ANNUAL REPORT
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Chinasoft International Limited
中軟國際有限公司*

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

* for identification purpose only

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

Mr. Zeng Zhijie
Dr. Lai Guanrong
Professor Mo Lai Lan

REMUNERATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Professor Mo Lai Lan

AUDIT COMMITTEE

Professor Mo Lai Lan *(Chairman)*
Mr. Zeng Zhijie
Dr. Lai Guanrong

NOMINATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Professor Mo Lai Lan

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

WEBSITE

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STOCK CODE

SEHK Code: 0354

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
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.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hong Kong

Dear Investors:

In 2022, the groundbreaking ceremony for the 99.9-meter-tall Cloud Intelligent Headquarters Building was held in Shenzhen Bantian. Amidst the roaring drums, what is about to rise from the ground is not just this skyscraper, but also our unwavering passion for perseverance, continuous growth, and the drive to reach the skies.

Over the past year, despite facing the dual challenges of fluctuating demand from major customers and work disruptions due to the pandemic, the Group has managed to break through the RMB20 billion revenue milestone after arduous and unrelenting efforts. Sudden storms and strong winds have not been able to interfere with our unwavering pace of "being the first to take root and grow."

In the process of implementing the company's SP302 strategy, we have reviewed the "opportunity gap" from the perspective of our mission to "work together and take responsibility." We are determined, resolute, and persistent in being an outstanding member of Huawei's "new innovative technology long march" team, "breaking through the sky and taking root downward." We are closely tied to the key information infrastructure industry through the China Information and Innovation Initiative, deeply involved in core aspects such as operating systems, cloud, databases, toolchains, and ERP, focusing on key industries such as government, finance, manufacturing, transportation, and energy, becoming the core software service provider in the industry. We accurately identify our development positioning, cultivate core capabilities, develop core products, possess core channels, and build a core ecosystem, continuously striving towards the goal of being one of the top technology software and service companies in the world.

I. PROFOUNDLY CULTIVATING THE "FERTILE LAND (BLACK SOIL)" OF OPEN SOURCE HARMONY OS, RECONSTRUCTING THE "GREAT LANDSCAPE" OF INTELLIGENT IOT

The Group closely follows the pace of the "Great Information Innovation" era, with Shenzhen Kaihong Digital Industry Development Co., Ltd. (referred to as "Sz Kai Hong") as the spearhead, launching the "(1+1)×N" strategy. Leveraging the research and innovation capabilities of the open-source HarmonyOS (OpenHarmony) foundation and the power to build digital ecosystem platforms, we continuously polish the Everything Intelligent OS and the super terminal management platform, empowering the intelligent IoT construction needs of N industries. As a "National Strategic Assets" for the development of the key information innovation industry and a "Emerging Smart Cities" for urban digitalization construction, we are committed to deeply rooting core technologies in China. The Group has established an intelligent IoT legion, joining hands with Huawei's Government OneNet legion to concentrate efforts in high-frequency application scenarios such as urban lifelines, urban intelligent entities, and urban perception platforms for joint innovation. We plan to develop the second baseline version and its applications, build an AIoT industry capability stack, and position the sensing platform + city-wide IoT, ensuring southward compatibility and northward applications. We will accelerate the iteration and nationwide layout of the Honglian Innovation Camp, create HarmonyOS cities such as Shenzhen and Tianjin, and initially establish a business model of Honglian lighting up cities, scene-driven applications, and application-driven ecosystems. The Group has contributed over 1.2 million lines of code to OpenAtom Foundation's OpenHarmony community, built the Information and Innovation Academy to cultivate HarmonyOS talents, and published and distributed the "OpenHarmony Operating System" book.

II. EMPOWERING CLOUD SERVICES AND CLOUD SOLUTIONS, INTERACTING WITH HUAWEI CLOUD COMPREHENSIVE CAPABILITIES

Closely grasping Huawei Cloud's 10% capability share and concurrently supporting the entire company's business development, we are increasing investments in Gauss and Euler, becoming the most steadfast new force in the industry's new long intelligent march. The public cloud fully penetrates Huawei Cloud's Go Cloud and Grow Cloud development frameworks, becoming the first batch to pass CTSP certification services and accelerating the transformation to capability-based partners. We actively expand the value of cloud waist customers, relying on the practical path of "going to the Cloudization, Cloud Management and Cloud-Native," establishing our own capabilities in the industry aPaaS through low-code platforms, software toolchains, databases, AI models, etc., and accelerating the layout of cloud-native modernization and data warehouse domains. Furthermore, China Telecom Cloud successfully entered the China Telecom Group-level MSP partner list, constructing a comprehensive and three-dimensional capability map from resale to service. Hybrid cloud products such as CloudEasy CMP cloud management platform, CBP cloud business platform, and CAP cloud application platform are continuously upgraded, improving multi-cloud management and operational capabilities, and perfecting the cloud-native self-developed toolchain. We are deploying the Ascend computing power industry cloud and expanding the scale of our self-operated industry cloud. We are accelerating the expansion of the overseas hybrid cloud market and continuously increasing our market share in the Asia-Pacific, Hong Kong, Macau, and the Middle East.

III. FOCUSING ON EAS DIGITAL INTELLIGENCE EMPOWERMENT, ENGAGING IN JOINT INNOVATION OF CHINESE SOLUTIONS FOR KEY INDUSTRY INFORMATION TECHNOLOGY APPLICATION INNOVATION

The company actively grasps the window of opportunity for domestic production and digital transformation of large central and state-owned enterprises, adhering to the EAS (Enterprise Application Service) business direction. We reach customers in industries such as petrochemicals, energy, power, aerospace, and others, co-creating Chinese solutions and deeply participating in the domestic production process for core aspects such as R&D, production, and sales, building end-to-end full-stack service capabilities. Focusing on medium and large enterprise ERP implementation, the company explores the "platform + consulting + service" model, deepening cooperation with partners such as Yonyou, Kingdee, and Mingyuan in digital human resources and platform customization directions. We have developed transformation solutions and IT governance toolchains, collaborative service platforms in areas such as intelligent finance, digital human resources, supply chain, production and manufacturing, and digital marketing. Together with partners, we create new digital transformation businesses, with Yonyou Diamond Partnership achieving the first comprehensive evaluation. We have become an SAP Silver Partner and established an SAP BTP Service Center, accumulating extensive ERP implementation capabilities. We are committed to building a digital transformation service consulting expert brand, establishing an end-to-end full-stack service model from top-level planning, business design consulting to implementation and delivery. Big data business focuses on government affairs, large-scale transportation, operators, energy, manufacturing, and other industry markets, strengthening data middle-end and data governance capabilities and forming industry solution precipitation.

IV. LAYING OUT SMART ELECTRIC VEHICLE SOFTWARE INDUSTRY CHAIN, EMPOWERING VEHICLE ENTERPRISES WITH INTELLIGENT APPLICATIONS

The company actively participates in the automotive industry (SDV) revolution, completing the underlying technology breakthrough of the in-vehicle OS in terms of products and capabilities, becoming a digital marketing transformation software and operation supplier for the automotive industry, and a trusted intelligent cockpit and in-vehicle OS component supplier. With the three major businesses of lean management consulting, IT equipment, and technology outsourcing in the "Software Factory," we have become a capability-based supplier for the integrated transformation of research, production, sales, and service in the cockpit domain, testing domain, and new energy vehicle enterprises with self-controllable technology. During the reporting period, the company expanded its business with leading central and state-owned enterprises such as FAW and promoted its services to industry chain companies like CATL, Changan, and Great Wall Motors. Focusing on digital marketing, we provided operation implementation services such as business management and intelligent marketing for more than 10 automakers. Based on HarmonyOS research and development, we enriched intelligent cockpit APP applications with the Zhongche Hong OS, achieving customer breakthroughs. In partnership with Hongqi, we created self-controllable intelligent charging new scenarios, integrating the KaihongOS ecosystem with intelligent travel and energy IoT industries, and actively deploying in the domestic track of intelligent travel.

V. STRENGTHENING THE LIFE CYCLE VALUE OF "JOINTFORCE" AND UPGRADING DIGITAL ESCORT SERVICES

During the reporting period, Jointforce continued to enhance the platform's data capabilities based on knowledge graphs, enriching the "ammunition depot" ecosystem for vertical ISVs, and creating a "service + platform + ecology" digital full-process service model while continuing to verify and extend service points for clients. The escort business type expanded from purely software projects to a combination of hardware and software, as well as digital new infrastructure projects, successfully incubating and launching Project Housekeeper and Operation Housekeeper services for IT implementation pre- and post-stages. On top of the existing four cities (Suzhou, Nanjing, Chongqing, and Shenzhen), six new cities (Wuhan, Changsha, Ningbo, and Zhengzhou, etc.) were added, forming a "4+4+2" urban deep cultivation pattern. Facing the government market, we adhered to the "bridgehead -> covering clients -> penetrating clients" path, providing full-process services to more than 800 government customers. In the enterprise market, we connected the "intelligent transformation and digital conversion" extension path from government to enterprise clients, providing lightweight services to more than 60 leading industry clients, and constructing a new market growth point for the entire digital transformation process of enterprises.

VI. CONSOLIDATING FIVE STAR QUALITY FOR CORNERSTONE BUSINESS AND CONTINUOUSLY TRANSFORMING QUALITY INTO VALUE

In terms of Cornerstone Services, the Group has continued to implement the "Five Orientations" (quality resource provider, stable and high quality deliverer, product co-builder and safe guarder, integrated cost optimizer, and internal control management enforcer), and has deeply promoted the change of financial and quality integration management, fully utilized AIGC, GPT and CodeArts etc. automation tools to improve the productivity of individual soldiers, strengthened flexibility management, and achieved the five-starred quality around the three elements "Service, IT and People". Based on the core processes of talent supply chain (IHSC) and management service delivery (MSD), the Group has carried out refined management, implemented "lean" management and continuously improved the management expense ratio; and improved the maturity of information security and credible management. The Group has contributed to the construction of open source software security ecology and trusted supply chain security management, and its Zeus Security Laboratory has joined the OpenAom Foundation Open Source Security Committee and become the first member of the "Software Supply Chain Security Laboratory" of CAICT.

VII. STRENGTHENING SYSTEM CONSTRUCTION AND ACHIEVING LEAPFROG DEVELOPMENT OF THE ORGANIZATION

The Group insists on profit growth under strategic constraints as the core goal, ensuring the unchanging response to change based on the "first principles" of operation through systematic operation, building continuous and healthy profitability, and achieving long-term effective growth with value as the guideline. During the reporting period, the company completed the SP303 strategic planning, focusing on value customers, continuously benchmarking against super integrators, establishing joint SP/BP, drawing joint operational maps, and interlocking goals and capabilities. With mature strategic management capabilities, we ensured the maximization of investment benefits based on profitability and implemented the quantification of resource allocation. We established the execution logic of the "Strategic White Paper", "Budget White Paper", and Organization,Talent and Performance Incentive White Paper" (DSTE), carrying out campaigns quarterly, sprints monthly, and dynamic assessments weekly to achieve closed-loop management from strategy to budget performance and then to execution optimization. Through "financial and quality integrated management reform", we achieved excellence in operations based on the essence of the business, driving all responsibility centers. By implementing the "DSTE performance incentive closed-loop", we returned the performance appraisal to its original purpose and consolidated the responsibility of the main operating entities. By strengthening IT system construction and support, accelerating Digital CSI digital transformation, solidifying the effectiveness of financial and quality integrated reforms, refining, and replicating best practices, we fought the epidemic to consolidate the company's internal "four-sided responsibility", win the health defense battle, and fully promote the stabilization and improvement of production and operation.

Dear investors, the company will firmly follow the strategic planning as the driving force, focus on the key strategic customer capabilities, and jointly build a Chinese solution for the innovation of information technology in key fundamental industries. Relying on core technology, we will construct, cultivate, and accumulate full-stack service capabilities around the main business channels, and penetrate more extensively into the digital transformation market in various industries. We will never forget our mission, tirelessly strive for excellence, and keep up with the market trends. We believe that our efforts will surely bring positive results.

The year 2023 is the inaugural year of the comprehensive implementation of the Spirit of the 20th CPC National Congress, a year of opportunities for industry innovation, transformation, and restructuring, and the final year of our company's three-year strategic transformation. As we face the future with a broad vision, we hold in our hearts a "strong and lasting desire that penetrates into our subconscious." We have full confidence in overcoming all difficulties and challenges, building the company into a world-renowned Chinasoft International, and becoming the most valuable brand contributing to the grand picture of our great motherland. Together, let's create a brilliant growth story, enjoy the glory of long-term success, and strive to realize our "glory and dream"!

Chen Yuhong
2023 Spring

Business Overview

1. COMPANY BUSINESS OVERVIEW

Chinasoft International Limited is a leading global technology software and information technology service enterprise, established in 2000. It provides "end-to-end" IT software, solutions, and services to global clients and has extensive experience in consulting, design, implementation, and services in digital applications of new technologies such as cloud computing, artificial intelligence, big data, the Internet of Things, and 5G, fully supporting clients' digital transformation. Since its listing in 2003, the Group has been committed to becoming a world-class information technology service leader and has successfully entered the top 80 in Gartner's global IT service market share ranking. The Group serves many Fortune 500 companies worldwide and numerous specialized and innovative clients with high growth potential, covering industries such as finance, the Internet, communications, high-tech, energy, automobiles, transportation, government, and public utilities. Its service scope includes major cities in China and regions such as Asia-Pacific, North America, Europe, Latin America, and the Middle East.

During the reporting period, the Group's business demonstrated strong growth resilience, with stable revenue growth. The first growth curve of cornerstone businesses continued to deepen KA/NA customer strategic cooperation and synergies, continuously improving operational maturity through financial and quality integration, laying a solid foundation for steady development. The second growth curve focused on cloud intelligence, intelligent IoT, and enterprise application services, actively participating in the construction of the "Digital China" plan for critical information infrastructure industries, achieving rapid growth. However, the pandemic and fluctuations in demand from major customers have affected the Group's profitability, leading to project delays and increased pressure on resource allocation. To address this, the Group will strengthen fine-grained operational management, taking a campaign-to-quarter, sprint-to-month, and dynamic assessment-to-week approach to solidify business responsibility and achieve a closed loop for strategic budget performance incentives. With financial and quality integration and high-level lean management to improve efficiency, reduce losses, offset unfavorable impacts, and continue to convert quality into value.

- **Technology Professional Services Group (TPG)**

  TPG provides software and technology services, digital operation services, cloud solutions, and enterprise application services and solutions to government and enterprise customers. It adheres to a consulting-driven approach, and has established its own capabilities in the industry aPaaS through AIGC, low-code platforms, CodeArts etc. software toolchains, databases, and other means, accelerating its layout in areas such as cloud-native modernization, data warehousing, and more. Its main clients include Huawei, HSBC, Honor, Ping An, Bank of Communications, Construction Bank, AIA Insurance, Postal Savings Bank of China, Tencent, Alibaba, Baidu, Microsoft, China Mobile, China Telecom, PetroChina, FAW, and others. It is well-known in industries such as finance, transportation, automotive, government and public utilities, telecommunications, energy, internet, and high technology, and is an important partner in customer digital transformation.

  TPG is fully committed to creating a new delivery model of software factory and upgrading its service capabilities. It positions itself as the core carrier of the company's core capabilities, developing software factory management consulting and IT equipment services, developing OMSP and other tool products, and providing comprehensive, systematic and targeted software and technology services to customers, including IT application development and maintenance services, IT testing services, infrastructure management services, product research and development and services, digital consulting and implementation services, system integration and services, and outsourcing services, to meet customers' needs for informationization, digitalization, and intelligentization. Its services have been highly recognized by customers.

In recent years, TPG has seized the opportunity of the industry's digital transformation and the digital transformation of major customers, positioning itself as an end-to-end, full-stack, and accompanying service expert in enterprise digital transformation. It has become the preferred supplier of software outsourcing services for enterprise customers and a leading brand in China's consulting, enterprise application services, and data services. With deep coverage in the B (business)/O (operation)/M (management) domain, it has deeply penetrated the business, data, technology platform, and aPaaS platform of the key information infrastructure industry through co-creation to consolidate its product and service capabilities. It has anchored the pan-ERP system implementation to achieve "product + service" scale replication.

TPG has continuously invested in research and development for many years, successfully achieving cloud-based products and solutions in the main channels, expanding diverse new applications, and deeply cultivating industry scenarios. The Group's existing cloud products and industry products and solutions mainly include:

–	Cloud Products:	Cloud Management Platform (CMP), Cloud Operations Platform (CBP), Cloud Application Platform (CAP), Content Collaboration Platform (CICCP), Knowledge Management System (CIKMS), Speed Desktop for cloud desktop, and Enterprise Cloud Disk;
–	Financial Products and Solutions:	Intelligent Robots, Smart Factoring, Internet Smart Credit, Car Insurance Pricing System, Bond Rating System, Customer Portrait System, Regulatory Reporting Platform, Regulatory Business Middle Office, Payment and Clearing System, Bank Card System, Supply Chain Finance, Digital RMB Ecosystem Solution, Financial Data Middle Office, DevOps;
–	Transportation Products and Solutions:	Smart Port, Smart Highway, Smart Tunnel, City Bus, Urban Rail Transit Ticketing Cloud, Airport Big Data Services;
–	Automotive Manufacturing Products and Solutions:	Intelligent Cockpit, Intelligent Driving, Intelligent Connected Vehicles, Intelligent Vehicle Cloud, New Energy Vehicles, Automotive Software Factory, CDP Customer Data Platform, Industrial Internet Platform, Smart Factory, Design Simulation, Manufacturing Execution System (MES), Industrial Data Acquisition System;
–	Government and Public Utilities Products and Solutions:	City HarmonyOS Operating System Base, City Perception Network, Government Affairs Cube, RPA Government Automation, Smart Park, Smart Healthcare, Smart Education, Smart Water Conservancy, Smart Fire Protection, Smart Pipeline Management, Smart Parking, Smart Elderly Care, Smart Community, Digital Office, Audit and Supervision Management, Social Insurance and Welfare Management, State-owned Asset Management, Government Big Data, etc.;

– General Products and Solutions: KaihongOS Distribution, Perception Network, Digital Twin platform, Intelligent IoT Terminal Module Access SoC Customization, Industry APaaS, Trusted Cloud Services, Full-Stack and Full-Life Cycle Cloud Services, Cloud-Native Modernization Transformation, Generalized ERP Implementation Development, Data Middle Platform, Data Governance, Security Services, etc.;

The Group has jumped to second place in the IDC cloud management services market ranking, and ranks first in both cloud migration and cloud development professional services; solutions such as payment and settlement systems and bank card systems have been ranked first in the IDC banking market for multiple consecutive years; solutions such as audit solutions and the railway automatic ticket vending and checking settlement center (ACC) system have also held the top market share for multiple consecutive years.

- **Internet IT Services Group (IIG)**

  IIG is committed to building an ecosystem for Independent Software Vendors (ISVs), leveraging Jointforce as the main carrier to create a software industry Internet platform, providing digital services to governments and enterprises, and helping them achieve digital transformation.

  Jointforce, as the main carrier, is dedicated to building a software industry internet platform and providing digital services for governments and enterprises to help them achieve digital construction. It is positioned as a “digital escort service” with “service connection + knowledge accumulation” and has completed the reconstruction and upgrading towards a software industry internet platform. It has solidified the knowledge base of software and digital fields with knowledge graph technology as the core. Based on the “service + platform + ecology” model, it continues to validate and extend service points for clients, aiming to provide comprehensive customer lifecycle value for key clients. It has established operational service cooperation with the One-Net Alliance and formed a new way of lighting up cities. At the same time, it continues to deepen its presence in cities that have already been connected, striving to achieve a basic customer base of 1,000 key clients and to bring new clients onto the platform. For third parties, it closely follows the direction of key businesses, focusing on and building a thick ecosystem of vertical ISVs as an “arsenal”. From pure software projects to software-hardware integrated projects and digital new infrastructure projects, it constantly extends its escort service range, forming a project manager service for the pre-IT service market and an operation manager service for the post-IT service market. With its own internet platform support, it fully realizes the online closed-loop and dynamic presentation of the service process.

  The CloudEasy cloud service brand has been fully upgraded. The one-stop cloud service brokerage platform “Huaxia Cloud Network” provides continuous operational value for cloud resale business: it carries out multi-cloud distribution business, strengthens the public cloud business foundation for saling and migrating to the cloud, supports direct sales and distribution business models, and provides customers and channels with unified experience, convenient, and secure XaaS cloud product combination solutions and value-added services. Huaxia Cloud Network supports the landing of enterprises’ cloud-to-management-cloud and cloud-native paths. By expanding product categories and quantities, it provides customers with unified experience, convenient, and secure XaaS cloud product combination solutions and value-added services, helping channels simplify sales and accelerate customer acquisition, quickly agency multi-cloud business, and obtain greater investment returns. It also helps to transform marketing methods from distributing single products to multiple products, delivering the value of integrated and value-added services the Group. Huaxia Cloud Network focuses on the public cloud track and positions itself as a multi-cloud operations service provider. Through authoritative certification, awards, industry exhibitions, digital marketing, and other methods, it expands its brand influence, further clarifies the industry track, and establishes ChinaSoft International’s brand image as an “industry leader” in the domestic market.

The intelligent IoT business focuses on urban perception, urban lifelines, and open-source HarmonyOS ecological services. The Group develops core products, has core channels, builds core ecosystems, and forms core capabilities. Based on the city where it is rooted, the Group align with cities to light them up and target KA customers with strong demands for localization and intelligence to develop HarmonyOS software and hardware products.

2. COMPANY STRATEGY

The digital economy has become a key force in restructuring global resource elements, reshaping economic structures, and changing the ecological pattern of industries. Safety is the top priority, while development and independent technological innovation have become increasingly important. The new system of innovation and opening up is accelerating, and the cloudification, digitization, and intelligence of critical information infrastructure industries are also accelerating. In this era of unprecedented changes, digital technology is accelerating industrial transformation, bringing important strategic opportunities for enterprise digital transformation and upgrading of intelligent infrastructure in society.

The Group seizes the opportunity of transformation and implements the SP302 strategy. The cornerstone business pursues the optimal comprehensive cost, continuously builds a healthy profitability, adapts to the rapid changes in customer demands, supports dynamic management of large-scale outsourcing personnel throughput, and takes flexible management as the core competence of outsourcing business, while continuously deepening the financial and quality integration reform. New businesses achieve effective growth and continuously improve profitability. The Group concentrates its limited resources on value-creating areas, focusing on deterministic business opportunities, and fully expanding cloud intelligence, intelligent IoT, and enterprise application services, in order to realize the full technology stack of cloud-edge-end management, and the integration of B-domain, O-domain, and M-domain in all industry scenarios. The Group covers the entire consulting, design, development, operation and maintenance process, based on industry vertical capabilities and technology IP reuse. The Group, based in China and but has a global ambition, is adhering to the principle of “completing the blueprint to the end”.

- **Driven by the FFW Development Strategy, Cultivate Major Clients and Strive to Become Their Strategic Partners**

  The Group has redefined the definition of key accounts (KA) based on its 20-year software and technology service experience, and developed a supplier development (SD) program to organize key activities using a proactive supplier performance management approach, thus achieving effective transfer of customer value to company value. The FFW (For, From, With) KA customer strategy is designed to cultivate key accounts as strategic partners and provide them with cost-effective, stable, and high-quality services. Joint innovation is carried out with KA customers to explore new areas and markets, and to continually enhance the strategic relevance with them. The customer relationship scorecard (RSC) is used to measure and design the mid-to-long-term collaborative development relationship between the company and strategic customers (KA), strengthening mutual trust, joint strategic planning, business planning and innovation investment, forming annual performance and key work interlocking, and guiding both parties towards a higher-level strategic partnership. The Group has established a base in industries such as finance, petrochemicals, energy, power, information and communication, and transportation, and has created a new strategic cooperation model with central enterprises and industry leaders. Adapting to the characteristics of the domestic market, the Group is following the Chinese-style “platform + service” path to achieve scale replication, serving as a new force working with industry leaders to cross the “long chain” together.

- **Stemming from the Root Technology, the Intelligent Internet of Things (IoT) is Expanding into the Market of "National Strategic Assets and Emerging Smart Cities"**

  Building on the foundation of the Kaihong operating system and with the goal of becoming a preferred value partner for the HarmonyOS and open-source HarmonyOS ecosystem, the Group focuses on constructing digital infrastructure using AIoT technology to provide independent innovative smart IoT hardware and software products, as well as scenario-based solutions for key industries such as government and telecommunications. The Group collaborates with Huawei's Government One Net team to jointly explore opportunities in strategic markets that are crucial to the nation's development.

  The Group is focusing on the development of urban sensing networks and jointly expanding city coverage. By building City Hong as the second baseline, the Group is creating core products and services, and accumulating patents, OEM IN, and certification of solution integration. The Group aims to become the "second R&D department" for the Government Affairs One Network team and telecommunications operators, and will provide southern adaptation and northern industry application customization development. The Group aims to continuously enrich the software and hardware solutions for the integrated "edge-cloud-network" of the intelligent IoT, and become a leader in the overall solution for independent innovation in the intelligent IoT.

- **Focusing on the "Cloudification, Cloud Management, and Cloud-Native" Strategy to Create a New Growth Engine for Cloud Intelligent Service.**

  The Group adheres to the strategic positioning of "Cloudization, Cloud Management and Cloud-Native, understanding of cloud, understanding of industry, and ecosystem aggregation". It tightly grasps 10% of Huawei Cloud's capability shares and regards it as the base support of the entire business development. The Group increases investment in Harmony OS, Gauss, and Euler, becoming the most steadfast force in the new long march of industry intelligence. It continues to provide leading cloud solutions and services to government and enterprise institutions, becoming the preferred solution provider and consulting expert for digital transformation of government and enterprise industries, helping China's digital transformation and leading the digital society and digital economy globally. With the ecological concept of "building a cloud-based ecosystem and winning the future together", the Group created a partner ecological system covering consulting, services, technology, channels, etc., empowering the digital transformation of various industries, becoming a trusted full-stack cloud management service partner and co-creation partner for digital transformation.

- **Deep Industry Collaboration for ERP System to Participate in Domestication of Critical Information Infrastructure Industry**

  The Group aims to be an end-to-end, full-stack, and companion-style service expert in enterprise digital transformation, and to become one of the top five domestic brands in consulting, enterprise applications, and data services in China. The Group collaborated with platform vendors of ERP, high-tech, central state-owned enterprises, and leading companies to build an industry aPaaS and upgrade to digital dPaaS in the application field. The Group operates multiple businesses, including consulting, professional services, general services, and cornerstone businesses, and rely on IT operations and big data services to combine industry-specific knowledge, technical capabilities, and cutting-edge digital technology to create and deliver universal solutions in collaboration with partners for new forms of digital transformation. The Group focuses on key industries to develop consulting capabilities with industry Know-how, and use tools and platforms to achieve EAS business scale development by diving into IT governance consulting and toolchain implementation in projects.

- **Leveraging the Resources of Jointforce, Empowering Government and Enterprise Customers, and Creating an Industrial Internet platform for Software Development**

  Jointforce is the foundation to fully develop the custom software field and build an industrial Internet platform for the software industry. By connecting industries, enabling data intelligence, and promoting integration and innovation, Jointforce aims to bring about industry change. Focusing on government digitalization, Jointforce provides and continuously upgrades project management services throughout the entire project process, based on the "five management" (project, data, document, code, and supplier management) as the main line, forming a core product and service matrix for government. By utilizing a fixed target strategy, Jointforce provides localized operation services in key cities to continuously expand the coverage and penetration of government clients, creating a digital platform+product+service system. Jointforce also seeks to deepen its presence in cities, achieving new growth in client base and customer platform access. For private entities, Jointforce focuses on key business areas, forming an ecosystem of thick vertical ISVs as an "ammunition depot."

- **Committing to the Stable Development of Its Core Businesses, while Continuously Building a Healthy Profit-Making Capacity and Achieving a Five-Star Quality Standard**

  The Group adheres to the value-based approach and pursues sustainable and effective long-term growth, with profit growth under strategic constraints as the core objective to build continuous and healthy profit-making capabilities. Leveraging AIGC, GPT, and CodeArts automation tools to increase the productivity of outsourced personnel and achieve rapid growth of KPO business. Addressing external uncertainties with the power of underlying systems, the Group promotes the integration of finance and quality, establishes flexible supply management capabilities, and achieves a five-star quality level around the three elements of "service, IT, and people." Positioning the software factory as the core capability carrier, the Group develops pre-sales, consulting, training, and other capabilities for the software factory, rapidly promotes standardized construction of the software factory, and realizes the service productization of cornerstone businesses. Through the efficient and high-quality delivery of the software factory model, the Group effectively enhances customer perception, creates differentiation, and opens up new space for high-quality business growth by relying on mature outsourcing management capabilities to improve quality and efficiency.

- **Uphold its Global Strategy, with a Solid Foundation in Overseas Markets, and Expand its Business Opportunities in the Face of Challenges**

  The Group grasps the opportunities presented by the digital "Belt and Road" initiative, actively exporting comprehensive solutions for "Digital China". With a solid foundation in overseas markets, the Group has long-standing partnerships with large multinational companies such as Microsoft, AIA Insurance, and a top ICT infrastructure and smart terminal provider, having provided information technology services to clients in 47 countries worldwide, accumulating significant experience in serving international clients. The Group continues to expand its global footprint, building upon its existing strategic centers in China, the United States, Japan, India, Singapore, and Malaysia, to further deepen collaboration, consolidate its global full-service layout with cloud-driven digital transformation services, and intensify its efforts to expand into Southeast Asia and the Middle East. The Group is committed to becoming an international player in the world of IT, establishing the global influence of China's IT industry.

3. KEY ACHIEVEMENTS

3.1 Intelligent Internet of Things

During the reporting period, Shenzhen Kaihong Digital Industrial Development Co., Ltd. (referred to as "Shen Kaihong") released the "(1+1)×N" strategy with OpenHarmony technology platform and digital ecosystem construction capabilities. The Group continuously developed a new intelligent IoT operating system and a super terminal management platform, to empower the construction needs of intelligent IoT in N industries. To quickly implement the strategy, the Group established an Intelligent IoT Legion, which explored a short chain mode to get closer to government and enterprise customers, deeply involved in specific urban and industry scenarios, and released a technology platform based on OpenHarmony to achieve the shortest path to customer value creation.

The Group takes promoting the construction of AIoT in various industries with the open source HarmonyOS technology as its mission, aims to become a leading product and solution supplier in the industry for the general government and operators, and uses the guidance of Honglian Innovation Camp to target the city perception platform and extend to the urban perception and digital city application scenarios. During the reporting period, the "City Hong" platform focused on expanding applications in fire protection and on-street parking scenarios. The industry digital twin platform and "Industry Hong" cooperated with leading manufacturers to establish industry standards for key categories of AIoT domestic substitution. The Group has also created open source HarmonyOS application benchmarks in fields such as intelligent transportation, digital energy, intelligent manufacturing, intelligent party governance, intelligent finance, and smart homes, and has become the first choice for promoting the development of information and IoT industries across the country. The Group and Shen Kaihong participated in the intelligent home appliance digital infrastructure key technology research project undertaken by Qingdao Guochuang and successfully selected as a key research and development program in Shandong Province, which is expected to promote the application of open source HarmonyOS in the home appliance industry and create a Chinese solution, forming industry and national standards.

During the reporting period, the Honglian Innovation Camp accelerated its landing and became the pioneer of the development of OpenHarmony and AIoT business for SZ Kai Hong. Building on its success in Zhengzhou, Yancheng, and Wuzhen last year, the Honglian Innovation Camp added Suzhou, Zhongshan, Tianjin, and Chengdu as new key cities, where it completed the signing of landing agreements. In addition, agreements were signed for two cities, Wuxi and Nantong. The Honglian Innovation Camp also worked with Shen Kaihong to create the Northern OpenHarmony City in Tianjin and the Southern OpenHarmony City in Shenzhen, forming a "7+2+1" pattern of Honglian Innovation Camp city collaboration. The business model has initially been established to light up the city with the Honglian Innovation Camp, bring applications with scenarios, and gather an ecosystem with applications. By the end of the year, the Honglian Innovation Camp had established seven Honglian Industrial Parks and two Co-creation Experiment Bases in major cities across the country. It has accumulated over 2,000 AIoT ecosystem suppliers, over 200 OpenHarmony product solutions, over 60 self-developed IoT products and solutions, and over 50 AIoT talent experts to serve more than 1,000 government and enterprise customers. More than 100 events were held in 2022, with over 1,000 offline participating companies and over 10,000 online influenced companies, forming the Honglian Innovation Camp's own IP.

During the reporting period, the Company further improved its capabilities in AIoT solution sales and research, achieving breakthroughs in key customers and core product development. In terms of solution sales, the Group achieved breakthroughs with 15 key account customers in SOC, and reached project cooperation with KA customers such as Hongqi Charging Intelligence, Hongyan Intelligent and Simon Electric. In addition, the Group achieved breakthroughs in 20 benchmark projects in key industries such as smart communities, smart parks and smart gas, including the Nanjing Yiwangtongguan electronic mall and the joint innovation of the OpenHarmony smart home central control screen by Guochuang and the Group. In terms of solution research, the Group incubated and co-created 12 sellable products, of which 7, including Newcapec Electronic's classroom signboard, passed OpenHarmony XTS certification. The Group delivered 113 SKUs in the HarmonyOS ecosystem, with over 2,200 ecosystem partners, and was awarded the "HarmonyOS Contribution Award" at Huawei's HDC conference.

The Group continues to vigorously promote the co-construction of the OpenHarmony ecosystem and talent development. The Group contributed over 1.2 million lines of code to OpenAtom Foundation`s OpenHarmony community (including contributions from Deepin Technology), ranking second in the community contribution list. During the reporting period, Beijing Institute of Technology (BIT) - Chinaoft International Information Technology Innovation Academy, steadily operated and implemented the national software development strategy, built a demonstration software college with OpenHarmony features, and strengthened the training of talented personnel with expertise in key basic software and cutting-edge personnel in the information and communication technology field. The Group, in conjunction with a professor from Beijing Institute of Technology and an expert from SZ Kai Hong, published "OpenHarmony Operating System", which has become a textbook for the 14th Five-Year Plan of the Beijing Institute of Technology, filling a gap in the university textbook system in terms of the underlying principles, system architecture, and application development of the OpenHarmony open source operating system.

3.2 Cloud Intelligent Services and Solutions

3.2.1 Cloud Services

During the reporting period, the Group continued to deepen its "sailing on the same boat" strategic cooperation with Huawei Cloud, closely following the growth of Huawei Cloud and expanding its scale. It also started strategic cooperation with the "Huawei's Government One Net team" alliance and continued to focus on the energy and power, rail transportation and other industry alliances, seizing the great opportunity of the digital transformation of industries. At the same time, the Group continued to promote the implementation of its multi-cloud strategy. On the one hand, it expanded its distribution of public cloud services. On the other hand, it actively promoted joint solutions in the hybrid cloud field, accelerating the construction of product matrices covering full-scenario digital transformation in various fields such as digital government, smart hospitals, smart education, intelligent manufacturing, and smart parks, expanding its customer base, and empowering various industries with the power of its ecosystem.

- **Cloud Brokerage:** In the field of Huawei Cloud business, the Group comprehensively and deeply develops the Go Cloud and Grow Cloud development frameworks under the background of the new ecological system. As the first batch of CTSP certified service partners, the Group has become a comprehensive partner in the field, including cloud store customer service providers, general distributors, solution providers, and software partners. The Group accelerated its transformation to become an ability-based partner, expanded customer coverage, effectively promotes sales and growth on Huawei Cloud, and has gained full recognition from the cloud and partners. In the field of China Telecom Cloud business, the Group successfully entered the China Telecom group-level MSP partner, won the bid for the China Telecom Cloud 2022-2023 ODC service support project and the Jiangsu Province Cloud Province 2022-2023 ecological expansion project, and built a three-dimensional ability map from cloud resale to service, from group to province. The Group has provided services to more than 1,000 Tianyi Cloud customers.

- **Hybrid Cloud:** During the reporting period, CloudEasy CMP cloud management platform continued to enhance its capabilities in cloud resource integration and operations, and identified customer needs and opportunities for cloud transformation, resulting in increased performance. CloudEasy CBP cloud business platform continued to enrich its operation support scenarios, expanding from government cloud and partner cloud to group cloud and industry cloud, helping more customers achieve sustainable operation. CloudEasy CAP cloud application platform continued to improve its cloud-native self-developed toolchain, iteratively upgrading product versions and enhancing competitiveness, promoting end-to-end closed-loop management of product versions. In terms of market expansion, the Group continued to strengthen its cooperation with clients such as MCC Baosteel and Guizhou Cloud, Shenzhen government cloud etc., expanding the scope of its business. At the same time, it established business partnerships with clients such as Conch Cement and Nanjing SmartCloud, further establishing itself as an industry benchmark.

- **Industrial Cloud Operation:** During the reporting period, the Group accelerated its industrial layout and continued to focus on promoting enterprise digital transformation and regional industrial upgrading through industrial operations. It also assisted research institutions, universities, and enterprises in building computing models and providing computing services through computing operations. The Group continued to deepen its cooperation with Huawei Cloud, and together they established five new joint operation innovation centers in Hebei, Zhejiang, Guangdong, Shaanxi, and Anhui, bringing the total to 14, ranking first in Huawei's third-party operation mode. The Nanjing, Xiamen, and Dongguan innovation centers operated by the Group won the "Empowering Cloud Base Excellent Operation Award." During the reporting period, the Group formed a team to invest in computing operation work at the Xi'an and Suzhou Ascend computing centers. In Xi'an, the Group assisted enterprises and research institutions in incubating computing large models such as radar remote sensing and pre-training of speech, and cooperated with more than 160 companies. The Group's computing operation achievements were recognized by the industry and it was listed as one of the "East Number, West Computing New Forces" by IDC evaluation. In addition, the Group also strengthened its investment in the industrial Internet platform field, explored a self-operated industrial cloud business model, and used its own accumulated software industry experience and ecological capabilities to provide practical services to enterprises.

3.2.2 *Big Data*

During the reporting period, the Group focused on big data business in the government, transportation, telecom, energy, and manufacturing industries. It strengthened its data platform and governance capabilities, established data application solutions for government and enterprise industries, and formed industry-specific expertise.

In the field of government and public industry, the Group continued to cooperate with the government big data bureaus of key cities in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing and other regions, and expanded its digital government business in other provinces and cities. During the reporting period Group implemented projects such as governance of government data resources in a city in the Yangtze River Delta, governance of data infrastructure of the municipal public security bureau, enterprise-level data model review for the Ministry of Industry and Information Technology, and consulting and design of smart cities in a city in southwestern China, while enhancing its data business capabilities and expanding its customer base in various fields.

In the field of transportation, the Group has maintained its leading position in the construction of intelligent data centers for airports and has implemented airline revenue audits for Shijiazhuang Airport, Nanchang Airport, and Changchun Airport. The intelligent data center project for Beijing Daxing Airport has been selected multiple times as an excellent case in the industry and has become a model for the construction of airport data center projects in China. In the railway field, the Group focused on data analysis and application in the railway power supply profession and optimized passenger transportation data application to assist railway operation departments in digital transformation. In the field of public transportation and rail transit, the Group has cooperated with a public transportation and rail transit group in a western city and is dedicated to developing a group-level intelligent command and dispatch center project, providing effective and scientific data-based decision-making support for safety production, quality improvement, service optimization, and management. In the field of highways, the Group has become a data integration service provider for the Huawei Highway Group and is working together to expand into the transportation market.

In the manufacturing field, the Group successfully delivered a data governance project for a leading manufacturing group and received high recognition from new industry customers. In the environmental protection field, the Group cooperated with a well-known environmental big data research institute to provide data platform and data governance consulting services for big data research projects.

3.2.3 *AI Application*

During the reporting period, the Group actively established an ecological cooperation with Baidu's "ERNIE Bot" and will subsequently integrate the core capabilities of "ERNIE Bot". The toolchain system of the Chinasoft service digital efficiency platform will integrate Baidu's "ERNIE Bot" to create standardized production capabilities for intelligent functions, components, and functional modules for custom development services for enterprise application software and industry solutions in finance, supply chain, customer experience, digital workforce, and other fields. This will achieve a leapfrog improvement in project cost, progress evaluation accuracy, and project delivery quality and efficiency, and create AI-driven software development and innovation capabilities for the future. Leveraging its leading delivery service capabilities in the knowledge graph field, the Group continued to deepen its cooperation with Baidu's intelligent cloud business, further enhancing its capabilities in model construction optimization, data governance, knowledge middleware implementation and continuous operation, and working with Baidu Cloud to create multiple best practice examples of "platform + service" in different industries.

3.2.4 Intelligent Cloud Solutions

3.2.4.1 Intelligent Finance

During the reporting period, the Group continued to optimize its business design in IT services and solutions for the financial industry, improving its customer-centric service system. It strengthened related research and development and innovation investments in the forefront and trending fields of the financial cloud, data intelligence, credit transformation, digital RMB, green finance, and supply chain finance, and continued to penetrate into high-quality and high-value tracks, making substantial progress in the breadth and depth of digital services compared to the previous reporting period. According to the "2021 China Banking IT Solution Market Share Report" released by IDC, the Group ranks TOP2 in payment clearing, transaction banking, and risk management, TOP4 in channel management, Internet credit, and mobile banking, and TOP5 in data intelligence and credit operations, occupying a clear leading market position.

In the field of cloud services, the Group has taken big steps forward in its financial cloud business, using large-scale cloud-native projects as a cornerstone and DevOps and low-code as breakthrough points. It has successfully signed a cloud-native project worth tens of millions of RMB with a financial institution and a large multinational bank, and has accumulated nearly 50 new projects in cloud-native application development and integration.

In the field of data services, the Group's businesses such as data platform, data center, data governance, and data market have developed comprehensively, laying the foundation for digital transformation for many large banks and numerous urban commercial banks and deepening into risk management and marketing centers. Among them, the Group's risk management business focuses on providing financial institutions with a solution that integrates risk monitoring, analysis, and early warning, based on leading data analysis models and technologies to help customers monitor the operation of various business areas in real-time and safeguard the risk control of the enterprise; the Group's marketing center is empowered by AI technology to solve pain points such as scattered user data and unclear portraits, based on a comprehensive understanding of consumers, to achieve personalized communication through all channels, form a marketing loop, truly extract data value for enterprises, feed back to the business, and drive profitability.

In the field of digital RMB, the Group continued to expand its presence in the digital RMB field, as one of the first domestic vendors participating in the construction of the digital RMB system. Building on multiple successful cases of deep cooperation with digital RMB operating institutions, the Group continued to accelerate the promotion of digital RMB scenario applications, providing digital RMB solutions and ecological services for many state-owned banks, national joint-stock banks, city commercial banks, rural credit cooperatives, and foreign banks, both operating and non-operating.

In the payment and acquiring field, the Group continued to leverage its existing advantages, maintaining close cooperation with hundreds of banking institutions while breaking through with more than ten new clients and securing multiple multimillion-dollar projects from large joint-stock banks. The Group leveraged its top-tier industry capabilities in this segment, helping banking customers transform from traditional financial institutions that mainly provide deposit, loan and foreign exchange services to become comprehensive service platforms that connect all stakeholders in the ecosystem, serving more diverse customers, managing more diverse asset classes, establishing wider connections, and driving greater value creation.

In the field of financial bill system construction, the Group took a leading position in the market for the construction of financial institution bill systems, successfully implementing the construction of the new generation of bill business systems for the first batch of 18 financial institutions in the wave of comprehensive upgrade and integration of the electronic commercial bill system and bill trading system by the exchange. As of the end of 2022, it has also launched new systems for nearly 100 bank clients. In addition, the Group made breakthroughs in the supply chain bill platform direction, building a supply bill platform for a large domestic electronics manufacturer, and winning the bid for the new generation of bill system projects of multiple financial companies, providing IT technology support to promote the high-quality development of bill services for the real economy.

In the field of supply chain finance, the Group has been exploring and researching for more than ten years, growing together with its customers, and has established mature supply chain solutions and products with high market competitiveness. Recently, the Group has successfully won multiple supply chain finance projects, and in the construction of a bank's trade finance business system, the Group and its customers have jointly discussed and integrated multiple products to create a new generation of online supply chain financing system for trade banks, supporting business development. The product realizes componentization and service-oriented architecture, responds quickly to demand, solves operational difficulties in the operational process of trade finance products, quickly achieves docking with external customer platforms, and establishes data mutual trust to expand bank trade finance business.

In the field of Xinchuang (innovative industry of information technology application), the Group has been deeply involved in the domestication of the banking system, providing integrated fintech solutions from consultation, design, development, to implementation and maintenance, and continuously leveraging its professional advantages to promote the gradual realization of the vision of full domestication of the industry. During the reporting period, the Group undertook the domestication of several important systems, including enterprise-level security systems, card organization transfer systems, credit card core systems, and front-end systems, as well as database migration and automation office system upgrades. In addition, the Group has completed product iterations for various digital solutions in areas such as credit financing and commercial bills, which widely support various types of domestic adaptations.

In the field of green finance, the Group has identified the main pain points faced by various financial institutions in developing green finance based on customer insights and practical experience. Adhering to the development philosophy of customer-centered, technology-driven, and service-oriented, the Group has increased investment and development efforts in green finance technology products and business consulting services. It has partnered with well-known universities, industry research institutes, consulting companies, and other units to launch customized, industry-leading green finance empowerment services for industry customers, including regulatory agencies, financial institutions, government departments, etc. Based on artificial intelligence, big data, and other technologies, and relying on model algorithms, the Group helps customers solve difficulties in the process of green transformation, accelerates green finance and technology innovation, and supports the long-term development of green businesses.

In the insurance industry, the Group mainly focuses on the digital development needs of several national commercial insurance companies, continuously improving and providing suitable technology services and solutions, covering life insurance, property insurance, pension insurance and other types of insurance, involving core systems, channels, business management and customer service, and relying on AI, big data and other technologies to create the most advanced digital applications in the industry. For example, the Group cooperated with large insurance companies to build intelligent underwriting, pricing, marketing, risk control and other products, empowering customers to optimize operations, market marketing, risk control and other work, and comprehensively enhance their business competitiveness.

In the securities business field, the Group's key customer business has grown rapidly, and it has made a new breakthrough by entering the top-tier institutions and being selected for a framework agreement worth tens of millions of dollars annually. The Group maintains a leading position in data and surveillance systems and related business areas. In the direction of financial infrastructure customers, the Group successfully won a large project for an Internet, core, and data business for a financial institution.

3.2.4.2 Intelligent Automobile

During the reporting period, the Group continued to expand its business in the automotive software field, achieving rapid growth in the automotive business. In the lean management consulting and implementation service field represented by "software factory", the Group built a high-quality delivery service system based on SOP and successfully implemented it in enterprises such as FAW, Zhongqi Chuangzhi, and MCC Baosteel. The Group also successfully promoted this system to companies in the automotive industry chain, such as CATL, Changan, and Great Wall Motors, and established a deep cooperative relationship with Geely Jikeyi and Lotus.

In the field of automotive digital transformation and operation services represented by "digital transformation", the Group integrated data, processes, organizations, and IT systems to build solutions such as product definition, whole vehicle services, business management, and smart marketing. The Group provides one-stop digital operation system for car manufacturers from research and development, production, management, marketing, to services. By the end of the reporting period, the Group had provided technical and operational implementation services to more than 10 car manufacturers and related customers.

In the field of autonomous driving represented by "intelligent driving", the Group focused on L4-level autonomous driving and collaborates with MCC Baosteel to develop steel slag transport vehicles, roads, clouds, and network integrated transformation based on unmanned driving technology, meeting the requirements of "less manpower, unmanned" in steel production. This marks the first business combination of the Group's intelligent vehicle business with a manufacturing company, connecting cooperation in multiple areas such as engineering vehicle modification manufacturing, V2X field equipment, and production operation control, creating a precedent for the application of autonomous driving in various engineering vehicle scenarios.

In addition, the Group continued to enhance its deep cooperation with traditional and new energy vehicle manufacturers, actively explores cloud computing, big data, AI, and IoT technologies, and built a smart car cloud and intelligent car business service system to enhance its industry competitiveness and establish new automotive business growth points for the next three to five years.

3.2.4.3 Intelligent Transportation

During the reporting period, the Group won the Guizhou Metro Cloud Construction Project, expanding its large-scale rail transit solution capabilities beyond cloud ticketing and becoming a benchmark project for future rail transit industry construction. The intelligent cloud solution continued to undergo joint innovation in cloud-native development, dual-active ticketing systems, and domestic database technology.

The Smart Highway and Tunnel Solution is based on the 1+1 (one network protocol + one data standard) solution released by SZ Kai Hong. It comprehensively uses the Harmony intelligent transformation solution of the OpenHarmony Controller + OpenHarmony Edge IOT platform for software and hardware integration to achieve scene value such as intelligent operation and maintenance, precise alarm, and second-level intelligent emergency response plan issuance, and has been implemented in the Harmony Tunnel Benchmark project of the Jiangxi Smart Highway.

The Group continued to deepen and broaden its involvement in airport and civil aviation businesses, maintaining its leadership position in the construction of intelligent airport data centers. During the reporting period, the Group completed the construction of the largest intelligent data center for cargo airports in Asia at the Ezhou Huahu Airport. The Group successfully delivered and launched the aviation revenue auditing and settlement system for its client at the Shijiazhuang Airport, promoting product upgrades and multi-scenario applications. This success was replicated in the aviation revenue data audit project at the Nanchang Airport, making the Group a competitive data solutions provider in the aviation auditing sector.

In the railway and water transportation fields, the Group continued to carry out digital transformation-related system construction work for a certain railway bureau, focused on data analysis and application in the power supply and communication industry, and integrated operator big data to deeply optimize the application of passenger transportation professional data, vigorously expanded the application of freight and other professional data, and empowered the acceleration of digital transformation in various departments of railway operation. In the Ningbo Zhoushan Port Yongzhou container terminal efficient multimodal transportation project, the Group has created an intelligent benchmark in the port and terminal fields.

The Group has formed a joint AI smart transportation solution with Baidu in the field of intelligent transportation, and successfully delivered the Huai'an MaaS smart transportation project, helping the customer win the National Science and Technology Demonstration Project Award from the Ministry of Transportation. The MaaS travel solution will also integrate "ERNIE Bot", optimizing passenger Q&A and improving passenger travel experience, allowing travelers to enjoy the precise travel services brought by technology.

3.2.4.4 Intelligent Regulation

During the reporting period, the Group continued to maintain its leading position in the auditing information technology business, focusing on the digital transformation and upgrading of auditing. The projects for BOE and China Post Savings Bank were awarded the Excellent Case of Auditing Digitization and became industry benchmarks. The Group cooperated with the China Academy of Information and Communications Technology in the formulation of national standards related to auditing information technology. The Group's self-developed Auditing Integrated Management Platform and Smart Big Data Auditing System were awarded the Advanced Level in the first batch of auditing digital product technical capability evaluations conducted by the China Academy of Information and Communications Technology. The launch of these two innovative products further solidified the Group's technological advantages in the industry.

In the area of government audit informationization, the Group, in partnership with Longhua District Audit Bureau of Shenzhen and Daya Bay Audit Bureau, has developed advanced audit informationization solutions for county-level audits, expanding its product line in the county-level audit market. The Group has been deeply involved in the consulting planning work for the 14th Five-Year Plan for Audit in Shaanxi Province, laying the foundation for future project construction. In the area of corporate audit, the Group maintains long-term strategic partnerships with financial institutions such as Postal Savings Bank of China and Huaxia Bank, and horizontally expands its audit business to provincial and municipal commercial banks, successfully landing projects in Guangdong Huaxing Bank and Nanjing Bank. The Group has signed a contract to implement the second phase of the audit consultation project for China Huaneng Group, taking a crucial step toward project construction led by audit consultation.

During the reporting period, in the field of social security business, the Group took full responsibility for the development and implementation of the Gold Security Phase II social security fund supervision system project. The social security fund supervision operation and maintenance service business has achieved coverage of more than 80% of provincial nodes, and has upgraded and applied the social security fund supervision system in five provincial nodes of Henan, Zhejiang, Heilongjiang, Jiangsu, and Hunan. In the future, the Group will further expand to other provincial markets.

3.2.4.5 Intelligent Park

During the reporting period, the Group's smart park business saw a 148% year-on-year growth in signed contracts. The Group's self-developed smart park products have been rapidly promoted and applied in industrial parks and hospitals, and have also achieved significant growth in areas such as campuses, buildings, and industrial parks. The Group has built end-to-end full-chain service capabilities from consulting, design, planning, development, integration, implementation to park operation, and provided smart park products and services to important customers such as Mianzhu Industrial Park, Baotou Baiyun Ebo Industrial Park, Yibin First Hospital, Maluan Bay People's Hospital, Neijiang Party School of the Municipal Party Committee, Sichuan Conservatory of Music, Guangfa Bank, Aerospace Science and Technology Intelligent Manufacturing Industrial Park, and TCL Industrial Park.

On the product capability level, the Group added a new module for property management, which can basically meet the needs of customers in industrial parks, communities, commercial complexes, etc. for lease, payment, contracts, and repair requests, enriching the baseline capabilities of the smart park solution. During the reporting period, the Group partnered with Huawei Cloud to jointly develop a smart park solution and explore business opportunities and projects together. At the same time, the Group obtained the Huawei China Enterprise Smart Park Solution Development Partner Certification. In addition, the Group's "Chengdu Medical City Third Medical Innovation Center-Smart Shared Innovation Space" case was selected as one of the "2022 Service Demonstration Cases Top 100", and won the "Business Model Innovation Service Demonstration Case" award.

During the reporting period, the Group became a national integrated service partner for China Mobile's One Park smart park. Facing key provinces and cities across the country, the Group worked with a military training team to reach the government-enterprise market. From sharing business opportunities, jointly creating solutions, providing top-level consulting and design, to expanding projects across the entire ecological domain, the Group worked closely with China Mobile to promote the digital transformation and development of parks. By the end of 2022, over 10 projects had been implemented.

During the reporting period, the Group deepened its cooperation with Baidu Cloud in the fields of smart cities, intelligent customer service, intelligent AI services, intelligent cloud city brain, and other businesses, covering multiple industries such as entertainment, government affairs, industry, water affairs, and finance. Through project cooperation, the Group accumulated capabilities in multiple technology fields of Baidu.

3.2.4.6 Digital Office

During the reporting period, the Group incubated industry solutions in the digital office field for the government, manufacturing, and real estate sectors. The self-developed product, CRSC Content Collaboration Platform (CICCP), completed a comprehensive brand upgrade and released the "Five Forces Model" to activate enterprise content vitality. With a new architecture and innovative design, it won the first prize of the "Innovation Achievement Award" at the 2022 China International Digital Economy Expo (the only national exhibition with the title of digital economy, hosted by the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the People's Government of Hebei Province).

3.3 Digital Transformation

3.3.1 IT Consulting

During the reporting period, the Group collaborated with a top ICT infrastructure and intelligent terminal provider to develop end-to-end customer service solutions and capabilities, from consulting and planning to integration and implementation. The Group successfully implemented collaborative projects with China Mobile Integration in IT consulting, vertical industry consulting, and ICT sales consulting, expanding its digital transformation consulting projects to state-owned enterprises such as Guo Neng Xinkong and CMB International Technology. The Group also explored a full-stack consulting model from consulting to implementation, completing consulting from top-level planning to business design and leading the implementation of projects in the Jin Bangda business planning project and the Shenzhen Gas service project. These projects provided successful practices for advancing new consulting business models.

During the reporting period, the Group continued to deepen its strategic cooperation with Shenzhen Digital City in the areas of digital transformation consulting, big data governance and application services, digital transformation construction, and application service outsourcing. Focusing on the planning and construction of Shenzhen's digital government, state-owned enterprise innovation, and ecological operation, as well as software design, development, and testing, the Group explored a new cooperative model for the development of Shenzhen's IT services with Shenzhen Digital City as the front-end and the company as the back-end.

3.3.2 Enterprise Application Service

In the reporting period, the Group continued to explore and practice the "platform + service" model, deepening cooperation with partners such as Yonyou and Kingdee. It focused on establishing ERP implementation capabilities for medium and large customers and gradually focused on building distinctive capabilities in digital human resources and platform customization. The Group's cooperation with Yonyou covered industries such as energy, manufacturing, finance, healthcare, fast-moving consumer goods, military industry, and public utilities, achieving results in expanding its customer base and earning partner recognition. It became the top-ranked Yonyou diamond partner in comprehensive evaluation. The cooperation with Kingdee covered industries such as energy, manufacturing, finance, and healthcare. The Group signed a strategic cooperation agreement with SAP and became a SAP silver partner. The Group established a SAP BTP service center and joined hands with SAP to serve clients in industries such as petrochemicals, energy, electricity, aerospace, and aviation.

During the reporting period, the Group completed strategic investments in leading service providers in specific areas, including Acorn International and Funnel.io, and introduced mature business management systems. By attracting talent and providing internal training, the Group established a leading team specializing in enterprise application platform services, and is committed to developing solutions in the areas of intelligent finance, digital human resources, supply chain, production manufacturing, digital marketing, technology platforms, and integration, laying a solid foundation for becoming a mainstream supplier of enterprise application platform services in the future.

3.3.3 Software Factory

The Group has leveraged its standardized large-scale customer service capabilities and mature tool platforms accumulated over many years through its "Software Factory" Practice to provide agile, secure, and efficient end-to-end software and hardware development and testing services, empowering enterprise product technology application research and development and digital transformation. During the reporting period, the Software Factory business established a complete management consulting and IT equipment service capabilities, with consulting breakthroughs in China Electronics Corporation, Yonyou, and Beijing Enterprises Water Group. At the same time, the equipment product team worked together with other groups to successfully break through the SF Fungtu, Shanghai Stock Exchange, and Guangdong Mobile projects. The Software Factory has helped clients achieve IT-enabled outsourcing management, improve management efficiency, reduce management errors, and ensure data traceability by providing these two capabilities. At the same time, the Group has achieved a win-win situation from meeting customer needs to improving its own product capabilities. During the reporting period, the Group successfully won the bid for the China Construction Eighth Engineering Bureau's ISC&MBS digital transformation project with its deep accumulation in enterprise digital transformation construction, general-purpose software development and testing, among other fields. The outsourcing management platform OMSP product was successfully selected for the Software Supply Chain Product List of the China Academy of Information and Communications Technology.

3.4 Industrial Internet Platform – Jointforce Platform

During the reporting period, based on the positioning of "Safeguarding Digital China," Jointforce accelerated the construction of a "service + platform + ecosystem" digital end-to-end service model, continued to validate and extend the service points for digital transformation of governments and enterprises, and provided thick customer lifecycle value. Throughout the year, the Group provided 2,317 times end-to-end services for 2,251 projects to 850 government and enterprise customers, involving a project amount of RMB9.8 billion, forming a GTV (Gross Transaction Valve, the digital project amount that generates service revenue) of RMB7.2 billion, and accumulated 77,000 cases and solutions, including 45,000 select cases.

During the reporting period, Jointforce further expanded its focus on cities by adding Wuhan, Changsha, Ningbo, Zhengzhou, Luan, and Yancheng to its existing cities of Suzhou, Nanjing, Chongqing, and Shenzhen, forming a "4+4+2" city focus pattern. Jointforce also established replicable city operation models and new city entry approaches in Changsha, Yancheng, Luan, and Ningbo.

Facing the government market, Jointforce adhered to the path of "bridgehead -> coverage of Party A -> penetration of Party A," expanding the coverage, connection, and service penetration towards bridgehead customers and government budget units. During the reporting period, the Group covered more than 800 government customers from different industries, including party and government organs, public security, medical care, and education, with full-process services. Facing the enterprise market, Jointforce explored the extension path from government to enterprise customers in the "smart transformation and digitalization" market through enterprise diagnosis and other services. Through lightweight services such as commodity price monitoring and supplier sourcing, it covered more than 60 leading customers in industries such as finance, energy, and manufacturing, including China CITIC Bank, China Minsheng Bank, State Grid, Chalco, and Yutong Heavy Industries, gradually building a new market growth point for full-process services in enterprise digital transformation scenarios.

During the reporting period, Jointforce upgraded and optimized its informationization full-process service, extending its service from mature solutions, procurement, construction, and acceptance in project construction to operation, maintenance, and other aspects in the project operation stage, continuously practicing Jointforce's mission to safeguard digital China. Jointforce continued to expand the scope of its safeguarding services, from pure software projects to software-hardware combined projects and digital new infrastructure projects, continuously extending its safeguarding service range. The Group successfully launched project steward services for the IT front-service market and incubated operation steward services for the pan-IT post-service market. Supported by its own internet platform, Jointforce fully achieved online closed-loop service processes and dynamic presentation, constructing a "front-store" - zero-distance steward and a "back-factory" - full resource endowment delivery and operation system, greatly improving the quality and efficiency of full-process service and effectively enhancing its professionalism and customer experience in conjunction with its knowledge accumulation in various information technology fields.

During the reporting period, Jointforce has formed a multi-terminal platform for full-process services based on data platforms, operation mid-ends, and client ends. Targeting government and enterprise customers, Jointforce has launched a client mobile service platform that provides one-stop project full-process services for customers via mobile phones, serving as a personal assistant for customers. By presenting project progress, key risk points, inspection reports, and problem scheduling in an easy-to-understand way, the platform has significantly improved customer stickiness. Jointforce has also launched a full-process service operation mid-end, providing a process-oriented and proceduralized operational scheduling and empowering mid-end for service experts, project managers, and partners. Through an efficient SOP work order engine and empowerment tools on the platform, service efficiency and quality have been significantly improved, and a customer VOC response mechanism has been established, continuously enhancing customer satisfaction.

During the reporting period, Jointforce closely followed the development direction of key businesses and continuously enhanced the platform data capabilities based on the knowledge graph by integrating industry standards and business data. Currently, Jointforce has extracted and characterized 181 million real project cases. For both parties, it has accumulated and characterized information for 450,000 client units with more than 35 dimensions, and characterized 480,000 supplier units with more than 210 dimensions. It has also characterized 2.96 million information technology projects and formed a software industry dictionary (tag system) with more than 670 major categories and 5,200 minor categories.

During the reporting period, Jointforce accelerated its focus on and cultivation of the "ammunition depot" ecosystem for vertical ISVs. In the process of serving government and enterprise clients, Jointforce formed more than 2,300 deep connections with ISVs in key business sectors, and extracted corresponding cases and solutions. Leveraging case data, management standards, and best practices, Jointforce focused on key aspects of customer project construction, continuously accumulated knowledge in areas such as process applications, trigger signals, third-party application rules, and data analysis templates, and provided digital project construction guidelines, which were highly recognized by customers.

3.5 Digital Operation

During the reporting period, the Group continued to maintain stable partnerships with multiple clients, including Tencent, Meituan, CCTV, JD.com, KuGou, Xiaohongshu, and Xiaomi, with service types continually expanding to achieve full coverage of audit services. The Group independently developed a qualification audit system in the content audit field, ensuring excellent performance in various business SLAs. Among them, the SLAs for Tencent Video Number audit and Tencent Video Standard audit continued to rank first among suppliers.

During the reporting period, Meituan's offshore business maintained a leading position, and was honored as an "A-level service provider". Cooperation with JD.com continued to deepen, expanding into multiple businesses such as book review, information cleaning, and qualification review. The Group's information processing delivery center is centered in Dalian and radiates to multiple regions such as Ma'anshan, Chengdu, and Chongqing, continuously building delivery capabilities. In the areas of quality management and training management, the Group has initially formed an ability-based delivery product system. Through a high-quality business development layout, it has helped customers quickly implement their business.

During the reporting period, the Group made a deep layout in the call center customer service business and obtained the certification for domestic call center service qualifications.

3.6 Software and Technology Services

3.6.1 Finance

During the reporting period, the Group's financial business showed steady growth. On one hand, it achieved significant breakthroughs in business volume and cooperation areas with state-owned and joint-stock large banks, large insurance companies and other top customers. On the other hand, it added more than 50 new customers, including domestic and foreign banks, insurance, securities, finance and asset management companies. Under the pressures of global economic slowdown, pandemic impact, and strong financial regulation, the Group increased efforts to explore customer needs and expand business boundaries. While maintaining the basic business, the Group also innovated and strived to break through in areas such as digital innovation, green finance, supply chain finance, and inclusive finance, achieving overall growth against the trend.

In regards to domestic financial clients, the Group successfully entered into the annual service framework of multiple state-owned banks, joint-stock commercial banks, large insurance institutions, state-owned trust companies, asset trading and asset management institutions, covering different service directions such as operation and maintenance, testing, and technical development. The Group also successfully broke through strategic enterprise architecture projects in some major clients, becoming a major consultant and construction partner for the digital transformation of banking institutions.

In terms of foreign financial business, the Group has seized the opportunity of the development of the Greater Bay Area, deepened its cultivation in the Hong Kong region, relied on Singapore and Malaysia to radiate Southeast Asian financial IT companies, and continuously increased its efforts to expand large clients in Japan. The Group has cooperated with many global financial institutions, providing them with high-quality offshore delivery and cloud, data, and other solutions services, and continuously accumulating new solutions. It has created benchmark cases in the fields of cloud-native and big data.

3.6.2 Telecommunications

During the reporting period, the Group continued to deepen its business with China Mobile and China Telecom, the two major telecommunications operators in China, and steadily promoted its business with major equipment manufacturers and electronic device manufacturers.

In cooperation with China Mobile, the Group has deepened its cooperation with China Mobile and signed five strategic cooperation customers including China Mobile's government and enterprise headquarters, China Mobile System Integration Co., Ltd., and Jiangsu Mobile Co., Ltd. The Group has also entered into 31 DICT shortlist cooperative projects. Through platform co-creation with China Mobile's professional companies, the Group successfully signed 18 projects for smart cities, smart parks, smart communities, and smart factories. The Group provided integrated delivery services based on the OneNET urban IoT platform for China Mobile IoT Company, supporting the platform's project delivery at scale. It also provided pre-sales solution services based on the OneCyber 5G private network platform to support the development of the industrial IoT market, and provided ecological aggregation services based on the OnePark platform, and collaborated in top-level planning, design, and surveying in the park. The Group won the bid for the localization and implementation services framework of China Mobile System Integration's self-developed product, as well as the operation support service project for multiple subsidiaries of MIGU. For the first time, the Group broke through to win the bid for the 2022-2023 ICT project sales and after-sales autonomous integration support service project for Guangdong Mobile Company.

In cooperation with China Telecom, the Group's share of IT service business continued to maintain first place. The Group's business share in Tianyi E-commerce (Tiancheng Financial), Tianyi Cloud Technology Co., Ltd. (Telecom Cloud), Tianyi IoT, China Telecom Smart Company, Zhongdian Hongxin, and Gansu Wanwei continued to expand, and further breakthroughs were made in cooperation with Gansu Huabai Company.

The Group achieved business breakthrough by signing a new contract with China Tower as a customer, and took on the construction of the important core system PMS system for the tower, while also breaking through to support projects for China Satcom and its subsidiaries, and winning the bid for the China Unicom Online Company support project as the first-ranked bidder.

In the area of cooperation with major equipment manufacturers, the Group continued to maintain its position in the first tier of market share among key customers such as Datang, FiberHome, and Dingqiao. With a focus on 5G devices, the 5G + AIoT industry chain achieved stable growth in core business areas of important customers, and diversified and comprehensive cooperation was carried out in the government and enterprise market around 5G and digital transformation. In the field of general electronic equipment manufacturers, the Group broke through key customers such as Guanghetong, Huaqin, and Maiteng Electronics, and continued to expand its scale in the field of smart wearables. In the energy sector, the Group achieved breakthroughs with customers such as Fangtian Electric Power and Mingsheng Electric Power. Through in-depth cooperation in areas such as clean energy power generation management, power generation control, and electricity billing, the Group has helped customers achieve a leading position in energy conservation and intelligent power generation.

3.6.3 Internet

During the reporting period, the Group's cooperation with Tencent-related businesses continued to develop steadily, with comprehensive cooperation in areas such as Tencent Games, Video Account, Live Streaming, Tencent Maps, and Tencent Medical Dictionary. The Group continued to deepen its cooperation in the field of game art, establishing close cooperation relationships with well-known studios such as Tianmei and Photon. The cooperation in the Tencent Music field continued to deepen. To adapt to Tencent's business development, the Group established offshore delivery centers in Changsha and Wuhan, laying the foundation for obtaining more business opportunities. Based on Tencent Cloud, the Group developed customized service development capabilities and delivered multiple customized development projects.

During the reporting period, the Group's business cooperation with Alibaba continued to expand and cover major digital business segments in China and overseas, and established partnerships with multiple post-investment companies. During the reporting period, the Group's capabilities in internet financial services continued to improve, and it established a deep cooperation relationship with an internationally renowned financial payment service provider, with business landing in Beijing and Nanjing.

During the reporting period, the Group's business with JD.com continued to grow, covering JD Technology, retail, logistics, industry, and other areas. The Group signed an ecological strategic agreement with JD Technology and successfully delivered projects in national governance and B2B cross-border e-commerce. The Group was awarded with the title of Excellent Strategic Cooperation Partner by JD Technology.

During the reporting period, Baidu's business continued to grow steadily, with its services covering multiple business areas within the Baidu ecosystem. Baidu also formed an AI smart travel joint solution with Baidu IDG in the field of intelligent transportation.

During the reporting period, ByteDance achieved significant growth in its business, with 80% of its business and geographical coverage. The Group diversified its business cooperation model and entered into partnerships in independent project delivery, BPO, and other areas.

3.6.4 *Hi-Technology*

During the reporting period, the Group engaged in in-depth cooperation with Honor Terminal Business and Honor clients comprehensively, providing comprehensive support for the development of Honor's series of products, including the Magic V foldable flagship and the Magic all-around flagship, and the release of the MagicOS 7.0 system. The Group's contributions have greatly assisted Honor in building a full-scenario intelligent ecological blueprint and a global strategic layout for the brand.

In 2022, both traditional and new business areas in the smart IoT industry achieved scale development. The Group made significant breakthroughs in key customer projects such as Guoqi Zhidian, Smiths, and Hongqi Electric Power, laying a solid foundation for future breakthroughs. The Group also deepened and strengthened its business cooperation with SZ Kai Hong, starting with the government affairs network, and opening up new business opportunities for the company.

3.6.5 *Energy*

During the reporting period, the Group achieved key breakthroughs in the central state-owned enterprise sector and successfully developed business relationships with major central state-owned enterprise customers such as PetroChina, Sinopec, State Grid Corporation of China, China Energy Engineering Corporation, and China National Nuclear Corporation. In the energy industry, the Group achieved breakthrough progress in the Kunlun Digital Business of PetroChina, covering smart oil and gas fields, intelligent storage and transportation, intelligent refining and other fields, and achieved the top ranking in the annual comprehensive ranking of suppliers. In the future, the Group will continue to enhance the scope and depth of cooperation with PetroChina. The breakthroughs in business with PetroChina and Sinopec have laid a solid foundation for the Group to become a mainstream supplier to the energy industry's central state-owned enterprises. In the power industry, the Group won the bid for the annual framework business of State Grid Information & Telecommunication Co., Ltd., established a cooperation channel with State Grid Nanrui, and laid a solid foundation for consolidating its capabilities in the power industry. In the construction industry, the Group achieved the first place in supplier share and customer satisfaction in China Energy Engineering Corporation East China Institute and will deepen cooperation in domestic and international business expansion.

3.7 Huawei

The Group continued to prioritize "customer-centricity", deepening strategic cooperation with SKA customers and standing firmly with Huawei through thick and thin, working together in critical moments. With Huawei Cloud, the Group celebrated five years of partnership, maintaining a leading position in the Huawei Cloud market, building products and an ecosystem together. In the field of Harmony OS, the Group closely followed the joint efforts Shen Kaihong and Yiwangtong to expand the smart IoT market, providing full-scene smart solutions based on Harmony technology. In the outsourcing field, the Group responded quickly to changing customer demands, strengthening its elastic management capabilities, improving individual productivity, establishing a customer-recognized certification system for employees, and implementing a trainable business model in the circular economy domain, following the "Five-in-One" positioning.

The Group built an expert system in the fields of cloud CTSP and others, forming a complementary professional capability cooperation with customers. In CBG IT and process IT, the Group carried out product co-creation and guarding pilots to create products that meet customer quality requirements. In the GTS, Huawei Cloud, and enterprise services fields, the Group worked on DSV cooperation projects with Huawei products. At the same time, the Group combined with the capability center to identify five self-developed products and solutions, gradually put them on the service catalog, and realized service extension and joint creation. In the terminal field, the Group continued to deepen cooperation, fully supporting the release of HarmonyOS from version 1.0 to 3.0, supporting more than 300 million installations of the HarmonyOS system, and the initial formation of the HarmonyOS ecosystem. The Group fully assisted the release of popular models such as the WEY M5 EV and M7, and helped Huawei achieve a new layout in the new energy vehicle industry by supporting the launch of mainstream models such as Changan Ovital, GAC Aion, and BAIC Arcfox.

The Group followed the FFW strategy and systematically built a cost optimization model along the end-to-end service value stream. This was achieved by optimizing end-to-end costs based on service scenarios, personnel supply, efficiency, and capability. The Group also implemented fine-grained management and personnel turnover control based on MSD-H and IHSC mobility, which further reduced losses and strengthened the digital talent pipeline. Information security, risk management, and trustworthy management were integrated into business processes to ensure timely handling of critical events and enhance management maturity and compliance awareness. Lastly, The Group also built and optimized process-oriented organizations to ensure continuous high-performance supplier evaluation.

In 2022, the Group experienced steady business growth, with revenue increasing by 8.7% year-on-year and service revenue growing by 7.5% year-on-year. However, profit declined by 33.2% year-on-year, and the profit attributable to the Group's owners also decreased by 33.2% year-on-year. Basic EPS saw a year-on-year decline of 36.1%.

	2022 RMB'000	2021 RMB'000	% Increase (decrease) over the same period last year
Revenue	**20,005,171**	18,398,076	8.7%
Service revenue	**19,489,625**	18,132,013	7.5%
Profit for the year	**758,829**	1,136,690	(33.2%)
Profit for the year attributable to owners of the Company	**759,441**	1,136,911	(33.2%)
Basic earnings per share *(cents)*	**26.11**	40.89	(36.1%)

KEY OPERATING DATA

	2022 RMB'000	2021 RMB'000	% Increase (decrease) over the same period last year
Revenue	**20,005,171**	18,398,076	8.7%
Service revenue	**19,489,625**	18,132,013	7.5%
Cost of sales and services	**(15,405,001)**	(13,493,835)	14.2%
Gross profit	**4,600,170**	4,904,241	(6.2%)
Other income	**347,953**	419,280	(17.0%)
Loss from derecognition of financial assets measured at amortised cost	**(2,740)**	(5,515)	(50.3%)
Impairment losses under expected credit loss model, net of reversal	**(89,451)**	(111,735)	(19.9%)
Other gains or losses	**34,447**	151,595	(77.3%)
Selling and distribution costs	**(948,868)**	(943,469)	0.6%
Administrative expenses	**(1,682,638)**	(1,755,654)	(4.2%)
Research and development costs	**(1,238,035)**	(1,249,325)	(0.9%)
Other expenses	**(55,210)**	(47,588)	16.0%
Finance costs	**(113,212)**	(99,557)	13.7%
Share of results of investments accounted for using the equity method	**(22,534)**	(10,196)	121.0%
Profit before taxation	**829,882**	1,252,077	(33.7%)
Income tax expense	**(71,053)**	(115,387)	(38.4%)
Profit for the year	**758,829**	1,136,690	(33.2%)
Profit for the year attributable to owners of the Company	**759,441**	1,136,911	(33.2%)
Basic earnings per share (cents)	**26.11**	40.89	(36.1%)

GENERAL OVERVIEW

In 2022, faced with the complex challenges of the centennial changes and the unprecedented COVID-19 pandemic, the Group adhered to the principle of steady progress and maintained strategic stability. The Group actively adopted various measures to cope with and reduce the impact of internal and external environmental shocks on its business, achieving a counter-trend growth in revenue. The Group has successfully entered the top 80 in Gartner's global IT service market share ranking, demonstrating the value of the Group as a leading Chinese IT service provider.

During the reporting period, the Group joined forces with SZ Kai Hong Digital Industry Development Co., Ltd. (referred to as "SZ Kai Hong") to jointly release the "(1+1)×N" strategy. The strategy leverages the innovative capabilities of the OpenHarmony technology platform and the digital ecosystem construction capabilities, to continuously develop one new universal IoT operating system and one super terminal management platform, and to enable the intelligent IoT construction needs of N industries. To quickly implement the strategy, the Group established an IoT military division, accelerated the landing of the Honglian Creation Camp, and created a strong force for the construction of the OpenHarmony ecosystem, becoming a pioneer in OpenHarmony's intelligent IoT business.

During the reporting period, the scale of the Group's cloud intelligence business continued to grow. The cloud intelligence business adhered to the strategic positioning of "moving to the cloud, managing the cloud, cloud-native, understanding the cloud, being knowledgeable, and gathering the ecosystem," and continued to deepen its strategic cooperation with Huawei Cloud. The Group became one of the first cooperative partners in the Huawei Government Cloud Alliance, while also developing industry groups in the energy, power, and rail transit sectors. At the same time, the Group continued to promote the implementation of a multi-cloud strategy. In addition to expanding the distribution of public cloud offerings, the Group actively promoted joint solutions in the field of hybrid cloud, accelerating the development of a product matrix that covers the full range of digital transformation scenarios, including digital government, smart hospitals, smart education, intelligent manufacturing, and smart parks. The Group expanded its customer base and leveraged the power of its ecosystem to empower all walks of life, helping China to lead the world in the digital society and digital economy.

During the reporting period, the Group actively seized the window of opportunity for the localization and digital transformation of large state-owned enterprises, firmly committed to the direction of Enterprise Application Service (EAS) business. The Group reached customers in industries such as petrochemicals, energy, power, aviation, and aerospace, co-created Chinese localized solutions, and participated deeply in the localization process of research and development, production, and sales, building an end-to-end full-stack service capability. The Group explored the "platform + consulting + service" model for ERP implementation around mid-to-large-sized customers, deepened its cooperation with partners such as Yonyou, Kingdee, and SAP, and established ERP implementation capabilities for mid-to-large-sized customers. The Group completed investments in companies such as Elitesland and Fenxiangpinke, and introduced mature business management systems.

During the reporting period, Jointforce accelerated the development of a digital end-to-end service model based on its positioning of "safeguarding the digitization of China," focusing on serving government and enterprise customers and verifying and extending the service points throughout the entire digital process, in order to deliver full-lifecycle value to its customers. Jointforce further expanded its presence in urban areas and leveraged its own internet platform to build a delivery and operation system that connects the "front store" - with zero-distance butlers - and the "back factory" - with full resource empowerment. The Group fully realized online closed-loop service processes and dynamic presentation, embodying the mission of Jointforce in safeguarding the digitization of China.

During the reporting period, the Group continued to deepen its FFW (From, For, With) strategy, creating end-to-end customer service solutions and capabilities from consulting to delivery. The Group's financial business grew steadily, adding more than 50 new customers, including domestic and foreign banks, insurance companies, securities firms, financial and asset management institutions. The Group seized the development opportunities in the Greater Bay Area, deeply cultivated the Hong Kong region, and relied on Singapore and Malaysia to expand its reach to financial IT companies in Southeast Asia. The Group also expanded its business with large Japanese customers and provided high-quality solution services to multiple global financial institutions.

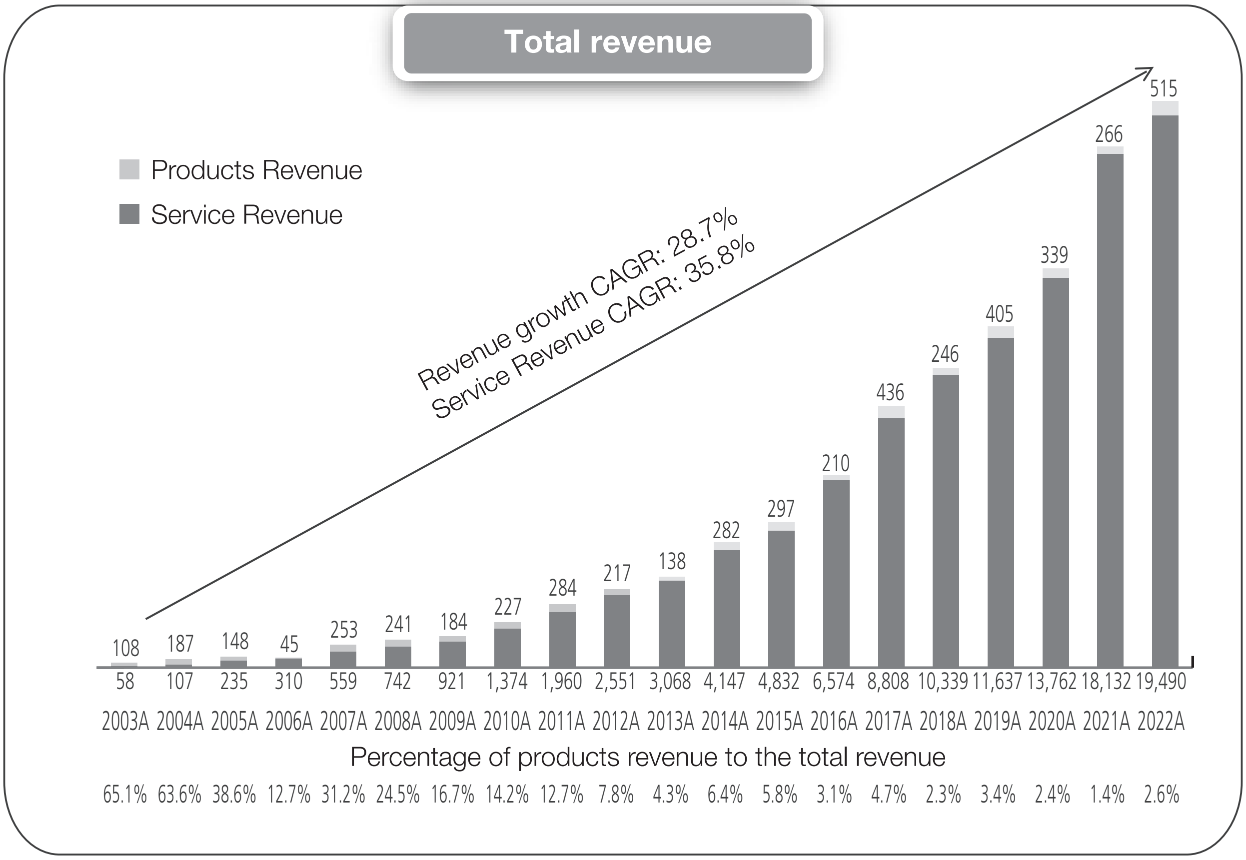
During the reporting period, the Group continued to deepen its relationships with China Mobile and China Telecom, and steadily promoted its business with major equipment and electronics manufacturers. The Group signed five new strategic customers with China Mobile and added 31 new cooperative partners to the DICT shortlist. The Group also won the bid for the 2022-2023 ICT project support and integration service project for Guangdong Mobile for the first time. The Group's IT services for telecom operators continued to grow steadily, expanding its market share and winning its first customer from China Tower.

During the reporting period, the Group continued to deepen its presence in the internet industry, maintaining a leading position in the business of major customers such as Tencent, Alibaba, and Baidu, while continuously expanding its customer base to include well-known internet companies such as JD, ByteDance, and Meituan. The Group explored customer business scenarios in depth and accumulated practical experience in digital operational services.

During the reporting period, the Group focused on the automotive industry, achieving rapid growth in its automotive business. The software factory achieved substantial progress in the automotive field in 2022, creating numerous benchmark projects in the automotive industry. The Group successively won business from mainstream automakers such as FAW Group, Lotus, Jike, and Zhongqi Chuangzhi, and helped automotive customers achieve successful digital transformations through its three main businesses of management consulting, IT equipment, and large-scale outsourcing.

In 2023, despite the unpredictable external environment, with the optimization and adjustment of domestic epidemic prevention and control measures, the Chinese economy is beginning to recover rapidly. The Group will continue to be confident, guided by strategic planning, anchor its capabilities and market share with key strategic customers, jointly build China's solutions for innovation in key basic industries, rely on core technologies, and build, cultivate, and accumulate full-stack service capabilities around main business channels. The Group will penetrate more extensively into the digital transformation market by deepening its presence in industries, and continue to work towards the goal of becoming a leading technology-driven IT service company with global leadership.

The Group has maintained high-speed growth in revenue and service revenue since its listing on the Growth Enterprise Market in 2003. From 2003 to 2022, the compound annual growth rate (CAGR) of revenue was 28.7%, and the CAGR of service revenue was 35.8%. Please refer to the chart below for details:



CUSTOMERS

The Group's customers are located around the world, including the Asia-Pacific, North America, Europe, and Latin America regions, in addition to the Greater China area. The Group has a significant market share in mainstream industries in China, especially in finance, internet, telecommunications, high-tech, and government sectors. In 2022, the service revenue from the top five customers accounted for 66.2% of the Group's total service revenue, and the service revenue from the top ten customers accounted for 73.3% of the Group's total service revenue.

In 2022, the Group had 2,394 active customers, and 192 large customers with service revenue exceeding RMB6 million.

MARKET

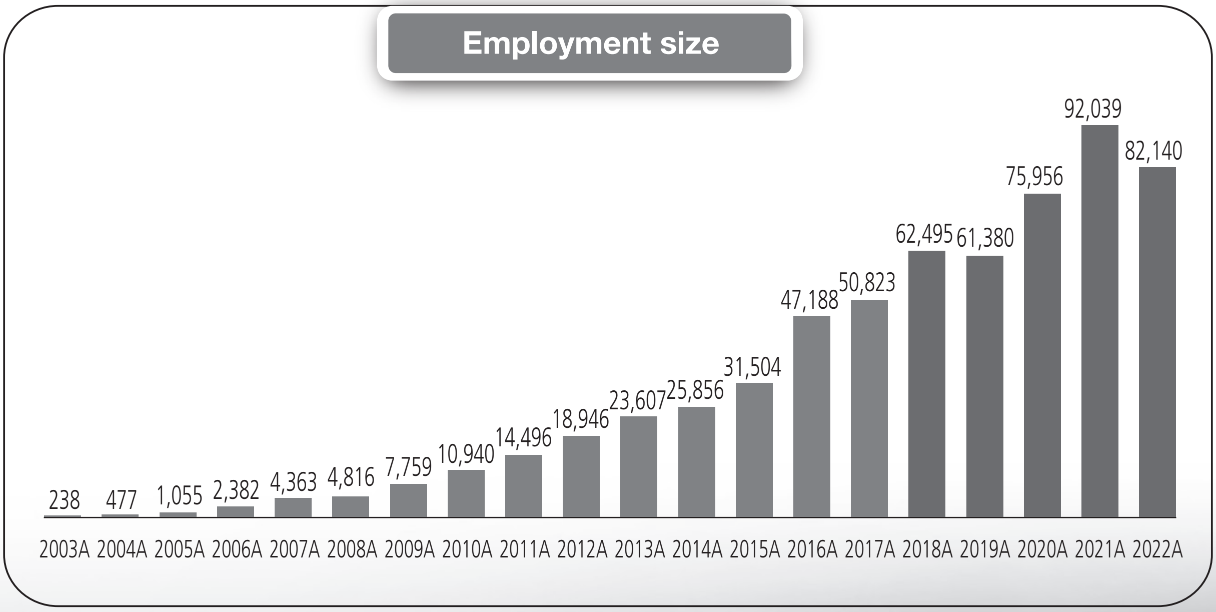
During the reporting period, the Group's business mainly focused on the Greater China area, which continues to offer significant market potential and growth opportunities for the Group. The Group has long-term partnerships with Fortune 500 customers such as Honor, Tencent, Ping An, Alibaba, China Mobile, Baidu, a global financial institution, and a top-tier ICT infrastructure and intelligent terminal provider in the industry. The Group has provided information technology services to customers in 47 countries worldwide and accumulated a wealth of experience in serving international customers. Taking advantage of the digital "Belt and Road" initiative, the Group will continue to expand overseas, combining product and industry partnerships with the top-tier ICT infrastructure and intelligent terminal provider in the industry, and further strengthening its global service network on the basis of existing global strategic centers in China, the United States, Japan, India, Singapore, and Malaysia. The Group aims to become a leading international IT service provider and establish China's influence on the global IT industry.

HUMAN RESOURCES

As of the end of 2022, the Group's total number of employees reached 82,140, representing a 10.8% decrease compared to the total number of employees of 92,039 as of the end of 2021. The average total number of employees for the reporting period was 87,090, representing a 3.7% increase compared to the average of 83,998 for the same period last year. The decline in the number of employee at the end of the year was mainly due to the fluctuations of the company's major customers. In addition, it was also related to the group's strategic transformation focusing on high-value projects and not expanding low-value projects.

As of the end of 2022, the total number of technical personnel in the Group reached 78,221, accounting for 95.2% of the total number of employees. Among them, the number of project managers, consulting advisors, and senior engineers reached 27,490, accounting for 35.1% of the total number of technical personnel in the Group.

Since the Group was listed on the Growth Enterprise Market in 2003, its business has been expanding, except for a decrease in staff during the reporting period, the staff size has maintained rapid growth on a year-on-year basis. Please refer to the chart below for details:



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2021 and 2022:

	2022 RMB'000	% of revenue	% of service revenue	2021 RMB'000	% of revenue	% of service revenue
Revenue	20,005,171	N/A	N/A	18,398,076	N/A	N/A
Service revenue	19,489,625	N/A	N/A	18,132,013	N/A	N/A
Cost of sales and services	(15,405,001)	(77.0%)	(79.0%)	(13,493,835)	(73.3%)	(74.4%)
Gross Profit	4,600,170	23.0%	23.6%	4,904,241	26.7%	27.0%
Other income	347,953	1.7%	1.8%	419,280	2.3%	2.3%
Loss from derecognition of financial assets measured at amortised cost	(2,740)	(0.0%)	(0.0%)	(5,515)	(0.0%)	(0.0%)
Impairment losses under expected credit loss model, net of reversal	(89,451)	(0.4%)	(0.5%)	(111,735)	(0.6%)	(0.6%)
Other gains or losses	34,447	0.2%	0.2%	151,595	0.8%	0.8%
Selling and distribution costs	(948,868)	(4.7%)	(4.9%)	(943,469)	(5.1%)	(5.2%)
Administrative expenses	(1,682,638)	(8.4%)	(8.6%)	(1,755,654)	(9.5%)	(9.7%)
Research and development costs	(1,238,035)	(6.2%)	(6.4%)	(1,249,325)	(6.8%)	(6.9%)
Other expenses	(55,210)	(0.3%)	(0.3%)	(47,588)	(0.3%)	(0.3%)
Finance costs	(113,212)	(0.6%)	(0.6%)	(99,557)	(0.5%)	(0.5%)
Share of results of investments accounted for using the equity method	(22,534)	(0.1%)	(0.1%)	(10,196)	(0.1%)	(0.1%)
Profit before taxation	829,882	4.1%	4.3%	1,252,077	6.8%	6.9%
Income tax expense	(71,053)	(0.4%)	(0.4%)	(115,387)	(0.6%)	(0.6%)
Profit for the year	758,829	3.8%	3.9%	1,136,690	6.2%	6.3%
Profit for the year attributable to the Owners of the Company	759,441	3.8%	3.9%	1,136,911	6.2%	6.3%

REVENUE

In 2022, the Group's revenue was RMB20,005.171 million (2021: RMB18,398.076 million), an increase of 8.7% YoY. In 2022, service revenue was RMB19,489.625 million (2021: RMB18,132.013 million), an increase of 7.5% YoY. The growth was mainly driven by the robust growth in Internet, telecommunications, and financial services, as well as the high-speed growth in cloud and intelligent businesses.

TPG and IIG's revenue and proportion of total revenue in 2022 are as follow:

	2022 RMB'000	**Weight**	2021 RMB'000	Weight	Growth *rate*
TPG	**17,930,401**	**89.6%**	16,622,352	90.3%	7.9%
IIG	**2,074,770**	**10.4%**	1,775,724	9.7%	16.8%
Total	**20,005,171**	**100%**	18,398,076	100%	8.7%

The Group's revenue includes the cloud resource resale business, which recognizes revenue on a net basis. The procurement amount for this business was RMB1,550.669 million in 2022. The Group's revenue in 2022 was RMB20,005.171 million, which has been reduced by the cloud resource procurement amount of RMB1,550.669 million, resulting in a total amount before deduction of RMB21,555.840 million.

COST OF SALES AND SERVICES

In 2022, the Group's cost of sales and services were RMB15,405.001 million (2021: RMB13,493.835 million), a year-on-year increase of 14.2%. In 2022, the proportion of the Group's sales and service costs to revenue was 77.0% (2021: 73.3%), a year-on-year increase of 3.7%.

GROSS PROFIT

In 2022, the Group's gross profit was RMB4,600.170 million (2021: RMB4,904.241 million), a year-on-year decrease of 6.2%. The gross profit margin for 2022 was 23.0% (2021: 26.7%), a year-on-year decrease of 3.7%. The proportion of the Group's gross profit to service revenue was 23.6% in 2022 (2021: 27.0%), a year-on-year decrease of 3.4%. The decrease in gross profit margin during the reporting period was mainly due to the impact of the COVID-19 pandemic and fluctuations in demand from major customers leading to an increase in one-time costs, which caused a decline in the Group's profit during the reporting period.

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

(1) We will continue to increase the proportion of high-margin and high-output-per-employee businesses, expand our cloud services and solutions, and integrate our capabilities with Huawei Cloud. Working closely with the information infrastructure of Xinchuang (innovative industry of information technology application) solution, we will focus on key industries such as government, finance, manufacturing, transportation, and energy, with a focus on core areas such as operating systems, cloud computing, databases, toolchains, and ERP.

(2) We will leverage AIGC technology to improve the efficiency of code generation and empower our software factory to improve quality and efficiency.

(3) We will ensure the five-star quality of our foundational businesses and continue to turn quality into value. We will strengthen our system building and achieve leapfrog development of our organization.

OTHER INCOME

In 2022, the other income of the Group was RMB347.953 million (2021: RMB419.280 million), a decrease of 17.0% year-on-year, mainly due to the decrease in government subsidies during the reporting period compared to the previous year.

OTHER GAINS OR LOSSES

In 2022, the Group's other gains were RMB34.447 million (2021: RMB151.595 million), mainly due to exchange gains resulting from fluctuations in the HKD-RMB exchange rate during the reporting period. Additionally, in 2021, the Group's sale of subsidiary Catapult resulted in investment gains, which led to a significant increase in other gains for the year.

OPERATING EXPENSES

In 2022, the sales and distribution costs of the Group were RMB948.868 million (2021: RMB943.469 million), an increase of 0.6% year-on-year. In 2022, the sales and distribution costs accounted for 4.7% of the revenue (2021: 5.1%), a decrease of 0.4% year-on-year.

In 2022, the Group's administrative expenses were RMB1,682.638 million (2021: RMB1,755.654 million), a decrease of 4.2% year-on-year. In 2022, administrative expenses accounted for 8.4% of the revenue, a decrease of 1.1% compared to 9.5% in 2021. This was mainly due to a decrease in share-based payments compared to the previous year.

In 2022, the Group's R&D expenses amounted to RMB1,238.035 million (2021: RMB1,249.325 million), a decrease of 0.9% YoY. R&D expenses accounted for 6.2% of the Group's revenue in 2022, a decrease of 0.6% compared to 6.8% in 2021. The total amount of R&D expenditure remained relatively stable compared to last year.

FINANCE COSTS AND INCOME TAX

In 2022, the financial expenses of the Group amounted to RMB113.212 million (2021: RMB99.557 million), representing an increase of 13.7% YoY. The ratio of financial expenses to revenue was 0.6%, up 0.1% from 0.5% in 2021.

In 2022, the Group's loss from derecognition assets measured at amortized cost amounted to RMB2.740 million (in 2021: RMB5.515 million), a decrease of 50.3% year-on-year.

In 2022, the Group's income tax was RMB71.053 million (RMB: 115.387 million), a decrease of 38.4% YoY. The effective tax rate for 2022 was 8.6%, a decrease of 0.6% compared to 9.2% in 2021. The decrease was mainly due to the increase in income tax cost during the reporting period in 2021 caused by the sale of subsidiary Catapult, as well as the decline in the Group's profit during the reporting period leading to a significant decrease in income tax cost.

OTHER NON-CASH EXPENSES

In 2022, the Group's other expenses were RMB55.210 million (2021: RMB47.588 million), an increase of 16.0% year-on-year. Other expenses accounted for 0.3% of revenue, which remained the same level as last year.

In 2022, the impairment loss under expected credit loss model, net of reversals, was RMB89.451 million (2021: RMB111.735 million), a decrease of 19.9% year-on-year.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2022, the Group had a total of available cash balance (the sum of bank balances and cash, term deposits, and pledged deposits) of RMB5,112.410 million (RMB5,578.368 million in 2021).

In 2022, the Group's net current assets amounted to RMB10,047.236 million (2021: RMB9,534.026 million). The current ratio (i.e., the ratio of current assets to current liabilities) in 2022 was 3.8, up 0.4 from 3.4 in 2021.

In 2022, the Group's borrowings amounted to RMB1,928.531 million (2021: RMB1,938.291 million). The net debt ratio was calculated by dividing the borrowing amount (borrowings and convertible notes minus cash and cash equivalents, including bank balances and cash, term deposits, and pledged deposits) by the total equity. The Group's cash and cash equivalents were higher than its borrowings in both 2022 and 2021, resulting in a negative net debt ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2022, the Group achieved a profit of RMB758.829 million (2021: RMB1,136.690 million), a year-on-year decrease of 33.2%. The net profit margin for 2022 was 3.8% of revenue (2021: 6.2%), a year-on-year decrease of 2.4%. The net profit margin for 2022 was 3.9% of service revenue (2021: 6.3%), a year-on-year decrease of 2.4%.

In 2022, the Group's profit attributable to the owners of the Company was RMB759.441 million (2021: RMB1,136.911 million), a decrease of 33.2% compared to the previous year.

Based on profit attributable to the owners of the Company, the Group's basic EPS for the year 2022 was RMB26.11 cents (2021: RMB40.89 cents), representing a decrease of 36.1% year-on-year.

SEGMENT REVENUE AND RESULTS

In 2022, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2022	2021	Growth Rate	**2022**	2021	Growth Rate
	RMB'000	RMB'000		**RMB'000**	RMB'000	
TPG	**17,930,401**	16,622,352	7.9%	**797,998**	1,209,519	(34.0%)
IIG	**2,074,770**	1,775,724	16.8%	**175,316**	147,939	18.5%
Total	**20,005,171**	18,398,076	8.7%	**973,314**	1,357,458	(28.3%)

In terms of segment revenue, the TPG achieved a YoY growth of 7.9%, mainly driven by robust growth in Internet, telecommunications, and financial services. The IIG achieved a YoY growth of 16.8%, mainly driven by rapid growth in cloud services.

In terms of segment results, the TPG's performance decreased by 34.0% YoY, mainly due to fluctuations in demand from major customers and the impact of the COVID-19 pandemic, leading to a decline in the Group's profit and business gross profit margin. The IIG's performance increased by 18.5% YoY, mainly due to a reduction in bad debt provisions compared to the same period last year.

The Group believes that, by seizing the opportunity of industry innovation and restructuring, and leveraging the power of AI technology, the Group's business structure will continue to improve, and profitability will gradually increase in the year ahead, taking advantage of the digital economy and information and communication technology trends.

FUNDRAISING ACTIVITIES

During the current 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 2022**	**Expected time of utilisation** (Note)
Approximately HK$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK$400 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$388 million to be for the intended use	Before 31 December 2023
Approximately HK$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK$175 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$613 million to be for the intended use	Before 31 December 2023
Approximately HK$394 million	For general working capital of the Company	Approximately HK$394 million were used for general working capital of the Company	–	–

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

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. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2022 to 31 December 2022, except for the following deviations as explained:

(i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

(ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2022 in Hong Kong (the “2021 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the quarantine restrictions against COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2021 AGM.

(iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2021 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board member who attended the 2021 AGM was available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

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 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

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
Mrs. Gavriella Schuster *(resigned on 30 April 2022)*

Independent non-executive directors:
Mr. Zeng Zhijie
Dr. Lai Guanrong
Professor Mo Lai Lan

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 A.1.1 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 2022, 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	3/4	0/1
Dr. He Ning	4/4	0/1
Dr. Tang Zhenming	4/4	0/1
Non-executive Directors		
Dr. Zhang Yaqin	4/4	0/1
Mr. Gao Liangyu	4/4	0/1
Mrs. Gavriella Schuster	2/2*	0/0*
Independent Non-executive Directors		
Mr. Zeng Zhijie	4/4	0/1
Dr. Lai Guanrong	4/4	0/1
Professor Mo Lai Lan	4/4	1/1

* *Only the meeting held during his/her 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 three 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. Among the three independent non-executive Directors, 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.

Mr. Zeng Zhijie was appointed on 21 April 2003 and has served as an independent non-executive Director for more than nine years. Pursuant to code provision A.4.3 of the CG Code, having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence. Mr. Zeng Zhijie have not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Board considers Mr. Zeng Zhijie to be independent under the Listing Rules despite the fact that they have served the Company for more than nine years.

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 A.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.

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 2023, the board of Directors resolved that Dr. Chen Yuhong, Mr. Zeng Zhijie and Prof. Mo Lai Lan 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.

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.

During the period from 1 January 2022 to 30 April 2022, the Board comprises seven male directors (representing 77.8% of the Board) and two female directors (representing 22.2% of the Board). During the period from 1 May 2022 to 31 December 2022 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 A.6.5 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 2022, all Directors namely Dr. Chen Yuhong, Dr. He Ning, Dr. Tang Zhenming, Dr. Zhang Yaqin, Mr. Gao Liangyu, Mrs. Gavriella Schuster, Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan 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 2022.

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.

During the period from 1 January 2022 to 31 December 2022, the Remuneration Committee comprised four Directors namely Dr. Lai Guanrong as the Chairman of the Remuneration Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie and Professor Mo Lai Lan as the members of the Remuneration Committee. Dr. Chen Yuhong is an executive Director, and the remaining three 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	1/1
Professor Mo Lai Lan	1/1

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 2023.

The Company adopted a new share option scheme on 20 May 2013 to replace the original share option scheme adopted on 2 June 2003, and 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 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 2022.

During the period from 1 January 2022 to 31 December 2022, the Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie and Dr. Lai Guanrong as the members of the Audit Committee.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2022 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	1/4
Dr. Lai Guanrong	4/4

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.

During the period from 1 January 2022 to 31 December 2022, the Nomination Committee comprised four Directors namely Dr. Lai Guanrong as the Chairman of the Nomination Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie and Professor Mo Lai Lan as the members of the Nomination Committee. Dr. Chen Yuhong as an executive Director, and the remaining three 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	1/1
Professor Mo Lai Lan	1/1

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 D.3.1 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 Group was required to pay an aggregate of approximately RMB7,408,000 to the external auditor for their audit services.

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 operations department are responsible, in accordance with their duties, for identifying, assessing and responding to the risks relevant to their individual departments', and carrying out risk management procedures and internal control measures within the scope of their respective business and functional operations areas.

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 2022. 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 and monitoring 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.	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. It keeps monitoring external regulatory compliance, requirements for investment in overseas markets and environmental changes, deeply interprets extenal regulatory changes and requirements based on 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 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 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 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	Risk relating to inadequate implementation of corporate social responsibility 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	Risk relating to the market's competition for talents 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 2022, the Group completed risk-oriented internal 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 2022, 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 2022.

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 2022 are set out in the consolidated statement of comprehensive income on page 127.

The Directors have recommended the payment of a final dividend of HK$0.0567 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2022. 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, 22 May 2023 at 2:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Monday, 26 June 2023 to shareholders whose names shall appear on the register of members of the Company on Friday, 9 June 2023.

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 Wednesday, 17 May 2023 to Monday, 22 May 2023, 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 Tuesday, 16 May 2023.

(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, 6 June 2023 to Friday, 9 June 2023, 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, 5 June 2023.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2022 are approximately RMB4,036,354,000.

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 25,810,000 fully paid up ordinary shares of the Company at a total consideration of approximately RMB119,776,000, 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 RMB9,060,000 (2021: approximately RMB31,210,000).

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 238. 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 2022 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 7 and pages 31 to 41 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

Because of the fluctuations of calculating the interest rate of financial assets and liabilities, the Group bears interest rate risks. 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 convertible loan notes, borrowing with fixed interest rates and amounts due to related companies. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings and short-term bank deposits which are concentrated on the fluctuation of prevailing interest rate announced by the People's Bank of China in respect of an unsecured bank loan and Hong Kong Interbank Offered Rate.

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 denominated in foreign currencies and borrowing, which expose the Group to foreign currency risk. The Group's principal operating subsidiaries are located in the PRC, the United States 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 2022 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 7 and pages 31 to 41 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 2022, 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 2022, the Group had a headcount of 82,140 employees (31 December 2021: 92,039). 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

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 2022.

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	Mr. Zeng Zhijie
Dr. He Ning	Mr. Gao Liangyu	Dr. Lai Guanrong
Dr. Tang Zhenming		Professor Mo Lai Lan

Mrs. Gavriella Schuster was resigned as a Non-executive Director of the Company with effect from 30 April 2022.

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 with the Company. Particulars of the contract, except as indicated, are in all material respects identical and are set out below:

(i) the service contract is of two years duration commencing on 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, such notice not to be given before the expiry of the initial term of two years;

(ii) the monthly salary for Dr. Chen Yuhong is to be reviewed annually by the board of Directors. For the period from the expiry of the first year of appointment, the salary of Dr. Chen Yuhong shall be determined by the board of Directors but shall not be more than 120 percent of his annual salary for the preceding year;

(iii) Dr. Chen Yuhong is entitled to management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year (the "Net Profits") as the Board may approve, provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 5 percent of the Net Profits; and

(iv) Dr. Chen Yuhong shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount of management bonus payable to himself.

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 to 17 May 2023. Dr. He is entitled to an annual salary of RMB2,400,000 per annum plus an annual management bonus of not more than his annual salary.

Dr. Tang Zhenming has not entered into service agreements with the Company as an executive Director.

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.

Mr. Zeng Zhijie and Professor Mo Lai Lan were appointed as independent non-executive Directors pursuant to letter of appointment for a term of two years from 20 June 2003 and 15 August 2018 respectively, and their appointments have continued since expiry of such term. Dr. Lai Guanrong has not entered into any service agreement as an independent non-executive Director with the Company.

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

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 2022
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	305,492,861 *(Note 1)*	–	330,142,144	10.91%
	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	300,000	–	300,000	0.01%
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 *(Note 3)*	–	19,027,765	0.63%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 *(Note 4)*	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 *(Note 4)*	1,000,000	0.03%
Zeng Zhijie	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%
Lai Guanrong	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%
Mo Lai Lan	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%

Notes:

(1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested during May 2021 and another 5,500,000 awarded shares were vested 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) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested during May 2021 and another 1,440,000 awarded shares were vested during the year. The remaining awarded shares will be vested by period based on future performance.

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

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2022	No. of share options exercised during the year	No. of share options granted during the year	No. of share options outstanding as at 31 December 2022	Percentage of total issued ordinary share of the Company as at 31 December 2022	Total No. of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 31 December 2022	*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)
Zeng Zhijie	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(i)
Lai Guanrong	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(i)
Mo 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 2022, 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 2022, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (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 2022, 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 2022, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2022, 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 2022, 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 2022.

SHARE OPTION SCHEME

A share option scheme (the "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. Such Share Option Scheme was subsequently terminated on 20 May 2013 and a new share option scheme (the "New 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.

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 New Share Option Scheme ("Scheme Mandate Limit"). The Scheme Mandate Limit was refreshed and approved by the Shareholders at the AGM of the Company held on 18 May 2021 and a total of 290,570,735 shares were issuable under Scheme Mandate Limit as at 31 December 2022, representing approximately 9.60% of the total issued ordinary share of the Company as at 31 December 2022.

As at 31 December 2022, no more share options granted to certain directors and employees of the Group pursuant to the Share Option Scheme were outstanding and 62,990,000 Shares (2021: 88,800,000 Shares) granted to certain directors, employees and suppliers of the Group pursuant to the New Share Option Scheme were outstanding, representing 2.08% (2021: 2.89%) of the total issued ordinary share capital of the Company as at 31 December 2022. 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, no share options were granted under the New Share Option Scheme. An aggregate of 25,810,000 share options were exercised and no 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$8.61 per share.

Save as disclosed above, no share options have been granted, exercised or have lapsed pursuant to the Share Option Scheme and the New Share Option Scheme as at 31 December 2022.

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. 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.

During the year ended 31 December 2022, a total consideration of approximately HK$67,261,000 (2021: HK$71,267,000) has been used to acquire 7,374,000 shares (2021: 6,932,000 shares) of the Company from open market by the independent trustee of the Company.

The Company had granted a total of 152,000,000 awarded shares under the Share Award Scheme on 1 June 2020, of which 23,800,000 awarded shares were granted to the directors of the Company and will be vested by period based on the future performance.

During the reporting year, 29,226,000 awarded shares were vested to Directors, five highest paid employees (excluding directors) and employees, details of which are as follows:

Selected Employee	Granted but not vested as at 1 January 2022	Granted during the period	Vested during the period	Grant but not vested as at 31 December 2022
Chen Yuhong (Director)	11,000,000	–	5,500,000	5,500,000
Tang Zhenming (Director)	5,760,000	–	1,440,000	4,320,000
Five highest paid employees (excluding directors)	25,960,000	–	9,360,000	16,600,000
Employees	87,629,000	–	12,926,000	74,703,000
	130,349,000	–	29,226,000	101,123,000

As at 31 December 2022, 140,154,000 shares (2021: 160,137,000 shares) of the Company were held by the independent trustee of the Company, representing 4.63% (2021: 5.22%) of the total issued ordinary share capital of the Company as at 31 December 2022.

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 2022.

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 64.52% (2021: 70.24%) of the Group's total turnover and the Group's largest customer accounted for approximately 49.12% (2021: 53.68%) of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 26.20% (2021: 56.01%) of the Group's total purchases and the Group's largest supplier accounted for approximately 9.52% (2021: 25.57%) 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 2022, 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 /short 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	330,142,144(L)	10.91%
UBS Group AG *(Note 2)*	Interest of controlled corporations	303,053,514(L)	10.01%
Bank of Communications Trustee Limited *(Note 3)*	Trustee	152,571,000(L)	5.04%
BlackRock, Inc. *(Note 4)*	Interest of controlled corporations	145,154,694(L)	4.80%
		768,000(S)	0.03%

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

Notes:

(1) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the "Kunlun") and Dan Capital Management Limited (the "Dan Capital") on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 underlying shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 16 June 2022 for further details of the shareholding structure.

(2) UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Australia) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Shanghai) Limited, UBS Switzerland AG, UBS Asset Management (Singapore) Ltd., UBS Asset Management (Deutschland) GmbH, UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG and UBS Asset Management (UK) Limited are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 303,053,514 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 27 October 2022 for further details of the shareholding structure.

(3) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and to administer the Share Award Scheme of the Company.

(4) BlackRock, Inc. is deemed to be interested in the long positions of 145,154,694 shares and short position of 768,000 shares of the Company held by its wholly owned subsidiaries. Please refer to the Form 2 – Corporate Substantial Shareholder Notice dated 19 May 2022 for further details of the shareholding structure.

Save as disclosed above, as at 31 December 2022, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

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

During the year ended 31 December 2022, the Company repurchased 67,706,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before 31 December 2022. The total amount paid for the repurchases of HK$401,172,820 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$*	
April 2022	18,800,000	6.54	5.72	115,240,020
May 2022	8,050,000	7.00	5.71	50,869,280
June 2022	1,266,000	7.30	7.20	9,160,680
August 2022	8,000,000	6.29	5.95	48,805,260
September 2022	29,600,000	6.00	4.82	167,057,300
October 2022	1,990,000	5.09	4.96	10,040,280
	67,706,000			401,172,820

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 2022.

COMPETING INTERESTS

As at 31 December 2022, 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, 29 March 2023

With the core values of "keeping true heart of kindness, determination and perseverance, striving for success, sharing and growing with customers", the Group strives to integrate value investing, core services, employee growth and social responsibility into its corporate governance and contribute to the economy, society and environment on the basis of its own efficient, quality and sustainable development.

This report provides a comprehensive account of the important events and performance of the Group in terms of environment and society in the year 2022, guided by relevant policies, philosophies and objectives of the Group. This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, with reference to the standards of the Global Reporting Initiative ("GRI"). The governance affairs of the Group are set out in the Corporate Governance Report section of this annual report. This report covers the period from 1 January 2022 to 31 December 2022 (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").

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.

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 and ensuring the integration of ESG concept and corporate strategies.

The Board of Directors identifies the Group's ESG risks in the light of changes in the external economic environment, macro policies and corporate development strategies, and focuses on stakeholders' aspirations, and regularly reviews important ESG issues to identify the Company's ESG governance priorities. 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 2022, which have been approved by the Board of Directors.

TOPIC: DIGITIZATION FACILITATING LOW-CARBON DEVELOPMENT OF THE INDUSTRY AND CONTRIBUTING TO CARBON PEAK AND CARBON NEUTRALITY

Climate change is a challenge for all of humanity, and it is crucial to accelerate low-carbon transformation of economic development. The Group closely follows the country's major strategic goals of achieving carbon peaking and carbon neutrality, and focuses on the basic strategy of "establishing a sound, green, low-carbon and circular development economic system and promoting a comprehensive green transformation of economic and social development". With the challenging goal of "becoming the most valuable brand that contributes as part of the puzzle to make up our great nation" and leveraging its advantages in IT services and digital ecosystem resources, the Group empowers the low-carbon development of enterprises and promotes the green upgrading of industries to contribute to building a beautiful China.

Empowering low-carbon development of enterprises and establishing an innovative system for green and low-carbon technologies

Currently, China's total carbon emissions are large and still on the rise, where industrial manufacturing, chemical industrial, logistics, community, college, hospital and other parks and campuses have relatively high energy consumption and carbon emissions. It is a considerable challenge to achieve the "double carbon" goal under the premise of ensuring stable economic development. In this context, leveraging new-generation digital technologies such as artificial intelligence (AI), cloud computing, Internet of Things (IoT), big data and 5G, the Group makes full use of the existing information infrastructure of the parks and campuses to fully support the carbon emission management, low-carbon production and life style there. It aims to help the parks and campuses achieve green efficiency, total integration and digital agility to further realize intelligent carbon emission reduction and continuously promote the transformation of green and low-carbon technological achievements.

Carbon emission supervision

- Conduct carbon footprint tracking and analysis, and use AI algorithm to analyze and predict carbon emission trends;
- Research on carbon emission prediction model and setting goals and making decisions with the use of sand table deduction;
- Providing support and guarantees for carbon trading services.

Digital office collaboration

- Reducing carbon emissions bit by bit by promoting online office methods such as paperless green office, electronic approval, teleconferencing and video conferencing;
- Facilitating individuals and enterprises to handle business and reducing carbon emissions through the digital platform including the data middle platform, AI middle platform and business middle platform based on multivariate data fusion.

Energy supervision

- Using big data, AI and other digital technologies combined with industrial production control system and traditional control technologies to improve the efficient use of fossil fuels, optimize energy efficiency, achieve cost reduction and efficiency increase, thereby reducing carbon emissions during the production process.

Green lifestyle

- Providing convenient services for and helping changing the traditional way of life of people in the parks and campuses as well as reducing energy consumption and carbon emissions through various means such as green travel, smart canteens and shared venues.

Chinasoft International's Smart Park Solutions

Case study: Chinasoft International's smart park solution helps save energy and reduce emissions for building materials company

The Group has constructed an unmanned on-duty, zero-emission, low-pollution and intelligent production park for a building materials company, which helps the company reduce the cost of operating staff in the park by approximately 30% and energy consumption of the park by approximately 15%, and lower traffic congestion and the risk of vehicle overloading within the park. It also helps improve business linkage capability by approximately 60% and facility maintenance efficiency by approximately 35%, realizing the improvement in the quality of production and office work, cost reduction and efficiency increase.

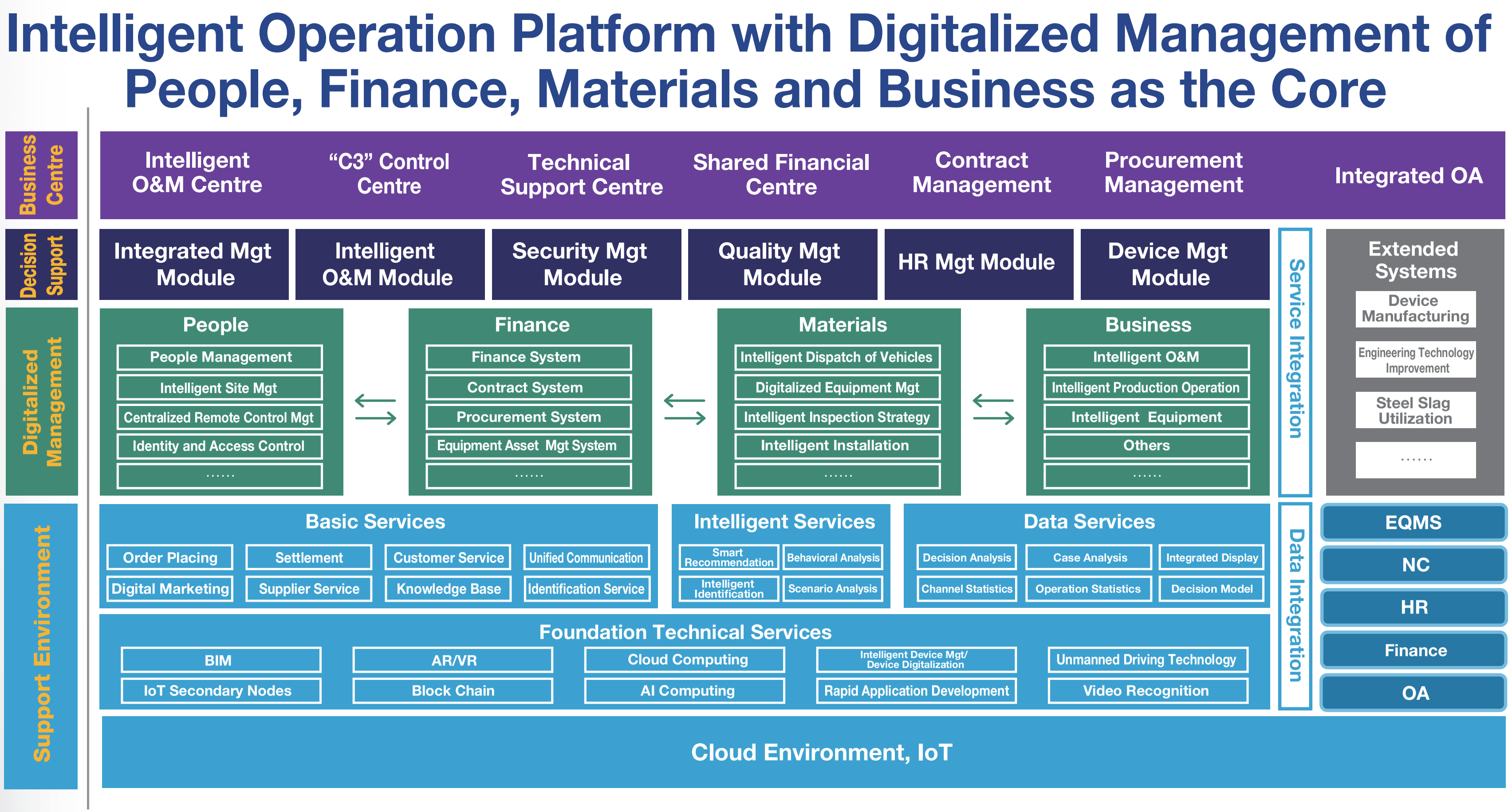
Expanding the boundaries of low-carbon economy and empowering green transformation of basic industries through digitalization

Promoting green upgrading of industries and accelerating the green transformation in manufacturing and other industries are essential for the country to establish a green and low-carbon circular production system. The Group firmly believes that "green + smart" should be promoted at the same time. With the use of modern information technologies such as cloud computing, big data and IoT, the Group aims to fully tap and release the hidden potential for low-carbon development in traditional industries, helping enterprises maintain economic growth while enhancing the benefits and efficiency of low-carbon economy through digitalization to achieve green transformation.

Case study: Chinasoft International helps MCC Baosteel in realizing intelligent operation and maintenance and digital and green transformation

MCC Baosteel Technology Service Co., Ltd. (hereinafter referred to as "MCC Baosteel") is committed to developing into a "domestic first and international first-class national team" for metallurgical operation services, actively responding to the implementation of enterprise digital transformation. It strives to create a comprehensive, open and interconnected intelligent operation platform with a sophisticated structure and a relatively complete digital foundation, and at the same time break through the barriers of systems including human resources, finance, equipment management, supply chain, contract management and collaborative office in order to fully realize system interconnection and information sharing.

According to the actual situation and business needs of MCC Baosteel, leveraging its strong technical advantages and rapid response service capabilities, the Group helps MCC Baosteel with the overall construction and deployment of the platform. Based on the main intelligent operation and maintenance platform built with the new IT governance system, the Group has connected multi-dimensional information domains consisting of finance, human resources, production and office management and constructed an enterprise digital foundation for the "integration of business and finance as well as comprehensive management and control". The Group has developed an intelligent digital assembly line from equipment status monitoring, intelligent fault diagnosis to on-site management and control to achieve the convergence and combination of video surveillance, remote command and big data analysis for the informatization, standardization and digitization of the entire production and maintenance process as well as the visibility, controllability and manageability of the each process at the production site which effectively improves the on-site management and control and emergency response capabilities. Through intelligent and digital innovation, the Group has gradually realized the transformation of manufacturing enterprises from "curing" to "preventing", developing a unique intelligent operation and maintenance system and building the core competitiveness of the enterprises.



Structure of Chinasoft International's Intelligent Operation and Maintenance Solutions

The intelligent operation, maintenance and repair platform built by the Group for MCC Baosteel has realized a low-cost digital operation and helped reduce failure rate, cut maintenance cost by 20% and save labor by 60%. The platform adopts an early warning system using IOT sensors, reducing inspection work by 80%. Conducting remote video consultation on smart devices also enables quick response to offline maintenance services. The construction and implementation of the project is in line with the current demands of manufacturing industry in different fields for green development to reduce costs, increase efficiency and minimize resource consumption, which is of great significance in terms of industry innovation and green transformation.

The intelligent operation platform built by the Group for MCC Baosteel will realize the leapfrog development of "informatization, datafication, networking and intelligence" through operational promotion, demonstration and leadership and iterative upgrade. The Group will continue to develop a deep insight into the development trend of the industry and, based on the actual needs of users, empower the business from multiple dimensions such as technology, service, solution application and ecology. As a digital transformation service provider for enterprises, the Group not only has the "hard skill" of underlying technologies and solutions, but also possesses the "soft skills" of building its own partner ecosystem. The Group looks forward to cooperating with partners in the future for joint innovation and development and serving customers in all kinds of industries. By gathering professional forces, the Group is committed to help enterprises drive into the "fast lane" of digital transformation.

PROSPECT

Promoting green and low-carbon development and realizing the "dual carbon" goal are a complex and systematic project that requires the integration and connection of resources across multiple sectors. Firstly, the Group will continue to adopt new technologies and new ideas in the digital economy to constantly enhance capabilities related to carbon tracking, carbon verification, energy conservation and emission reduction, carbon certification and carbon trading services. It will also constantly transform scientific research achievements in the fields of energy digital transformation, smart power plants, new energy, energy storage, micro-grid, power auxiliary services, comprehensive energy planning and Internet + mobile office and build an innovation system for green and low-carbon technologies. Secondly, the Group will continue to work closely with companies in the sectors such as energy and manufacturing to improve management and operational efficiency through digitalization and empower the green transformation of basic industries. Thirdly, the Group will integrate and apply digital technology in various urban scenarios to create a new breed of smart city, with a view to duplicating the model to build similar digital cities, promoting smart citiy construction and achieving a warmer and better quality of life experience by means of technological innovation.

Intelligent water resources

Build a technical base system for intelligent water resources with functions of forecasting, warning and planning, and improve the construction efficiency of intelligent water resources by 20% and the operation and maintenance efficiency by 40% by means of home-grown, independent innovative digital measures, to provide strong support and impetus for the a new stage of quality water resources development.

Intelligent fire-fighting

Using information technology as the basis and the Internet of Things as the means, we combine open source Harmony OS technology and advanced technologies such as sensors, networks and intelligent terminals with traditional fire-fighting monitoring and control to create a new fire-fighting monitoring and control model, which is expected to improve operational efficiency by 30%. At the same time, the digital application of intelligent fire-fighting is expected to help enterprises reduce ttan carbon emissions by 25%

Smart city piping corridor

With the help of intelligent monitoring and control of the operation of pipelines, cables and other facilities, cities can be run smartly, thereby reducing unnecessary energy consumption and carbon emissions. Operational efficiency can be improved by 30% with real time detection and analysis of equipment operation, which help to locate and resolve faults in a timely manner.

In-road parking in cities

The introduction of intelligent parking systems will empower public car parks in the city. With edge computing as its core, connecting intelligent collection devices to form super IoT terminals, which can increase parking efficiency by 20%. At the same time, urban in-road parking solutions can reduce the time spent on detours and finding parking spaces, thereby reducing carbon emissions from vehicle use.

Selected Smart City Solutions from Chinasoft International

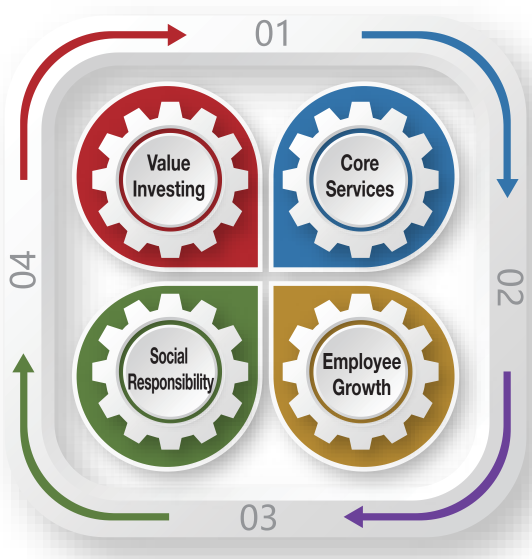
1. RESONSIBILITY MANAGEMENT

1.1 ESG MANAGEMENT

ESG Philosophy

With the challenging goal of "becoming the most valuable brand that contributes as part of the puzzle to make up our great nation" and the corporate social responsibility management policy of "law-abiding management, continuous improvement, pollution prevention and health and safety", the Group strives to integrate value investing, core services, employee growth and social responsibility into its corporate governance and is committed to building an organization with long-term value and sustainable development and working with all stakeholders for a better life and a better future.

- 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: The cornerstone business, representing our first growth curve, continues to deepen strategic cooperation and synergy with KA/NA customers, and continues to improve operational maturity with financial and quality integration, laying the foundation for stable and far-reaching development to achieve long-term effective growth with increased value as the guiding principle. The cornerstone business has continued to develop steadily and build healthy profitability by deepening the transformation of financial and quality integration, utilising IT systems and tools, optimising processes and streamlining organization structures to achieve a high level of professional lean management. Self-owned sites are utilized as much as possible to minimize resource wastage, efficiency and quality are improved to turn quality ino value. Newly developed businesses are consolidated by focusing limited resources on areas that can create value and those that have confirmed business opportunities with initial investment foundations, particularly in the three major areas of enterprise resource planning (ERP), artificial intelligence IoT (AIoT) and cloud services and cloud solutions, With "reliable followers, qualified teams with potentials and measurable materialization of value" as the baseline for new business investment management, we will steadily grow our strength in developing our new business directions.

- Core services: Based on a deep understanding of existing technology prospects and business processes, combined with extensive practical experience, the Group is committed to becoming the strategic supplier, joint product deveoper and professional consultant of customers. We provide agile, secure, efficient end-to-end hardware and software development and testing services at the best aggregate costs. Our digital transformation is secured by IT operations and big data services, and combined with our own industry expertise, technical expertise and cutting-edge digital technology precipitation, we output universal application solutions. We provide cloud resale, multi-cloud management and the latest cloud native solutions, continue to provide leading cloud solutions and cloud services for government and enterprise organizations. In terms of intelligent IoT, we cooperate with Shenzhen Kaihong, leveraging on its technical prowess, to jointly develop this market of "National importance and spearhead in city development", to build smart cities, and design core products and services to form the second baseline. We comprehensively deploy the "cloud-pipe-edge-end" technology stack and the fully integrated 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".

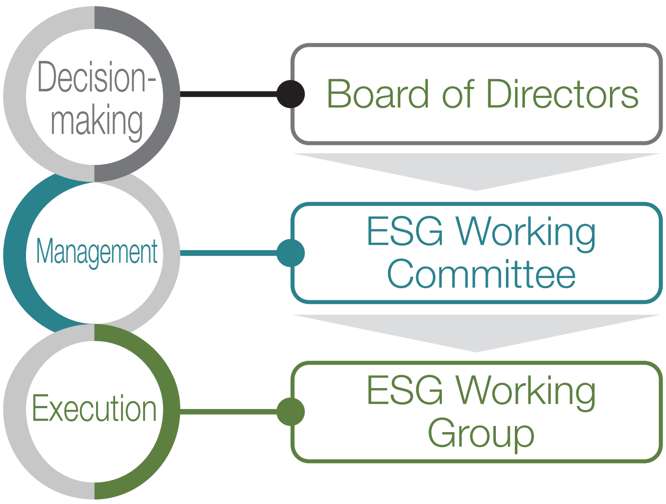
- Employee growth: Adhering to the core values of "sharing, creating and growing together", the Group allows employees to develop with dignity by improving its human resource management capabilities and formulating a talent training system of "basic positions + cadre appointment and training + talent introduction + incentive closed loop". We will implement the key work of "fundamental informatization of our digital army", support the daily operation of social organizations and the team leader system, enhance the sense of belonging of employees and support their learning and development. We have held project manager competitions and continuously invest in our management system and talent pipeline, making significant progress in areas such as project management, team building, quality and efficiency, technical capability and safety compliance.

- Social responsibility: While 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 "four strategies" to achieve efficient, high quality and sustainable development.

ESG GOVERNANCE STRUCTURE

The Board of Directors of the Group attaches great importance to ESG work, assumes full responsibility for the Group's ESG strategy and reporting, and is responsible for guiding and reviewing the Group's overall ESG goals, implementation plan, ESG risk assessment and countermeasures. The ESG Working Committee under the Board of Directors is composed of chief officers (persons in charge) of various business groups and functional departments related to ESG issues and is responsible for supervising the commitment and performance of key ESG issues, ensuring the integration of ESG concept and corporate strategies and regularly reporting to the Board of Directors on the ESG-related implementation results and major plans. The ESG Working Group under the ESG Working Committee consists of personnel from various business groups and functional departments related to ESG issues and is responsible for incorporating ESG elements into different aspects such as strategic planning, internal control, risk management and pay incentives under the leadership of the ESG Working Committee and implementing and promoting ESG-related work. Its work includes assisting in the formulation of the Company's ESG strategies and ESG goals, participating in the formulation of action plans and following up after the completion, and regularly reporting to the ESG Working Committee on the progress of ESG work.



Chinasoft International's ESG Governance Structure

ESG 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.

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

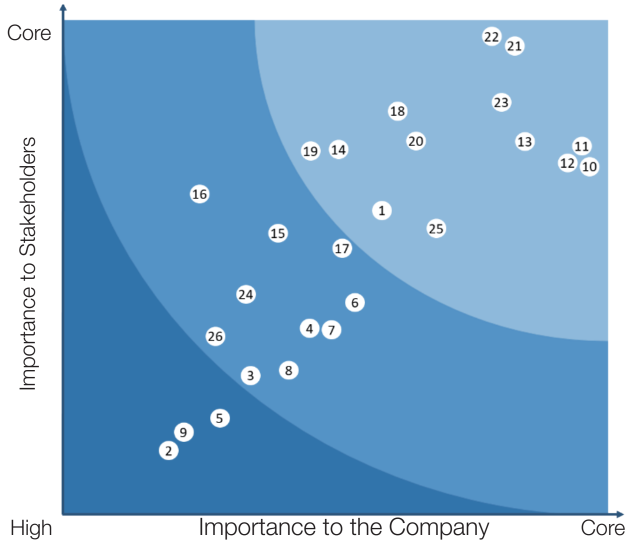
The Group is committed to establishing multiple channels of communication with our stakeholders, identifying their feedback and expectations on the Group, improving the Company's ESG performance in a targeted manner and responding to opinions from all parties in a timely and effective manner. During the year, the Group continued to prepare and distribute questionnaires to stakeholders to investigate and collect statistics on stakeholders' concerns at different levels to identify the Group's environmental, social and governance priorities. The Group has sorted through and worked out a stakeholder communication form to provide foundation for the identification of material 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 – Compliance with epidemic prevention and control requirements	– 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 – Work closely together with relevant authorities to carry out epidemic investigation and prevention
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 – To help the customers to achieve the best aggregate costs	– Carry out surveys on customers' requirements – Carry out customer service satisfaction questionnaire – Telephone, email and face-to-face communication with customers

Stakeholders	Expectations	Communication channels
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 during the epidemic
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

Determination Of Material Issues

In accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules and international standards, the Group communicates with our stakeholders about the results of the questionnaires and the actual situation of relevant ESG issues. From the perspectives of the stakeholders and the Company, important environmental and social issues which are relevant to the Group's business are separately evaluated and screened to form 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

2022 Chinasoft Substantive Issues Matrix and List

1.2 INTEGRITY MANAGEMENT

The Group abides by business ethics, operates in compliance with laws and regulations and always has "zero tolerance" for corruption and violations of business ethics. The Group strictly follows the laws and regulations, including 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 attaches great importance to internal control and system development, strengthening anti-corruption management and fostering a culture of integrity to safeguard the healthy development of the Company. The Group has formulated internal control systems such as the "Code of Conduct for Employees" and the "Business Conduct Guidelines" to summarise various specific high-risk or illegal behaviours that employees should keep at arm's length or avoid, and to regulate the corruption risk points involved in the process of internal and external communication among employees. Management officers are requested to sign a pledge of integrity to further enhance their awareness of integrity and self-discipline. To prevent commercial bribery and unfair competition in the process of procurement or cooperation, integrity clauses and corresponding penalties for breach of contract are set out in procurement contracts of the Group. During the Reporting Period, the Group had not been subject to any closed fraud cases.

- Supervision management
  The Integrity Monitoring Department has been established by the Group specifically to build the Group's integrity monitoring system, and combat corruption and malpractice.. Internal audit management measures have been formulated and issued to strengthen the Group's internal audit supervision and cadre management, promote the construction of integrity culture and identify fraud loopholes. The Group formulated and formally issued the "Internal Audit Management Measures of Chinasoft International" and the "Explanatory Document on the Exit Audit Process of Chinasoft International" to safeguard the implementation of various internal control regulations and help achieve the Company's strategic goals. During the Reporting Period, the Group carried out 6 special audits and 4 termination audits to identify and report on business risks and management loopholes.

- Channels for complaint reporting
  The Group continues to improve its channels for complaints and has set up integrity reporting channels such as mailbox, email address, WeChat public account and internal online platform, specifically for receiving reports of suspected corruption, malpractice and other disciplinary offences by employees. The confidentiality of the complainant and the contents of the reports are maintained to safeguarding the legitimate rights and interests of complainants. At the same time, to ensure the fairness and appropriateness of the investigation and the resulting punishments, an appeal mechanism has also been set up for the accused to defend against the punishment received in accordance with the regulations.

- Culture of integrity
  A platform has been built for a culture of high integrity. To secure a publicity stronghold for the culture of integrity, an internal periodical, with the theme of integrity publicity and education, is being published regularly. It features contents such as anti-corruption news and developments, anti-corruption hot issues and cautionary cases. In addition, the Group held a special promotion event on the International Anti-Corruption Day with the theme of "My Integrity Business Card" on 9 December, preparing posters and integrity business cards with the theme of "The Strength of Integrity" in major office locations across the nation and encouraging employees to participate and write down their own "Integrity Declaration". The Group received a total of 1,050 "Integrity Declaration" posts from employees through online and offline communication channels.

- Integrity training
  The Group provides anti-corruption training for employees every year and has produced and launched an online training course with the theme of "Combating and Monitoring Corruption— Overview of the Integrity Supervision System" for employees to keep abreast of the development of the Group's integrity framework and establish the awareness of integrity practice. During the Reporting Period, the Group organized two anti-corruption trainings for management and employees involving approximately 10,000 participants in order to guide their awareness toward the idea of "not daring to, not being able to, and not wanting to become corrupt", deepen their knowledge and understanding of anti-corruption and raise their awareness of integrity, self-discipline and compliance.

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, continuously improves product quality management and safeguards customer information security. The Group continues to enhance its product R&D capabilities, strengthen the protection of intellectual property rights, provide quality customer service and strive to become a reliable partner for our customers.

During the Reporting Period, the Group was ranked in the Gartner Global IT Services TOP 100 and became the fastest growing Chinese enterprise, and the accolades and awards it received included, but were not limited to, the following:

Awards Won	Zhitong Caijing "Best TMT" and "Best IR Team" awards
	Sina Finance 2022 Golden Unicorn Overseas Investment Summit and the Best Hong Kong and US Listed Companies Award "Best Investment Value Award for Listed Company"
	HUAWEI 2022 Excellent Partner Award
	One of the first member organization for "software supply chain security laboratory" by China Academy of Information and Communications Technology (CAICT)
	TOP 2 in three market segments in IDC "China Banking Industry IT Solutions Market Share 2021" report
	TOP 5 in terms of market size in IDC "Professional Service Market Insight for China Cloud (2021H2)" Report

In addition, at the CAICT 2022 "3SCON Software Supply Chain Security Conference", three products of the Group including the intelligent online examination certification platform, outsourcing management platform OMSP and Zhiyun Hub were included in CAICT's software supply chain product list. During the Reporting Period, the Group had not been subject to any litigation against the Group's products or material fines.

- Product quality management

  The Group strictly complies with laws and regulations including the "Product Quality Law of the People's Republic of China" and actively practices the concept of "the quality resources provider, the stable and high-quality deliverer, the product co-builder and protector, the comprehensive cost champion and the internal control management enforcer" (the "Penta") to ensure efficient processes and improve delivery quality. The Group has obtained ISO 9001 quality management system certification, CMMI2.0 L5 certification and TMMi Level 3 certification. Its product development and project management capabilities have reached an advanced level. During the Reporting Period, the Group established and improved the framework of the management service delivery (MSD) business process, formulated a unified delivery project management process (DPMP) throughout the Group and strengthened process management. It also improved the coding quality, implemented dynamic management of quality issues and continuously analyzed project delivery performance, quality construction and weaknesses in its engineering capabilities on a rolling basis to improve project delivery quality.

- Information security and privacy protection

  The Group attaches importance to the management of customer information security and strictly complies with the requirements of laws and regulations including 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" and the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", and has formulated the "Chinasoft International Confidentiality System" to establish an information security system with security requirements integrated into its business processes. The Group pays attention to security and privacy protection in its business activities and continuously promotes good awareness of information security among all staff to ensure information security of customers and the Company. 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 nor any business interruption incidents. During the Reporting Period, the Group adopted a number of measures to protect the information security and privacy of customers, including:

  – Continuously improved information security, network security and privacy protection processes and systems, comprehensively improved processes and systems in terms of information assets, personnel, environment, operations, network and personal data, and held valid ISO 27001 information security certification and ISO 27001 personal privacy protection certification.

  – Strengthened the construction of information security organisation of each functional department, group and business group to establish geographical information security public competence organisations and business-based business line information security organisations, realize a top-to-bottom structure for experience sharing and capability reuse within the system and continuously promote the construction of grass-roots information security organizations.

– made use of the industry data security software systems and self-developed information security management and control tools to gradually replace management procedures with technical solutions and launch pilot runs in finance, personnel, operations, human resources, recruitment, the Executive Office and other departments to achieve effective protection of key information assets, key activity nodes and key personnel.

– With focuses on key customer businesses and major risks, and compliance as the bottom line, identified information security, network security and privacy protection risks in business activities, and developed control measures to form solutions or contingency plans.

– Established a basic IT business continuity plan system, formulated emergency plans, implemented drills and completed 22 network business continuity management (BCM) emergency drills so as to ensure the security, stability and availability of the network system.

– Issued network management rules and regulations on the use of network resources, strengthened perimeter firewalls and conducted offensive and defensive drills to ensure intranet security.

– Established the red line awareness to continuously strengthen staff awareness of information security, network security and privacy protection.

- Quality customer service

  With the ultimate goal of "improving customer satisfaction", the Group actively practices the "Penta" concept and solves customer problems in a timely manner, constantly improving and innovating itself. During the Reporting Period, the Group continued to keep abreast of customer needs and strengthen communication with them through the following measures:

– Official consultation hotline: An official consultation hotline was set up at the Group's headquarters to provide customers with services such as business consultation and customer complaints.

– Net promoter score (NPS) customer satisfaction survey: The Group established an NPS survey team to conduct regular customer satisfaction surveys, constantly clarify the research rules, identify gaps and improvement points by comparing with industry benchmarks, and work with all relevant departments for continuous improvement to further enhance customer satisfaction.

– Concerted efforts at all levels: At the project level, the Group maintained weekly and daily communication with customers. At the non-project level, the chief executive officer, the general manager of the business department and the manager of the delivery department of the Group conducted biweekly or monthly communication according to different situations.

Disclosure of Customer Service Data

Indicators	Data for 2022
Customer complaints (cases)	139
Handling Rate of Customer Complaints (%)	99

During the Reporting Period, the customer satisfaction survey conducted by the Group in 2021 showed that the overall score for customer satisfaction was 94.6, a year-on-year increase of 1.8 and the NPS was 65.6%, a year-on-year increase of 3.6%.

- R&D and innovation

  The Group continues to encourage innovation, improve the construction of the system of innovation platform, organise and promote research and development and launch innovation incentive activities. During the Reporting Period, the Group continued to implement diversified innovation incentive policies, including:

  - Project closure management: The Group explored excellent practices, identified excellent teams and provided incentives in a timely manner, so as to improve the quality of the Group's project delivery process and the standardization of project management.

  - Project performance system for project managers: The Group stimulated the enthusiasm and subjective initiative of project managers and encouraged them to play a leading role in the team to pursue excellent project delivery results.

  During the reporting period, the Group invested RMB1,238.04 million in research and development and 873 employees received the project performance award.

- Intellectual property and brand protection

  The Group complies 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" and other relevant laws and regulations, strictly implements the relevant intellectual property provisions in "Chinasoft International Confidentiality System", focuses on improving the construction of intellectual property management system and strengthens the protection of intellectual property. During the reporting period, the Group optimized the standards of Company's internal qualification management process, continued to improve the Group's brand system and brand management standards and designed an online workflow for intellectual property management to improve the qualification efficiency and strengthen the two-way traceability of intellectual property protection which help ensure that employees can protect research results in a timely manner. Meanwhile, the Group has established a qualification community as a publicity platform for corporate qualifications, industry qualifications and intellectual property rights. During the Reporting Period, the Group received a total of 276 copyright certificates for computer software from the National Copyright Administration of China, as well as 2 works copyrights and 1 invention patent. 15 new enterprise qualification certificates have been added, continuously maintained the effective operation of 75 qualifications, which effectively safeguarded the hard work contributed by the employees.

2.2 SUSTAINABLE SUPPLY CHAIN

The Group strictly complies with the "Bidding Law of the People's Republic of China" and other relevant laws and regulations, follows the principle of "standardised bidding (invitation) and sunshine procurement". It formulated and implemented the internal "Administrative Measures on Procurement and Tendering of the Company" and established a strict and standardized supplier selection mechanism, continuously improving the supplier management process and strengthening the environmental and social risk management of the supply chain. It also optimizes environmentally-friendly products and services to effectively promote the sustainable development of the supply chain.

- Supplier management process
  - Supplier access: The Group has established a strict supplier access system, with which it comprehensively considers and evaluates suppliers from various aspects including corporate credentials, business reputation, quality assurance and capability of contact performance. The Group adopts various methods such as bidding (invitation), competitive negotiation and comparative enquiry to select suppliers, and implements single-source negotiation procedures for single-source supplier procurement.

  - Supplier inspection and assessment: The Group's procurement department inspects and assesses suppliers in terms of their respective qualities, delivery time, prices and services. Suppliers with a total annual assessment score below 80 are regarded as unqualified. For unqualified suppliers, the Group will carry out follow-up and evaluation as well as reassessment after rectification. When a supplier is slow or fails to improve, its supplier qualification may be cancelled. Suppliers with a total assessment score of less than 25 will be included in the supplier blacklist and eliminated, with reasons for elimination recorded.

Disclosure of Supplier Data

Indicators	Unit	Data for 2022
Total number of suppliers	Supplier	577
Number of suppliers by geographical region – North China	Supplier	221
Number of suppliers by geographical region – South China	Supplier	116
Number of suppliers by geographical region – East China	Supplier	97
Number of suppliers by geographical region – Northwest China	Supplier	56
Number of suppliers by geographical region – Central China	Supplier	48
Number of suppliers by geographical region – Overseas	Supplier	20
Number of suppliers by geographical region – Southwest China	Supplier	19

Supply Chain Environmental and Social Risk Management

The Group constantly identifies and manages supply chain environmental and social risks, and strengthens environmental and social risk management in various aspects such as access, evaluation and training:

- For the selection of suppliers, the Group requires selected suppliers to have relevant qualifications including ISO 14001 environmental management system certification, OHSAS 18001 occupational health and safety management system certificate or ISO 45001 occupational health and safety management system certification. For renovation and decoration suppliers and furniture suppliers, they are required to have ISO 14025 Type III China environmental certification and environmental product certification from China Quality Certification Centre (CQC), and provide quality inspection reports or certificates of products. In addition, the Group requires selected suppliers to submit documents such as quality and EHS pledge, network security pledge, corporate social responsibility pledge and honesty and integrity pledge.

- As for supplier assessment, the Group conducts regular evaluation and annual review of existing suppliers and reviews qualification documents, environmentally friendly materials and project execution. Unqualified suppliers will be terminated and blacklisted.

- In terms of supplier training, the Group actively promotes its environmental protection concepts to suppliers, including low-carbon travel, online meetings, recycling and sustainable development, so as to enhance suppliers' environmental protection awareness and achieve a win-win situation in joint innovation.

Selection of Environmental Products and Services

When selecting suppliers, the Group takes into account various energy saving and environmental factors in aspects such as product design, procurement, production, packaging, logistics, sales, service, recycling and reuse. In the bidding process, the Group advocate a "digital environmental protection" policy and adopt online tendering as far as possible to reduce carbon emissions from business travelling. During the reporting period, 97% of the Group's site and furniture bids were held online through WELINK.

3. ENVIRONMENT

The Group strictly complies with rules and regulations including the "Environmental Protection Law of the PRC", the "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution", 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 "Law of the People's Republic of China on the Prevention and Control of Air Pollution". While leveraging its own "digital environmental protection" business capabilities, the Groups aggregates the industry's advanced IT toolset and large-scale software factory concepts and practices to provide customers with digital smart green solutions, enabling enterprises to transform into digital intelligence and striving to build a green production and lifestyle. During the reporting period, the Group successfully obtained the re-certification of the ISO 14001 environmental management system.

3.1 GREEN OPERATION

Environmental Targets and Progress

In 2021, the Group determined the Group's targets for greenhouse gases, energy consumption and use of water resources and objectives for non-hazardous waste management for the next five years. During the reporting period, the Group set the objectives for hazardous waste management, actively promoted the implementation of environmental protection and energy conservation and emission reduction measures. The environmental initiatives have been carried out steadily as planned.

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 principally engaged in software and information technology services and its production activities have minimal impact on the environment. Emissions are mainly from greenhouse gases generated from purchased electricity and employees' business trips, non-hazardous waste such as domestic sewage and domestic waste, and electronic waste such as discarded computers, monitors and other electronic components. The management measures implemented by the Group to reduce emissions include:

- Greenhouse gas emissions management
  - We reduce unnecessary business trips and promote the use of the WELINK, a digital office collaboration platform, to develop and integrate applications, hold large-scale live conferences and online meetings. During the year 2022, more than 400,000 online meetings were conducted, an increase of 90% over the year 2021.
  - We strictly review applications for the use of vehicles for business purpose and encourage employees to adopt low-carbon modes of travelling such as cycling and taking public transport to reduce carbon emissions during their commute or business trips.
  - By ways such as installing timers in office buildings, we strive to reduce purchased electricity consumption from electronic devices, lighting systems and air conditioners.
  - Additional charging piles were installed at the Xi'an base campus and Nanjing's Jiangning site to facilitate the use of new energy vehicles by employees.
- Non-hazardous waste management
  - We promote waste separation by placing waste sorting bins and attaching waste labels to reduce white waste pollution.
  - Microwave ovens and refrigerated cabinets were installed in pantries to encourage staff to bring their own lunchboxes and reduce the use of disposable cutlery.
  - We encourage employees to bring their own cups and prepared ceramic cups for visitors to reduce the use of disposable paper cups.
  - Promote the concept of "cherishing every piece of A4 paper": we advocate a paperless office and promote the use of electronic contracts. Nearly 100,000 documents were signed electronically in 2022. Glass whiteboards were set up in all office areas, which are easy for writing and erasing and are reusable. At the Xi'an base campus, there are baskets for recycling of printed paper. Internal documents are printed on both sides or printed on one side of the paper for recycling. Electronic advertising is used for internal promotion instead of paper promotional materials.

- Hazardous and electronic waste management

  – Hazardous and electronic waste is scientifically sorted and handed over to a qualified third party or electronic equipment recycler for disposal.

  – We lease electronic equipment to reduce procurement quantity and the generation of electronic waste equipment.

  – Recycling baskets for keyboards, mice, power cords and connection cables are set up to recycle unused equipment from time to time in an orderly manner to facilitate recycling for secondary use. Used computer hard drives and equipment parts are recycled for reuse by staff.

  – For site relocation and renovation of old sites, the use of usable materials are prioritised. In 2022, 442 used LED lights were fully reused in the renovation of the Gangtou Building and the Tian'an Yungu premises in Shenzhen.

- Sewage discharge management

  – The Group's sewage discharge mainly originates from domestic sewage generated from office area and all of which is treated in accordance with the regulated process and discharged to the municipal pipeline.

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

Indicators	Data for 2020	Data for 2021	Data for 2022
Greenhous gas emissions from direct sources (tonnes of CO_2 equivalent)	54	69	87
Greenhous gas emissions from indirect sources (tonnes of CO_2 equivalent)	15,538	21,094	22,019
Greenhouse gas emissions from employee travel Note 3 (tonnes of CO_2 equivalent)	2,871	3,029	1,654
Total greenhouse gas emissions (tonnes of CO_2 equivalent)	18,463	24,192	23,760
Greenhouse gas emissions per RMB million operating income (tonnes of CO_2 equivalent/ RMB million)	1.31	1.32	1.19
Total domestic sewage discharged (tonnes)	195,297	213,897	217,408
Office domestic waste emissions (tonnes)	6,099	6,893	6,700
Office domestic waste emissions per RMB million operating income (tonnes/RMB million)	0.25	0.38	0.33
Hazardous waste generation Note 4 (tonnes)	–	–	1.16
Hazardous waste generation per RMB100 million operating income (tonnes RMB100 million)	–	–	0.058
Electronic waste generation Note 5 (tonnes)	–	16	75
Electronic waste generation per RMB million operating income (tonnes/RMB million)	–	0.001	0.004

Notes: 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 grid emission factors used in the calculation of Scope 2 emissions 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 calculation of greenhouse gas emissions from employee travel takes account into the greenhouse gas emissions from flights and the emission factors used are determined with reference to the emission factors for short, medium and long flights provided in Table 10 of "Emission Factors for Greenhouse Gas Inventories" (revised on 1 April 2022) issued by the GHG Emission Factors Hub of the U.S. Environmental Protection Agency (EPA).

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. In 2022, the operating income of the Group amounted to RMB20,005 million.

3. The reduction in greenhouse gas emissions from employee travel in 2022 compared with 2021 was mainly because the emission factors for flights in business trips have been updated and improved during the year and the Group vigorously reduced unnecessary business trips, resulting in a reduction in the total mileage of flights.

4. The addition of hazardous waste generation and hazardous waste generation per RMB100 million operating income to the indicators in 2022 was due to the fact that 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.

5. The increase in electronic waste generation in 2022 compared with 2021 was mainly because the Group has surrendered more leased premises equipment and increased the frequency of centralized waste disposal of scrap equipment from once in 2021 to twice during the Reporting Period.

Effective use of resources

The Group strictly complies with the "Energy Conservation Law of the People's Republic of China" and other relevant laws and regulations, and implements the concepts of "economizing, recycling, and reducing consumption" in its daily work to reduce the consumption of resources in the office process and improve the utilisation of resources, which helps optimize and reduce operating costs. The resources the Group use are mainly the electricity consumption from the use of electronic equipment and central air-conditioning facilities as well as municipal water supply. The Group's daily management measures for resource conservation include:

- Reducing energy consumption

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

  – We implement a "five turn-offs" policy on premises, requiring employees to turn off their computers and screens before leaving work, and conduct random checks and reports on a regular basis. Security guards should check to make sure that lights, monitors, water dispensers, microwave ovens, air conditioners and other equipment are turned off when patrolling the office.

  – All office space uses LED energy-saving lamps.

  – According to the needs of various departments and the features of air conditioners, timely adjust and optimize the operation time of the air-conditioning system.

  – Reminders are posted on the air-conditioning control panels about setting the temperature of the air-conditioning at 24-26 degrees Celsius to save electricity.

  – Escalators are set to turn off when no one is using and on holidays.

- Water conservation

  – Regular checks on water pipes, taps and other equipment and renew old equipment are conducted in time to reduce waste from leaks and drips. Water-saving sanitary appliances are installed to reduce per capita water consumption.

  – Water conservation tips are posted in public areas such as washrooms to raise staff awareness of environmental protection.

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

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

Disclosure of Resources Utilization Data Note 1

Indicators	Data for 2020	Data for 2021	Data for 2022
Consumption of gasoline (litres)	24,852	31,811	39,763
Electricity consumption (10,000 kWh)	2,636	3,631	3,861
Electricity consumption per RMB million operating income (10,000 kWh/RMB million)	0.19	0.20	0.19
Comprehensive energy consumption Note 2 (tonnes standard coal)	3,266	4,496	4,788
Comprehensive energy consumption per RMB million operating income (tonnes standard coal/RMB million)	0.23	0.24	0.24
Water consumption (tonnes)	229,761	251,643	255,775
Water consumption per RMB million operating income (tonnes/ RMB million)	16.29	13.68	12.79

Notes: 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. In 2022, the operating income of the Group amounted to RMB20,005 million.

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

Environment and Natural Resources Protection

The Group adheres to the development concept of "lucid waters and lush mountains are invaluable assets" and the positioning of "empowering the digital and intelligent transformation of the ecological environment industry and jointly building a new era of smart environment". While realizing its own green and low-carbon development, the Group helps customers innovate environmental governance model, enhances the scientific decision-making ability of environmental supervision and empowers the supervision and management of ecological environmental protection through "technology + ecology" to build a beautiful China.

Refined supervision of the ecological environment

In accordance with the principles of "territorial management, hierarchical responsibility, comprehensive coverage and technological support", the Group assists government authorities to implement refined supervision of the ecological environment. The Group has assisting the Department of Ecology and Environment of a province in building a nationally leading eco-environmental refined supervision system that covers all environmental aspects, a special action and grid supervision platform, an ecological environment resources and ecological cloud platform and a one-certificate management system based on pollutant discharge permits to achieve comprehensive and refined management and control of the ecological environment under the "pre-warning, in-process monitoring, and afterward punishment" strategy, improving the ability to protect the ecological environment and control environmental pollution.

Accurate law enforcement for the ecological environment

With the support of big data and mobile Internet technology, the Group helps the government build a new ecological and environmental law enforcement model of "Internet + unified command + comprehensive law enforcement + standardized case handling", comprehensively improves the efficiency of ecological and environmental law enforcement and promotes the continuous enhancement of the quality of the ecological environment. The Group has established a three-dimensional accurate law enforcement system for the Ministry of Ecology and Environment of the People's Republic of China integrating "measurement, management and punishment", an environmental law enforcement system that integrates accurate law enforcement, standardized case handling, intelligent inspection and supervision and normalized law enforcement training. The system supports the Ministry of Ecology and Environment to efficiently conduct law enforcement training, environmental case handling and other activities, helping to improve the quality of the ecological environment.

Convenient services for the ecological environment

The Group adopts a big data innovation service model to help government authorities achieve "the more use of data, the less work for the public" and establish a process-oriented, efficient and portable "one-stop online" ecological environment public service system, so as to better serve users such as management departments, sewage departments and the public, and effectively enhance the level of ecological and environmental services. The Group has established multiple platforms such as an integrated application portal, an environmental impact assessment and pollutant discharge permit management platform, a government platform for corporate ecological environmental services and a basic environmental protection information management system for livestock and poultry breeding for the Department of Ecology and Environment of a province to fully support the daily work of government authorities.

3.2 RESPONSE TO CLIMATE CHANGE

Climate Strategies

The Group closely follows the major national strategy of "carbon peaking and carbon neutrality", identifies the main sources of greenhouse gas emissions at the operational level, explores and plans emission reduction paths, promotes the implementation of energy-saving and emission reduction measures and facilitates its own low-carbon operation.

In terms of business operations, the Group's greenhouse gas emissions are mainly indirect emissions from purchased electricity and direct emissions from the use of self-owned fuel vehicles. In view of the current greenhouse gas emissions at the operational level, the Group has formulated corresponding emission reduction plans:

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

  In terms of company vehicles, the Group currently has a total of 34 self-owned vehicles, of which 2 are new energy 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

  As for purchased electricity, the Group has been actively exploring the ways of using renewable electricity, studying different channels for purchasing green electricity and green certificates for its self-owned and leased office sites and evaluating the emission reduction costs of such measures to lay the groundwork for the use of renewable electricity in office space.

  In terms of the corporate value chain, the Group advocates the reduction of unnecessary business trips and the use of the WELINK, a digital platform for office collaboration. In addition, charging piles were installed at the Xi'an base campus and Nanjing's Jiangning site to encourage employees to use new energy vehicles instead of fuel vehicles in order to reduce indirect greenhouse gas emissions from employees' commuting to work.

  While promoting its own low-carbon operation, the Group leverage its advantages of IT services and digital ecological resources to actively lay out its business in the fields of green energy, digital energy and smart energy, striving to build a green and advanced smart energy ecosystem and help China achieve the strategic goal of "carbon peaking and carbon neutrality" with the power of technology.

Climate Risk Management

The Group attaches great importance to the potential impact of climate change on the company, and further strengthens and improves the risk management process system on the basis of the previous risk management system, which realizes a dynamic closed-loop management consisting of pre-identification, in-process monitoring, afterward handling, inspection and supervision report and problem rectification. In accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (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 Company's business and formulates corresponding management measures and countermeasures to prepare for the possible impacts of climate change on the Company's business development and finance costs.

The physical risks of the Group include acute and chronic risks arising from climate change. The Group has followed the requirements of "GBT30146-2013 Public Safety Business Continuity Management System Requirements" and "ISO22301 Business Continuity Management-2012" to identify major environmental and social risk management policies and principles, management framework and organizational responsibilities, and standardized management processes, reporting mechanisms and incident grading standards. The Group also conducts major risk emergency drills to strengthen the knowledge and participation of its employees in risk management and enhance their risk awareness.

- Acute physical risks

  In order to minimize the impact of extreme weather events such as earthquakes and floods on business operations, the Group has revised a series of emergency plans, including 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" to establish a grading mechanism for events, strengthening the prevention and warning, emergency response, emergency handling, emergency security and information reporting. With reference to the frequency and scale of extreme weather in local region, the Group has strengthened our building safety assessments and inspections to reduce losses caused by extreme weather to its buildings and equipment safety.

- Chronic physical risks

  In response to risks such as increases in average temperature arising from changes in precipitation and climate patterns, the Group monitors the operating time of cooling equipment in a timely manner to avoid higher energy consumption caused by sustained high temperatures and assesses the cost impact of increased energy consumption.

  The transition risks of the Group include policy and legal risks, technical risks, market risks and reputational risks arising from the transition to a low-carbon economy.

- Policy and legal risks

  The Group continues to monitor policies, laws and regulations related to climate change as well as the requirements and suggestions of regulatory bodies on information disclosure and constantly improve the level of information disclosure.

- Market and technical risks

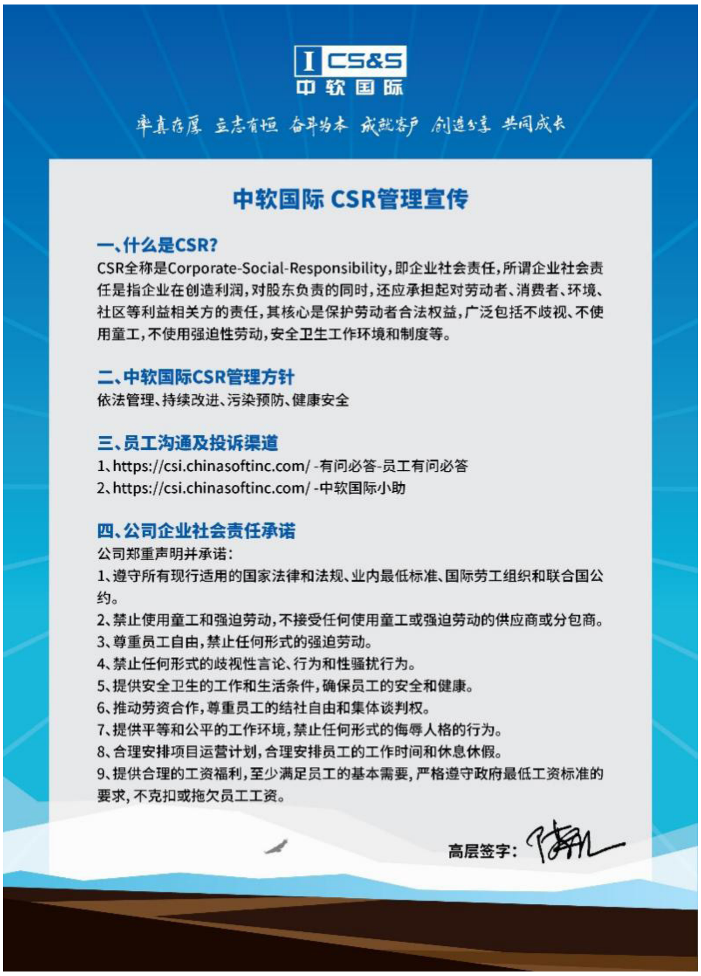
  As customers' demand for low-carbon products gradually increases, the Group continues to promote energy-saving and emission-reduction measures, study and plan the use of renewable electricity in office sites and reduce carbon emissions from its operations. In addition, the Group leverages its advantages in IT services and digital ecosystem resources to assist customers in their green and low-carbon transformation.

- Reputational risks

  The Group receives external evaluations from stakeholders including customers, investors and the public in a timely manner to ensure the continuous improvement of product and service quality. It also attaches great importance to the sustainable development management of suppliers to maintain a good reputation of the Company.

4. EMPLOYEES

The Group strictly complies with laws and regulations and has formulated a sound internal management system to protect the legitimate rights and interests of employees and safeguard their occupational health and safety, actively undertaking corporate social responsibilities. During the Reporting Period, the Group established and improved its corporate social responsibility (CSR) management system and passed the annual review of the SA8000 corporate social responsibility system certification. In addition, Dr. Chen Yuhong, Chairman and CEO of the Group, signed the CSR commitment of the Company which has been posted in the Group's offices across the nation.



Chinasoft International's CSR Commitment

4.1 PROTECTING THE RIGHTS AND INTERESTS OF EMPLOYEES

The Group strictly complies with laws and regulations such as 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", and actively safeguards the rights and interests of employees in various aspects such as equal opportunity and compliant employment, remuneration and benefits, working hours and holidays. We are committed to building an equitable, united, harmonious and diversified talent team.

Adhering to equal opportunity employment and promoting diversity in workforce

Adhering to the concepts of "talents as the core competitiveness" and "people-oriented", the Group adopts the principle of equal opportunity employment to build a workforce structure that is diverse in terms of gender, ethnicity, age, education and other characteristics, and follows national laws and regulations to protect the rights and interests of employees. With the recruitment principles of "employing based on merit instead of focusing on shortcomings and encouraging improvements", the Group recruits through campus recruitment, social recruitment, internal recommendation and other channels and provides various forms of employment including full-time and part-time employment to promote the diversification of employment forms. As at the end of December 2022, the Group had a total of 82,140 employees, spread across China and in various countries around the world, including a total of 3,768 employees of ethnic minorities such as Hui, Tujia, Manchu and Zhuang, accounting for approximately 4.59% of total number of employees; 584 employees with disabilities, accounting for approximately 0.71% of total number of employees. 2,421 fresh graduates were recruited during the Year.

Disclosure of Employment Data

Indicators	2022 Annual Data
Total number of employees (person)	82,140
Number of full time employees (person)	82,039
Number of part time employees (person)	101
Number of male employees (person)	54,550
Number of female employees (person)	27,590
Number of employees aged ≤30 years (person)	51,344
Number of employees aged 30 ＜ age ≤ 50 years (person)	30,572
Number of employees aged＞50 years (person)	224
Number of employees in Xi’an (person)	17,105
Number of employees in Shenzhen (person)	16,115
Number of employees in Shanghai (person)	9,012
Number of employees in Nanjing (person)	7,122
Number of employees in Beijing (person)	9,053
Number of employees in Chengdu (person)	4,238
Number of employees in Hangzhou (person)	3,588
Number of employees in Wuhan (person)	3,369
Number of employees in Dongguan (person)	3,029
Number of employees in other areas (person)	9,509

Employee turnover rate	2022 Annual Rate
Male employee turnover rate (%)	37.74
Female employee turnover rate (%)	34.35
Turnover rate of employees aged ≤30 years (%)	37.34
Turnover rate of employees aged 30 < age ≤ 50 years (%)	34.96
Turnover rate of employees aged ＞50 years (%)	28.41
Employee turnover rate in Xi'an (%)	31.40
Employee turnover rate in Shenzhen (%)	38.40
Employee turnover rate in Shanghai (%)	33.66
Employee turnover rate in Nanjing (%)	38.51
Employee turnover rate in Beijing (%)	36.64
Employee turnover rate in Chengdu (%)	40.09
Employee turnover rate in Hangzhou (%)	41.37
Employee turnover rate in Wuhan (%)	35.55
Employee turnover rate in Dongguan (%)	34.14
Employee turnover rate in other areas (%)	42.29

Safeguarding legitimate rights and interests and enhancing staff cohesion

The Group strictly abides by national laws and regulations on salary, working hours and holidays, complies with the relevant provisions of the "Articles of Association of the Workers' Congress of Chinasoft International" and revises the "Employee Handbook". It also improves the systems in relation to the "Talent Incentive Management Outline", the "Remuneration Framework Management Measures" and the "Performance Management White Paper" to protect the legitimate rights and interests of employees in accordance with the law. The Group uses respect, trust, opportunities, honour and remuneration to stimulate employees' sense of responsibility and mission. We maintain organisational vitality by recruiting outstanding talents and retaining key employees, and we strive to achieve the goal of common development of the Company and its employees. The Group has taken various measures to safeguard the rights and interests of its employees, which include:

- Remuneration optimisation

  - Annual merit evaluation is conducted to recognise and incentivise individuals and teams who have made outstanding contributions in work during the year;

  - A calendar for pay incentive management has been established to promote a pay incentive management which is systematic, process-based and schedule-based;

  - An incentive panorama is built to ensure the comprehensiveness and effectiveness of the incentive system;

  - The Group obtains the market salary report and carries out a salary competitiveness analysis of the Company to provide a basis for the formulation of salary strategies for the coming year;

  - The Group explores ways to optimize the salary structure of different types of employees and the point-based incentive mechanism for daily work.

- Management of working hours

  - A flexible working mechanism is introduced, with flexible office hours according to different regions and businesses;

  - A staff attendance billboard is set up to visually display the data of staff attendance analysis to the business department, so that the department can keep track of the working hours of staff to arrange work and rest reasonably;

  - Staff attendance data in the customer's system is directly synchronized to the Group's system without additional work by employees, thereby improving employee experience.

- Vacation management

  - Various types of paid leave are clarified in the staff handbook so that employees can better enjoy their rights and benefits and work with peace of mind;

  - The Group responds to the "Parental Leave Policy" promptly to ensure that employees are the first to receive this benefit.

"Chinasoft International's Annual Merit Evaluation"

– The Group has established a diversified and systematic incentive system which creates synergy with the existing salary system. It encourages all employees of the Company to "believe in the 'power of believing in yourself'" and achieve the "glory and dreams" of the Company and every employee. Based on the "strategy-budget-performance" end-to-end closed-loop operation at all organizational levels and focusing on the two main themes of "scale growth and continuous improvement in operation quality", the Group recognised and incentivised excellent teams and individuals who have made key outstanding contributions in 2022. A total of 1 "CEO Special Award", 15 "Gold Team", 22 "Gold Individual", 53 "Outstanding Team" and 553 "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 labour standards

The Group strictly abides by the international laws and regulations on the prevention of child labour and forced labour, as well as the relevant laws and regulations established by the countries and locations where our operations are located. The Group insisted on standardizing its employment according to law by improving the recruitment and approval of appointment process, optimising the overtime and work shift systems and encouraging employees to make proper arrangement of their leaves. During the Reporting Period, the Group had no violations in relation to child and forced labour.

4.2 SUPPORTING STAFF DEVELOPMENT

The Group highly values the development and cultivation of its staff, and is committed to building a team which is united, full of aspirations and passions. The Group strives to unleash employees' potential, improving the quality of staff training, facilitating the identification of talents, providing multi-path career development and optimising the training system to continuously promote staff development.

The Group provides employees with multiple career paths including the management path and professional path, and has developed various training systems such as new employee induction, role awareness, general knowledge, professional knowledge and management training, in order to help employees gain broader work experience and access to more promotion opportunities. During the Reporting Period, the Group continued to promote the use of systems such as "Practical Courses" learning platform and organize training and community activities such as the Digital Night School, the "Iron Army Lecture Hall on Cloud", Project Manager Conference, Project Manager Community and the Winter Employee Motivation Stations, covering management, technical and professional skills.

"Project Manager Conference"

In 2022, the Group held the ten-year anniversary celebration of the Project Manager Conference, and selected the most representative employees of Chinasoft International who had made great contributions outside after being selected in the conference. Through special programmes, nearly 150 outstanding talents were sent to the pilot business groups, and some of them have been included in the resource pool for cadre candidates. The project manager conference has played an active role in the Company's talent selection, organizational asset accumulation and reuse, and cross-business expansion. At present, the Group has selected more than 650 benchmark employees such as star project managers and 1,530 outstanding cases through the conference. Such cases have been reused in various business areas, playing a positive role in improving delivery capabilities and building employee capabilities.

"PM Live"

The Group organized the "PM Live" activity throughout the year with different themes for each month as an online platform for daily cross-business sharing and communication, covering topics such as human resources, quality, project management, system engineering, credibility tests, efficiency improvement and safety tests. A "credibility test" special sharing session was also held, which successfully helped some employees pass the test. "PM Live" so far has carried out a total of 219 events with about 68,000 viewers. It provides employees with the opportunity to learn excellent practices in different business areas and improves the reusability of organizational assets.

Disclosure of Development and Training Data

Indicators	Data for 2022
Total training hours of employees (hours)	424,333
Average training hours of employees (hours/person)	5.16
Total training hours of male employees (hours)	281,804
Average training hours of male employees (hours/person)	5.16
Total training hours of female employees (hours)	142,529
Average training hours of female employees (hours/person)	5.16
Average training hours completed by senior management (hours/person)	5.44
Average training hours completed by intermediate management employees (hours/person)	5.44
Proportion of male employees trained (%)	95
Proportion of female employees trained (%)	95
Proportion of senior management employees trained (%)	100
Proportion of middle management employees trained (%)	100

4.3 Caring for Employees and their Health

The Group strictly enforces laws and regulations such as 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", values the occupational health and safety of its employees and adopts various measures to provide a good working environment for its employees and enhance their sense of well-being. During the Reporting Period, the Group successfully obtained the recertification of ISO 45001 Occupational Health and Safety Management System.

Focus on Occupational Health and Improvement of Working Environment

The Group has always put the physical and mental health and safety of its employees as priority. It has established and improved the environmental, health and safety (EHS) management system, continuously improved the office environment for employees and strengthened site safety management. During the Reporting Period, the Group adopted various measures to protect the occupational health and safety of employees and created a good working environment:

- EHS management: The EHS risk personnel accounts have been set up to facilitate follow up on the physical and mental health of relevant staff with visual management, and the IT system for employee health and safety management has been upgraded.

- EHS training: An EHS empowerment month was launched, inviting external experts to conduct EHS-related empowerment training for the Company's staff.

- Medical check-ups: Free medical check-ups are organised regularly for staff, and staff's family members also enjoy preferential packages from medical check-up companies. The Company's system is connected to the medical check-up platform of medical check-up institutions, so that staff can arrange medical check-ups with flexibility, and complete medical check-up appointments and collect/receive medical reports on their own. We also cooperate with large medical check-up centres to provide preferential medical check-up packages for new recruits.

- Insurance: In addition to the "five insurance and one fund" for current employees in accordance with the law, supplementary commercial insurance benefits are provided to employees who have been with the Company for three years or more, extending supplementary medical, maternity, critical illness, accidental injury and life insurance policies to the staff. During the year, the Company paid out over RMB7.68 million, benefiting 26,747 employees. For employees with service period less than three years, the Group provides the means to purchase supplementary commercial insurances at prices much lower than the market price, benefiting 3,416 employees. The Group continues to optimise the online commercial insurance provider's self-claim and self-insure system, which facilitates our employees to self-claim and sign up for self-insured coverage.

- Psychological assistance for employees: In cooperation with a third party, we have initially set up an employee psychological assistance program (EAP) care system, covering nearly 50,000 employees of the Company. Through psychological assessment, 24-hour psychological assistance hotline, psychological counseling, psychological training, long-term business trip assessment, outbound travel assessment, and motivational articles, we strive to understand the psychological health status of employees and enhance their sense of well-being.

- Office environment and on-site safety: Regular inspection and testing of site fire-fighting facilities and maintenance of site signage to ensure effective use of fire-fighting facilities have been carried out. Various channels for reporting repairs have been set up to collect timely information of on-site problems and to have the problems effectively solved. Summer heat protection materials and infrastructure have been procured as required by the conditions of the sites to ensure a comfortable office environment for the staff.

- Sexual harassment reporting and complaint channels: Official mailbox, local EHS officers and reporting telephone channels have been set up to receive reports and complaints about sexual harassment. The information of the parties involved are kept strictly confidential to ensure a safe and healthy working environment for the employees.

Health and Safety Data Disclosure

Inidcators	2020	2021	2022
No. of work-related fatalities (persons)	0	0	0
Ratio of work-related fatalities (%)	0	0	0
No. of working days lost due to work-related injuries (days)	Not applicable	801.5	840

Note: The statistics of working days lost due to work-related injuries (days) were collected and disclosed from 2021 onwards, such information was not disclosed in previous years.

Focusing on employee care and enhancing staff happiness

The Group strives to create a vibrant and happy working atmosphere and varieties of staff activities to stimulate staff's work enthusiasm. During the reporting period, the Group launched traditional festive celebrations, gala and welfare activities, sent personalised blessing cards to employees on important occasions such as their birthdays and employment anniversaries, and set up an employee care and concern mailbox to care for employees' lives and enhance the staff's cohesion and sense of belonging.

"Chinasoft International Honouring Its Senior Staff"

The Group recognised 47 staff members who have worked for Chinasoft International for 20 years or more by awarding them with merit trophies and honorary souvenirs, allowing them to feel recognised and appreciated by the Company and enhancing staff cohesion.

"Working Together to Fight the Epidemic and Overcome Difficulties"

In March and April 2022, when COVID-19 ravaged Shanghai, the Group was deeply concerned about the shortage of living materials for employees in Shanghai. The Group analyzed the sign-in health data to determine the distribution of employees, the proportion of single employees and the proportion of employees in rental premises, and promptly determined the proper support strategy. The Group actively prepared and mobilised various parties to overcome all difficulties and deliver "warm packages" of supplies to employees who were living in isolation and in urgent need of household supplies.

"Celebrating Mid-Autumn Festival Together"

During the Mid-Autumn Festival, the Group organised a special event with the theme of "The Bright Moon Rises Above the Coding". The Group prepared a variety of food and gifts for its staff, and hosted four cultural activities, namely, "Full Staff Examiner", "Cracking the Code - 2022 Lantern Puzzle", "Happy Planets Matching" and "Treasury Hunt on the Moon", which attracted more than 10,000 staff from all over the country.

5. COMMUNITY INVESTMENT

The Group has been actively fulfilling its corporate social responsibility, advocating staff to participate in voluntary activities, strengthening cohesiveness and contributing to the realization of common prosperity and building a better society. In addition, the Group helps colleges and universities cultivate talents in the digital intelligent industry by promoting the integration of production and education. During the Reporting Period, the Group organised its staff to participate in blood donation, volunteer team building and epidemic prevention activities, and donated RMB1.06 million to the Future Seeds Program of China Youth Development Foundation and Dongrun Foundation, showing its care for the growth of young people.

"The Wonders of Hometown in the Eyes of Children"

At the invitation of the China Youth Development Foundation, the Group strongly supported the award ceremony of both the "Pride & Nostalgia" photography event and the "The Wonders of Hometown in the Eyes of Children" art and photography event jointly organized by the China Youth Development Foundation and other associations, and delivered an online speech, wishing the event a complete success. The purpose of this charity event is to present rural life through lenses and brushes, so as to show the artistic side of the new rural construction style and development achievements, and to jointly contribute to the revitalization of the rural regions through the organic combination of aesthetic education and family tradition education.

"Deepening Production and Education Integration and Cultivating Leading Talents in the ITAI Industry"

In order to strengthen the training of talents in the field of key basic software, the Group cooperated with Beijing Institute of Technology to establish an institute of information technology application innovation. In April 2022, the Institute of Information Technology Application Innovation of Beijing Institute of Technology was officially established. With the founding philosophy of close combination of production, education, research and application, close integration of production and education, and close integration of industry chain and innovation chain, the institute focuses on the development of key basic software, especially in relation to OpenHarmony OS. It also aims at building a first-class talent training base and a key laboratory for OpenHarmony OS and strengthening the innovative development under school-enterprise cooperation to accelerate the filling of talent gaps in the field of key basic software and boost the ITAI talent ecosystem. In order to cultivate top-notch talents in OpenHarmony OS, the Institute of Information Technology Application Innovation plans to open two special classes every year, admitting 30 undergraduates and 30 postgraduates, and pass on knowledge about OpenHarmony OS through ways such as school clubs, special training camps, lectures and competitions, empowering 600 talents every year. The Group also collaborated with professors from Beijing Institute of Technology to create the teaching materials of "OpenHarmony OS" for the "14th Five-Year Plan" of Beijing Institute of Technology, which combine theory with practice and help fill the gap in teaching materials on OpenHarmony OS for colleges and universities.

1st Meeting of the Strategic Advisory Committee of the Institute of Information Technology Application Innovation

"Exchanging Used Clothes for Saplings"

The Group adheres to the concept of green environment and environmental protection. We participated in the environmental protection public welfare project "Sending used clothes with love to make a forest" initiated by the "Feimayi" Internet environmental protection recycling platform. The Group gathered the strength of our staff, calling on all employees to collect used clothes, and through the "Exchanging Used Clothes for Saplings" public welfare model, we have nurtured a public welfare forest belonging to Chinasoft International. The Group planted a wind break and sand fixation forest in Minqin County of Wuwei City, Gansu Province to improve the local ecological conditions. Minqin County is located in the northeast of the Hexi Corridor, which is surrounded by the Tengger Desert and the Badan Girin Desert to the east, west and north. As the "guardian of the desert", every sorrel tree can hold 10 square metres of sand in the desert.

From April 2021 to December 2022, the Group recycled 1,260kg of used clothes, reducing carbon emissions by 4,536kg and allowing 96 trees to be planted in the public forest area, fixing 960 square metres of sand. In the meantime, the Group's volunteers in Shenzhen joined hands with property owners, trade unions and kindergartens in the area where the Group's associated companies are located, to form a regional environmental protection charity circle to raise public awareness of environmental protection and promote public participation in environmental protection activities.

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 60, 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 60, 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 60, 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 57, 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).

Mr. Gao Liangyu (高良玉), aged 57, is the chairman of the board of Gao Zheng Asset Management Limited (高正資產管理有限公司) since July 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

Mr. Zeng Zhijie (曾之杰), aged 55, was appointed on 21 April 2003. Mr. Zeng is currently the Managing Partner of Oriza-Rivertown Capital (元禾厚望成長基金). He has been active in the venture capital industry for twenty years. Mr. Zeng obtained a bachelor's degree in economics from the University of Nagasaki, Japan, and a master of science degree in management from Stanford University.

Dr. Lai Guanrong (賴觀榮), aged 60, 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 64, 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.

SENIOR MANAGEMENT

Mr. Simon Chung (鍾鎮銘), aged 62, 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 43, 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 43, 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 127 to 237, which comprise the consolidated statement of financial position as at 31 December 2022 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 a summary of significant accounting policies.

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 2022, 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 the carrying amount of goodwill is recoverable 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 assumptions used, including specifically the revenue growth rates and gross margins used in the impairment testing model based on our knowledge on the business and industry; • Comparing the actual results with prior year's forecasts; • 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; and • Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

KEY AUDIT MATTERS - CONTINUED

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from project-based development contracts	
We have identified revenue recognition from project-based development contracts as a key audit matter because it is recognised over time based on the stage of completion using input method which requires a significant degree of management judgement and may be subject to management bias. The stage of completion requires management to make significant estimates of the expected costs to satisfy the relevant performance obligations based on the budgets prepared for the contracts. Details of revenue from project-based development contracts and corresponding key estimation uncertainty on recognition are disclosed in notes 5 and 4 to the consolidated financial statements, respectively.	Our procedures in relation to revenue recognition from project-based development contracts, performed on a sample basis, included: • Challenging the appropriateness of the assumptions used in the estimation of total expected costs to satisfy the relevant performance obligations; • Assessing the reasonableness of changes if any on the expected future costs to satisfy the relevant performance obligations; • Assessing the stage of completion through obtaining management's calculations and agreeing the inputs of the costs to supporting evidence; • Testing the mathematical accuracy of management's calculation of revenue recognised over time; • Comparing the transaction prices to the consideration expected to be entitled based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers; • Performing a gross profit analysis; and • Inspecting the completion reports or other evidence for projects completed in the current year.

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
29 March 2023

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	20,005,171	18,398,076
Cost of sales and services		(15,405,001)	(13,493,835)
Gross profit		4,600,170	4,904,241
Other income	6	347,953	419,280
Loss from derecognition of financial assets measured at amortised cost		(2,740)	(5,515)
Impairment losses under expected credit loss model, net of reversal	7	(89,451)	(111,735)
Other gains or losses		34,447	151,595
Selling and distribution costs		(948,868)	(943,469)
Administrative expenses		(1,682,638)	(1,755,654)
Research and development costs		(1,238,035)	(1,249,325)
Other expenses		(55,210)	(47,588)
Finance costs	8	(113,212)	(99,557)
Share of results of investments accounted for using the equity method		(22,534)	(10,196)
Profit before taxation		829,882	1,252,077
Income tax expense	9	(71,053)	(115,387)
Profit for the year	10	758,829	1,136,690

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		**(1,929)**	(2,982)
Other comprehensive expense for the year, net of tax		**(1,929)**	(2,982)
Total comprehensive income for the year		**756,900**	1,133,708
Profit for the year attributable to:			
Owners of the Company		**759,441**	1,136,911
Non-controlling interests		**(612)**	(221)
		758,829	1,136,690
Total comprehensive income attributable to:			
Owners of the Company		**757,512**	1,133,929
Non-controlling interests		**(612)**	(221)
		756,900	1,133,708
Earnings per share	13		
Basic		**RMB0.2611**	RMB0.4089
Diluted		**RMB0.2518**	RMB0.3840

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,119,112**	1,220,085
Right-of-use assets	15	**439,447**	627,641
Intangible assets	16	**280,773**	192,855
Goodwill	17	**843,654**	843,654
Investments accounted for using the equity method	18	**485,163**	384,641
Financial assets at fair value	19	**159,560**	78,513
Other receivables	21	**21,703**	26,565
Term deposits	26	**10,000**	–
Pledged bank deposits	26	**3,930**	5,699
Deferred tax assets	30	**921**	3,013
		3,364,263	3,382,666
Current assets			
Inventories	20	**99,358**	162,631
Trade and other receivables	21	**6,156,543**	5,894,431
Bills receivable	23	**54,563**	42,438
Contract assets	24	**1,998,731**	1,740,630
Financial assets at fair value	19	**90,000**	–
Amounts due from related companies	25	**102,847**	106,828
Term deposits	26	**48,000**	–
Pledged bank deposits	26	**45,254**	16,289
Bank balances and cash	26	**5,005,226**	5,556,380
		13,600,522	13,519,627
Current liabilities			
Trade and other payables	27	**2,043,359**	2,251,585
Bills payable	23	**5,350**	56
Lease liabilities	28	**180,951**	213,849
Contract liabilities	29	**339,220**	410,877
Amounts due to related companies	25	**44,081**	10,657
Dividend payable		**81**	81
Taxation payable		**154,184**	181,075
Borrowings	31	**766,068**	917,421
Consideration payable	37	**19,992**	–
		3,553,286	3,985,601
Net current assets		**10,047,236**	9,534,026
Total assets less current liabilities		**13,411,499**	12,916,692

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**11,715**	13,312
Consideration payable	37	**–**	19,992
Lease liabilities	28	**102,530**	235,959
Borrowings	31	**1,162,463**	1,020,870
		1,276,708	1,290,133
		12,134,791	11,626,559
Capital and reserves			
Share capital	32	**136,837**	138,703
Share premium	33	**6,013,911**	6,293,665
Treasury shares	41	**(538,555)**	(588,741)
Reserves	33	**6,497,572**	5,760,294
Equity attributable to owners of the Company		**12,109,765**	11,603,921
Non-controlling interests		**25,026**	22,638
Total equity		**12,134,791**	11,626,559

The consolidated financial statements on pages 127 to 237 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

Dr. Chen Yuhong
DIRECTOR

Dr. Tang Zhenming
DIRECTOR

For the year ended 31 December 2022

	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 2021	131,956	4,734,754	(605,387)	(122,769)	(13,834)	(13,045)	148,473	15,793	26,749	257,519	4,192,879	8,753,088	23,323	8,776,411
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,136,911	1,136,911	(221)	1,136,690
Other comprehensive expense for the year	–	–	–	–	–	(2,982)	–	–	–	–	–	(2,982)	–	(2,982)
Total comprehensive income (expense) for the year	–	–	–	–	–	(2,982)	–	–	–	–	1,136,911	1,133,929	(221)	1,133,708
Issue of ordinary shares upon exercise of share options	92	12,624	–	–	–	–	(2,711)	–	–	–	–	10,005	–	10,005
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	216,588	–	–	–	–	216,588	–	216,588
Issuance of placing shares	6,655	1,612,087	–	–	–	–	–	–	–	–	–	1,618,742	–	1,618,742
Vesting of award shares	–	4,317	74,960	–	–	–	(79,277)	–	–	–	–	–	–	–
Appropriations	–	–	–	–	–	–	–	–	–	29,277	(29,277)	–	–	–
Dividends paid to ordinary shareholders	–	(70,117)	–	–	–	–	–	–	–	–	–	(70,117)	–	(70,117)
Purchase of shares under share award scheme	–	–	(58,314)	–	–	–	–	–	–	–	–	(58,314)	–	(58,314)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(464)	(464)
At 31 December 2021	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	–	(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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Operating activities		
Profit before taxation	**829,882**	1,252,077
Adjustments for:		
Depreciation of property, plant and equipment	**214,248**	173,685
Depreciation of right-of-use assets	**230,255**	222,984
Amortisation of intangible assets	**55,210**	47,588
Finance costs	**113,212**	99,557
Loss from derecognition of financial assets measured at amortised cost	**2,740**	5,515
Impairment losses under expected credit loss model, net of reversal	**89,451**	111,735
Share-based payment expenses	**110,678**	216,588
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")	**(12,847)**	(11,688)
Loss on fair value change of financial liability	**–**	1,687
Interest income	**(87,073)**	(70,422)
Share of results of investments accounted for using the equity method	**22,534**	10,196
Loss/(gain) on deemed disposal/disposal of investments accounted for using the equity method	**2,064**	(25,288)
Gain on disposal of subsidiaries	**–**	(156,055)
Loss/(gain) on disposal of property, plant and equipment	**574**	(5)
Gain on disposal of right-of-use assets	**(10)**	(4,137)
Dividend income from financial assets at FVTPL	**–**	(12,938)
Exchange (gains)/losses	**(25,324)**	7,829
Operating cash flows before movements in working capital	**1,545,594**	1,868,908
Increase in trade and other receivables	**(245,362)**	(1,344,744)
(Increase)/decrease in contract assets	**(288,564)**	67,342
(Decrease)/increase in trade and other payables	**(138,524)**	470,204
(Decrease)/increase in contract liabilities	**(71,657)**	91,186
Increase in bills receivable	**(12,125)**	(26,587)
Decrease/(increase) in inventories	**63,273**	(111,763)
Decrease in amounts due from/to related companies	**4,301**	961
Increase/(decrease) in bills payable	**5,294**	(33,390)
Cash generated from operations	**862,230**	982,117
Income taxes paid	**(139,706)**	(86,364)
Income taxes refunded	**42,252**	66,390
Net cash generated from operating activities	**764,776**	962,143

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Investing activities			
Purchases of property, plant and equipment		(196,694)	(287,153)
Placement of pledged bank deposits		(50,785)	(8,557)
Withdrawal of pledged bank deposits		23,593	15,495
Development costs paid		(136,355)	(61,139)
Placement of term deposits		(58,000)	–
Purchase of other intangible assets		(6,773)	(11,404)
Purchase of investments accounted for using the equity method		(175,652)	(160,492)
Purchase of financial assets at FVTPL		(158,200)	(5,000)
Repayment from related companies		130	2,092
Net cash outflow on acquisition of subsidiaries	37	–	(321,581)
Net cash inflow on disposal of subsidiaries	38	2,577	321,605
Proceeds from disposal of investments accounted for using the equity method		53,375	22,875
Interest received		68,227	39,839
Proceeds from disposal of property, plant and equipment		6,578	411
Dividend received from/repayment from return of investments accounted for using equity method		1,627	11,010
Dividend received from financial assets at FVTPL		–	12,938
Advance to related parties		(20,170)	(16,738)
Withdrawal of deposits of acquisition of an office building		–	73,520
Payment for right-of-use assets		(527)	(150,354)
Payment for rental deposits		(4,646)	(13,888)
Withdrawal of rental deposits		2,012	7,000
Net cash used in investing activities		(649,683)	(529,521)
Financing activities			
Dividend paid		(79,555)	(70,117)
New borrowings raised		4,560,703	2,245,345
Proceeds from exercise of share options		119,776	10,005
Purchase of shares under share award scheme		(54,936)	(58,314)
Repurchase and cancellation of shares		(347,631)	–
Capital contribution from non-controlling shareholders		3,000	–
Advance from related companies		20	2,392
Repayment to related companies		(251)	(498)
Repayment of borrowings		(4,661,283)	(2,072,630)
Repayments of lease liabilities		(221,853)	(228,070)
Other interest paid		(98,727)	(69,965)
Proceeds from issuance of placing shares		–	1,618,742
Net cash (used in) from financing activities		(780,737)	1,376,890
Net (decrease)/increase in cash and cash equivalents		(665,644)	1,809,512
Cash and cash equivalents at beginning of the year		5,556,380	3,786,777
Effect of foreign exchange rate changes		114,490	(39,909)
Cash and cash equivalents at end of the year, represented by bank balances and cash		5,005,226	5,556,380

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements:

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

The application of the 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
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[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
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 2024

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.1 Basis of preparation of consolidated financial statements – continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Basis of consolidation – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity, and attributed to owners of the Company.

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.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain of loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Investments in associates – continued

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate.

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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Principal versus agent – continued

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

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*.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Recognition of revenue from major sources of revenue – continued

(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 recongised in an amount to which the Group has a right to invoice.

(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.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Government grants – continued

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

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.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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.

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. 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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Taxation – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Intangible assets – continued

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

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

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.

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.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

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

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – 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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 – continued

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – 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

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.

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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

Equity instruments – continued

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.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

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.

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Foreign currencies – continued

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Employee benefits – continued

Equity-settled share-based payment transactions – continued

Share options and share awards granted to employees – continued

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.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Critical judgements in applying accounting policies – continued

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.

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 2022, the carrying amount of goodwill is RMB843,654,000 (31 December 2021: RMB843,654,000). Details of the recoverable amount calculation are disclosed in note 17.

Measurement of progress of project-based development contracts

Revenue from project-based development contracts is recognised based on the stage of completion of the contract using input method which requires estimations made by management. Management estimates the expected total costs to satisfy the relevant performance obligations based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of such expected costs in the budget prepared for each contract as the contract progresses. Any revisions to estimates of the expected costs would affect contract revenue recognition.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Key sources of estimation uncertainty – continued

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 forward-looking information that is reasonable and supportable available without undue costs 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. Due to uncertainty on how the Covid-19 pandemic and volatility in financial or foreign currency markets may progress and evolve, the Group has considered if there is objective evidence in respect of higher expected loss rates because a higher risk that a prolonged pandemic could lead to increased credit default rates. 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

	2022	2021
	RMB'000	RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**2,364,345**	2,221,812
Outsourcing services	**16,816,750**	15,749,881
Other services	**308,530**	160,320
	19,489,625	18,132,013
Sales of software and hardware products	**515,546**	266,063
	20,005,171	18,398,076

	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	**19,489,625**	18,132,013
At a point in time	**515,546**	266,063
	20,005,171	18,398,076

Performance obligations of rendering project-based development services, outsourcing services and other services are satisfied over time. Performance obligations of sales of goods 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.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Disaggregation of revenue from contracts with customers – continued

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.

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 RMB339,220,000 as at 31 December 2022 (31 December 2021: RMB410,877,000). Such transaction price allocated is expected to be recognised as revenue during 2023.

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.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

The following is an analysis of the Group's revenue and results by reportable segments:

	Segment revenue		Segment results	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
TPG	**17,930,401**	16,622,352	**797,998**	1,209,519
IIG	**2,074,770**	1,775,724	**175,316**	147,939
	20,005,171	18,398,076	**973,314**	1,357,458

	2022	2021
	RMB'000	RMB'000
TPG		
Provision of services	**17,764,725**	16,501,755
Sales of software and hardware products	**165,676**	120,597
	17,930,401	16,622,352
IIG		
Provision of services	**1,724,900**	1,630,258
Sales of software and hardware products	**349,870**	145,466
	2,074,770	1,775,724
Segment revenue	**20,005,171**	18,398,076

Segment revenue reported above represents revenue generated from external customers after eliminating inter-segment services revenue of RMB663,670,000 in 2022 (2021: RMB642,863,000).

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.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

Segment results represent the profit earned by each segment without allocation of dividends from financial assets at FVTPL, loss/gain on deemed disposal/disposal of investments accounted for using the equity method, gain on disposal of subsidiaries, 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.

Reconciliation of segment results to profit before taxation:

	2022 RMB'000	2021 RMB'000
Segment results	973,314	1,357,458
Dividends from financial assets at FVTPL	–	12,938
(Loss)/gain on deemed disposal/disposal of investments accounted for using the equity method	(2,064)	25,288
Gain on disposal of subsidiaries	–	156,055
Unallocated other income, other gains or losses	39,148	6,801
Unallocated interest on borrowings	(44,780)	(31,093)
Corporate expenses	(20,628)	(58,320)
Unallocated share of result of investments accounted for using the equity method	(4,430)	(462)
Share-based payment expenses	(110,678)	(216,588)
Profit before taxation	829,882	1,252,077

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

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**

2021	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	349,050	93,343	1,864	444,257
Loss from derecognition of financial assets measured at amortised cost	5,515	–	–	5,515
Finance costs	58,196	10,213	31,148	99,557
Impairment losses, under expected credit loss model, net of reversal	41,210	66,384	4,141	111,735
Interest income	(68,241)	(1,570)	(611)	(70,422)
Share of (profit) loss of investments accounted for using the equity method	(4,343)	14,077	462	10,196
(Gain) loss on disposal of property, plant and equipment	(18)	13	–	(5)

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"), Japan, Malaysia, India and other countries.

The Group's revenues from external customers (based on location of the operations) by geographical location are detailed below:

	Revenue from external customers	
	2022	2021
	RMB'000	RMB'000
PRC	**19,623,718**	17,753,488
USA	**167,294**	428,098
Malaysia	**114,817**	109,516
Japan	**85,401**	92,796
India	**6,448**	13,607
Saudi Arabia	**3,577**	–
Others	**3,916**	571
	20,005,171	18,398,076

As at 31 December 2022, the Group's non-current assets excluding financial instruments and deferred tax assets amount to RMB3,168,149,000 (31 December 2021: RMB3,268,876,000). 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:

	2022	2021
	RMB'000	RMB'000
Customer A	**9,826,709**	9,876,478

6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income	**87,073**	70,422
Dividend income from financial assets at FVTPL	**–**	12,938
Government grants	**156,782**	235,509
Additional value added tax super credit	**93,928**	86,298
Value added tax refund	**–**	946
Refund of individual income tax handling fee	**9,330**	5,772
Others	**840**	7,395
	347,953	419,280

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 as at 31 December 2022 and 2021.

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 RMB'000	2021 RMB'000
Impairment losses, net of reversal, on:		
– Trade receivables	**56,235**	21,950
– Contract assets	**30,463**	85,829
– Others	**2,753**	3,956
	89,451	111,735

Details of impairment assessment are set out in note 35.

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on borrowings	**96,031**	79,780
Interest on lease liabilities	**17,181**	19,777
	113,212	99,557

9. INCOME TAX EXPENSE

	2022	2021
	RMB'000	RMB'000
Income tax expense comprises:		
PRC Enterprise Income Tax		
– current year	71,308	87,508
– (over)/under provision in prior years	(10,816)	11,654
	60,492	99,162
Others	10,071	16,130
	70,563	115,292
Deferred tax (note 30)	490	95
	71,053	115,387

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 applicable 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, Chinasoft International Information Technology Limited ("Chinasoft Beijing") was accredited as a High and New Technology Enterprise for a period up to the 1 December 2023. As a result, Chinasoft Beijing was subject to the income tax rate of 15% for the years ended 31 December 2022 and 2021.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 12 November 2020, 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. As a result, Shanghai Huateng was subject to the income tax rate of 15% for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

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' 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 years ended 31 December 2022 and 2021.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to profit before taxation as follows:

	2022 RMB'000	2021 RMB'000
Profit before taxation	**829,882**	1,252,077
Tax at PRC Enterprise Income Tax rate of 25% (2021: 25%)	**207,471**	313,019
Tax effect of share of results of interests in entities measured under the equity method	**5,634**	2,549
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(56,361)**	(160,002)
Tax effect of 175% (2021: 175%) deduction rate on certain research and development expenses	**(174,693)**	(140,519)
Tax effect of expenses not deductible for tax purpose	**58,901**	43,305
Tax effect of income not taxable for tax purpose	**(2,289)**	(6,393)
(Over)/under provision in prior years	**(10,816)**	11,654
Tax effect of utilisation of tax losses previously not recognised	**(786)**	(824)
Tax effect of tax losses not recognised	**4,460**	2,312
Effect of different tax rates of entities operating in other jurisdictions	**39,532**	50,286
Income tax expense for the year	**71,053**	115,387

10. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	19,796	41,014
Retirement benefits costs (excluding those for directors)	792,433	666,395
Share-based payment expenses (excluding those for directors)	82,919	137,302
Other employee benefits expenses	16,293,557	14,825,249
Total employee benefits expenses	17,188,705	15,669,960
Less: Amounts capitalised as development costs	(136,355)	(61,139)
	17,052,350	15,608,821
Depreciation of property, plant and equipment	214,248	173,685
Depreciation of right-of-use assets	230,255	222,984
Amortisation of intangible assets	55,210	47,588
	499,713	444,257
Covid-19-related rent concessions (note 15)	–	91
Auditor's remuneration	7,408	8,800
Cost of inventories recognised as an expense	479,208	237,618
Gain on disposal of subsidiaries	–	156,055
Net foreign exchange (gain) loss (included in other gains or losses)	(25,324)	7,829
Fair value gain on financial assets at FVTPL (included in other gains or losses)	(12,847)	(11,688)
Loss (gain) on disposal of property, plant and equipment (included in other gains or losses)	574	(5)

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 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

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 RMB'000	Gao Liangyu RMB'000	Gavriella Schuster RMB'000 (Note b)	Total 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.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments – continued

	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

Details of emoluments to the directors and the chief executive for the year ended 31 December 2021 are as follows:

	Chen Yuhong	**He Ning**	**Tang Zhenming**	**Total**
	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000
A) EXECUTIVE DIRECTORS				
Other emoluments:				
Salaries and other benefits	1,366	1,533	2,105	5,004
Share-based payment expenses	22,819	–	7,392	30,211
Retirement benefits costs	53	36	53	142
Sub-total	24,238	1,569	9,550	35,357

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.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments – continued

		Zhang Yaqin	Gao Liangyu	Gavriella Schuster	Total
		RMB'000	RMB'000	RMB'000	RMB'000
B)	NON-EXECUTIVE DIRECTORS				
	Other emoluments:				
	Salaries and other benefits	253	253	328	834
	Share-based payment expenses	779	779	779	2,337
	Sub-total	1,032	1,032	1,107	3,171

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	105	263	249	617
	Share-based payment expenses	623	623	623	1,869
	Sub-total	728	886	872	2,486

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

	RMB'000
Total emoluments for 2021	41,014

Note a: He Ning was appointed as an executive director of the Company on 18 May 2021.

Note b: 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, one (2021: one) was a director of the Company whose emoluments were included above. The emoluments of the other four (2021: four) highest paid individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	5,453	7,487
Retirement benefits costs	218	194
Share-based payment expenses	25,514	61,978
	31,185	69,659

The number of the highest paid employees, who are neither the directors nor chief executive of the Company, whose remuneration fell within the following bands is as follows:

	No. of employees 2022	 2021
HK$7,000,001 to HK$7,500,000	2	–
HK$7,500,001 to HK$8,000,000	1	–
HK$12,500,001 to HK$13,000,000	1	1
HK$18,500,001 to HK$19,000,000	–	2
HK$27,000,001 to HK$27,500,000	–	1
	4	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

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2021 Final – HK3.23 cents (2021: 2020 Final of HK2.90 cents) per share	**79,555**	70,117

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK5.67 cents (2021: HK3.23 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

	2022 RMB'000	2021 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**759,441**	1,136,911
Earnings for the purpose of diluted earnings per share	**759,441**	1,136,911

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,908,811**	2,780,474
Effect of dilutive potential ordinary shares:		
Share options	**10,173**	42,078
Share awards	**96,588**	138,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,015,572**	2,960,695

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).

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 2021	619,854	501,147	13,104	5,899	363,026	1,503,030
Exchange adjustments	(2)	(2,168)	22	–	(436)	(2,584)
Additions	–	174,283	588	19,796	79,554	274,221
Acquired on acquisition of subsidiaries	273,648	136	–	–	–	273,784
Transfers	–	2,910	–	(20,826)	17,916	–
Disposals	–	(17,126)	(1,617)	–	(13,187)	(31,930)
Disposal of subsidiaries	–	(25,104)	–	–	(4,989)	(30,093)
At 31 December 2021	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
DEPRECIATION						
At 1 January 2021	60,637	275,680	9,578	–	299,107	645,002
Exchange adjustments	(1)	(1,477)	22	–	(320)	(1,776)
Provided for the year	15,995	131,272	310	–	26,108	173,685
Eliminated on disposals	–	(12,460)	(916)	–	(13,139)	(26,515)
Eliminated on disposal of subsidiaries	–	(19,930)	–	–	(4,123)	(24,053)
At 31 December 2021	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
CARRYING VALUE						
At 31 December 2022	796,293	201,103	2,862	18,335	100,519	1,119,112
At 31 December 2021	816,869	260,993	3,103	4,869	134,251	1,220,085

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 2022, the Group is in the process of obtaining the property certificate for the buildings with a carrying amount of RMB525,868,000 (2021: RMB539,723,000) which are located in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2021	36,143	297,601	333,744
Exchange adjustments	–	(782)	(782)
Additions	148,392	403,071	551,463
Depreciation charge	(2,921)	(220,063)	(222,984)
Disposal	–	(29,032)	(29,032)
Disposal of subsidiaries	–	(4,768)	(4,768)
As at 31 December 2021	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

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**43,914**	32,809
Total cash outflow for leases	**268,928**	418,121

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 10 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 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 land which are located in the PRC. The leasehold land are depreciated on a straight line basis over a lease term of 30-50 years.

Rent concessions

During the year ended 31 December 2021, certain lessors provide rent concessions to the Group. These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB91,000 were recognised as negative variable lease payments during the year ended 31 December 2021 (2022: nil).

16. INTANGIBLE ASSETS

	Development costs RMB'000	Technical knowhow RMB'000 (Note i)	Software RMB'000	Contract-based customer-related intangibles RMB'000 (Note i)	Technical expertise RMB'000 (Note i)	Customer relationship RMB'000 (Note ii)	Patent RMB'000 (Note ii)	Trade name RMB'000 (Note ii)	Technology RMB'000 (Note i)	Non-compete agreements RMB'000 (Note i)	Total RMB'000
COST											
At 1 January 2021	526,232	17,367	28,819	19,704	12,494	243,924	13,764	1,010	23,344	12,239	898,897
Additions	61,139	–	11,405	–	–	–	–	–	–	–	72,544
Acquired on acquisition of subsidiaries	–	–	7,942	–	–	4,930	7	10,107	–	–	22,986
Disposal of subsidiaries	–	–	(3,341)	–	–	(38,553)	–	(42)	–	(8,966)	(50,902)
At 31 December 2021	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
AMORTISATION/IMPAIRMENT											
At 1 January 2021	393,870	17,367	27,631	19,704	12,494	232,561	13,764	1,010	23,344	12,239	753,984
Provided for the year	40,070	–	1,721	–	–	4,444	5	1,348	–	–	47,588
Eliminated on disposal of subsidiaries	–	–	(3,341)	–	–	(38,553)	–	(42)	–	(8,966)	(50,902)
At 31 December 2021	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
CARRYING VALUE											
At 31 December 2022	244,572	–	22,386	–	–	7,077	–	6,738	–	–	280,773
At 31 December 2021	153,431	–	18,814	–	–	11,849	2	8,759	–	–	192,855

Development costs are internally generated. All other intangible assets were acquired from third parties.

Notes:

i. Technical knowhow, contract-based customer-related intangibles, technical expertise, technology and non-compete agreements are fully amortised intangible assets and are still in use by the Group.

ii. Part of the development cost, customer relationship, patent and trade name are fully amortised but still exist.

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 2021	1,195,678
Arising on acquisition of a subsidiary	37,338
Disposal of a subsidiary	(191,686)
At 31 December 2021 and 2022	1,041,330
IMPAIRMENT	
At 1 January 2021	254,463
Eliminated on disposal of a subsidiary	(56,787)
At 31 December 2021 and 2022	197,676
CARRYING VALUE	
At 31 December 2021 and 2022	843,654

17. GOODWILL – CONTINUED

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2022 and 2021 has been allocated to the following CGUs or group of CGUs:

	2022 RMB'000	2021 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

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGUs or group of CGUs for the purpose of impairment assessment.

The recoverable amounts of the following CGUs 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 CGUs 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 CGUs or group of CGUs and management's expectations.

CGUs or group of CGUs	Pre-tax discount rate		Growth rate	
	2022	2021	2022	2021
Chinasoft Beijing	15%	14%	3%	3%
Shanghai Huateng	15%	14%	3%	3%
CSITS and related business	15%	15%	3%	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 2022.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 RMB'000	2021 RMB'000
Cost of unlisted investments	489,180	362,278
Share of post-acquisition profits, net of dividend received	11,861	38,241
Impairment loss	(15,878)	(15,878)
	485,163	384,641

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:

	2022 RMB'000	2021 RMB'000
The Group's share of loss and total comprehensive expense for the year	22,534	10,196
Aggregate carrying amount of the Group's interests in these investments	485,163	384,641

19. FINANCIAL ASSETS AT FAIR VALUE

	2022 RMB'000	2021 RMB'000
Non-current assets		
Financial assets at FVTPL		
– unlisted investment funds	111,360	78,513
– unlisted equity investments	48,200	–
	159,560	78,513
Current assets		
Financial assets at FVTPL		
– wealth management products	90,000	–

19. FINANCIAL ASSETS AT FAIR VALUE – CONTINUED

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 2022, the capital contributions made by the Group in PointGuard Ventures amounted to US$10,000,000 (2021: US$10,000,000) which represents a 13.29% (2021: 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 2022, the capital contributions made by the Group in Turing Ventures amounted to RMB20,000,000 (2021: 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 2022, the capital contributions made by the Group in Xiangning Ventures amounted to RMB20,000,000 (2021: nil).

The Group's wealth management products were issued by banks with expected return ranging from 1.85% to 2.89% per annum as at 31 December 2022 (2021: nil).

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 has 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 RMB48,200,000 are presented at FVTPL in the consolidated statement of financial position.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Computer hardware, equipment and software products	**99,358**	162,631

21. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables, net of allowance	**5,469,959**	5,256,303
Advances to suppliers	**435,490**	406,638
Deposits, prepayments and other receivables, net of allowance	**272,797**	258,055
	6,178,246	5,920,996
Analysed for reporting purposes as:		
Non-current assets	**21,703**	26,565
Current assets	**6,156,543**	5,894,431
	6,178,246	5,920,996

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 goods and services for project-based development contracts, and dates of rendering of other types of services at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Within 90 days	**4,384,078**	4,547,394
Between 91 – 180 days	**542,808**	417,732
Between 181 – 365 days	**346,246**	210,631
Between 1 – 2 years	**196,827**	80,546
	5,469,959	5,256,303

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

Details of impairment assessment of trade and other receivables as at 31 December 2022 are set out in note 35.

22. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2022, trade receivables amounting to RMB538,553,000 (2021: RMB409,587,000) 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 RMB2,740,000 (2021: RMB5,515,000) which were charged to profit or loss.

23. BILLS RECEIVABLE AND PAYABLE

An aged analysis of bills receivable is as follows:

	2022	2021
	RMB'000	RMB'000
Within 90 days	**31,953**	42,438
90 days to 180 days	**22,610**	–
	54,563	42,438

An aged analysis of bills payable is as follows:

	2022	2021
	RMB'000	RMB'000
Within 180 days	**5,350**	56

24. CONTRACT ASSETS

	2022	2021
	RMB'000	RMB'000
Contract assets	**1,998,731**	1,740,630

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 2022 and 2021, the amounts due from related companies mainly represent dividends receivable from an associate of the Group, the advance to associates of the Group and the consideration receivable in relation to the transfer of the interest in the investment accounted for using equity method. The balances are unsecured, non-interest bearing and repayable on demand.

At the end of 2022 and 2021, the amounts due to related companies principally represent 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 1.25% (2021: 0.0001% to 1.35%) per annum.

Pledged bank deposits

Pledged bank deposits carry a fixed interest rate ranging from 0% to 2.75% (2021: 0% to 1.5%) per annum and represent deposits pledged to banks to secure banking facilities granted to the Group. Bank deposits amounting to RMB45,254,000 (2021: RMB16,289,000) have been pledged to secure undrawn facilities and are therefore classified as current assets. As at 31 December 2022, the deposits amounting to RMB3,930,000 (31 December 2021: nil) represents deposits held in designated bank mainly for issuance of long-term bank letters of guarantee and are therefore classified as non-current assets. As at 31 December 2021, bank deposits of RMB5,699,000 have been pledged to secure long-term borrowings and are therefore classified as non-current assets (31 December 2022: nil). The pledged bank deposits will be released upon the settlement of relevant bank borrowings or release of bank letters of guarantee.

Term deposits

Term deposits represent short-term and long-term bank deposits at interest rates ranging from 3.60% to 3.70% per annum as at 31 December, 2022 (31 December 2021: nil).

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.

	2022	2021
	RMB'000	RMB'000
Hong Kong dollars ("HK$")	**639,609**	1,735,034
US$	**157,024**	48,361
Japanese Yen	**3,564**	46,437

As at 31 December 2022 and 2021, the Group performed impairment assessment on bank balances, pledged bank deposits and term deposits and concluded that the probability 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

	2022 RMB'000	2021 RMB'000
Trade payables	**665,267**	768,297
Payroll payables	**1,132,888**	1,238,154
Other tax payables	**150,313**	113,763
Other payables	**94,891**	131,371
	2,043,359	2,251,585

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

	2022 RMB'000	2021 RMB'000
Within 90 days	**273,778**	428,871
Between 91 – 180 days	**84,672**	133,023
Between 181 – 365 days	**82,796**	100,324
Between 1 – 2 years	**177,883**	82,555
Over 2 years	**46,138**	23,524
	665,267	768,297

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

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	180,951	213,849
Within a period of more than one year but not more than two years	85,109	144,178
Within a period of more than two years but not more than five years	17,421	91,781
	283,481	449,808
Less: Amount due for settlement with 12 months shown under current liabilities	(180,951)	(213,849)
Amount due for settlement after 12 months shown under non-current liabilities	102,530	235,959

The weighted average incremental borrowing rates applied to lease liabilities range from 0.65% to 4.97% (2021: from 2.02% to 6.41%) per annum as at 31 December 2022.

29. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities	339,220	410,877

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	298,047	210,804

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	Patent	Tax losses	Accrued charges	Difference between carrying amount and tax basis of interests in an associate	Software	Trade name	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	(1,138)	(3)	1,672	2,991	(7,677)	–	–	(988)	(5,143)
Exchange adjustments	–	–	(27)	–	–	–	–	151	124
Credit (charge) to profit or loss	732	3	(659)	(904)	–	189	337	771	469
Effect of change in tax rate	(564)	–	–	–	–	–	–	–	(564)
Acquisition of subsidiaries	(1,232)	–	–	–	–	(1,416)	(2,527)	–	(5,175)
Disposal of subsidiaries	–	–	(986)	–	–	–	–	976	(10)
At 31 December 2021	(2,202)	–	–	2,087	(7,677)	(1,227)	(2,190)	910	(10,299)
Exchange adjustments	–	–	–	–	–	–	–	(5)	(5)
Credit to profit or loss	814	–	–	(2,087)	–	283	505	(5)	(490)
At 31 December 2022	(1,388)	–	–	–	(7,677)	(944)	(1,685)	900	(10,794)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**921**	3,013
Deferred tax liabilities	**(11,715)**	(13,312)
	(10,794)	(10,299)

At the end of the reporting period, the Group had unused tax losses of approximately RMB233,927,000 (2021: RMB324,050,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as at 31 December 2022 and 2021 due to the unpredictability of future profit streams and these tax losses will expire in various years before 2027 (2021: 2026).

30. DEFERRED TAXATION – CONTINUED

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 2022 amounting to RMB8,068,965,000 (2021: RMB7,102,099,000) 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

	2022 RMB'000	2021 RMB'000
Unsecured bank loans (Note (i))	**1,928,531**	916,411
Secured bank loans (Note (ii))	**–**	1,021,880
	1,928,531	1,938,291

	2022 RMB'000	2021 RMB'000
Carrying amount repayable:		
Within one year	**766,068**	917,421
Within a period of more than one year but not more than two years	**151,899**	1,020,870
Within a period of more than two years but not more than five years	**1,010,564**	–
	1,928,531	1,938,291
Less: Amounts due within one year shown under current liabilities	**(766,068)**	(917,421)
Amounts shown under non-current liabilities	**1,162,463**	1,020,870

	2022 RMB'000	2021 RMB'000
Total borrowings		
At floating interest rates		
– under an instalment loan facility (Note (i) and (ii))	**1,166,278**	1,021,880
At floating interest rates – others (Note (iii))	**350,000**	330,000
At fixed interest rates – others (Note (iv))	**412,253**	586,411
	1,928,531	1,938,291

31. BORROWINGS – CONTINUED

Other than the loan which is denominated in HK$ as described in Note (i) and 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.

During 2022, the Company raised loans of HK$1,350 million from its loan facility with a group of financial institutions. The loans represent 45% 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.

(ii) During 2020, the Company raised loans of HK$1,800 million in two tranches from its loan facility with a group of financial institutions. The loans as at 31 December 2021 represent the full amount of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in July 2021, January 2022, July 2022, and January 2023. The contracted interest rate is the applicable HIBOR plus 1.9% per annum, and the effective interest rates range from 2.90%-2.96% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company. The first three instalments representing 30% of the loans, of HK$540 million has been repaid in 2021. The residual one instalment representing 70% of the loans of HK$1,260 million has been early repaid in 2022.

In addition, the Group is required to pledge a deposit which amounts to RMB5,699,000 and is classified as non-current asset as at 31 December 2021. The Group shall not withdraw any amount from the relevant deposit account, unless with the prior written consent of the facility agent, or for the prepayment or repayment of any loan outstanding, provided that (a) no default is continuing or would result from such withdrawal, and (b) the amount in the deposit account will not fall below the required balance as stipulated in the facility agreement. The required balance as at 31 December 2021 represents the aggregate of interest that will accrue on all the loans outstanding for a three-month period.

(iii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate is 3.24% (2021: 3.21%) per annum as at 31 December 2022.

(iv) Interests on fixed interest rates borrowings are charged at interest rate of 3.20% (2021: 3.32% to 3.55%) per annum as at 31 December 2022.

32. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2021, 31 December 2021 and 2022	4,000,000,000	200,000

	Number of shares	Amount HK$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2021	2,904,707,358	145,235,369	131,956
Exercise of share options (Note i)	2,200,000	110,000	92
Issuance of placing shares (Note ii)	162,000,000	8,100,000	6,655
At 31 December 2021	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 iii)	(67,706,000)	(3,385,300)	(2,926)
At 31 December 2022	3,027,011,358	151,350,569	136,837

Notes:

(i) During the year ended 31 December 2021, share options to subscribe for 2,200,000 ordinary shares of HK$0.05 each were exercised with an exercise price of HK$5.22 to HK$5.65 per share (see note 41). During the year ended 31 December 2022, share options to subscribe for 25,810,000 ordinary shares of HK$0.05 each were exercised with an exercise price of 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 2021, a total of 162,000,000 ordinary shares of HK$0.05 each were placed by placing agent to placees at HK$12.26 per share. These shares rank pari passu with other shares in issue in all respects.

(iii) During the year ended 31 December 2022, a total of 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

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at fair value	**249,560**	78,513
Financial assets at amortised cost	**10,979,419**	11,205,434
Financial liabilities		
Financial liabilities at fair value	**19,992**	19,992
Financial liabilities at amortised cost	**2,675,489**	2,738,756

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, trade and other payables, dividend payable, borrowings and bills payable. 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, trade and other payables arising from purchases dominated in foreign currencies and borrowings denominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 0.56% (2021: 0.53%) 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	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**644,319**	1,735,034	**1,166,998**	1,021,880
US$	**179,600**	73,060	**2,377**	987
Japanese Yen	**6,033**	49,746	**184**	449
Others	**39,531**	14,351	**96**	2,403

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 loans, and will consider hedging significant foreign exchange exposure should the need arise.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

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.

	HK$ Impact (Note a)		**US$ Impact** (Note b)		**Japanese Yen Impact** (Note c)	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**26,228**	(26,743)	**(8,229)**	(2,703)	**(219)**	(1,849)

Notes:

a) This is mainly attributable to the exposure on HK$ denominated trade receivables, bank balances, trade and other payables, and instalment loans at the end of the reporting period.

b) This is mainly attributable to the exposure on US$ denominated trade receivables, bank balances, other receivables, trade and other 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.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

As at 31 December 2022, except for an amount of RMB1,516,278,000 (2021: RMB1,351,880,000) of floating rates bank borrowings, all remaining bank borrowings of the Group are at fixed rates.

The Group is exposed to fair value interest rate risk in relation to term deposits with fixed interest rates (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 2022 and 2021. 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). A 50 basis points (2021: 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 (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by RMB1,281,000 (2021: RMB2,585,000).

(iii) Other price risk

The Group is exposed to other price risk through its investments in certain unquoted equity interests in investees operating in its industry 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 98.9% (2021: 98.8%) of the total trade receivables as at 31 December 2022. The Group has concentration of credit risk as 30.9% (2021: 40.4%) and 40.7% (2021: 55.5%) 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 within lifetime ECL as at 31 December 2022 and 2021.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Provision matrix:

		2022		2021	
		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%-0.37%	450,784	256,338	349,559	235,491
Category-2 to 3: Medium to high risk	1.98%-19.40%	754,703	418,832	683,496	352,954
Category-4 to 5: Very high risk to extremely high risk	45.31%-100.00%	81,661	37,476	38,059	36,043

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 RMB4,474,598,000 (2021: RMB4,420,662,000) and certain contract assets with significant outstanding balances of a gross carrying amount of RMB1,662,924,000 (2021: RMB1,462,491,000) as at 31 December 2022 are assessed individually.

As at 31 December 2022, the Group has provided RMB131,934,000 (2021: RMB118,627,000) and RMB51,430,000 (2021: RMB49,200,000) accumulated impairment allowance for trade receivables and contract assets, respectively, based on the provision matrix. Accumulated impairment allowance of RMB159,853,000 (2021: RMB116,846,000) and RMB325,409,000 (2021: RMB 297,149,000) 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	Credit impaired	Total
	RMB'000	RMB'000	
At 1 January 2021	106,422	119,093	225,515
Exchange adjustments	67	–	67
Recognised	63,039	4,756	67,795
Reversed	(37,784)	(8,061)	(45,845)
Disposal of subsidiaries	(12,059)	–	(12,059)
At 31 December 2021	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

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	Credit impaired	Total
	RMB'000	RMB'000	
At 1 January 2021	76,841	183,697	260,538
Exchange adjustments	(18)	–	(18)
Recognised	79,572	44,156	123,728
Reversed	(37,717)	(182)	(37,899)
At 31 December 2021	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

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 2022, the Group has available unutilised general borrowing facilities of approximately RMB5,439,279,000 (2021: RMB3,716,451,000).

The following table details the Group's remaining contractual maturity for its 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 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	3.2-3.24/ 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

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 2021
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2021							
Non derivative financial liabilities							
Trade and other payables		789,671	–	–	–	789,671	789,671
Bills payable		56	–	–	–	56	56
Amounts due to related companies		10,657	–	–	–	10,657	10,657
Dividend payable		81	–	–	–	81	81
Borrowings	3.21-3.55	936,584	11,494	1,021,772	–	1,969,850	1,938,291
Leases liabilities	4.52	106,584	103,624	152,644	110,002	472,854	449,808
Consideration payable on acquisition		–	–	23,258	–	23,258	19,992
		1,843,633	115,118	1,197,674	110,002	3,266,427	3,208,556

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 each 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, 2022	2021	Fair value hierarchy	Valuation technique and key input(s)	unobservable input(s)
	RMB'000	RMB'000			
Financial assets					
Wealth management products issued by banks classified as financial assets at FVTPL	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	111,360	78,513	Level 3	Net asset value of the fund, principally determined by net asset value of its underlying investments	Net asset value (Note a)
Unlisted equity investments at FVTPL	48,200	–	Level 2	Recent transaction price	N/A
Financial liability					
Consideration payable	19,992	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)

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:

(a) The significant unobservable input is the net assets value of the underlying 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 RMB5,568,000 at 31 December 2022 (31 December 2021: RMB3,926,000).

(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 (31 December 2021: RMB113,000).

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

(ii) Reconciliation of level 3 fair value measurements:

	Unlisted investments funds at FVTPL
	RMB'000
At 1 January 2021	61,825
Addition	5,000
Changes in fair value	11,688
Balance at 31 December 2021	78,513
Addition	20,000
Changes in fair value	12,847
Balance at 31 December 2022	111,360

	Financial liabilities at fair value
	RMB'000
At 1 January 2021	–
Addition	18,305
Changes in fair value	1,687
Balance at 31 December 2021	19,992
Changes in fair value	–
Balance at 31 December 2022	19,992

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

37. ACQUISITION OF SUBSIDIARIES

Acquisition of Zhongbiao

On 8 May 2021, the Group acquired a 100% interest in Beijing Zhongbiao Intelligent Technology Co., Ltd. ("Zhongbiao"). Zhongbiao has strong capabilities in software industry knowledge graph and an industry digital dictionary and was acquired with the objective of building the Group's software industry knowledge graph capabilities and an industry digital dictionary. The acquisition has been accounted for as an acquisition of business using the acquisition method.

Consideration transferred:

	RMB'000
Cash	34,187
Contingent consideration (Note)	18,305
Total	52,492

Note:

Based on the purchase agreement, the Group is required to pay an additional amount of RMB23,258,000, at a maximum, depending on the achievement of high quality revenue as defined in the agreement during the two-year period ending 31 March 2023. The estimated fair value of this contingent consideration at the acquisition date is RMB18,305,000. The fair value of such contingent arrangement amounted to RMB19,992,000 as at 31 December 2021.

Acquisition-related costs amounting to RMB341,000 have been excluded from the consideration transferred and have been recognised as an expense in 2021, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

37. ACQUISITION OF SUBSIDIARIES – CONTINUED

Acquisition of Zhongbiao – continued

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	136
Intangible assets	22,979
Trade and other receivables	1,679
Cash and cash equivalents	38
Deferred tax liabilities	(5,175)
Trade and other payables	(3,503)
Borrowings	(1,000)
Total	15,154

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB1,679,000 at the date of acquisition had gross contractual amounts of RMB1,679,000. The contractual cash flows were expected to be collected at the acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	52,492
Less: recognised amounts of net assets acquired	(15,154)
Goodwill arising from acquisition	37,338

Goodwill arose on the acquisition of Zhongbiao because the acquisition included the assembled workforce and the benefit of expected synergies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

37. ACQUISITION OF SUBSIDIARIES – CONTINUED

Acquisition of Zhongbiao – continued

Net cash outflows arising on acquisition of Zhongbiao

	RMB'000
Consideration paid in cash	34,187
Less: bank balances and cash acquired	(38)
Total	34,149

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 is RMB2,387,000 attributable to the additional business generated by Zhongbiao. Revenue for the year ended 31 December 2021 includes RMB12,151,000 generated from Zhongbiao.

Had the acquisition of Zhongbiao been completed on 1 January 2021, revenue for the year ended 31 December 2021 of the Group would have been RMB18,401,792,000 and profit for the year ended 31 December 2021 would have been RMB1,133,879,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

Acquisition of Nanjing Shangyunqi High-tech Development Co., LTD ("Shangyunqi Nanjing")

On 31 August 2021, the Group acquired a 100% interest in Shangyunqi Nanjing at a cash consideration of RMB315,135,000.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 and concluded that the land and building components together are considered a single identifiable asset.

Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a single identifiable asset and concluded that the acquired set of activities and assets is not a business.

37. ACQUISITION OF SUBSIDIARIES – CONTINUED

Acquisition of Shangyunqi Nanjing – continued

Assets and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	273,648
Intangible assets	7
Trade and other receivables	13,777
Cash and cash equivalents	27,703
Total	315,135

Net cash outflows arising on acquisition of Shangyunqi Nanjing

	RMB'000
Consideration paid in cash	315,135
Less: bank balances and cash acquired	(27,703)
Total	287,432

38. DISPOSAL OF SUBSIDIARIES

In November 2021, the Group entered into a sale agreement to dispose of its 100% equity interest in Catapult Systems, LLC ("Catapult"). The purpose of the disposal was to generate cash for the expansion of the Group's other businesses. The disposal was completed on 22 November 2021, on which date the Group lost control of Catapult. The net assets of Catapult at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	329,353
Total consideration received	329,353

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	5,897
Trade and other receivables	41,089
Bank balances and cash	7,676
Other assets and liabilities	(10,946)
Net assets disposed of	43,716

Gain on disposal of a subsidiary:

Consideration received and receivable	329,353
Net assets disposed of	(43,716)
Goodwill disposed of	(134,899)
Reclassification of cumulative translation reserve upon disposal of Catapult to profit or loss	5,608
Gain on disposal (included in other gains or losses)	156,346

Net cash inflow arising on disposal:

Cash consideration	329,353
Less: bank balances and cash disposed of	(7,676)
	321,677

38. DISPOSAL OF SUBSIDIARIES – CONTINUED

In June 2021, the Group entered into a sale agreement to dispose of its 24.98% equity interest in Shandong Software International Digital Intelligence Technology Co., LTD ("Shandong Shuzhi"). The disposal was completed on 22 July 2021, on which date the Group lost control of Shandong Shuzhi which was accounted for as an associate of the Group. The net assets of Shandong Shuzhi at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	–
Total consideration received	–

Analysis of assets and liabilities over which control was lost:

Bank balances and cash	72
Other assets and liabilities	1,090
Net assets disposed of	1,162

Loss on disposal of a subsidiary:

Consideration received and receivable	–
Net assets disposed of	(1,162)
Fair value of retained interest accounted for using the equity method	407
Non-controlling interests	464
Loss on disposal (included in other gains or losses)	(291)

Net cash outflow arising on disposal:

Cash consideration	–
Less: bank balances and cash disposed of	(72)
	(72)

39. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of 2022 and 2021, the Group pledged certain bank deposits to secure trade and instalment loan facilities granted to the Group (see note 26).

In addition, lease liabilities of RMB283,481,000 (2021: RMB449,808,000) are recognised with related right-of-use assets of RMB263,640,000 (2021: RMB446,027,000) as at 31 December 2022. 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.

40. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	5,778	6,004
– construction of property, plant and equipment	663,265	–
	669,043	6,004

In addition, as at 31 December 2022, the Group was committed to contribute further capital amounting to RMB296,408,000 (2021: RMB128,390,000) 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.

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

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.

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

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

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share options Outstanding at 1.1.2022	Exercised during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2022
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	–	(810,000)	–	11,830,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	10,380,000	–	–	–	10,380,000
			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

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:

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share options Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2022
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

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 2021 are as follows:

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2021
Non-executive directors:									
Gavriella Schuster	28.9.2018	HK$5.22	Nil	28.9.2018 – 27.9.2021	300,000	–	(300,000)	–	–
			28.9.2018 – 27.9.2019	28.9.2019 – 27.9.2021	300,000	–	(300,000)	–	–
			28.9.2018 – 27.9.2020	28.9.2020 – 27.9.2021	400,000	–	(400,000)	–	–
	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
					4,000,000	–	(1,000,000)	–	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
Employees:	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	13,840,000	–	(1,200,000)	–	12,640,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	10,380,000	–	–	–	10,380,000
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	10,380,000	–	–	–	10,380,000
					34,600,000	–	(1,200,000)	–	33,400,000

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 2021 are as follows: – continued

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2021
Suppliers:	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2023	25,000,000	–	–	–	25,000,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2023	25,000,000	–	–	–	25,000,000
					50,000,000	–	–	–	50,000,000
Total					91,000,000	–	(2,200,000)	–	88,800,000
Exercisable at the end of the year									39,800,000
Weighted average exercise price					HK$5.65	–	HK$5.52	–	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 RMB24,435,000 for the year ended 31 December 2022 (2021: RMB66,721,000) in relation to share options granted by the Company.

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.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

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 2022, the trust purchased of 7,374,000 (2021: 6,932,000) shares of the Company on the Stock Exchange in a total consideration of RMB54,936,000 (2021: RMB58,314,000) for the Share Award Scheme. As at 31 December 2022, accumulated number of the shares purchased is 189,162,000 (2021: 181,788,000) 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. 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 the grant date fair value of each share award was HK$3.98. 29,226,000 (2021: 21,651,000) shares were vested during the year ended 31 December 2022, no share awards were forfeited during the year ended 31 December 2022 (2021: nil) and 101,123,000 (2021: 130,349,000) shares of the awards remained outstanding as at 31 December 2022.

The Group recognised a total expense of RMB86,243,000 for the year ended 31 December 2022 (2021: RMB149,867,000) 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 2022 and 2021, 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 2022 and 2021 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 RMB792,607,000 (2021: RMB666,537,000) 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 RMB'000 (note 31)	Lease liabilities RMB'000	Amounts due to related companies RMB'000	Dividend payable RMB'000
As at 1 January 2021	1,789,515	302,260	8,771	81
Exchange adjustments	(34,754)	(1,293)	–	–
New borrowings raised	2,245,345	–	–	–
Repayment of borrowings, net of expenses	(2,072,630)	–	–	–
New leases entered	–	395,835	–	–
Lease modified	–	(32,267)	–	–
Repayments of lease liabilities	–	(228,070)	–	–
Interest expenses	79,780	19,777	–	–
Advance from related companies	–	–	2,392	–
Repayment to related companies	–	–	(498)	–
Interest paid	(69,965)	–	–	–
Dividend declared	–	–	–	70,117
Dividend paid	–	–	–	(70,117)
Acquisition of a subsidiary	1,000	–	–	–
Disposal of subsidiaries	–	(6,343)	–	–
Rent concessions	–	(91)	–	–
As at 31 December 2021	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

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:

	2022 RMB'000	2021 RMB'000
Provision of IT outsourcing services by the Group	17,883	5,197

	2022 RMB'000	2021 RMB'000
Provision of IT solution services by the Group	7,782	125

	2022 RMB'000	2021 RMB'000
Provision of other services by the Group	8,237	230

Disposal of an equity investment to a related party

In August 2021, the Group and a third party established a joint venture, Shenzhen Kaihong Digital Industry Development Co., Ltd ("SZ Kai Hong"). The Group made a capital contribution of RMB76,250,000 to SZ Kai Hong for 50.83% equity interest.

As announced by the Company, on 23 December 2021, the Group disposed of all the equity interests in SZ Kai Hong to Hongju Innovation (Beijing) Information Technologies Partnership Enterprise ("Hongju Innovation"), a limited partnership controlled by Dr. Chen Yuhong, the chairman, chief executive officer and an executive director of the Company, at a consideration of RMB76,250,000. RMB22,875,000 was received in 2021 and the remaining amount of RMB53,375,000 was included in the amounts due from related companies as at 31 December 2021 and was fully received on 25 March 2022.

In December 2021, the Group was committed to contribute RMB48,750,000 to a limited partnership, Shenzhen CCB Trust Chinasoft International Investment Partnership Enterprise ("CCB Chinasoft International") and became a limited partner holding 99.99% equity interest of CCB Chinasoft International. On 23 December 2021, CCB Chinasoft International and another third party were committed to contribute RMB48,750,000 and RMB50,000,000 to SZ Kai Hong for its 19.5% and 20% equity interest, respectively. After the capital contribution, the equity interest held by Hongju Innovation was diluted from 50.83% to 31%.

44. RELATED PARTY TRANSACTIONS – CONTINUED

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**10,598**	10,130
Retirement benefits costs	**248**	215
Share-based payment expenses	**17,785**	34,417
	28,631	44,762

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 RMB102,997,000 (2021: RMB395,835,000) and lease liabilities of RMB102,997,000 (2021: RMB395,835,000) 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		
			2022 %	2021 %	2022 %	2021 %	
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.	USA	US$0.01	–	–	100	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	US$8,000,000	–	–	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

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		
			2022 %	2021 %	2022 %	2021 %	
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
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	–	Provision of solutions

None of the subsidiaries had issued any debt securities outstanding at 31 December 2022 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:

	2022 RMB'000	2021 RMB'000
Non-current assets		
Interests in subsidiaries	2,152,671	2,152,671
Pledged bank deposits	–	5,699
	2,152,671	2,158,370
Current assets		
Other receivables	4,791	2,451
Amounts due from subsidiaries	2,150,222	1,491,674
Bank balances and cash	758,463	1,693,884
	2,913,476	3,188,009
Current liabilities		
Other payables	2,313	2,547
Amounts due to related companies	–	118
Dividend payable	81	81
Borrowings	3,815	1,010
	6,209	3,756
Net current assets	2,907,267	3,184,253
Total assets less current liability	5,059,938	5,342,623
Non-current liability		
Borrowings	1,162,463	1,020,870
	1,162,463	1,020,870
	3,897,475	4,321,753
Capital and reserves		
Share capital	136,837	138,703
Share premium	6,013,911	6,293,665
Treasury shares	(538,555)	(588,741)
Reserves (Note)	(1,714,718)	(1,521,874)
Total equity	3,897,475	4,321,753

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 2021	148,473	(1,542,802)	(1,394,329)
Loss and total comprehensive expense for the year	–	(262,145)	(262,145)
Issue of ordinary shares upon exercise of share-based payments	(2,711)	–	(2,711)
Recognition of share-based payment expenses	216,588	–	216,588
Vesting of award shares	(79,277)	–	(79,277)
At 31 December 2021	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)

RESULTS

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	10,585,013	12,041,895	14,101,239	18,398,076	**20,005,171**
Profit before taxation	760,454	798,958	1,034,845	1,252,077	**829,882**
Income tax expense	(44,283)	(42,272)	(86,732)	(115,387)	**(71,053)**
Profit for the year	716,171	756,686	948,113	1,136,690	**758,829**
Attributable to:					
Owners of the Company	715,803	754,888	954,928	1,136,911	**759,441**
Non-controlling interests	368	1,798	(6,815)	(221)	**(612)**
	716,171	756,686	948,113	1,136,690	**758,829**
	HKD (cents)	HKD (cents)	HKD (cents)	HKD (cents)	**HKD (cents)**
Dividend	2.15	2.19	2.90	3.23	**5.67**

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	10,488,244	10,745,396	13,086,957	16,902,293	**16,964,785**
Total liabilities	(4,456,721)	(4,211,456)	(4,310,546)	(5,275,734)	**(4,829,994)**
	6,031,523	6,533,940	8,776,411	11,626,559	**12,134,791**