities							
Trade and other payables		697,446	–	–	–	697,446	697,446
Bills payable		5,350	–	–	–	5,350	5,350
Amounts due to related companies		44,081	–	–	–	44,081	44,081
Dividend payable		81	–	–	–	81	81
Borrowings	2.82-3.20/ HIBOR+1.3%	686,400	190,383	188,190	1,045,072	2,110,045	1,928,531
Leases liabilities	4.40	97,249	86,724	101,176	21,869	307,018	283,481
Consideration payable on acquisition		23,258	–	–	–	23,258	19,992
		1,553,865	277,107	289,366	1,066,941	3,187,279	2,978,962

Interest rate benchmark reform

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, not subject to transition.

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at 31 December		Fair value	Valuation technique	Significant unobservable
	2023	2022	hierarchy	and key input(s)	input(s)
	RMB'000	RMB'000			
Financial assets					
Wealth management products issued by banks classified as financial assets at FVTPL	100,000	90,000	Level 2	Discounted cash flow method, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A
Unlisted investment funds at FVTPL	134,051	111,360	Level 3	Net asset value of the fund, principally determined by net asset value of its underlying private investments	Net asset value (Note a)
Unlisted equity investments/ investments in shares with preferential rights at FVTPL	148,635	48,200	Level 2	Recent transaction price	N/A

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

	Fair value as at 31 December 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
Financial assets					
Derivative financial assets	40,313	–	Level 2	Discounted cash flow method, future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Financial liabilities					
Consideration payable	–	19,992	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group based on appropriate discount rate	Probability adjusted revenue with a range (Note b)
Derivative financial liabilities	4,968	–	Level 3	Black Scholes Merton model	Expected volatility (Note c)

Notes:

a. The significant unobservable input is the net assets value of the underlying private investments made by the unlisted funds. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amounts of these investments by RMB6,703,000 at 31 December 2023 (31 December 2022: RMB5,568,000).

b. A slight increase in the probability-adjusted revenue used in isolation would result in an increase in the fair value measurement of the contingent consideration, and vice versa. A 5% increase in the probability-adjusted revenue holding all other variables constant would increase the carrying amount of the contingent consideration by RMB113,000 at 31 December 2022.

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Notes: – continued

c. A slight increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the derivative financial liabilities, and vice versa. A 5% increase in the expected volatility holding all other variables constant would increase the carrying amount of the derivative financial liabilities by RMB643,000 at 31 December 2023.

(ii) Reconciliation of level 3 fair value measurements:

	Unlisted investment funds at FVTPL
	RMB'000
At 1 January 2022	78,513
Addition	20,000
Changes in fair value	12,847
Balance at 31 December 2022	111,360
Addition	20,000
Changes in fair value	2,691
Balance at 31 December 2023	134,051

	Financial liabilities at fair value
	RMB'000
At 1 January 2022	19,992
Changes in fair value	–
Balance at 31 December 2022	19,992
Changes in fair value	1,257
Settlement	(16,281)
Balance at 31 December 2023	4,968

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair values.

37. DISPOSAL OF A SUBSIDIARY/BUSINESS

In June 2023, the Group entered into a sale agreement to dispose of its 100% equity interest in Chinasoft Interfusion Inc. ("CSIUS"). The purpose of the disposal is to release resources for the expansion of the Group's other businesses. The disposal was completed on 30 June 2023, on which date the Group lost control of CSIUS. The net assets of CSIUS at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	126
Deferred cash consideration	2,403
Total consideration	2,529

Analysis of assets and liabilities over which control was lost:

Trade and other receivables	36,587
Bank balances and cash	28,128
Right-of-use assets	1,687
Property, plant and equipment	670
Trade and other payables	(61,479)
Other liabilities	(3,057)
Net assets disposed of	2,536

37. DISPOSAL OF A SUBSIDIARY/BUSINESS – CONTINUED

Gain on disposal of a subsidiary:

	RMB'000
Consideration received and receivable	2,529
Net assets disposed of	(2,536)
Reclassification of cumulative translation reserve upon disposal of CSIUS to profit or loss	1,051
Gain on disposal (included in other gains or losses)	1,044

Net cash outflow arising on disposal:

Cash consideration	126
Less: bank balances and cash disposed of	(28,128)
	(28,002)

In addition, in December 2023, the Group entered into a sale agreement to dispose part of its intelligent park business (as disclosed in note 19). The disposal was completed on 15 December 2023, on which date the Group lost control of such business. This transaction has resulted in the recognition of a gain on disposal of a business of RMB70,000,000, and is included in other gains or losses.

38. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of 2023 and 2022, the Group pledged certain bank deposits and bills receivable to secure trade and loan facilities granted to the Group (see notes 26 and 31).

In addition, lease liabilities of RMB155,684,000 (2022: RMB283,481,000) are recognised with related right-of-use assets of RMB150,273,000 (2022: RMB263,640,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors and the relevant leased assets may not be used as security for borrowing purposes.

39. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Derivative financial assets				
Foreign currency forward contract	11,325	–	28,988	–

	Current		Non-current	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Derivative financial liabilities				
Written put option within the foreign currency forward transaction	–	–	4,968	–

Major items of the currency forward contracts are as follows:

31 December 2023

Notional amount	Maturity	Exchange rates
Buy HK$67,500,000	14/06/2024	HK$1: RMB0.8395
Buy HK$135,000,000	16/12/2024	HK$1: RMB0.8395
Buy HK$202,500,000	16/06/2025	HK$1: RMB0.8395
Buy HK$405,000,000	12/12/2025	HK$1: RMB0.8395
Buy HK$540,000,000	12/12/2025	HK$1: RMB0.8395

Note:

In 2023, the Group entered into a foreign currency forward agreement with a bank. It includes five foreign exchange transactions to settle an aggregate notional amount of HK$1,350,000,000 with specified strike rate on settlement date in RMB, of which notional amount of HK$540,000,000 is with a written put option that the bank has the right not to settle with the specified strike rate if the expiry reference rate is greater than the strike rate.

40. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	1,296	5,778
– construction of property, plant and equipment	540,795	663,265
	542,091	669,043

In addition, as at 31 December 2023, the Group committed to contribute further capital amounting to RMB276,408,000 (2022: RMB296,408,000) under the relevant agreements for its investments in entities accounted for using the equity method or measured at fair value.

41. SHARE-BASED PAYMENTS

Share option schemes

Pursuant to a resolution passed on 20 May 2013, the Company's first share option scheme which would be expired on 1 June 2013 was terminated and a new share option scheme (the "Share Option Scheme") was adopted.

Under the Share Option Scheme, the board of directors may grant options to eligible participants including the directors, full-time and part-time employees of the Company or any of its subsidiaries or associates, suppliers and customers of the Company or any of its subsidiaries or associates to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme. An offer for the grant of options must be accepted within one month from the date of offer, and a consideration of HK$1.00 is payable by each of the participants on acceptance of the grant of options.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than ten years after the date on which an offer of the grant of an option is accepted. The subscription price for shares under the Share Option Scheme will be a price determined by the board of directors and notified to each grantee and will be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer and; (iii) the nominal value of a share.

The Company may grant options under the Share Option Scheme and any other share option schemes of the Company entitling the grantees to exercise up to an aggregate of 10% of the total number of shares in issue as at the date of adoption of the Share Option Scheme unless otherwise approved by the shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2023 are as follows:

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2023
Non-executive directors:									
Zhang Yaqin	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
Gao Liangyu	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
					2,000,000	–	–	–	2,000,000
Independent non-executive directors:									
Zeng Zhijie	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Lai Guanrong	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Mo Lai Lan	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
					2,400,000	–	–	–	2,400,000
Employees:	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	12,640,000	–	–	–	12,640,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	9,570,000	–	–	–	9,570,000
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	10,380,000	–	(690,000)	–	9,690,000
					32,590,000	–	(690,000)	–	31,900,000

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2023 are as follows: – continued

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2023
Suppliers:	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2023	12,500,000	–	–	(12,500,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2023	12,500,000	–	–	(12,500,000)	–
					25,000,000	–	–	(25,000,000)	–
Resigned non-executive director:									
Gavriella Schuster	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
					1,000,000	–	–	–	1,000,000
Total					62,990,000	–	(690,000)	(25,000,000)	37,300,000
Exercisable at the end of the year									37,300,000
Weighted average exercise price					HK$5.65	–	HK$5.65	–	HK$5.65

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2022 are as follows:

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2022
Non-executive directors:									
Gavriella Schuster	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
Zhang Yaqin	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
Gao Liangyu	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
					3,000,000	–	–	–	3,000,000
Independent non-executive directors:									
Zeng Zhijie	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Lai Guanrong	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Mo Lai Lan	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
					2,400,000	–	–	–	2,400,000

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2022 are as follows: – continued

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2022
Employees:	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	12,640,000	–	–	–	12,640,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	10,380,000	–	(810,000)	–	9,570,000
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	10,380,000	–	–	–	10,380,000
					33,400,000	–	(810,000)	–	32,590,000
Suppliers:	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2023	25,000,000	–	(12,500,000)	–	12,500,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2023	25,000,000	–	(12,500,000)	–	12,500,000
					50,000,000	–	(25,000,000)	–	25,000,000
Total					88,800,000	–	(25,810,000)	–	62,990,000
Exercisable at the end of the year									50,990,000
Weighted average exercise price					HK$5.65	–	HK$5.65	–	HK$5.65

The estimated fair value of the share options granted to certain directors and employees on 27 August 2020 was HK$1.58 to HK$1.91 per option. The estimated fair value of the share options granted to certain suppliers on 27 August 2020 was HK$1.44 to HK$1.71 per option.

The Group recognised a total expense of RMB4,484,000 for the year ended 31 December 2023 (2022: RMB24,435,000) in relation to share options granted by the Company.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme

Pursuant to a resolution passed on 10 December 2018 by the board of directors of the Company, a share award scheme ("Share Award Scheme") was adopted. The board of directors of the Company may, at its absolute discretion, select any employee to participate in the Share Award Scheme and grant shares to the employee at no consideration. The purpose of the Share Award Scheme is to recognise the contributions by certain qualifying employees of the Group 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. On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The directors of the Company have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Subject to any early termination as may be determined by the board of directors of the Company pursuant to the Share Award Scheme rules, the Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

The board of directors of the Company shall not make any further award of shares which will result in the nominal value of the shares awarded by the board of directors of the Company under the Share Award Scheme exceeding ten per cent of the issued share capital of the Company from time to time.

The maximum number of shares which may be awarded to a qualifying employee under the Share Award Scheme shall not exceed one per cent of the issued share capital of the Company from time to time.

During 2023, the trust purchased 143,184,000 (2022:7,374,000) shares of the Company on the Stock Exchange in a total consideration of RMB659,696,000 (2022: RMB54,936,000) for the Share Award Scheme. As at 31 December 2023, accumulated number of the shares purchased under Share Award Scheme is 332,346,000 (2022: 189,162,000) shares.

On 1 June 2020, the Company issued to certain directors and employees awards to subscribe for 152,000,000 shares in the Company at no consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that fair value of each share award is HK$3.98 at the grant date.

On 30 August 2023, the Company issued to certain directors and employees awards to subscribe for 145,460,000 shares in the Company at no consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that fair value of each share award is HK$5.09 at the grant date.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

The movements of the shares granted to the directors and other employees of the Group during the year ended 31 December 2023 are as follows:

				Number of share awards				
Type of grantees	Date of grant	Exercise price	Vesting period	Outstanding at 1.1.2023	Granted during the year	Vested during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2023
Executive directors:								
Chen Yuhong	1.6.2020	–	1.6.2020-31.5.2025	5,500,000	–	(1,650,000)	–	3,850,000
	30.8.2023	–	30.8.2023-29.8.2030	–	9,996,000	–	–	9,996,000
Tang Zhenming	1.6.2020	–	1.6.2020-31.5.2027	4,320,000	–	(432,000)	–	3,888,000
	30.8.2023		30.8.2023-29.8.2030	–	5,000,000	–	–	5,000,000
He Ning	30.8.2023		30.8.2023-29.8.2030	–	5,000,000	–	–	5,000,000
				9,820,000	19,996,000	(2,082,000)	–	27,734,000
Independent non-executive director:								
Yeung Tak Bun	30.8.2023	–	30.8.2023-29.8.2028	–	1,000,000	–	–	1,000,000
				–	1,000,000	–	–	1,000,000
Other Employees:								
Employees	1.6.2020	–	1.6.2020-31.5.2027	91,303,000	–	(16,070,000)	–	75,233,000
	30.8.2023	–	30.8.2023-29.8.2030	–	124,464,000	–	–	124,464,000
				91,303,000	124,464,000	(16,070,000)	–	199,697,000
Total				101,123,000	145,460,000	(18,152,000)	–	228,431,000

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

The movements of the shares granted to the directors and other employees of the Group during the year ended 31 December 2022 are as follows:

				Number of share awards				
Type of option holders	Date of grant	Exercise price	Vesting period	Outstanding at 1.1.2022	Granted during the year	Vested during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2022
Executive directors:								
Chen Yuhong	1.6.2020	–	1.6.2020-31.5.2025	11,000,000	–	(5,500,000)	–	5,500,000
Tang Zhenming	1.6.2020	–	1.6.2020-31.5.2027	5,760,000	–	(1,440,000)	–	4,320,000
				16,760,000	–	(6,940,000)	–	9,820,000
Other Employees:								
Employees	1.6.2020	–	1.6.2020-31.5.2027	113,589,000	–	(22,286,000)	–	91,303,000
				113,589,000	–	(22,286,000)	–	91,303,000
Total				130,349,000	–	(29,226,000)	–	101,123,000

The Group recognised a total expense of RMB114,204,000 for the year ended 31 December 2023 (2022: RMB86,243,000) in relation to shares awarded by the Company.

42. RETIREMENT BENEFITS SCHEMES

According to the rules and regulations of the PRC, the Group contributes to state-sponsored retirements plans for its employees in the PRC. The Group is required to contribute a certain percentage of the basic salaries of its employees to the retirements plans, and has no further obligation for the actual payment of the previous or post retirement benefits. The relevant state-sponsored retirements plans are responsible for the entire present obligation to retired employees.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund (“MPF”) scheme (“MPF Scheme”) for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under the above retirement benefit schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 December 2023 and 2022 under such schemes, which may be used by the Group to reduce the contribution payable in future years.

During the year, the total cost of retirement benefits contributions charged to profit or loss of RMB729,083,000 (2022: RMB792,607,000) represents contributions to the schemes made by the Group at rates specified in the rules of the respective schemes.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities	Amounts due to related companies	Dividend payable
	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,938,291	449,808	10,665	81
Exchange adjustments	93,516	542	–	–
New borrowings raised	4,560,703	–	–	–
Repayment of borrowings, net of expenses	(4,661,283)	–	–	–
New leases entered	–	102,997	–	–
Lease modified	–	(65,194)	–	–
Repayments of lease liabilities	–	(221,853)	–	–
Interest expenses	96,031	17,181	–	–
Advance from related companies	–	–	20	–
Repayment to related companies	–	–	(251)	–
Interest paid	(98,727)	–	–	–
Dividend declared	–	–	–	79,555
Dividend paid	–	–	–	(79,555)
As at 31 December 2022	1,928,531	283,481	10,434	81
Exchange adjustments	50,745	(344)	–	–
New borrowings raised	5,726,050	–	–	–
Repayment of borrowings	(4,705,000)	–	–	–
New leases entered	–	71,187	–	–
Termination of a lease	–	(40,724)	–	–
Repayments of lease liabilities	–	(163,829)	–	–
Interest expenses	194,516	8,317	–	–
Repayment to related companies	–	–	(20)	–
Interest paid	(178,025)	–	–	–
Dividend declared	–	–	–	138,336
Dividend paid	–	–	–	(138,336)
Disposal of a subsidiary	–	(2,404)	–	–
As at 31 December 2023	3,016,817	155,684	10,414	81

44. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with the Group's associates (including their subsidiaries), other than those disclosed elsewhere in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Provision of IT outsourcing services by the Group	**29,612**	17,883

	2023 RMB'000	2022 RMB'000
Provision of IT solution services by the Group	**3,883**	7,782

	2023 RMB'000	2022 RMB'000
Provision of other services by the Group	**4,779**	8,237

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**17,645**	10,598
Retirement benefits costs	**268**	248
Share-based payment expenses	**16,275**	17,785
	34,188	28,631

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

45. MAJOR NON-CASH TRANSACTIONS

The Group entered into certain new lease arrangements for the use of leased properties during the year, and on the lease commencement, the Group recognised an increase in right-of-use assets of RMB71,187,000 (2022: RMB102,997,000) and lease liabilities of RMB71,187,000 (2022: RMB102,997,000) respectively.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the company at the end of the reporting period are set out below.

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2023 %	2022 %	2023 %	2022 %	
Chinasoft International (Hong Kong) Limited	Hong Kong	HK$100	–	–	100	100	Investment holding and trading of standalone software products
中軟國際科技服務(香港)有限公司 Chinasoft International Technology Service (Hong Kong) Limited	Hong Kong	HK$100,000	–	–	100	100	Provision of IT outsourcing services
Chinasoft Interfusion Inc. (note 37)	USA	US$0.01	–	–	–	100	Provision of IT outsourcing services
北京中軟國際信息技術有限公司 Chinasoft Beijing	PRC	RMB200,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services, software development and trading of standalone software and hardware products
上海中軟華騰軟件系統有限公司 Shanghai Huateng	PRC	RMB350,000,000	–	–	100	100	Development and provision of IT system
中軟國際科技服務有限公司 CSITS	PRC	RMB100,000,000	–	–	100	100	Provision of IT outsourcing services
中軟國際(上海)科技服務有限公司 Chinasoft International Technology Service (Shanghai) Ltd.	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
北京中軟國際科技服務有限公司 CSITS BJ	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

Details of the principal subsidiaries directly and indirectly held by the company at the end of the reporting period are set out below. – continued

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2023 %	2022 %	2023 %	2022 %	
中軟國際科技服務(大連)有限公司	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
武漢中軟國際科技服務有限公司	PRC	RMB50,000,000	–	–	100	100	Provision of IT outsourcing service
深圳中軟國際科技服務有限公司 CSITS SZ	PRC	RMB50,000,000	–	–	100	100	Provision of solutions IT outsourcing IT consulting
中軟國際科技服務南京有限公司 CSITS NJ	PRC	RMB20,000,000	–	–	100	100	Provision of solutions IT outsourcing IT consulting
CSI Interfusion SDN.BHD	MY	MYR1,000,100	–	–	100	100	Provision of solutions IT outsourcing IT consulting
解放號網絡科技有限公司	PRC	RMB50,000,000	–	–	100	100	Provision of solutions
成都天府中軟國際科技服務有限公司 CSITS CD	PRC	RMB50,000,000	–	–	100	100	Provision of solutions

None of the subsidiaries had issued any debt securities outstanding at 31 December 2023 or at any time during the year.

Note i: All the PRC established entities are registered as limited liability companies.

In the opinion of the directors of the Company, none of the individual subsidiary has non-controlling interests that are material to the Group.

47. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Interests in subsidiaries	**2,256,548**	2,152,671
Derivative financial assets	**28,988**	–
	2,285,536	2,152,671
Current assets		
Other receivables	**21,805**	4,791
Amounts due from subsidiaries	**2,372,506**	2,150,222
Bank balances and cash	**816,055**	758,463
Derivative financial assets	**11,325**	–
	3,221,691	2,913,476
Current liabilities		
Other payables	**910**	2,313
Amounts due to subsidiaries	**127,489**	–
Dividend payable	**81**	81
Borrowings	**410,352**	3,815
	538,832	6,209
Net current assets	**2,682,859**	2,907,267
Total assets less current liabilities	**4,968,395**	5,059,938
Non-current liabilities		
Borrowings	**2,282,044**	1,162,463
Derivative financial liabilities	**4,968**	–
	2,287,012	1,162,463
	2,681,383	3,897,475
Capital and reserves		
Share capital	**133,029**	136,837
Share premium	**5,474,719**	6,013,911
Treasury shares	**(1,114,363)**	(538,555)
Reserves (Note)	**(1,812,002)**	(1,714,718)
Total equity	**2,681,383**	3,897,475

47. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Equity-settled share-based payment reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022	283,073	(1,804,947)	(1,521,874)
Loss and total comprehensive expense for the year	–	(172,610)	(172,610)
Issue of ordinary shares upon exercise of share-based payments	(30,742)	–	(30,742)
Recognition of share-based payment expenses	110,678	–	110,678
Vesting of award shares	(100,170)	–	(100,170)
At 31 December 2022	262,839	(1,977,557)	(1,714,718)
Loss and total comprehensive expense for the year	–	(141,575)	(141,575)
Issue of ordinary shares upon exercise of share-based payments	(1,180)	–	(1,180)
Recognition of share-based payment expenses	118,688	–	118,688
Share options expired	(38,630)	38,630	–
Vesting of award shares	(73,217)	–	(73,217)
At 31 December 2023	268,500	(2,080,502)	(1,812,002)

RESULTS

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	12,041,895	14,101,239	18,398,076	20,005,171	**17,116,894**
Profit before taxation	798,958	1,034,845	1,252,077	829,882	**733,947**
Income tax expense	(42,272)	(86,732)	(115,387)	(71,053)	**(21,280)**
Profit for the year	756,686	948,113	1,136,690	758,829	**712,667**
Attributable to:					
Owners of the Company	754,888	954,928	1,136,911	759,441	**713,394**
Non-controlling interests	1,798	(6,815)	(221)	(612)	**(727)**
	756,686	948,113	1,136,690	758,829	**712,667**
	HKD (cents)	HKD (cents)	HKD (cents)	HKD (cents)	**HKD (cents)**
Dividend	2.19	2.90	3.23	5.67	**8.11**

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	10,745,396	13,086,957	16,902,293	16,964,785	**17,067,670**
Total liabilities	(4,211,456)	(4,310,546)	(5,275,734)	(4,829,994)	**(5,300,910)**
	6,533,940	8,776,411	11,626,559	12,134,791	**11,766,760**