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

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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
Mrs. Gavriella Schuster

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

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
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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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Chairman's Letter

Dear investors:

In 2021, amid many uncertainties such as the repeated global pandemic and the restructuring of the economic structure, one thing that is certain is digitalization. The magnifying, superimposing and multiplying effects of digital technology innovation on the development of the real economy are becoming even more clear. The customized development of massive application scenarios in thousands of industries has accelerated the scale and industrialization. Along with the reconstruction of the ability-based ecological structure, a huge window opportunity has emerged at the strategic level.

We will seize the opportunities of the time and change the "impossible" into the "possible". The year of 2021 is the first year of the key three year plan for the Group to establish a high-quality, valuable and meaningful business portfolio development, and the first year for the first comprehensive strategic planning SP301 to be implemented. During the reporting period, the Group's revenue and profit reached new highs, and it was ranked 80th in the Gartner Global IT Services Market Share TOP100 for four consecutive years. The Group is focused on creating value for customers and the society, and continues to move towards the strategic goal of taking our place as one of the top ten players globally.

1. ENROOT WITHIN THE FOUNDATION OF THE DIGITAL OPEN HARMONY

The Group is firm, resolute, and consistent on building the layout of the HarmonyOS and OpenHarmony business. As the leader of the full-stack enabler of the HarmonyOS and OpenHarmony ecosystem, it will contribute to the root technology of the basic software for the digital world, and provide the world with a second option.

The Group joined forces with the Shenzhen Capital Operation Group and Hubble Investment to establish Shenzhen Kaihong Digital Industry Development Co., Ltd. (hereinafter referred to as "SZ Kai Hong"), and obtained a valuable admission ticket to OpenHarmonyOS.

In order to achieve the rapid implementation of the Group's intelligent Internet of Things strategy and support the Group's strategic transformation, the Group has established an Artificial Internet of Things Business Group (ABG). The establishment of ABG will build a more solid cornerstone business, extend the construction of a domestic operating system distribution product business, an ecologically enabled customized service business around domestic operating system distribution products, and create a multi-level business structure covering products, services, and cornerstones. Through technology, we will lead the cornerstone business to develop to a larger market with a combination of software and hardware, 2B to 2C, improve delivery capabilities, better serve strategic customers, and achieve further high-quality and large-scale growth of the cornerstone business. We will build a strategic depth of talent development channel, realize the healthy development and flow of talents in the cornerstone business, service business, and product business, enhance the advantages of talent attraction, strengthen the Group's talent capital, and effectively help the interactive development and overall growth of multi-level full-stack business.

The strategic layout of ABG and SZ Kai Hong complement each other. Taking SZ Kai Hong OpenHarmonyOS products and distribution business as an entry point, it can drive the rapid growth of ABG's solutions and operating system ecological services. SZ Kai Hong will lead the coordinated development and increase motivation of the Group's cornerstone business, cloud intelligence, and Internet of Things business. With the help of SZ Kai Hong, Chinasoft International can also open up the government Xinchuang business market, gain more strategic opportunities and incremental space for growth.

The Group seized the strategic window period of OpenHarmonyOS and turned the first-mover advantage of OpenHarmonyOS into a competitive advantage. The Group will achieve the interactive development and overall growth of multi-level full-stack business. Working with partners to build a domestic operating system distribution product business, the Group will face the two major markets in consumption and industry, deepen its participation in the AIoT ecological construction and Xinchuang market, lead consumption and industrial upgrades. Through business traction, the Group leads the ecology around domestic operating system release products, enables customized service business to enter thousands of industries, and creates new business growth points. As an initial member of the OpenHarmony project group working committee of the Open Atomic Open Source Fund, the Group formed a professional company to develop the business of creating domestic operating system distribution products based on OpenHarmony. The Group will rely on its own industry advantages and cooperate with industry leaders to help professional companies accelerate the large-scale commercialization and ecological construction of the OpenHarmony operating system.

The Group will combine its own capabilities in AIoT to build a core ecosystem of domestic operating systems by focusing on the four-in-one of the industry's capital, talents, customers, and markets, and build four bases including cloud, intelligent Internet of Things, high-end talents, and ecological investment. The blueprint is to deepen the "root(core) technology", and in the national strategic pattern of strong software foundation and technological independence, it will give full play to its own advantages and industry-leading role, and create greater value for shareholders.

2. BREAKTHROUGH UPWARD, SUPPORTED BY LEADING CLOUD SERVICES AND CLOUD SOLUTIONS TO SATISFY THE DIGITAL TRANSFORMATION OF THE INDUSTRY

During the reporting period, the Group's cloud intelligence business was a leader in its field, led HUAWEI CLOUD's national ecological partners, created a non-linear growth pole, and drove the rapid development of high-value businesses. Supported by the leading cloud services and cloud solutions, it can meet a large number of customized development needs of the industry, obtain differentiated value recognition from customers, and continuously improve its strategic relevance. The cloud intelligent business vertically follows the path of "cloudization, cloud management, cloud native" to build a "service + platform" business form, and horizontally expands industry solutions and industrial services through the method of "Cloudization, Cloud Management, and Cloud Native", "Understanding the cloud, the practices and gathering ecology". Breaking through the market, we are committed to becoming the preferred solution provider for the digital transformation of the government and enterprise industries and the preferred consulting expert for digital transformation.

Through years of cloud construction, the Group has strong multi-cloud Cloud MSP capabilities and maintains a leading edge in cloud development, cloud transfer, and cloud consulting. As a partner of HUAWEI CLOUD's "sailing in the same boat", the Group won the first place in cloud ecological performance with absolute advantages, won the honor of "the strongest army of HUAWEI CLOUD", and achieved an explosive 20 times growth in four years.

During the reporting period, the Group continued to strengthen its own innovation capabilities, and accelerated the process of cloud transformation and innovation with the two-wheel drive of "product + service". The Group and customer partners have jointly innovated, and the cloud service brand CloudEasy has been fully upgraded, providing three major cloud platform products and cloud management services, and providing "full stack" cloud service products and solutions for government and enterprise customers. The Group's self-developed "one-stop" cloud brokerage platform "Huaxia Cloud" (Cloud Broker platform) is officially commercialized. The basic cloud management functions including 70+ functional modules are permanently free, which comprehensively reduces the cost and threshold for enterprises to use the cloud in the cloud, and accelerated the cloud transformation journey. The Group's cloud-native industry solutions are iteratively improved in the fields of government affairs, medical care, education, transportation, etc.. It has continued to build high value-added acquisition capabilities centered on industry Know-How, and maintain high-speed in the fields of smart cities, smart parks, smart education, and smart manufacturing. It has grown and landed in multiple 5GtoB industry application fields.

The Group and UFIDA, Kingdee, Mingyuan and other domestic leading commercial software platforms and integrated cloud platform manufacturers jointly carry out the top-level design of "service productization" in the ecological model of "platform + service". We jointly innovate and develop high-code, low-code, multiple Platforms and tools such as project and consulting operation management. Through the joint effort to open up new space in the application service market, we manage to obtain more digital transformation investment share from customers, and achieve ITS 5P innovation, upgrade and reform. It has lay a foundation for application service (AS) business to lead the industry. The strategic partnership which is built upon "brand, willingness, strength and trust", it has promoted the business's digital transformation which based on application services. Supported by super integrator channels such as other top ICT infrastructure and smart terminal provider, operators, local governments and state-owned platforms, we build, cultivate, and accumulate digital consulting and solution service capabilities around its main channel business, to reach the digital transformation market of central and state-owned enterprises, and establish "digital transformation service experts" new identity.

3. LEVERAGE THE BEST PRACTICES OF LEAN OPERATION OF SOFTWARE FACTORIES TO ESTABLISH DIFFERENTIATED CORE COMPETITIVE ADVANTAGES

With the precipitation and practical progress of "software factory", the cornerstone business has made great progress in service productization. Based on IT technical services, the Group drives the "software factory" to build a new pattern in the field of IT services. It builds customer-oriented E2E service capabilities, and facilitates digital transformation of enterprises. We position the "software factory" as the Group's core competency, continuously refine the ability and experience to serve major customers, develop pre-sales, consulting, training and other capabilities through lean outsourcing best practices, and promote the rapid productization and commercialization of "software factory", improve the reuse ratio of delivery experts, knowledge, and code, become a leader in the new generation of software engineering capabilities, and drive the transformation of the IT service industry.

During the reporting period, "Software Factory" successfully implemented several model projects in the Group's Internet, finance, telecommunications and other industries, helping customers to improve the standardized and refined management of software development projects, improve quality and efficiency, and achieve stable and high-quality delivery, integration and cost optimization. Through the construction of professional capabilities, technical capabilities, and delivery capabilities, we will simultaneously enhance the in-depth coverage and penetration of valuable customers in valuable industries.

The Group actively explored the industry software workshop model, supported by the advantages of cloud-network edge-end industry layout and synergy, focused on a large number of software development needs of end-end systems and equipment, and achieved the docking of core business systems and ecological partners, so as to establish a new type of solidarity and joint innovation, and built a win-win relationship.

4. DEEPLY CULTIVATE KEY CITIES AND CONNECT MULTIPLE PARTIES IN DIGITAL TRANSFORMATION WITH THE JOINTFORCE INDUSTRIAL INTERNET PLATFORM

Based on the leading Internet platform in the software industry, Jointforce has continuously upgraded the whole-process of project management with "project, data, document, code, and supplier management" as the main line, formed a core product and service matrix of the main channel of the government. The Group continuously accumulated the key knowledge in the software and digital fields in order to help customers build a more transparent, efficient and reliable software supply chain.

During the reporting period, Jointforce wholly acquired Beijing Zhongbiao Intelligent Technology Co., Ltd. and integrated its platform capabilities to form the largest knowledge map in software industry in China.

The Jointforce business is deeply rooted in the local operation and service capabilities of key cities. It covers more than 50 cities across the country, including key cities such as Suzhou, Nanjing, Chongqing, and Shenzhen. The Jointforce business continues to expand the coverage and penetration rate of the government side, and actively explores the business entry point of the enterprise side. Focusing on the platform positioning of Jointforce "service connection + knowledge accumulation", the Group actively innovate the ISV service model, accelerate the verification of the business model, and realize value transformation. Supported by the Jointforce ecology, we promote the application of Kunpeng computing in key industries such as finance, transportation, medical care, and intelligent manufacturing, and provide one-stop services for enterprises with the help of the Jointforce city station.

Focusing on the HarmonyOS ecological landing, Honglian Joint Innovation Camp has formed a business model of platform building first, full-stack service following, scene demonstration leading, and independent ecological convergence. It has successively launched operations in Wuzhen, Zhengzhou, and Suzhou High-speed Railway New City. The business basic capability platform Honglian Cloud launched, covering the IoT market serving Zhejiang, Henan, Jiangsu and other regions. The collective efforts have continuously catalysed the maturity and ecological prosperity of the Honglian Joint Innovation Platform.

During the reporting period, the Group actively undertook social responsibility. We have carried out the "Digital Gardener" program, called on all employees to use their professional knowledge and wisdom to "water and fertilize" the digital development of their hometown. The "Digital Gardener" project has been launched in cooperation with Dianjiang County, the first batch of national digital village pilot areas, to provide solutions and paths in line with Dianjiang's industrial characteristics and industrial goals, promote the digital transformation of small, medium and micro enterprises, and endorse the "convergence of global data" in order to achieve the global coverage of the digital economy.

Dear investors, we enroot within and make breakthroughs upward. The Group will firmly take strategic planning as the lead, carry out joint innovation with strategic partners, and strengthen our ecological cooperation. With the support of "root "and core technology, we build, cultivate and accumulate full-stack service capabilities around the main channel business, and deepen into the industry to reach a wider digital transformation market. We are committed to becoming an enterprise that is "the most needed by the country, the most critical in the industry, the most recognized by clients, the most trusted by partners, and the most proud of employees". Based on our productivity strategies and growth strategies, we strive to achieve quality, valuable and meaningful long-term sustainable development.

The road is long and the road is coming. Our goal is to enter the rank of top 50 global IT services by 2023, and become the top 25 global IT services by 2026. We will realize tens of billions of dollars in revenue, reach the global ITS market as "one of the top ten players globally", and become one of the most valuable brands in China. With a hundredfold confidence and a thousandfold effort, we must forge our organization, temper our warriors, and unfold the bright red banner of the Digital Iron Army in the spring of the great era.

Chen Yuhong
2022 Spring

1. COMPANY'S BUSINESS OVERVIEW

Founded in 2000, the Group is a large-scale comprehensive software and information service provider, providing "end-to-end" IT services to global customers, in cloud computing, artificial intelligence, big data, Internet of Things, blockchain, 5G and other new technologies. With rich experience in consulting, design, implementation and service in digital applications, we are fully assisting customers in their digital transformation. Since its listing in 2003, the Group has always been committed to becoming a world-class information technology service leader. Its business growth continues to lead the domestic software service industry, and it ranks 13th among the top 100 software and information technology service companies in 2020 by the Ministry of Industry and Information Technology (maintained the software-only industry's first position for several consecutive years). With more than 10 billion service revenues, the Group has successfully ranked 80 among Gartner's global IT service market share rankings TOP 100. The Group and its branches have a total of more than 1,000 software copyrights and patents, serving the head customers of many Fortune 500 companies and many mid-to-long-tail customers with high growth potential. Customers cover finance, Internet, communications, high-tech, In the government, automobile, public utilities and other industries, the business scope is not only in China, but also in Asia-Pacific, North America, Europe, Latin America and other regions. The Group and its subsidiaries have a total of more than 1,000 software copyrights and patents, serving the head customers of many Fortune 500 companies and many mid-to-long-tail customers with high growth potential. Customers include finance, Internet, communications, high-tech, In the government, automobile, public utilities and other industries, the business scope is not only in China, but also in Asia-Pacific, North America, Europe, Latin America and other regions.

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

  TPG provides software and technical services, digital operation services, cloud intelligent services and solutions to major customers, major industries and governments. It adheres to consulting-driven, based on its self-developed software platform, and through mature project management skills and human resource capabilities, precipitate industry solutions, cultivate a large number of industry experts and technical experts, and have a deep accumulation of technology applications in the cloud, Internet of Things, big data, artificial intelligence, mobile Internet, blockchain, etc. TPG is an important partner in the digital transformation of customers. Its major customers include Ping An, Bank of Communications, China Construction Bank, AIA, Tencent, Ali, Baidu, Microsoft, China Mobile, China Telecom and other top ICT infrastructure and smart terminal provider, etc. TPG has a high reputation in industries including telecommunication, high-tech, government, automobiles, public utilities, and etc.

  TPG strives to build a new delivery model for software factories to upgrade service capabilities, positioning it as the Group's core competence carrier, developing software factory pre-sales, consulting, training and other capabilities, and developing OMSP and other tool services. TPG provides customers with IT application development and maintenance services, IT testing services, infrastructure management services, product development and services, digital consulting and implementation in a comprehensive, systematic and targeted manner. TPG's software and technical services include system integration and services, service outsourcing, etc., in order to meet customers' demands for IT, digitization, and intelligent services, receiving high recognitions from customers.

TPG takes advantage of the development opportunities of the digital transformation of major customers to build digital operation capabilities, voice assistants, intelligent character recognition, natural language processing, RPA and other innovative technologies to build a BPO "digital factory". Furthermore, TPG continues to expand its digital operations including basic artificial intelligence data services, content review, business process outsourcing (BPO), and customer service. TPG serves customers all over China, Japan, the United States and other countries.

In recent years, TPG has seized the development opportunities of customers' digital transformation and upgrading, made full use of the advantages it has accumulated in the existing industry, and quickly launched digital transformation, accumulated a large amount of practical experience in digital transformation. The Group's cloud intelligence business was identified as the second growth curve, the cloud service brand CloudEasy was fully upgraded, and the online cloud service "Huaxia Cloud" was officially commercialized, greatly enhancing the industry's brand power. Furthermore, the Group's cloud service capabilities began to extend from the mature Microsoft Azure cloud service, and then successfully replicated to multiple mainstream cloud platforms such as Huawei Cloud and Tencent Cloud, providing customers with one-stop cloud services, including cloud consultation, migration, operation and maintenance management, application development and integration. The Group's cloud intelligence business has achieved a leading position in the field of cloud management services and professional services, and officially entered the cloud service leader camp. Among them, cloud management services have successfully ranked among the IDC China's third-party cloud management services market Top 2. Cloud migration and cloud development professional services both ranked first.

TPG has continued to invest in research and development for many years, deepening industry solutions. Under the general trend of digital transformation, based on the advantages of existing products and solutions, gradually integrate with the cloud, TPG successfully realize the cloudification of products and solutions in industries such as finance, transportation, retail, and parks, while expanding a number of new application industries and scenarios.

The Group's existing cloud products and industry solutions include:

– Products: Cloud management platform, Cloud Business Platform, enterprise cloud disk, cloud shop O2O platform;

– Finance: Smart robots, smart factoring, Internet smart credit, auto insurance pricing system, bond rating system, customer profile system, regulatory reporting platform, regulatory business center;

– Transportation: Rail transit ticket cloud, smart port;

– Retail: Smart Store

– Park: Smart park, digital office;

– Government: Audit and supervision management, social insurance and welfare management, state-owned assets management, etc. ;

– General: Data center, data governance, etc.

Among them, solutions such as payment and clearing systems and bank card systems have ranked first in the IDC banking market for many years, and audit solutions and multiple solutions such as the ACC system for rail transit have ranked first in the IDC audit market for many years.

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

  IIG aggregated an independent software developer (ISV) ecosystem, using Jointforce as the main vehicle, built a software industry Internet platform. IIG provides digital services for governments and enterprises, and help governments and enterprises realize digital construction.

  With the platform positioning of "service connection + knowledge accumulation", JointForce has completed the reconstruction and upgrade to the software industry Internet platform. Through the wholly-owned acquisition of "Zhongbiao Intelligence", it has consolidated the software and digital fields with knowledge graph technology as the core Knowledge base, and based on this, build a service system of digital and intelligent platform + products + services, and form a "five management (project management, data management, document management, code management and suppliers management) covering the six major links of the construction of digital transformation projects of government and enterprises. Management, supplier management)" service matrix, escorting the whole process of the digital transformation project of government and enterprises, has been verified and business breakthroughs in Suzhou, Nanjing, Chongqing, Shenzhen and other cities.

  Jointforce Software Park is committed to building a new model of ISV ecological convergence and service. It integrates big data and knowledge map technology to accurately portray and accumulate national high-quality ISV, delivering project capabilities and software engineering capabilities to form an ecological operation service system and a software industry resource capacity supply platform.

2. GROUP STRATEGY

The digital economy has increasingly become a key force in reorganizing global factor resources, reshaping the economic structure, and changing the industrial ecological pattern. In the midst of unprecedented changes in a century, digital technology has accelerated the promotion of industrial transformation, bringing important strategic opportunities for the digital transformation of enterprises and the upgrading of social intelligent infrastructure. The "14th Five-Year Plan" proposes to "accelerate digital development and build a digital China ", making clear arrangements for empowering and promoting the development of digital economy, digital society, digital government, and digital ecology. The rapid growth of the digital economy has opened up huge market demand space, surging into a strong driving force for the innovation and development of pan- IT services.

While the process of comprehensive cloudification, digitization, and intelligence is accelerating, enterprises are also facing huge transformative challenges, such as reshaping core products based on digital technology, refactoring business and management processes, resetting top-level structures and upgrading infrastructure, and rebuilding oriented A platform and native application for the fusion of virtual space and physical space for new scenarios. Partners who can work with them to tackle tough problems in this process not only need to accumulate professional talents, core technical capabilities and mature tool platforms in the field of IT technical services for a long time, but also have the best practical experience in serving global top customers in "tough battles ", but also It requires a deep understanding of industry characteristics, business models and operating standard procedures, as well as the key control points and success factors of change. In addition, strong ecological enabling aggregation capabilities and extensive ecological cooperation resources are also essential. The value demands of customers guide the Group's strategic theme, and creating value for customers has always been the starting point and end point of Chinasoft International's strategy formulation.

The Group maintains its strategic focus, seizes the opportunity of transformation and development, improves management and operation, formulates long-term key customer development strategies, continues to consolidate the cornerstone business based on software technology professional services, and is committed to productizing the cornerstone business and achieving high quality. At the same time, it comprehensively expands the cloud intelligence business that leads the Group's second growth curve, bases itself on the domestic market, expands globally, and adheres to "drawing a blueprint to the end ".

- **Leverage FFW Development Strategy as the Guide to Cultivate Large Customers, and Strive to Become the Customers' Strategic Partners**

  Based on 20 years of software and technical service experience, the Group has accumulated a large number of long-term cooperation with large customers, re-examines the definition of key accounts (KA), and uses the "Supplier Development Plan "(Supplier Development, SD) to actively manage supplier performance. Thinking to organize key activities and realize the fundamental and effective transfer of customer value to Group value. Formulate FFW (For KA, From KA, With KA) KA customer strategy, provide stable and high-quality services with the best comprehensive cost, carry out joint innovation, jointly expand new fields and new markets, and continuously improve the strategic relevance with KA customers.

- **Build a Software Factory, Realize the Upgrade of the Legacy Business, and Demonstrate the Group's Value**

  The Group positions the software factory as the core competence carrier, develops the pre-sales, consulting, training and other capabilities of the software factory, rapidly promotes the standardization of the software factory, and realizes the service productization of the cornerstone business. Through the efficient and high-quality delivery of the software workshop model, relying on mature outsourcing management capabilities to improve quality and efficiency, effectively improve customer perception, create a differentiated competitive advantage, and open up new space for high-quality business growth.

- **Focus on "Cloudization, Cloud Management, and Cloud Native", "Understanding the cloud, the practices and gathering ecology" Strategy to Create a New Growth for Full-Stack Cloud Intelligent Services**

  The Group adheres to the strategic positioning of "Cloudization, Cloud Management, and Cloud Native", "Understanding the cloud, the practices and gathering ecology", and continues to provide leading cloud solutions and cloud services for government and enterprise institutions, becoming the preferred solution provider for the digital transformation of the government and enterprise industries. The preferred consulting expert for business and digital transformation, helping China's digital transformation and helping China's digital society and digital economy lead the world. With the ecological concept of "co-constructing a cloud ecosystem and a win-win future on the cloud ", the Group creates a partner ecosystem layout covering consulting, services, technology, channels, etc., empowers the digital transformation of thousands of industries, and becomes a reliable full-stack cloud. Managed service partners and digital transformation co-creation partners.

- **Jointforce to Aggregate Resources, Empower Government and Enterprises, and Build an Software Development Industrial Internet Platform**

  Jointforce fully committed to the field of customized software, building an Internet platform for the software industry on the basis of JointForce, and bringing changes to the industry through wide-area connectivity, digital intelligence empowerment, and integrated innovation. Cut into the government's digital position, provide and continuously upgrade the whole process management service of the project with "five management (project management, data management, document management, code management, supplier management) "as the main line, and form the core product and service matrix of the government's main channel. With a fixed target strategy, we will deeply cultivate local operation services in key cities, continuously expand the coverage and penetration rate on the government side, and build a digital and intelligent platform + product + service service system.

- **Take Advantage of the "One Belt, One Road" Tail Wind While Adhering to Its the Global Layout**

  The Group seizes the digital "One Belt, One Road "business opportunity and actively exports "Digital China "comprehensive solutions. The Group has long owned large multinational companies such as Microsoft, AIA and other top ICT infrastructure and smart terminal provider, and has provided information technology services to customers in 47 countries around the world, and has accumulated a lot of experience in serving international customers. The Group continues to deploy overseas. On the basis of the existing global strategic centers such as China, the United States, Japan, India, Singapore, and Malaysia, the Group continues to cooperate in depth, and uses cloud-driven digital transformation services to consolidate the basic global full-service layout, and is determined to be the world's Chinasoft International, building Chinese influence in global IT.

3. KEY ACHIEVEMENTS

3.1 Cloud Intelligent Services and Solutions

Cloud Services

The Group's cloud intelligence business adheres "Cloudization, Cloud Management, and Cloud Native", "Understanding the cloud, the practices and gathering ecology" to the strategic positioning, and continues to provide leading cloud solutions and cloud services for government and enterprise institutions. Help China's digital transformation, help China's digital society and digital economy lead the world. The Group's cloud intelligence business adheres to the ecological concept of "co-constructing a cloud ecosystem and achieving a win-win future on the cloud ", forming a partner ecosystem covering consulting, services, technology, channels, etc., to be a reliable full-stack cloud management service partner and Digital transformation co-creation partner.

During the reporting period, the Group deepens the cooperation with Huawei based on its strategic cooperation of "sailing on the same boat" with Huawei Cloud. In addition to cloud vendors such as Huawei Cloud, Tianyi Cloud, Mobile Cloud, Tencent Cloud, and Volcano Engine, the Group also cooperates with UFIDA, Kingdee, Anheng and other partners to jointly build digital government, smart healthcare, smart real estate, smart manufacturing, smart parks and operations It integrates emerging technologies such as 5G, artificial intelligence, and the Internet of Things to empower all walks of life with the power of ecology, and respond to new trends to boost the development of the digital economy.

- **Cloud brokerage:** The cloud brokerage business is developing rapidly. During the reporting period, Huaxia Cloud was officially commercialized, and various capabilities were continuously optimized. In terms of platform commercialization, the CloudEasy CBP cloud business platform has been officially released globally for commercial use, and its integrated operation capability has been fully recognized by the market. By building three platform capabilities of "full role link, full process connection, and full scene mode coverage ", it can meet the operational needs of customers in different business stages. The platform participates in the creation of government affairs cloud cube, Huawei HCS billing operation and other solutions. In terms of ecological cooperation, the Group is committed to "building a full-stack leading cloud service and connecting multiple leading cloud vendors ". Currently, it has cooperated with five cloud vendors including Huawei Cloud, Tianyi Cloud, Mobile Cloud, Tencent Cloud and Volcano Engine. The number of business and channel partners has reached 3000+, and the number of solution and ISV partners has reached 300+, covering five categories including consulting planning, integrated delivery, development, cloud market and resellers.

- **Cloud management:** Enterprises often use multiple public or private clouds for the purposes of cost, on-demand, privacy, compliance, and avoiding vendor lock-in, which makes a unified resource management built on various cloud platforms The platform has become a rigid need for enterprise IT. CloudEasy CMP cloud management platform provides unified resource supply, operation and maintenance, and operation management capabilities. It has core competencies such as integrated management and control, automated operation and maintenance, and open APIs. It simplifies hybrid cloud management, supports SaaS and privatization, and provides Enterprise version, security version and other commercial specifications. A number of projects such as MCC Baosteel, Yunshang Guizhou, and Shenzhen Government Affairs Cloud are being delivered smoothly. At the same time, the new version of the service catalog 2.0 of CloudEasy CMS cloud management service has also made great progress, and 10 requirements in 3 areas including cost visibility, cost management, optimization and improvement all meet the "Trusted Cloud · Cloud "issued by the Cloud Computing Open Source Industry Alliance. Optimizing Service Provider Capability Requirements", the first batch of which passed the FinOps certification of the China Academy of Information and Communications Technology.

- **Cloud native:** During the reporting period, the Group invested in the construction of a cloud native self-developed tool chain, and has completed the MVP version (MVP, Minimum Viable Product), internally empowering the DevOps transformation of the Group's internal R&D department, and externally in energy, The financial and manufacturing industries carry out promotion experiments, and the Group's DevOps expert team empowers the clients of the Political and Digital Bureau to complete cloud native application management and the implementation of DevOps projects. The Group has established a digital construction management IT platform with DevOps as the cornerstone with Yunshang Guizhou, which enables the improvement of IT management and R&D efficiency in Yunshang Guizhou, and realizes the adaptation of Xinchuang capabilities. During the reporting period, the Group's newly developed customers involved major customers in finance, new energy vehicles, retail, manufacturing and other industries. The Group has further expanded ecological cooperation in cloud services and DevOps business, becoming the first cloud native partner of Microsoft Cloud in China, and working with Microsoft Cloud to help enterprise customers implement cloud native business; at the same time, as the only domestic SAFe Group with agile transformation + scale The agile platform double material partner, the Group will also provide effective assistance for SAFe 's business development in China

- **Cloud migration:** Chinasoft International's cloud migration service was the first batch of "Excellent" trusted cloud service providers issued by the China Academy of Information and Communications Technology. According to IDC's "China Cloud Professional Services Market Tracker 2021H1" report, Chinasoft International continued to rank first in the two cloud professional services fields of cloud migration and cloud development, maintaining its leading position. Chinasoft International's cloud migration business has strengthened the depth and breadth of long-term cooperation with cloud platform companies such as HUAWEI CLOUD and Tencent Cloud, and actively participated in the HUAWEI CLOUD MSP Gold Partner Certification Program. In the future, in addition to continuing to expand the share of public cloud business, it will also further deepen the HCS private cloud. service business.

- **Industrial cloud operation:** During the reporting period, Chinasoft International Cloud Intelligence Business Group accelerated its industrial layout, resulting in explosive growth in scale and high-quality business development. During 2021, Chinasoft International will continue to work with HUAWEI CLOUD to continue to deepen the ecological cooperation relationship. In Jiangsu, Fujian, Zhejiang, Guangdong, and Inner Mongolia, 5 joint operation innovation centers will be added. So far, the number of innovation centers jointly operated by Chinasoft International has reached 9, ranking first in third-party operation model; Fujian Kunpeng Ecological Innovation Center is the first Kunpeng Track Industrial Cloud Base operated by Chinasoft International Cloud Intelligence Business Group, jointly contributing to localization and the development of Xinchuang industry; Shandong Dongying Industrial Internet Innovation Center is the exploration and implementation of a new industrial cloud model in cooperation with Chinasoft International Cloud Intelligence Business Group and other partners. At the 6th National SaaS Application Conference in 2021, the Group's industrial cloud operations won the "Cloud Award" and won the "2020-2021 Most Innovative SaaS Service Provider"; at the MIS2021 Manufacturing Digital Application Forum in December 2021, Industrial Cloud Operation was awarded the "Annual Digital Innovation Service Provider". The Fujian Kunpeng Ecological Innovation Center operated by the Group won the "2020 Benchmark Kunpeng Ecological Innovation Center" and "Best Ecological Construction" awards.

Big Data

The Group is committed to consolidating the basic capabilities of government affairs, electric power, airport, railway and other industries, and actively expanding industry opportunities. Gradually build data governance, data development, data analysis tools and products, technological processes and knowledge systems, achieve team experience accumulation and talent training, and continuously improve competitiveness.

– In the field of government and public industry, the Group continues to cooperate with government big data bureaus in key cities in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing regions, and expands digital government business in other provinces and cities. Focusing on government digital transformation planning consultation, data census, data governance and big data platform and data application capabilities, it has carried out smart city consulting and design projects, multiple government bureau data census data governance and data application projects, and realized productized construction and project experience high-quality reproduction. In addition, the Group has developed and implemented projects such as the Big Data Resource Service Center, the Epidemic Prevention and Control Data Service Platform, and the Public Security Safety Supervision Platform Data Center to consolidate the platform construction and police data governance capabilities.

– In the field of mass transportation, the Group has always maintained a leading position in the construction of airport intelligent data centers. The Group continues to steadily deliver the projects of the Western Airport Group's big data center, data sharing service platform and passenger service platform, which are used as the airport group's data solution training platform. The airline revenue auditing and settlement system built by the Group for Shijiazhuang Airport customers has been put into use, realizing the functions of "receivables, refusal to make up for wrongs, quick settlement "and other functions, precipitation and creation of airport revenue auditing and settlement products. The continuous and stable delivery of the intelligent data center project of Beijing Daxing Airport has been selected as an excellent case in the industry for many times, and has become a model for the construction of domestic airport data center projects. In the railway field, the Group continued to carry out a system related to the digital construction of a railway bureau, focused on the analysis and application of professional data for industrial and power supply, and continuously optimized the application of professional data in passenger transportation to help realize the digital transformation of various railway operation departments. In the field of public transportation and rail transit, the Group cooperated with a public transportation and rail transit group in a city in the west, started the construction of a public transportation big data center, a data center of the track monitoring center, and the construction of a group safety management system, and was committed to developing a group-level intelligent command and dispatch center project. Provide effective and scientific data decision-making basis for safe production, quality and efficiency improvement, service optimization, and operation management.

– The Group continues to invest in research and development of data governance tools, and while optimizing and upgrading solutions, it constantly enriches its own product tools. The V7.1 version of the data governance tool has been officially put into commercial use. It adopts the spring cloud cluster, which is upgraded from the master-slave architecture to the cluster architecture, and uses AI technology to realize the standard intelligent bidding capability. The Group's self-developed intelligent data warehouse service platform is a distributed analytical data warehouse that provides SQL query interfaces and multi-dimensional analysis (OLAP) capabilities on top of Hadoop/Spark to realize interactive queries on large data sets and improve query speed. Upgrade to sub-second level, improve the efficiency of data analysis and mining, and realize the realization of enterprise static data assets. Data monitoring operation and maintenance visualization tools carry out asset-based and standardized management of data and data carriers (various data product tools), form a management system, and monitor the running status and quality of data in real time to form a full-link data product and open source components adaptability.

Cloud Intelligence Solutions

- **Finance and Banking**

  During the reporting period, the Group's finance business steadily improved and added 29 new customers, including domestic and foreign capital banks, private banks, non-bank financial institutions and overseas financial institutions. The Group constantly promoted technological innovation, and provide customers with technological empowerment, model innovation, and business improvement; the Group continued research and development in cloud computing, big data, artificial intelligence, and other fields, also innovated business models, upgraded applied products, and created technology platforms.

  During the reporting period, the Group developed **cloud services business** with a steady pace, and co-built the financial cloud ecosphere by focusing on closely working with leading cloud manufacturers. In terms of cloud service and DevOps, the Group further expanded ecological cooperation, assisted clients in implementing the cloud native business with respect to Alibaba Cloud, Tencent Cloud and Microsoft Cloud, and achieved the cloud migration of application systems of financial institutions.

  In the line of **data business**, the Group implemented the philosophy of business innovation and continued to thoroughly and intensively progressed, fulfilling the migration projects of big data platforms for financial clients and domestic databases. Moreover, the Group constantly joined in building projects in subdivided lines involving the data middle office, real-time data analysis, regulatory submission and model governance, and practiced the big data benchmarking projects for national joint-stock banks and urban commercial banks.

  During the reporting period, the Group actively worked on building the **digital currency electronic payment (DCEP)** for large state-owned banks, national joint-stock banks, urban commercial banks, rural credit cooperatives and foreign-funded banks by feat of financial card-based products and capability advantages, and assisted clients in building the core, channel system, bank front-end, acquiring and digital currency scenarios for DCEP.

  In the line of **digital acquiring business**, the Group provided digital acquiring scenario solutions, supported diversified online and offline payment methods, achieved BCG end full scenario-based services, concentrated on merchants, built the "Payment +" digital service ecology, integrated the bank loan, wealth management, insurance, points, equities, installment and other financial products, and improves the overall foreign brand effects of banks.

  Through the **competitive advantages** of the **paper business**, the Group partnered with pilot members of paper exchanges in flooding comprehensive upgrading and integration of electronic commercial draft system (ECDS) and paper exchanges, maintaining the leading position in the paper market. The full-featured paper products of the Group supported types of new business products of ECDS through direct connection interface of the paper exchange.

In the context of financial policies tend to support small and micro businesses, the Group actively explored the multi-industry application of **comprehensive solutions for supply chain finance**, and successfully implemented projects in the industrial finance platforms and electronic certificates for creditors' right circulation platforms in commercial banks, large Internet entities, large state-owned enterprises and other clients, stabilizing the market leading position.

- **Insurance and Securities**

  During the reporting period, the Group actively engaged on the client system planning in the line of **insurance business**, and improved the professional proficiency and technical skills in the life insurance core, property insurance core, marketing channel, business intelligence, risk management, etc. Meanwhile, the Group expedited the pace of marketing development in the core business of insurance, won the bid for health insurance preservation system, insurance business middle stage and other projects of leading insurance companies, and collaborated with Alibaba to win the bid for middle platform of NCI business, new generation data warehouse of Taiping and other projects. With the in-depth application of financial technologies, the Group seized the opportunity to continuously conduct the research and development with respect to **intelligent insurance**, optimized and upgraded the client tag portrait system, set up the general tag portrait platform and put it into commercial purpose. The Group independently developed the data verification system and intelligent information extraction system for insurance terms and conditions, facilitating the intelligent development of insurance business.

  During the reporting period, the Group maintained a leading position for the data, supervision and other related systems and business aspects in the **line of securities business**. In the aspect of financial infrastructure clients, the Group successfully implemented the regulatory data project, big data platform project, securities & futures trading supervision and other projects for Shanghai Stock Exchange. Furthermore, the Group implemented the data 2.0 platform project for Dalian Commodity Exchange, and aided clients in migrating the data warehouse to the domestic big data platform, setting a benchmark case of localization migration.

- **Transportation**

  During the reporting period, the Group gradually shaped the transportation business into three units: rail, airport, and port, and made significant breakthroughs in cloud-based and intelligent solutions. The Group thoroughly integrated cloud computing, big data, AI, and other emerging technologies with the industrial business, continued to maintain the first place in market share of cloud ticketing solutions, and had launched a comprehensive payment management platform for rail transport, integrated biometrics and other diversified technologies in Jinan Metro, Luoyang Metro and Jinhua Metro. The Guiyang Metro urban rail cloud project was progressed smoothly, setting a benchmark for the setup of cloud solutions in rail transportation. In the field of big data platform solutions for airports, the Group successively conducted Capital Airport Data Governance, the Daxing Airport Management Cockpit and Data Platform Phase II Project, and Hubei Ezhou Airport Data Center System after the Beijing Daxing Airport Data Platform Phase I Project.

- **Retails**

  During the reporting period, the Group built integrated retail solutions, created products of omnichannel marketing with the synergy between production, supply and marketing, and focused on building application services such as digital channel marketing, one-quick response (QR) code corresponding to a product, smart cloud store, smart store and membership operation. The Group continued to work with key customers in the retail industry such as Wuliangye, Jinhui Liquor, Guizhou Expressway, Three Squirrels and Changkelong, and has developed a series of benchmark projects such as Wuliangye Smart Cloud Store, Wuliangye Smart Store, Jinhui Liquor Digital Marketing, Guizhou Expressway ZuiHuiGou Omni-Channel, Squirrel Town Middle Office, and Changkelong Smart Store.

- **Governments and Enterprises**

  During the reporting period, the Group's Smart Park focused on developing comprehensive Smart Park solutions toward hospital parks, technology industrial parks, colleges and universities, commercial and residential properties, exhibition venues, and manufacturing parks. The Group had developed over 400 smart park eco-partners and 208 hospital park eco-partners, and integrated devices and subsystems from more than 50 vendors, including Basepoint IOT, Zondy Cyber GIS and Jieshun access control & attendance. The Group built the smart inpatient area for Guangdong Second People's Hospital, and the result paper was published in Nature Medicine, a sub-journal of Nature, the world's leading medical journal. The Group delivered the Poly South China Smart Community project, which was recognized by the Guangdong Property Management Association as one of the only three provincial "Smart Property Service Community Pilot" projects. The Group delivered Chengdu Medical City Smart Shared Innovation Space, which was titled outstanding case award of IDC's 2021 Future Work Leaders. The Group jointly developed Smart Park and lightweight campus solutions, of which the Smart Park base application had been certified with campus cube integration, was selected as a certified integration service partner, and awarded with qualifications as preferred total integration partner and smart city operating partner. Moreover, and the Group won awards at 2021 Eco Conference, including the Total Integration Project Practice Award, Outstanding Smart Park Partner Award, Outstanding Medical Industry Outstanding Contribution Award, and Major Project Contribution Award (medical-oriented). The Group's self-developed Smart Park platform had acquired 34 software copyrights, and the Group's Smart City Digital Platform and City Brain received the Outstanding Solution Award, which was awarded by China Software Industry Association. Wisdom Park's comprehensive solution was entitled with 2021 Outstanding Solution Award, which was awarded by China Cloud System Pioneer Strategic Alliance.

During the reporting period, the Group completed the incubation of digital office industry solutions across government, manufacturing, and finance, intensified benchmark customer expansion, and successfully won benchmark projects for China Earthquake Administration, China Tower, Great Wall Motors, GAC Group, and China Merchants Bank. JFun Box SaaS product for digital office was registered with the software copyright. Digital Office private cloud version upgraded from EFSS to CCP. Moreover, the Group continued to promote cooperation in data storage and machine vision, jointly developed data asset management solutions, also collaborated with WeLink by developing Digital Office light applications and integrating third-party software, and formally achieved the strategic cooperation intention with Huawei Cloud in the cloud desktop and cloud storage businesses. The Group became the first SaaS partner of Huawei Cloud for overseas businesses in the Middle East.

During the reporting period, the enterprise application service targeted at medium and large customers and partnered with established pan-ERP vendors, and built the new ecology of “platform plus service.” The Group entered into a strategic cooperation agreement with Yonyou, which became a Diamond-level partner of the Group’s ecosystem. Both parties focused on the government and enterprise markets, jointly developed products and scenario-based solutions, and met customers’ digital transformation requirements with end-to-end services. The Group executed a strategic cooperation agreement with Kingdee Software, and become the heavyweight provider for consulting, implementation, operations and maintenance services, jointly achieving industrial supply-side upgrading and scale development.

During the reporting period, the Group continued to explore the manufacturing. MCC Baosteel’ s intelligent operation and maintenance platform enabled customers to constantly improve the competitiveness of intelligent operation at the levels of multi-cloud governance, data assets, and applications. Great Wall Motor Knowledge Community leveraged Great Wall Motor’s digital office access, empowered industry systems, unified office ecology, explored data value by depositing the industry data and knowledge, and assisted the decision-making to improve the data value. TCL Tonghu Manufacturing Park Management Platform realized the multiple linkage of enterprise production and intelligent business system of the park, integrated the industry and life, built three types of intelligent business applications for park management, enterprise service and life service, aided customers in managing and controlling the production process, improved the quality of park management and operation, and enhanced the life experience.

During the reporting period, the Group maintained the leading position in the audit industry, and horizontally expanded multi-industry and multi -sector client base such as banks, corporations, hospitals, universities and health insurance to crack down the insurance fraud. In terms of government auditing, the Group secured 16 district and county-level networking clients and 9 fraud-prevention clients during the year to perform district and county-level data analysis and platform audits. In the enterprise audit, the Group worked with long-term strategic partners including Postal Savings Bank of China and Huaxia Bank in the financial field and realized intensive cooperation in the field of audit and audit-derived technologies and businesses. The Group successfully concluded and implemented the second phase of China National Offshore Oil Corporation (CNOOC) audit consulting project, took an important step forward with audit consulting as the focus and the project construction as the key.

During the reporting period, the Group's social security business developed steadily. The Group developed and implemented Social Insurance Relationship Transfer and Disbursement Management System Expansion Project (Golden Insurance II), Social Insurance Fund Monitoring System Expansion Project (Golden Insurance II), MOHRSS recruiting website, network monitoring database operation & maintenance, and MOHRSS big data screening project for Ministry of Human Resources and Social Security of the People's Republic of China (MOHRSS). In the field of provincial human resources and social security institutions, the Group covered over 80% of provincial nodes. Based on the extension project of Golden Insurance II social security supervision system of MOHRSS, and had realized the project of localizing the application of social security supervision in three provincial nodes in Henan, Zhejiang and Heilongjiang provinces. In the field of enterprise social security and labor management, the digital transformation project of Chengdu Railway Bureau presented strong support for the accuracy of customers' labor and employment policies and the effectiveness of analysis of auxiliary decisions. The project had been included in the unified vehicle type plan of China Railway, and provided the Group with the qualification of access to promote the project in other railroad bureaus.

In the field of sports, the Group supported Beijing 2022. Olympic Winter Games with technological innovation capabilities. Chinasoft International participated in Beidou Winter Olympics project, worked with Institute of Artificial Intelligence, Capital University of Physical Education and Sports and the Beijing Enterprises Group as well as many other entities, initiated the first Beidou+ Winter Olympics athletes training technology guarantee system for intelligent support. Xi'an Olympic Sports Center project focused on building three solutions involving the unified mobile entrance, fast access to epidemic prevention & control, and 5G smart application. Additionally, the Group supported customers by setting the new benchmark for 5G+Experience Smart Venues at the forefront of China and assisted the venues in efficiently operating.

3.2 Industrial Internet Platform- Jointforce Platform

During the reporting period, Jointforce- the industrial Internet platform, formed a matrix of core products and services in the government's main channel by improving the Five Management Service (management of projects, data, documents, codes, and suppliers) and provided whole process services for the entire process of digital transformation of government enterprises. The Group also thoroughly worked on local operation services in key cities, strengthened the end-to-end closed-loop capability of platform services for Party A on the demand side, and provided integrated software services involving the demand management, accurate supply and demand matching, and supply management by primarily accessing to "demand sourcing and software procurement". We generated annual gross transaction value (GTV) in 4.5 billion and served 3,000 government and enterprise digital transformation projects, of which 9 services in the Five Management Service matrix have been provided to customers for over 2,000 times, realizing 3,520 government and enterprise customers on the demand side and 70,000 ISVs on the supply side, and acquiring 44,500 cases and solutions in total, of which there are 24,000 high-value cases.

During the reporting period, we introduced the software whole process services. Based on Chinasoft International's capabilities of software engineering and profound experience in serving government customers, we provided the whole process services for digital transformation of governments and enterprises nationwide, covering the six major aspects including requirements planning, project approval, procurement and bidding, construction and implementation, acceptance, operation and maintenance horizontally, and extending five management dimensions from project management to data management, document management, code management and supplier management vertically. We seamlessly combined products and services such as "Digital Theme Pavilion", "Smart Management" and "Crowd Code Source". We have released a series of new products such as "New Jointforce Application", "Jointforce Smart Digital Version" and "Digital Theme Pavilion", providing a complete and smooth service experience for government and enterprise customers. So far, we have served government and enterprise customers in more than 10 cities, including Nanjing, Xi'an and Chongqing, received general recognition from our customers.

During the reporting period, Jointforce enhanced its digital intelligence capabilities and wholly acquired Beijing Zhongbiao Technology (hereinafter referred to as Zhongbiao) to form the leading domestic mapping knowledge domain in the software industry. As for the scale of the mapping domain, we have completed more than 150 million real projects or cases, of which the software industry dictionary (tagging system) has been greater than 300 main categories and 5000 subcategories.

During the reporting period, Jointforce had been promoting and shaping the system of platform + products + services in Suzhou, Nanjing, Chongqing, Shenzhen and other key cities to form and verify the closed loop. The "Digital Theme Pavilion" was positioned as a professional procurement service platform for digital transformation projects, and was rapidly expanded to Wuhan, Suzhou, Zhengzhou and other site immediately after being launched in Ningbo, acGrouping the setup of local digital management in the whole process. "Crowd Code Source", as a procurement front, provided accurate and efficient pre-purchase consulting and management services, and served nearly 200 government and enterprise customers successively in Suzhou, Nanjing, Guangzhou, etc. The "Smart Management" product was positioned as a comprehensive business management platform for the Big Data Bureau and has been released with version 2.0, which had been implemented in Chongqing, Wuhan, and other cities. The "data" product series supported the Big Data Bureau in general collection, review, and management of data to achieve the "management of projects and data." The "Data Dictionary" and "Data Pulse" had been initially recognized in Suzhou, Nanjing, Chongqing and other sites by government and enterprise customers.

During the reporting period, we actively promoted the joint operation of industrial ecology on the basis of Jointforce ecology. The applied Kunpeng computing in key industries such as finance, transportation, medicine, and intelligent manufacturing contributed to 150 ecological enterprises certified 266 Kunpeng solutions, ranking first in the Kunpeng center. In addition, the Kunpeng adaptation of the core business of state-owned enterprises (SOEs) was actively promoted, and the first campaign base for information entrepreneurship by SOEs had become a new benchmark nationwide. The Harmony Joint Creation Camp of the Harmony OS ecosystem was successively launched in Wuzhen, Zhengzhou, and High-Speed New City of Suzhou. The Business Foundation Capability Platform Harmony Joint Cloud was launched, and the service covers key AIoT areas such as Zhejiang, Henan, and Jiangsu.

3.3 Digital Operation

During the reporting period, the Group continued to improve the quality and efficiency of its AI basic data services, and sufficiently guaranteed the data services in major categories such as computer vision, intelligent speech and natural language processing through a professional digital factory. Meanwhile, the Group had enhanced efforts in segmented business sectors such as autonomous driving and industry knowledge mapping domain, and further coordinated with customers such as Ping An, Baidu and Daotong Technology, and other top ICT infrastructure and smart terminal provider, etc. The autonomous driving data service business grew by 450%. The Group built an intelligent BPO data service platform, launched an intelligent qualification audit operation system and voice data collection system online, significantly improving the operation efficiency and quality through advanced technologies such as text recognition, voice detection segmentation, and RPA. The Group further expanded its partners, and worked with Meituan, Xiaohongshu, Xiaomi, 360, Leling Education, Beijing Academy of Artificial Intelligence, partnered with Shenzhen Urban Public Safety and Technology Institute for new AI data, and collaborated with Microsoft in overseas intelligent data collection service.

During the reporting period, the Group independently developed qualification-based auditing systems in the field of content auditing, ensuring excellent Service Level Agreement (SLA) results for businesses, in which the SLA for Tencent channel audit and Tencent video standardized audit persistently ranked first among suppliers, and new orders were placed with customers such as Tencent, Meituan, CCTV, JD, KuGou, Xiaohongshu, Xiaomi, etc. The Group has also expanded the service types simultaneously to include compliance audit, security audit, qualification audit, flash sale mark, collection and manual audit to achieve full coverage of service types.

During the reporting period, the Group's intelligent business process outsourcing (BPO) business in Japan aimed to simplify, miniaturize and automate to fundamentally realize the transformation of business processes. The Group's ICR application method and recognition technology were continued to be innovated, and the coverage of the ICR business was further expanded, with the average input traffic up to 83% and 96% to the maximum extent. The processing efficiency of ICR's existing underlying design and recognition algorithm increased by 55% after the upgrading and transition to the ICR1PLUS version. Template-free recognition also made breakthroughs in the field of print fonts, proposed and gradually advanced an innovative application method of overall recognition. Currently, our customer business area is mainly located in Tokyo and Osaka.

3.4 Software and Technology Services

During the reporting period, the Group integrated the professional service and management capabilities acquired through long-term cooperation with some global financial institution, other top ICT infrastructure and smart terminal provider, and other major customers, built the software factory integrating consulting and diagnosis, process management, IT tools and delivery services, comprehensively upgraded the traditional IT services, and provided software and technical services including design, development, testing, operation and maintenance for customers, and intensively expanded in the sectors including finance, telecommunications, Internet, high-tech, automotive and other industrial customers.

Finance

During the reporting period, **foreign financial businesses** of the Group remained stable and steady growth under the background of COVID-19 and global economic downturn, and initiated in-depth cooperation with benchmarking clients including Standard Chartered Bank and American International Assurance Co., Ltd (AIA), and continued to provide high-value services to foreign financial institutions.

During the reporting period, the Group successfully made breakthroughs with clients such as China Pacific Insurance Group and Bank of China, provided consulting and implementation services for lean outsourcing management to a number of state-owned banks. Backed by management strategies, metrics systems and operational platforms, the Group optimized cost structure and operational efficiency, and aided customers in achieving their demands for autonomous and controllable outsourcing management. Meanwhile, the Group provided system cloudization, database migration, application system localization transformation, security management and other services for large state-owned banks and joint-stock banks with respect to the localization of information entrepreneurship. For the software factory, the Group continued to consolidate the basic business of resource supply based on Ping An's businesses, increased investments in research and development, promoted software factory solutions, made breakthroughs in Ping An Smart City project, strengthened cooperation with Ping An's unicorn companies, revitalized technology ecology, and gradually transformed the Group into a high value-added business with stable growth.

Telecommunications

During the reporting period, the Group intensively engaged with customers such as telecom operators, leading equipment suppliers, extensive equipment suppliers and ODM manufacturers, winning five major customers for the first time, including MIGU Video Technology Co., Ltd., MIGU Digital Media Co., Ltd., China Telecom e Surfing Telecom Terminals Co., Ltd., China Telecom Hongxin Information Technology Co., Ltd., and Xinyuan Public Information Development Co., Ltd., and worked with operators to promote 5G To B solutions for digital factories covering industries such as aluminum, steel, machinery and electronics, transportation, etc. The Group has developed other types of project collaboration to increase the business share.

During the reporting period, China Mobile business of the Group grew rapidly thanks to the two growth drivers of government and enterprise businesses and new businesses. The Group entered into strategic cooperation agreements with China Mobile IoT Ltd., China Mobile, Beijing Rong Yu Information Technology and Jiangsu Mobile Information System Integration Co., Ltd., and was included in the cooperation pool of 12 DICT shortlists including China Mobile System Integration, MIGU Culture Technology, China Mobile Shandong, China Mobile Sichuan and China Mobile Guangzhou. The Group had comprehensively arranged the businesses of MIGU and had been awarded a number of projects, including the provincial and central operations of MIGU video products in 2021, operation and maintenance of MIGU digital media digital reading platform, operation and maintenance of MIGU culture, and research and development of MIGU mutual entertainment.

During the reporting period, the Group's China Telecom business grew steadily. Based on the continued expansion of business shares of China Telecom BestPay Co., Ltd (Orange Finance), Tianyi Cloud Technology Incorporation (Telecom Cloud) and Tianyi IoT, the Group achieved business breakthroughs with newly concluded contracts with Xinyuan Public Information Development Co., Ltd., explored the market of China Telecom's three-products system, successfully partnered with Shanghai Ideal. The Group executed a strategic cooperation agreement with TD Tech Communications, becoming a strategic-level ecosystem partner. The two parties had achieved deep cooperation in 5G+ industrial capacity, upgraded to strategic ecosystem-level partnership, and drew on comprehensive cooperation focusing on the government and enterprise market, 5G and customers' digital transformation requirements, products and services such as 5G IoT modules, 5G industrial terminals, and the joint development of 5G industrial solutions to work closely with end-to-end service capacity and jointly serve customers to develop the marketing.

Internet

During the reporting period, the Group's Tencent business continued to grow steadily and constantly expanded leading position. The Group initiated comprehensive cooperation in the business areas of Channel, WeChat payment, enterprise WeChat and live streaming, and started with business cooperation with WeChat Marketing, Policy Management Center, Tencent Map and Tencent Medical Dictionary. In the Tencent CDG business section, the Group achieved exclusive supply of WeChat audit team.

During the reporting period, the Group's Alibaba business had been steadily developing and has covered all major businesses up to now, including China digital business, overseas digital business, life services segment, technological digital entertainment segment, Ant Group and My Bank. The Group's delivery team had expanded their coverage to be over 50 cities, of which Dalian ODC business continued to grow and will gradually become another major offshore delivery center base after Hangzhou in the future. Additionally, the Group had been successfully listed as a framework supplier for Ant Financial Cloud finally, and will be granted for more opportunities to expand financial businesses in the future.

During the reporting period, the Group's Baidu business developed at a rapid pace and achieved over 100% growth, including Baidu Advertising, icaigou.com, Baidu Health, Baidu Tieba, natural language, industrial intelligence, Baidu intelligent driving, Baidu enterprise intelligence platform, Baidu Map, Baidu internationalization, commercial products, enterprise credit, user product quality, aiBank, blockchain, engineering effectiveness, smart finance and other businesses. The Group built a close ecological partnership with Baidu Cloud and made new progress and breakthroughs in Smart City, Intelligent Customer Service, Smart Service AI and Smart Cloud City Brain.

During the reporting period, the Group achieved further breakthroughs in its collaborations with ByteDance, JD and Meituan. The scope of the Group's business as a newly subscribed supplier of ByteDance ITO framework in 2021 grew rapidly, with business lines including mutual entertainment, products development, TikTok, EA, Data, commercial products, Pico, dongchedi.com, smart voice, and Dalios. The Group explored new cooperation models in business lines such as TikTok, Dalios, Lark and veCompass cloud. The Group doubled the scale of our JD businesses with JDT, JD Retail, JD International, JD Logistics, Allianz JD, JD Jingxi, JD Health, and JD Industry businesses. The Group also concluded an eco-strategy agreement with JDT and successfully carried out the first-phase and second-phase national governance and B2B projects for cross-border e-commerce. The Group had gradually established comprehensive cooperation with Meituan, covering Meituan Youxuan, Meituan Maicai, KuaiLv, unmanned aerial vehicle, Meituan Takeaway, medical, Meituan Finance, smart transportation, catering, group buying and review, etc. The Group had intensified collaboration with both the home arrival and store visit business groups while expanding the scope in Meituan's internal support businesses such as human resources and finance.

Hi-Technology

During the reporting period, the Group continued to develop and focus on major customers such as Honor, Xiaomi, Wingtech, Transsion and Lenovo in the smart terminal field and realized further business breakthroughs. The Group made a framework cooperation agreement with Honor Terminal Co., Ltd. and worked with Honor's R&D Department and BP IT Department to establish intensive coordination in cell phone product ecology and cloud pre-installation business. The Group exercised a strategic cooperation agreement with Wingtech, the main ODM supplier, and delivered and put exclusive ODC site into operation, achieving a breakthrough in the transition to project delivery and replication of the whole machine development experience in the field. The Group concluded a framework cooperation agreement with Xiaomi Group and started substantial business cooperation with Xiaomi's core divisions including cell phone, information technology for group digital transformation, group Technology Committee of Xiaomi Technical Strategy, and Xiaomi Automotive.

During the reporting period, the Group continued to expand the arrangement in the home appliance industry. In cooperation with Gree and TCL, the Group increased the business scale by 7 and 4 times respectively. The Group was successfully listed as one of Haier Group's 10 preferred suppliers finally, had accumulated experience in manufacturing industry solutions such as warehousing, overseas trade solutions, quality solutions, and after-sales solutions in the Haier businesses, and had successfully developed the offshore delivery model for the home appliance industry while adopting an agile delivery model and providing implementation cases for other projects.

During the reporting period, the Group continued to upgrade the cooperation in the field of logistics. The Group's SF-based businesses covered the express transportation, cold chain, city-wide and international logistics, and worked with more than 28 SF-based enterprises. Based on ITO, the Group improved ODC and general contracting business cooperation mode. The Group expanded several subsidiaries of SF system, such as Yijiai Technology, Shanghai Shunru Fenglai Technology, SKunkWorks and Hong Kong Guti Development Co., Ltd and became the exclusive supplier of Yijiai Technology and Feng Yi Technology.

During the reporting period, the Group deepened cooperation with Ming Yuan Cloud in real estate, with the scale of business growing steadily, and had ranked first in the annual supplier ranking and top in the independent supplier ranking. In addition, the Group also participated deeply in the SaaS privatization project of Ming Yuan Cloud, laying a solid foundation for the construction of the SaaS privatization ODC.

During the reporting period, the Group focused on building technology businesses, won the "One Network Unified Management Project of Shenzhen Smart City, and joined in data planning and development. The Group also started business cooperation with Sangfor in the field of security software and wireless network, covering Shenzhen, Changsha, Shanghai, and other cities.

Automotive

During the reporting period, the Group actively built up the automotive business. Based on the strategic cooperation agreement, the Group and FAW Group strengthened strategic cooperation in six areas aspects including digital transformation consulting, digital business scenario innovation, products promotion cooperation in government and enterprise markets, software engineering management system empowerment, talent resources service guarantee, and cultivation of innovative and composite talents in the field of intelligent networked vehicles. The Group had been working with Qiming Information Technology, a subsidiary of FAW Group in an orderly manner, focused on designing the quality management system, process management system, architecture of integrated product development process, main development process, products development team and outsourcing management system, provided industry-leading "software factory" lean outsourcing management consulting and implementation. The Group helped the customers in achieving autonomous and controllable objectives, achieving from 0 to 1 breakthrough in consulting and sales of IT tools.

In the field of intelligent vehicles, the Group has actively signed the domestic automobile companies. For example, for traditional automobile companies, it has signed Geely, Chang'an Automobile, Great Wall Motor, SAIC Z-one, SAIC IM, SAIC General Motors, BYD. For new automakers, it has entered into cooperation with Hozon Auto. Meanwhile, it has also entered into preliminary business negotiations with NIO, Li Auto, and Xpeng.

3.5 Other Top ICT Infrastructure and Smart Terminal Provider

During the reporting period, the Group worked together with Shenzhen Capital Holdings Co., Ltd. and Habo Investment to jointly establish Shenzhen Kaihong Digital Industry Development Group (hereinafter referred to as SZ Kai Hong), gaining valuable access to OpenHarmony. The Group entered into the Harmony OS ecosystem cooperation agreement, in which both parties agreed to use atomization services as an opportunity to explore a new business model for the joint operation of Harmony applications and services, and to add more hardware terminal products to the Harmony OS ecosystem and to promote the development of the Harmony OS ecosystem. The Group also went into the empowerment support service agreement with Consumer Business AI and Smart All Scene Business Division to support eco-partners further strengthening their ecological cooperation. At the HDC Developer Conference, the Group received the award of the "Excellence Partner in All-Scene Smart Life" prize.

During the reporting period, the Group deeply participated in Huawei's cloud data services, won the bid for the integration framework of government and enterprise services in China, successfully implemented projects in several provinces with Coal Mine Corps, became the supplier with the highest number of promotions and the most awards in technical services competition, and won the award for the best partner for Huawei' s consulting services. The cooperation project with Coal Mine Corps was successfully implemented, and China Mobile Nanping Aluminum 5G+ Digital Factory project was also successfully delivered. Given the COVID-19, and Group also successfully overcame difficulties in setting up new business in Thailand and New Guinea while securing the delivery of projects including DIGI, TIME, U MOBILE and Maxis.

During the reporting period, the Group promoted the establishment of a process-oriented organization and continued to optimize the three main IHSC\MHR\MSD processes. In terms of knowledge management, soft engineering capabilities and systematic support, the Group rapidly advanced the standardized construction of software factories, optimized and improved the Group's production efficiency through the efficient and high-quality provision of the software workshop model, and formed the differentiated competitive advantage of traditional business. Moreover, the Group efficiently popularized and implemented the software factory model in enterprises through software engineering capabilities and product consulting services, achieving rapid horizontal replication of capabilities, fully quantitative construction results, and building a solid foundation for an ever-victorious digital force.

In 2021, the Group's business grew rapidly. The Group's revenue, service revenue, profit, profit attributable to the owners of the Company and basic EPS increased by 30.5%, 31.8%, 19.9%, 19.1%, and 8.0% YoY respectively.

	2021 RMB'000	2020 RMB'000	% Increase (decrease) over the same period last year
Revenue	**18,398,076**	14,101,239	30.5%
Service revenue	**18,132,013**	13,762,185	31.8%
Profit for the year	**1,136,690**	948,113	19.9%
Profit for the year attributable to owners of the Company	**1,136,911**	954,928	19.1%
Basic earnings per share (cents)	**40.89**	37.86	8.0%

KEY OPERATING DATA

	2021 RMB'000	2020 RMB'000	% Increase (decrease) over the same period last year
Revenue	**18,398,076**	14,101,239	30.5%
Service revenue	**18,132,013**	13,762,185	31.8%
Cost of sales and services	**(13,493,835)**	(9,982,755)	35.2%
Gross profit	**4,904,241**	4,118,484	19.1%
Other income	**419,280**	312,821	34.0%
Loss from derecognition of financial assets measured at amortised cost	**(5,515)**	(1,201)	359.2%
Impairment losses, under expected credit loss model, net of reversal	**(111,735)**	(161,384)	(30.8%)
Impairment loss on goodwill	**–**	(21,857)	(100.0%)
Impairment loss on investment accounted for using the equity method	**–**	(15,878)	(100.0%)
Other gains or losses	**151,595**	(14,902)	(1,117.3%)
Selling and distribution costs	**(943,469)**	(729,409)	29.3%
Administrative expenses	**(1,755,654)**	(1,301,981)	34.8%
Research and development costs	**(1,249,325)**	(930,169)	34.3%
Other expenses	**(47,588)**	(43,786)	8.7%
Finance costs	**(99,557)**	(151,458)	(34.3%)
Share of results of investments accounted for using the equity method	**(10,196)**	(24,435)	(58.3%)
Profit before taxation	**1,252,077**	1,034,845	21.0%
Income tax expense	**(115,387)**	(86,732)	33.0%
Profit for the year	**1,136,690**	948,113	19.9%
Profit for the year attributable to owners of the Company	**1,136,911**	954,928	19.1%
Basic earnings per share (cents)	**40.89**	37.86	8.0%

GENERAL OVERVIEW

In 2021, in face of complex domestic and foreign environmental challenges, the Group firmly hold "drawing a blueprint to the end" strategy. The Group has further promoted FFW (From, For, With) strategic decomposition and implementation, continued to maintain the rapid growth of cloud business, and achieved the transformation from a service company to an innovative enterprise with "root technology". The group has been ranked in the TOP100 of Gartner's "Global IT Services Market Share Ranking" for four consecutive years, and its ranking has continued to rise. Its performance in 2021 had hit a new high since its listing, fully demonstrating the value and tenacity of the China's leading IT service company!

During the reporting period, the Group seized the strategic window period of OpenHarmony, and transformed the first-mover advantage of OpenHarmony into a competitive advantage. The Group was guided by the open-source OpenHarmony distribution to form a full-stack technology capability of OS product business, ecological enabling business, and cornerstone business, supporting the multi-level business development pattern. The Group cut into the industry, quickly established a market leading edge, actively explored a new business model for the joint operation of OpenHarmony applications and services, expanded more hardware terminal products to join the OpenHarmony ecosystem, and promoted the development of the OpenHarmony ecosystem.

During the reporting period, the cloud intelligent business group, as the Group's second curve, continued to maintain strong growth. The Group ranked second in the IDC Third-party cloud management service market, and cloud migration and cloud development professional services both ranked first, officially entering the cloud service leader camp. During the period, the Group held Chinasoft International's first Cloud Service Conference, announcing the comprehensive upgrade of its cloud service brand CloudEasy, and the official commercial use of the online cloud service "Huaxia Cloud", greatly enhancing the industry's brand power.

During the reporting period, the Group increased the conversion rate according to the path of "cloudization, cloud management, and cloud native", grasped the share and growth rate of clients' public cloud resale, and maintained an absolute leading position. The Group has become the customer's TOP3 solution partner in the field of smart parks, and continues to create high-quality solutions in the medical, real estate, transportation, and energy industries to achieve large-scale breakthroughs and aPaaS layer precipitation. The Group focuses on the energy industry and should invest as much as possible, using cloud management to cut in and form its own platform capabilities and IP.

During the reporting period, the Jointforce platform entered the bridgehead of government digitalization, provided whole-process management services of the project, and formed a core product and service matrix of the main channel of the government. The Jointforce platform deeply cultivated local operation services in key cities with a fixed target strategy, continuously expanded the coverage and penetration rate of the government (buyside) and also actively explored the business entry of the enterprise (buyside), in order to expand sustainable income continuously.

During the reporting period, based on the strategic partnership development foundation of “brand, willingness, strength, and trust”, the Group created a new space for the lean outsourcing business market through software factories, which affected the development of digital transformation business based on application services. The Group and domestic leading commercial software platform and comprehensive cloud platform manufacturers jointly innovated the “platform + service” ecological model, built the top-level design of “service productization”, and jointly opened up new market space. Supported by the top ICT infrastructure and smart terminal provider, super-integrator channels such as operators, local governments and state-owned platforms, the Group built, cultivated and accumulated digital consulting and solution service capabilities around its main channel business, reached the digital transformation market of central and state-owned enterprises, and established a new identity of “digital transformation service expert”.

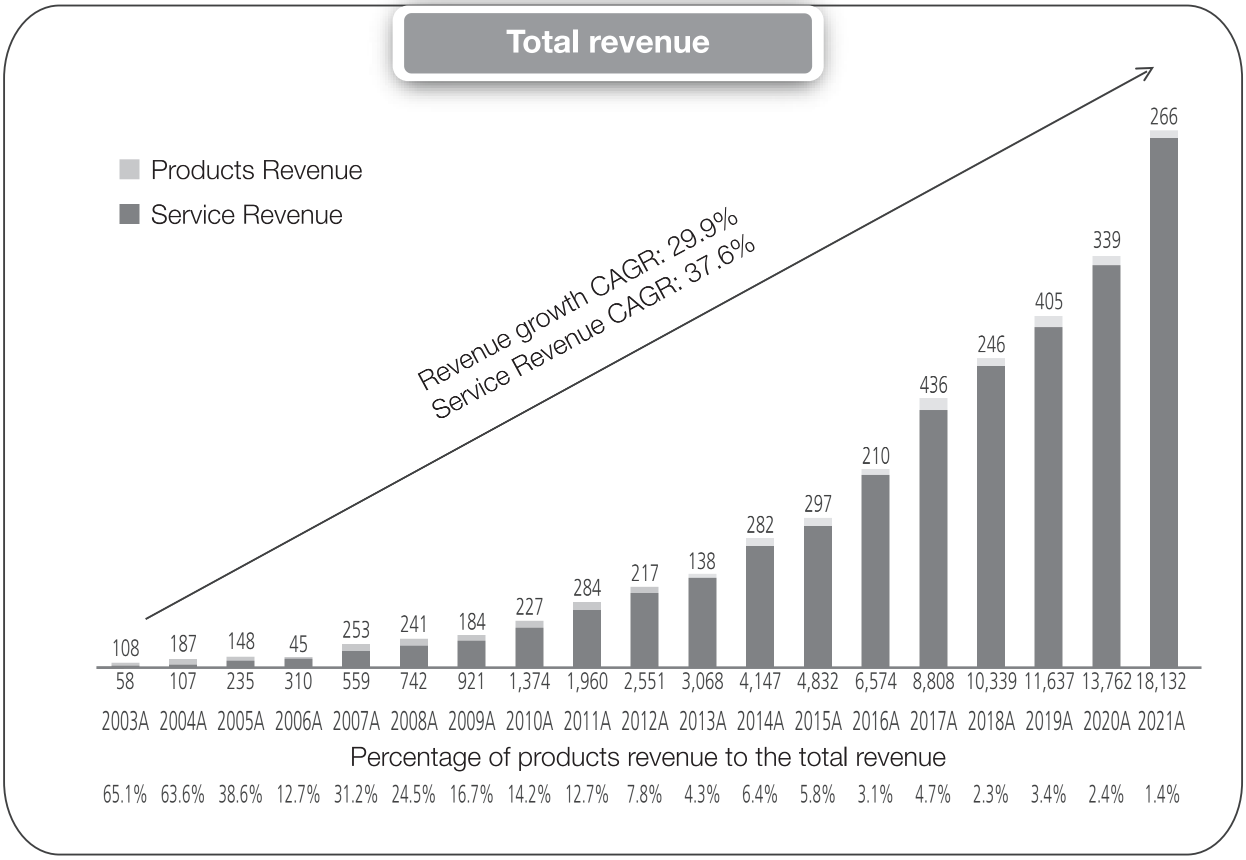
During the reporting period, the Group’s financial business steadily improved, added 29 new clients including domestic and foreign banks, private banks, and overseas financial institutions. The Group continued to conduct research and development in cloud computing, big data, artificial intelligence and other fields, innovate business models, and achieve application product upgrades and technology platform building. During the period, the Group actively participated in the digital renminbi construction of many large state-owned banks, national joint-stock banks, city commercial banks, rural credit cooperatives, and foreign-funded banks, helping clients in the digital renminbi core, channel system, bank front-end, acquiring and various digital renminbi scene construction.

During the reporting period, the Group continued to cultivate the Internet industry, accelerated the penetration of major clients such as Tencent, Ali, Baidu, etc., while maintaining its leading position, continued to expand the clients of well-known Internet companies such as ByteDance, Meituan, JD.com, and in-depth exploration of customer business scenarios, and accumulated excellent practices such as digital operation services.

During the reporting period, the Group followed the market layout of super integrators such as China Mobile, and piloted the establishment of a company-level sales and pre-sales system that supports the sales targets of the government and enterprise markets. The sales organization structure for clients to cooperate with each other. The Group’s operator IT service business has grown steadily, made breakthrough of acquiring key clients such as Migu Video, Migu Digital Media, China Telecom Tianyi Telecom Terminal, and CEC Hongxin for the first time, and cooperated with operators to promote 5G To B digital factory solutions, covering Aluminum, steel, mechatronics, transportation and other industries.

Facing the new year, the Group will move forward in the direction of active progression. To seize accurately, advance the layout, promote the “FFW” strategy with greater strength and depth, promote business forms to be based on platform, tool, and code reuse. The Group will make breakthroughs, achieve single-point breakthroughs, focus on attacking fixed targets, quickly establish a market, and continue to make progress towards the goal of becoming a “one of the best” technology-based IT service leader!

Since the Group's listing on the Growth Enterprise Market in 2003, its revenue and service revenue have maintained rapid growth. From 2003 to 2021, the Group recorded CAGR growths of 29.9% and 37.6% for its revenue and service revenue. For details, please see the figure below:



CUSTOMERS

The Group's customers are all over the world, in addition to Greater China, it also includes Asia Pacific, North America, Europe, Latin America and other regions. In the Chinese market, especially in mainstream industries such as finance, Internet, communications, high-tech, and government, it has a large market share. In 2021, the service revenue from the top five customers accounted for 71.3% of the Group's total service revenue, and the service revenue from the top ten customers accounted for 78.2% of the Group's total service revenue.

In 2021, the Group has 2,083 active customers. Among them, the Group has 161 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

MARKET

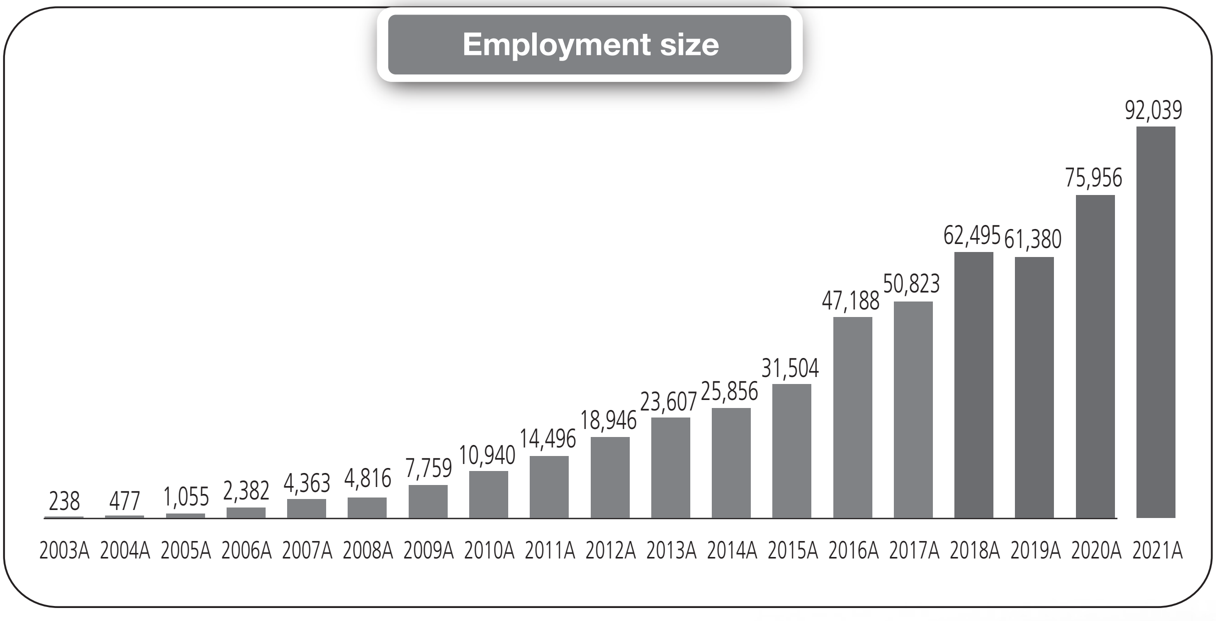
During the reporting period, the Group's business was mainly concentrated in the Greater China region, and the huge market potential in the Greater China region continued to bring growth opportunities to the Group. The Group now has a number of Fortune 500 clients including HSBC, Tencent, Alibaba, Honor, Ping An, China Mobile, Baidu, Microsoft, China Telecom, and other top ICT infrastructure and smart terminal provider etc., and has provided information technology services to customers in 47 countries around the world, accumulating experiences of serving international customers. Taking advantage of the digital "Belt and Road" initiative, the Group will continue to expand overseas based on product cooperation and industry cooperation with the top ICT infrastructure and smart terminal provider, and continue in-depth cooperation based on existing global strategic centers such as China, the United States, Japan, India, Singapore, and Malaysia. With cloud-driven digital transformation services to consolidate the basic layout of global services, the Group is determined to become a Global Chinasoft International, and to build China's global IT influence.

HUMAN RESOURCES

As of the end of 2021, the total number of employees of the Group reached 92,039 (as of the end of 2020, the total number of employees of the Group was 75,956), an increase of 21.2% over the end of 2020. During the reporting period, the average total number of employees for the year was 83,998, an increase of 22.3% over the average number of employees in the same period last year of 68,668.

As of the end of 2021, the number of technical personnel reached 87,401, accounting for 95% of the total number of employees of the Group, including 32,601 project managers, consultants and senior engineers, accounting for 37.3% of the total number of technical personnel of the Group.

Since the Group's listing on the Growth Enterprise Market in 2003, its business continued to develop rapidly, and the scale of personnel has maintained a rapid YoY growth. For details, please see the figure below:



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2021 and 2020:

	2021 RMB'000	% of revenue	% of service revenue	2020 RMB'000	% of revenue	% of service revenue
Revenue	18,398,076	N/A	N/A	14,101,239	N/A	N/A
Service revenue	18,132,013	N/A	N/A	13,762,185	N/A	N/A
Cost of sales and services	(13,493,835)	(73.3%)	(74.4%)	(9,982,755)	(70.8%)	(72.5%)
Gross Profit	4,904,241	26.7%	27.0%	4,118,484	29.2%	29.9%
Other income	419,280	2.3%	2.3%	312,821	2.2%	2.3%
Loss from derecognition of financial assets measured at amortised cost	(5,515)	(0.0%)	(0.0%)	(1,201)	(0.0%)	(0.0%)
Impairment losses, under expected credit loss model, net of reversal	(111,735)	(0.6%)	(0.6%)	(161,384)	(1.1%)	(1.2%)
Impairment loss on goodwill	–	0.0%	0.0%	(21,857)	(0.2%)	(0.2%)
Impairment loss on investment accounted for using the equity method	–	0.0%	0.0%	(15,878)	(0.1%)	(0.1%)
Other gains or losses	151,595	0.8%	0.8%	(14,902)	(0.1%)	(0.1%)
Selling and distribution costs	(943,469)	(5.1%)	(5.2%)	(729,409)	(5.2%)	(5.3%)
Administrative expenses	(1,755,654)	(9.5%)	(9.7%)	(1,301,981)	(9.2%)	(9.5%)
Research and development costs	(1,249,325)	(6.8%)	(6.9%)	(930,169)	(6.6%)	(6.8%)
Other expenses	(47,588)	(0.3%)	(0.3%)	(43,786)	(0.3%)	(0.3%)
Finance costs	(99,557)	(0.5%)	(0.5%)	(151,458)	(1.1%)	(1.1%)
Share of results of investments accounted for using the equity method	(10,196)	(0.1%)	(0.1%)	(24,435)	(0.2%)	(0.2%)
Profit before taxation	1,252,077	6.8%	6.9%	1,034,845	7.3%	7.5%
Income tax expense	(115,387)	(0.6%)	(0.6%)	(86,732)	(0.6%)	(0.6%)
Profit for the year	1,136,690	6.2%	6.3%	948,113	6.7%	6.9%
Profit for the year attributable to the Owners of the Company	1,136,911	6.2%	6.3%	954,928	6.8%	6.9%

REVENUE

In 2021, the Group's revenue was RMB18,398.076 million, representing a YoY growth of 30.5% (2020: RMB14,101.239 million). The Group's service revenue was RMB18,132.013 million, representing a YoY growth of 31.8% (2020: RMB13,762.185 million). The growth was mainly driven by the steady growth of the core large customer business and the rapid growth of cloud intelligent business.

TPG and IIG's revenue and proportion of total revenue in 2021 are as follow:

	2021 RMB'000	Weight	2020 RMB'000	Weight	Growth rate
TPG	16,622,352	90.3%	12,396,429	87.9%	34.1%
IIG	1,775,724	9.7%	1,704,810	12.1%	4.2%
Total	18,398,076	100%	14,101,239	100%	30.5%

The Group' s revenue includes the cloud resources resale business, which is recognized on a net basis, and the purchase amount of this business was RMB967.506 million in 2021. The Group's revenue in 2021 reached RMB18,398.076 million, after deducting RMB967.506 million for the purchase of cloud resources, and the total amount before deduction was RMB19,365.582 million.

COST OF SALES AND SERVICES

In 2021, the Group's cost of sales and services was RMB13,493.835 million, representing a YoY increase of 35.2% (2020: RMB9,982.755 million). The Group's cost of sales and services was 73.3% of the Group's total revenue, representing a YoY increase of 2.5% (2020: 70.8%).

GROSS PROFIT

In 2021, the Group's gross profit was RMB4,904.241 million, representing a YoY growth of 19.1% (2020: RMB4,118.484 million). The Group's gross margin was 26.7%, representing a YoY decrease of 2.5% (2020: 29.2%). The Group's gross margin (to service revenue) was 27.0%, representing a YoY decrease of 2.9% (2020: 29.9%). The fluctuation of the Group's gross profit margin during the reporting period was mainly due to (1) the Group was optimistic about the strategic transformation prospects of major clients, and under the premise of ensuring rapid revenue growth, it sacrificed short-term profits to seize the first mover position and market share; (2) In 2020, the social security provident fund was reduced or exempted under COVID-19 pandemic, and it returned to normal during the reporting period; (3) The Group increased investment in strategies and new businesses, and increased the reserve of mid-to-high-end technical talents; excluding the above factors, the gross profit margin of the group increased steadily.

In the future, the Group will continue to improve the gross profit margin through the following measures.

1. Vigorously promote the standardized construction of software factories, accumulate large-scale, high-quality, high-efficiency, end-to-end IT service project submission capabilities, comprehensively upgrade traditional IT services, continue to improve service quality and service value, and develop more quality and scale market space.

2. Implement the "FFW" strategy, unite with leading manufacturers and software friends, create a digital transformation expert identity, and enhance value.

3. Continue to increase the proportion of business with high gross profit and high per capita output, focus on the strategy of "Cloudization, Cloud Management the Cloud Native, understanding the cloud, understanding the line and gathering the ecology", continue to build a full-stack cloud intelligent business and continuously upgrade the business model.

4. Deepen the research and development of the underlying operating system, launch software and hardware products and solutions, and achieve the transformation from a service company to an innovative enterprise with "root technology".

OTHER INCOME

In 2021, the Group's other income was RMB419.280 million, representing a YoY increase of 34.0% (2020: RMB312.821 million). The increase of other income during the reporting period was mainly due to the increase of government subsidies compared to last year.

OTHER GAINS OR LOSSES

In 2021, the Group's other gains were RMB151.595 million (2020: losses of RMB14.902 million). The gains during the reporting period is mainly due to the investment income generated by the Group's disposal of its subsidiary Catapult.

OPERATING EXPENSES

In 2021, the Group's selling and distribution expenses were RMB943.469 million, representing a YoY increase of 29.3% (2020: RMB729.409 million). The Group's selling and distribution expenses accounted for 5.1% of the total revenue, representing a YoY decrease of 0.1% (2020: 5.2%).

In 2021, the Group's administrative expenses were RMB1,755.654 million, representing a YoY increase of 34.8% (2020: RMB1,301.981 million). The Group's administrative expenses accounted for 9.5% of the total revenue, representing a YoY increase of 0.3% (2020: 9.2%). This was mainly because, on the one hand, the Group further increased investment in office space construction and talent recruitment during the reporting period, on the other hand, share-based payment also increased compared to last year.

In 2021, the Group's R&D expenses were RMB1,249.325 million, representing a YoY increase of 34.3% (2020: RMB930.169 million). During the reporting period, the main reason for the increase was the Group continued to increase its R&D investment in cloud intelligent business and industrial Internet platforms, which further increased the total R&D expenses. In 2021, the R&D expenses accounted for 6.8% of the total revenue, representing a YoY increase of 0.2% (2020: 6.6%).

FINANCE COSTS AND INCOME TAX

In 2021, the Group's finance costs were RMB99.557 million, representing a YoY decrease of 34.3% (2020: RMB151.458 million). The Group's finance costs accounted for 0.5% of the total revenue, representing a YoY decrease of 0.6% (2020: 1.1%). The decrease in finance costs was because there was interest expense on convertible loan notes in the previous year, but there was no such expense in the current period.

In 2021, the loss from derecognition of financial assets measured at amortized cost was RMB5.515 million, representing a YoY increase of 359.2% (2020: RMB1.201 million).

In 2021, the Group's income tax was RMB115.387 million, representing a YoY increase of 33.0% (2020: RMB86.732 million). The Group's effective income tax rate was 9.2%, representing a YoY increase of 0.8% (2020: 8.4%). The increase in income tax was mainly due to the income tax arising from the sale of the subsidiary Catapult.

OTHER NON-CASH EXPENSES

In 2021, the Group's other expenses were RMB47.588 million, representing a YoY increase of 8.7% (2020: RMB43.786 million). The Group's other expenses accounted for 0.3% of the total revenue, same as last year.

In 2021, the Group's impairment losses under the expected credit model, net reversal was RMB111.735 million, representing a YoY decrease of 30.8% (2020: 161.384 million). This was mainly due to the increase in the uncertainty as the impact of COVID-19 epidemic in 2020, and the Group increased the provision for excepted credit losses based on the principle of appropriateness.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2021, the Group's total available cash balance (the sum of bank balances and cash and pledged deposits) was RMB5,578.368 million (2020: RMB3,815.703 million).

In 2021, the Group's net current assets were RMB9,534.026 million (2020: RMB7,675.755 million). In 2021, the current ratio (current assets divided by current liabilities) was 3.4, a slightly decrease from 3.8 in 2020.

In 2021, the Group's borrowings were RMB1,938.291 million (2020 borrowings: RMB1,789.515 million). Gearing ratio is calculated by dividing the net borrowing amount (borrowing and convertible loan notes minus available cash (bank balance and the sum of cash and pledged deposits)) by total equity. The Group's available cash balances in 2021 and 2020 were both higher than the sum of borrowings and convertible loan notes, resulting in a negative gearing ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2021, the Group's profit was RMB1,136.690 million, representing a YoY growth of 19.9% (2020: RMB948.113 million). The Group's profit accounted for 6.2% of the total revenue, representing a YoY decrease of 0.5% (2020: 6.7%). In 2021, the Group's profit accounted for 6.3% of the service revenue, representing a YoY decrease of 0.6% (2020: 6.9%).

In 2021, the Group's profit attributable to the owners of the Company was RMB1,136.911 million, representing a YoY growth of 19.1% (2020: RMB954.928 million).

Based on the profit attributable to the owners of the Company, the Group's EPS for 2021 was RMB40.89 cents, representing a YoY increase of 8.0% (2020: RMB37.86 cents).

SEGMENT REVENUE AND RESULTS

In 2021, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2021 RMB'000	2020 RMB'000	Growth Rate	**2021 RMB'000**	2020 RMB'000	Growth Rate
TPG	**16,622,352**	12,396,429	34.1%	**1,209,519**	1,162,191	4.1%
IIG	**1,775,724**	1,704,810	4.2%	**147,939**	124,114	19.2%
Total	**18,398,076**	14,101,239	30.5%	**1,357,458**	1,286,305	5.5%

In terms of segment revenue, the revenue of TPG represented a YoY increase of 34.1%, the increase was mainly from the growth of core clients businesses such as HSBC, Tencent, Ali, Honor and other top ICT infrastructure and smart terminal provider. The revenue of IIG represented a YoY increase of 4.2%, the increase was mainly due to the growth brought by the Internet platform business of the software industry of JointForce.

In terms of segment results, the results of TPG represented a YoY increase of 4.1%, which was far lower than the increase in revenue, the increase was mainly due to the decline in the gross profit margin of the business during the reporting period and the further increase in R&D investment. The results of IIG represented a YoY increase of 19.2%, the increase was mainly due to the improvement in the gross profit margin of the business and the decrease in provision for bad debt.

The Group believes that the cloud intelligent business, which has been deployed by the company for many years, has entered a stage of rapid development, which will continue to provide impetus for the continuous growth of the Group's future performance and improvement of profit margins.

FUNDRAISING ACTIVITIES

During the current reporting period, the Group had conducted a fund raising activity. The details of the fund raising activity with unutilised proceeds is summarized 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 2021	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	Not yet utilized	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	Not yet utilized	For the intended use	Before 31 December 2023
Approximately HK$394 million	For general working capital of the Company	Not yet utilized	For the intended use	Before 31 December 2023

On 18 April 2017 and 18 May 2017, the Group entered into the Subscription Agreement and Supplemental Agreement respectively with Dan Capital Management Ltd. (the "Dan Capital") pursuant to which the Company has conditionally agreed to issue, and Dan Capital has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK$900,000,000 due in 2022 ("2017 CN"). On 14 December 2020, a number of 180,000,000 ordinary shares were allotted and issued upon full conversion of 2017 CN.

The 2017 CN was issued on 3 July 2017 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2016. 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 2021	Expected time of utilisation (Note)
Approximately HK$600 million	For mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services	(i) Approximately HK$193 million were used to upgrade new technological capability; (ii) Approximately HK$407 million were used for merger and acquisitions and establishing an M & A fund to invest in proprietary and reliable business, cloud computing, big data, artificial intelligent, and related industries and associate companies;	–	N/A
Approximately HK$100 million	For upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	Approximately HK$100 million were used for upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	–	N/A
Approximately HK$200 million	For replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates	Approximately HK$200 million were used for replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates	–	N/A

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 2021 to 31 December 2021, 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 Office 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 2021 in Hong Kong (the "2020 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 2020 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 2020 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board member who attended the 2020 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 2021.

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)* *(appointed on 18 May 2021)*
Dr. Tang Zhenming

Non-executive directors:

Dr. Zhang Yaqin
Mr. Gao Liangyu
Mrs. Gavriella Schuster

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 2021, the Board held 8 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	8/8	0/1
Dr. He Ning	5/5*	0/0*
Dr. Tang Zhenming	8/8	0/1
Non-executive Directors		
Dr. Zhang Yaqin	8/8	0/1
Mr. Gao Liangyu	8/8	0/1
Mrs. Gavriella Schuster	7/8	0/1
Independent Non-executive Directors		
Mr. Zeng Zhijie	8/8	0/1
Dr. Lai Guanrong	8/8	0/1
Professor Mo Lai Lan	8/8	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 2022, the board of Directors resolved that Dr. He Ning, Dr. Tang Zhenming , Dr. Zhang Yaqin and Mr. Gao Liangyu 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 reporting year and as at the date of this report, the Board comprises seven male directors (representing 77.8% of the Board) and two female directors (representing 22.2% of the Board). Out of the nine board members, one of whom is non-Chinese and the remaining eight directors 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 2021, 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 2021.

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 2021 to 31 December 2021, 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 2022.

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 42 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 2021.

During the period from 1 January 2021 to 31 December 2021, 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 2021 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	4/4
Dr. Lai Guanrong	3/4

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 2021 to 31 December 2021, 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 RMB8,800,000 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 and not eliminating the risk of not meeting 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, the management of relevant risks, and the design and performance of the internal control system. It reports to the Board after properly reviewing the Group's annual risk management and the effectiveness of 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 relevant 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*

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 2021. The following lists the significant risks of the Group and its major affiliates, the changes in the nature and level of these risks, and the relevant plans and monitoring measures to 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, and timely collects and interprets the external regulations based on applicable laws and regulations in different business scenarios, as well as breaks down 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 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 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 technological innovations as well as improvements and upgrades of products, and focusing on customer experience, 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, and inspires an atmosphere of innovation, applying the concept of Zero Distance Innovation down to the business divisions with a commitment to achieving rapid upgrading of products and services cycles, thereby leading to a win-win situation for the Company and the customers.	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 and continuously monitoring the risk relating to business continuity, the Company has established the BCM organization structure with top-down distributed management structure, and constantly optimised the system, as well as formulated and implemented BCM mechanisms and special contingency plans in respect of high-risk scenarios. Emergency and business recovery plans under significant risk scenarios are timely updated, with clearly defined handling procedures for key emergencies, with complete information of organization, event level, process, disposal measures and emergency protection, so as to improve the Company's abilities of risks prevention and continuous operation, and ensure the continuity of key businesses and services. The Company continues to strengthen the business continuity management and coordination with major customers to improve the ability to jointly respond to emergencies. It also constantly carries out investigation, analysis and assessment of business continuity risks on the part of supply chain partners and has formulated targeted emergency plans.	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 severely 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. Further steps are taken to advance its system of social responsibility at a deeper level 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 constantly explores and optimises its 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 puts a lot of focus on key customers' businesses and major risks. Risks in business operation pertaining to information security, network security and privacy protection 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, to continuously intensify the construction of an information security management mechanism and system, and further strengthen the awareness in information security, network security and privacy protection, ensuring 100% coverage of all staff.	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 2021, 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 2021, 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 contract 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 2021.

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 2021 are set out in the consolidated statement of comprehensive income on page 114.

The Directors have recommended the payment of a final dividend of HK$0.0323 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2021. 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 Wednesday, 18 May 2022 at 3:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Tuesday, 21 June 2022 to shareholders whose names shall appear on the register of members of the Company on Monday, 6 June 2022.

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 Friday, 13 May 2022 to Wednesday, 18 May 2022, 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 Thursday, 12 May 2022.

(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, 31 May 2022 to Monday, 6 June 2022, 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, 30 May 2022.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2021 are approximately RMB4,488,718,000.

SHARE CAPITAL

Details of movements in share capital and shares issued of the Company during the year are set out in note 33 to the financial statements.

During the year, the Company has issued a total of 2,200,000 fully paid up ordinary shares of the Company at a total consideration of approximately RMB10,005,000, as a result of exercise of share options under the share option scheme of the Company.

During October 2021, the Company has issued a total of 162,000,000 paid up ordinary shares of the Company at a total consideration of approximately RMB1,618,742,000, as a result of placing of new shares under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2021.

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 RMB31,210,000 (2020: approximately RMB33,300,000).

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 228. 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 2021 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 29 to 40 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

The significant events which happened after the reporting date of 31 December 2021 affecting the Group are set out in the note 48 to the financial statements.

(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 29 to 40 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 2021, 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 2021, the Group had a headcount of 92,039 employees (31 December 2020: 75,956). 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 2021.

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	Mrs. Gavriella Schuster	Professor Mo Lai Lan

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 and 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. Mrs. Gavriella Schuster has entered into a letter of appointment with the Company as a non-executive Director for a term of three years from 20 September 2018. 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 2021, 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 2021
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	284,392,861 *(Note 1)*	–	379,092,861	12.35%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	94,700,000 *(Note 2)*			
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 *(Note 3)*	–	19,027,765	0.62%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 *(Note 4)*	1,400,000	0.05%
Gavriella Schuster	Beneficial owner	–	1,000,000 *(Note 4)*	1,000,000	0.03%
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 the year and the remaining awarded shares will be vested by period based on future performance.

(2) Pursuant to the subscription of convertible notes with a total principal amount of HK$900,000,000 (the "Dan Capital CB") issued by the Company on 3 July 2017 to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership (collectively known as the "Dan Capital CB holders"), a concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017. On 14 December 2020, the Company had received formal requests from Dan Capital CB holders to convert all of their convertible notes. 50,800,000 ordinary shares of the Company were issued to Dan Capital Tangkula Limited Partnership upon the conversion, and 129,200,000 ordinary shares of the Company were issued to Dan Capital Kunlun Limited Partnership upon the conversion. As at 31 December 2021, 25,830,000 and 68,870,000 ordinary shares of the Company were held by Tangkula and Kunlun respectively.

(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 the year and 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 2021	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 2021	Percentage of total issued ordinary share of the Company as at 31 December 2021	Total No. of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 31 December 2021	*Note*
Gavriella Schuster	5.22	1,000,000	1,000,000	–	–	–	1,000,000	0.03%	(i)
	5.65	1,000,000	–	–	1,000,000	0.03%			(ii)
Zhang Yaqin	5.65	1,000,000	–	–	1,000,000	0.03%	1,000,000	0.03%	(ii)
Gao Liangyu	5.65	1,000,000	–	–	1,000,000	0.03%	1,000,000	0.03%	(ii)
Zeng Zhijie	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(ii)
Lai Guanrong	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(ii)
Mo Lai Lan	5.65	800,000	–	–	800,000	0.03%	800,000	0.03%	(ii)

Notes:

(i) These share options were offered on 28 September 2018 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 26 October 2018. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
28/09/2018	27/09/2021	30% of the total number of share options granted
28/09/2019	27/09/2021	30% of the total number of share options granted
28/09/2020	27/09/2021	40% of the total number of share options granted

(ii) 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 2021, 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 2021, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (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 2021, 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 2021, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2021, 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 2021, 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 2021.

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 2021, representing approximately 9.47% of the total issued ordinary share of the Company as at 31 December 2021.

As at 31 December 2021, no more share options granted to certain directors and employees of the Group pursuant to the Share Option Scheme were outstanding and 88,800,000 Shares (2020: 91,000,000 Shares) granted to certain directors, employees and suppliers of the Group pursuant to the New Share Option Scheme were outstanding, representing 2.89% (2020: 3.13%) of the total issued ordinary share capital of the Company as at 31 December 2021. The terms on the exercise of such share options granted as set out in note 42 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 2,200,000 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$10.86 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 2021.

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 42 to the financial statements.

During the year ended 31 December 2021, a total consideration of approximately HK$71,267,000 (2020: HK$153,178,000) has been used to acquire 6,932,000 shares (2020: 28,846,000 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, 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, 21,651,000 awarded shares were vested to Directors and employees, details of which are as follows:

Selected Employee	Granted but not vested as at 1 January 2021	Granted during the period	Vested during the period	Grant but not vested as at 31 December 2021
Chen Yuhong (Director)	16,600,000	–	5,600,000	11,000,000
Tang Zhenming (Director)	7,200,000	–	1,440,000	5,760,000
Employee	128,200,000	–	14,611,000	113,589,000
	152,000,000	–	21,651,000	130,349,000

As at 31 December 2021,160,137,000 shares (2020: 174,856,000 shares) of the Company were held by the independent trustee of the Company, representing 5.22% (2020: 6.02%) of the total issued ordinary share capital of the Company as at 31 December 2021.

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 2021.

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 Company had not entered into any transactions required to be disclosed as "Continuing Connected Transactions" in accordance with the requirements of the Listing Rules and had carried out the following transactions which constituted "Connected Transactions" under Chapter 14A of the Listing Rules:

In August 2021, the Group and Shenzhen Capital Holdings Co., Ltd ("Shenzhen Capital") established a joint venture, Shenzhen Kaihong Digital Industry Development Co., Ltd ("SZ Kai Hong"). The Group made a capital contribution of RMB76.25 million for 50.83% equity interest.

On 23 December 2021, in order to make the shareholding structure of SZ Kai Hong meet the requirements of the classified projects, to bring in additional capital from SZ Hubble Technology Investment Partnership Enterprise (Limited Partnership) ("Hubble Investment") and to provide better incentives to the staff of SZ Kai Hong, the Group signed a share transfer agreement, transferred its entire equity interest in SZ Kai Hong to Hongju Innovation (Beijing) Information Technology Partnership Enterprise (Limited Partnership) ("Hongju Innovation") for a consideration of RMB76.25 million. The Company also indirectly holds a 19.5% interest in SZ Kai Hong through a capital increase by Shenzhen CCB Trust Chinasoft International Investment Partnership Enterprise (Limited Partnership) ("CCB Chinasoft International") at the same price per share. Hongju Innovation is a special purpose vehicle established for the ESOP of SZ Kai Hong, a limited partnership in which Dr. Yuhong Chen, our Chairman, Chief Executive Officer and Executive Director, serves as GP and controls, and as required by the shareholders' agreement, this portion of equity will be allocated to the employees of SZ Kai Hong within the next two years.

On 23 December 2021, CCB Chinasoft International, Hongju Innovation, and Hubble Investment entered into the SZ Kai Hong Capital Injection Agreement and committed to contribute RMB97.5 million, RMB2.5 million and RMB100 million to SZ Kai Hong respectively.

CCB Chinasoft International is an investment undertaking of the Group, and a special purpose vehicle established for the purpose of investment into SZ Kai Hong. The general partner of CCB Chinasoft International is an independent third party. The sole limited partner of CCB Chinasoft International is BJ Chinasoft International holding its 99.9% equity interest.

Upon completion of equity transfer agreement and capital injection agreement, the Group shall have an indirect effective equity interest in SZ Kai Hong of approximately 19.5% through its approximately 99.9% partnership interest in CCB Chinasoft International.

Hongju Innovation is a limited partnership with (i) the Beijing Chuanghong Jushi as its general partner; (ii) Dr. Chen Yuhong together with his associate Beijing Chuanghong Jushi and Mr. Peng Jiang as its limited partners as to 70% and 30% of the limited partnership interest, respectively. (In accordance with the requirements of the shareholders' agreement, these shareholding shall be allocated to the employees of SZ Kai Hong within the next two years.) Beijing Chuanghong Jushi is wholly owned by Dr. Chen Yuhong, whom is an executive Director, the chairman and chief executive officer of the Company. Mr. Peng Jiang is a director of certain subsidiaries of the Group. Therefore, Hongju Innovation is a connected person of the Company and the above transactions, taken as a whole, constitute connected transactions of the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year are set out in note 45 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 70.24% (2020: 72.67%) of the Group's total turnover and the Group's largest customer accounted for approximately 53.68% (2020: 57.13%) of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 56.01% (2020: 34.97%) of the Group's total purchases and the Group's largest supplier accounted for approximately 25.57% (2020: 10.92%) 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 2021, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate percentage of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership *(Note 1)*	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	379,092,861	12.35%
Dan Capital Kunlun Limited Partnership *(Note 1)*	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	379,092,861	12.35%
UBS Group AG *(Note 2)*	Interest of controlled corporations	316,690,361	10.32%
Bank of Communications Trustee Limited *(Note 3)*	Trustee	160,137,000	5.22%

Notes:

(1) Pursuant to the subscription of convertible notes with a total principal amount of HK$900,000,000 (the "Dan Capital CB") issued by the Company on 3 July 2017 to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership (collectively known as the "Dan Capital CB holders"), 50,800,000 and 129,200,000 ordinary shares were allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership on 14 December 2020 respectively upon conversion of the Dan Capital CB. A concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017, as such, Dan Capital CB holders were deemed to be interested in 284,392,861 underlying shares of the Company held by Dr. Chen for the purposes of section 317 of the SFO. Please refer to Form 2 – Corporate Substantial Shareholder Notice date 12 October 2021 for details of the shareholding structure.

(2) UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Asset Management Trust Company, 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, UBS Asset Management (UK) Limited and UBS Asset Management (Australia) Ltd. are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 316,690,361 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 29 December 2021 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.

Save as disclosed above, as at 31 December 2021, 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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the open market a total of 6,932,000 shares of the Company at a total consideration of approximately HK$71,267,000.

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 42 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 2021.

COMPETING INTERESTS

As at 31 December 2021, 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 2022

With the vision of "becoming the world's best IT service provider", the mission of "becoming the world's Chinasoft International", and the core values of "keeping true heart of kindness, determination and perseverance, striving for success, sharing and growing with customers", the Group has always been contributing to the sustainable development of economy, society and environment on the basis of its own sustainable development.

This report provides a comprehensive account of the Group's environmental and social efforts and achievements in the year 2021, 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 (the "ESG 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 2021 to 31 December 2021 (the "Reporting Period") and covers the headquarters and affiliated companies of Chinasoft International Group (hereinafter referred to as the "Group").

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 Board of Directors of the Group attaches great importance to environmental, social and governance (hereinafter referred to as "ESG") work and assumes full responsibility for the Group's ESG strategy, reporting and supervision, and continues to improve the Group's ESG management system and promote the Board's ESG governance in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong. The Board 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 set ESG environmental targets in regard to greenhouse gas emissions, waste emissions, energy and resource use and non-hazardous waste management, and regularly reviewed the target setting as well as the progress towards the achievement of the targets.

This report discloses in detail the progress and formulation of Chinasoft International Group's ESG work and targets for 2021, which have been approved by the Board of Directors.

CORPORATE ESG MANAGEMENT

The Board of the Group is responsible for assessing and defining the relevant ESG risks within the Group, ensuring that an effective ESG risk management and internal control system is in place, regularly reviewing the Group's performance and approving the disclosures in the ESG report.

The Group has established the ESG Working Group under the Executive Committee of the Board, which is responsible for implementing the Board's strategies and policies and coordinating with all business departments to carry out daily ESG work and implement ESG objectives. The management of the Executive Committee of the Board regularly reports to the Board on the implementation of major ESG matters.

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 the possibility of unduly influencing the decisions or judgements of the readers of the report.

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

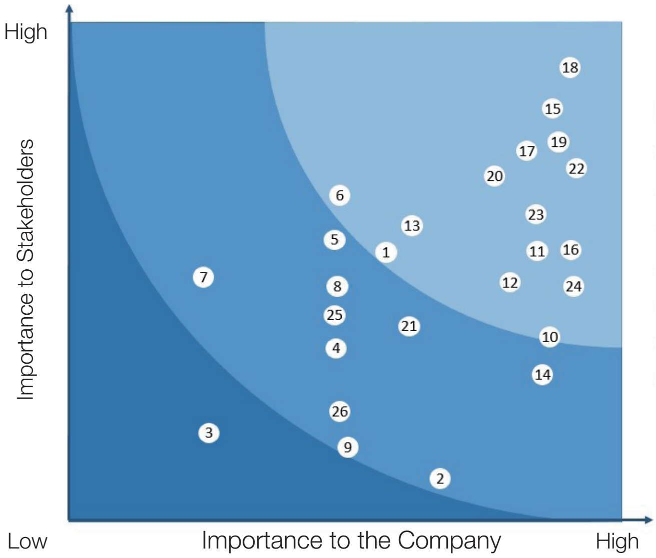
STAKEHOLDER IDENTIFICATION AND COMMUNICATION

The Group is committed to establishing multiple channels of communication with our stakeholders, protecting their rights and interests, and fulfilling its corporate social responsibility. We maintain constant communication and liaison with our key stakeholders and identify the Group's environmental, social and governance priorities by understanding their needs. The Group's major stakeholders include:

Stakeholders	Communication channels	Expectations
Government and regulatory bodies	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	– 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
Shareholders and investors	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	– Continuous improvement of business performance – Compliance operations – Sound corporate governance – Timely and full disclosure of information – Considerable investment return
Customers	Carry out surveys on customers' requirements; Carry out customer service satisfaction questionnaire; Telephone, email and face-to-face communication with 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
Employees	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	– 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
Suppliers	Conduct assessments and interviews through on-site visits; Telephone, email and face-to-face communication with suppliers	– Open, equitable and fair procurement – Fulfilment of contracts, creation of mutual benefits and win-win situations – Stable demand and common development
Community	Maintain networking and dialogue with the community; Participate in community activities; Make charitable donations	– To protect the social environment – To support community development – Equal opportunity employment and protection of human rights
Public and media	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	– Full and transparent disclosure of information – Timely feedback to external inquiries – Sustainable business development

DETERMINATION OF MATERIAL ISSUES

In accordance with the ESG Guide in the Appendix of the Listing Rules and international standards, the Group communicates with our stakeholders through questionnaires to get an understand of 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 our 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 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 Fair and open procurement
12 Supplier and distributor assessment
13 Supply chain risk management
14 Green procurement
15 Product stability and efficiency
16 Product R&D and innovation
17 Intellectual property protection
18 Information security protection
19 Customer privacy protection
20 Customer satisfaction
21 Reasonable publicity
22 Anti-corruption supervision and management
23 Anti-Corruption reporting
24 Anti-Corruption training
25 Social welfare
26 Voluntary activities

A ENVIRONMENT

With "promoting energy saving and emission reduction, building environmental friendly smart cities and providing green solutions" as its environmental responsibility, the Group strictly complies with national laws, regulations and policy requirements including the Environmental Protection. Law of the PRC (《中華人民共和國環境保護法》), the Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and Implementing Scheme on the Mechanism for Domestic Wastes Classification of the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development (《國家發展改革委住房城鄉建設部生活垃圾分類制度實施方案》). We focus on reducing our own emissions, improving the efficiency of resource use, advocating green office and energy concepts of saving, while also leveraging our own "digital environmental protection" business capabilities, aggregating the industry's advanced IT toolset, scale-up software factory concepts and practices, and provide customers with digital smart green solutions, enabling enterprises to transform and develop into digital intelligence, and striving to build a green production and lifestyle.

A1 Emissions

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 by its energy consumption, greenhouse gas emissions from 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. During the Reporting Period, the management measures implemented by the Group to reduce emissions include:

- Greenhouse gas emissions management

  - 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.

  - Additional video conferencing equipment were installed and online meetings such as WELINK were promoted. During the year 2021, 210,925 online meetings were conducted, an increase of 62% over the year 2020.

  - 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

  – Promote waste separation and reduce white waste pollution.

  – Install microwave ovens and refrigerated cabinets in pantries to encourage staff to bring their own lunchboxes and reduce the use of disposable cutlery.

  – Promote the use of electronic contracts and advocate a paperless office, nearly 170,000 documents were signed electronically in 2021.

  – In the printing area, 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, we actively promote the concept of paper saving.

  – The use of electronic advertising instead of paper for promotional materials in the administration, personnel, information security and regional departments.

  – For site relocation and renovation of old sites, the use of usable materials such as glass whiteboards, glass partition walls, floors and ceilings, are prioritised to reduce discarded waste. In 2021, 2,436 pieces of materials were reused in the renovation of sites.

- Electronic-waste management

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

  – Leasing of electronic equipment to reduce the generation of electronic waste equipment.

  – Set up recycling baskets for keyboards, mice, power cords and connection cables to recycle unused equipment from time to time in an orderly manner to facilitate recycling for secondary use.

  – Recycling of used computer hard drives and equipment parts for re-use by staff.

- 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.

Environmental targets for greenhouse gases, energy consumption and use of water resources:
Using 2021 as the base year, the company's per capita greenhouse gas emission, per capita integrated energy consumption and per capita water consumption will remain stable over the next five years.

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 Data Disclosure

Indicators	2019 Annual Data	2020 Annual Data	2021 Annual Data
Greenhous gas emissions from direct sources (tonnes of CO_2 equivalent)	60	54	69
Greenhous gas emissions from indirect sources (tonnes of CO_2 equivalent)	14,605	15,538	21,094
Greenhous gas emissions from employee travel (tonnes of CO_2 equivalent)	6,197	2,871	3,029
Total greenhouse gas emissions (tonnes of CO_2 equivalent)	20,862	18,463	24,192
Greenhouse gas emissions in millions of RMB of operating income (tonnes of CO_2 equivalent / million RMB)	1.73	1.31	1.32
Total domestic sewage discharged (tonnes)	209,496	195,297	213,897
Office domestic waste emissions (tonnes)	4,821	6,099	6,893
Office domestic waste emissions in million RMB of business revenue (tonnes/million RMB)	0.12	0.25	0.38
Electronic waste generation (tonnes)	N/A	N/A	16
Electronic-waste generation per million RMB of operating income (tonnes/million RMB)	N/A	N/A	0.001

Notes:

1. Greenhous 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 "Fifth Assessment Report" issued by the Intergovernmental Panel on Climate Change (IPCC); and the grid emission factors used in the calculation of Scope 2 emissions are determined with reference to Emission Factors for Regional Grids in China in the latest edition of "Guidance on Accounting and Reporting of GHG Emissions from Enterprises-Power Generation Facilities (Climate of Environmental Office [2021] No. 9)".

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 2021, the operating income of the Group amounted to RMB18,398.076 million.

3. The increase in total greenhouse gas emissions in 2021 was mainly due to the increase in personnel and office space caused by expansion of the Group's business volume, which led to an increase in the consumption of electricity and gasoline for official vehicles, and thus an increase in greenhouse gas emissions.

A2 Use of resources

The Group strictly complies with the Energy Conservation Law of the PRC and other relevant laws and regulations on energy conservation and environmental protection, and implements environmental protection concepts and practices in its daily work to reduce the consumption of resources in the office process and improve the utilisation of resources. The resources we use are mainly the electricity consumption generated by the operation of electronic equipment and central air-conditioning facilities, water resources from municipal water supply sources and packaging materials such as boxes, manuals and CDs procured from external sources. The Group's daily management measures for resource conservation include:

- Water conservation

  – Regularly check water pipes, taps and other equipment and renew old equipment in time to reduce waste from leaks and drips.

  – Post water conservation tips in public areas such as washrooms to raise staff awareness of environmental protection.

- Reducing energy consumption

  – The "six switch-off" system is implemented, requiring staff to switch off computers and display screens before leaving their work stations. Security guards inspect the site to ensure that lights, computers, water dispensers, refrigerators, microwave ovens, air conditioners and other equipment are turned off. According to the overtime situation of the staff, the electricity equipment of the site will be switched off at different times to reduce power consumption, and the requirement of "lights off when people leave" will be included in the assessment.

  – Require all new office space to use LED energy-saving lamps, and gradually replace LED energy-saving lamps in former office space.

Disclosure of Resources Utilization Data

Indicators	Data for 2019	Data for 2020	Data for 2021
Consumption of gasoline (litres)	27,266	24,852	31,811
Electricity consumption (10,000 kWh)	2,369	2,636	3,631
Electricity consumption per million RMB operating revenue (10,000 kWh/million RMB)	0.20	0.19	0.20
Consolidated energy consumption (tonnes standard coal)	2,941	3,266	4,496
Consolidated energy consumption per million RMB operating income (tonnes standard coal/million RMB)	0.24	0.23	0.24
Water consumption (tonnes)	246,466	229,761	251,643
Water consumption per million RMB of operating revenue (tonnes/million RMB)	20.47	16.29	13.68

Notes:

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

2. 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 2021, the operating income of the Group amounted to RMB18,398.076 million.

3. The increase in electricity consumption in 2021 was mainly due to the increase in the number of Group's personnel and the expansion of offices, resulting in the increase in electricity consumption.

A3 *Environment and Natural Resources*

The Group closely focuses on the China's "carbon neutral" strategy, laying out its investments in the fields of green energy, digital energy and smart energy by leveraging its advantages of IT services and digital ecological resources in producing integrated smart energy solutions. During the Reporting Period, we entered into a strategic cooperation agreement with Guoneng I&C, in relation to comprehensive and in-depth cooperation in the fields of energy digital transformation, smart power plants, new energy, energy storage, micro-grid, power auxiliary services, integrated energy planning and Internet+mobile office, with focuses on "industry chain integration, technology joint research and development integration, team integration and research results transformation integration". We take the lead in promoting the distribution version of the autonomous control operating system in the energy and power industry, setting an industry benchmark, promoting it and striving to build a green and advanced intelligent energy ecology that can help the country achieve "peak carbon and carbon neutrality" with the power of science and technology.

A4 *Climate Change*

The Group actively responds to climate change, identifies risk factors that may result from climate change and places high attention to the possible impact of extreme weather. It actively attends to policy trends and timely incorporates them into the Company's long-term planning, so as to prepare for the possible impact of policy requirements related to sustainable development on the Company's business development and financial expenses.

In response to physical 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, standardized management processes, reporting mechanisms and incident grading standards. 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", were revised to establish a grading mechanism for events, strengthening the prevention and warning, emergency response, emergency disposal, emergency security and information reporting. With reference to the frequency and scale of extreme weather in local region, we have strengthened our building safety assessments and inspections, and formulated relevant contingency plans to reduce losses caused by extreme weather to the buildings and equipment safety. The duration of use of cooling equipment was monitored timely to avoid increased energy consumption due to sustained high temperature, and the cost impact of increased energy consumption was also assessed.

B SOCIETY

The Group takes into account the needs of our employees, suppliers, customers and community stakeholders, considers our employees as our valuable assets, provides them with a broad development platform, protects their rights and interests, and cares about their development. We continuously improve the supplier management system to promote the fulfilment of supplier responsibilities, optimise product quality to enhance customer experience, carry out anti-corruption and integrity work to create a clean and honest atmosphere, and contribute to public welfare and charity to build a better society.

B1 Employment

The Group strictly complies with the requirements of national 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 "Law of the People's Republic of China on the Protection of Minors" and the "Regulations on the Prohibition of Child Labour", and has formulated a sound internal management system to actively safeguard 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.

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. We use campus recruitment, social recruitment and other channels to provide various forms of employment including full-time and part-time employment. We optimise and improve our established recruitment system, expand recruitment channels and optimise internal promotion to help bring in talent. As at the end of December 2021, the Group had a total of 92,039 employees, spread across China and in various countries around the world, including a total of 3,273 employees of ethnic minorities such as Hui, Tujia, Manchu and Zhuang, accounting for approximately 3.56% of total number of employees; 298 employees with disabilities, accounting for approximately 0.32% of total number of employees. 1,759 fresh graduates were recruited during the Year.

Disclosure of Employment Data

Indicators	2021 Annual Data
Total number of employees (person)	92,039
Number of full time employees (person)	91,907
Number of part-time employees (person)	132
Number of male employees (person)	61,554
Number of female employees (person)	30,485
Number of employees aged ≤ 30 years (person)	63,072
Number of employees aged 30 < age ≤ 50 (person)	28,768
Number of employees aged >50 years (person)	199
Number of employees in Xi'an (person)	20,886
Number of employees in Shenzhen (person)	19,930
Number of employees in Shanghai (person)	10,090
Number of employees in Nanjing (person)	9,244
Number of employees in Beijing (person)	9,019
Number of employees in Chengdu (person)	4,463
Number of employees in Hangzhou (person)	3,942
Number of employees in Wuhan (person)	3,634
Number of employees in Dongguan (person)	3,004
Number of employees in other areas (person)	7,827

Employee turnover rate	2021 Annual Rate
Male employee turnover rate (%)	28
Female employee turnover rate (%)	30
Turnover rate of employees aged ≤30 years (%)	32
Turnover rate of employees aged 30 < age ≤ 50 years (%)	22
Turnover rate of employees aged >50 years (%)	26
Employee turnover rate in Xi'an (%)	18
Employee turnover rate in Shenzhen (%)	37
Employee turnover rate in Shanghai (%)	38
Employee turnover rate in Nanjing (%)	21
Employee turnover rate in Beijing (%)	41
Employee turnover rate in Chengdu (%)	33
Employee turnover rate in Hangzhou (%)	43
Employee turnover rate in Wuhan (%)	18
Employee turnover rate in Dongguan (%)	13
Employee turnover rate in other areas (%)	23

Protecting the rights of employees

The Group strictly complies with relevant laws and regulations, such as the "Labour Laws of the PRC" and the "Regulations on Work Injury Insurance", and formulates human resources management-related systems in conjunction with relevant local policies and regulations to protect the legitimate rights and interests of employees in accordance with the law. We use 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

  - Bringing in human resources experts to build a professional and motivated management team, continuously optimising the company's job grade system and focusing on professional management capabilities.

  - Sorting out job responsibilities and competency requirements, conducting personnel inventories, assessing qualification levels and constructing professional competency maps for performance and remuneration management.

- Establishing a calendar for pay incentive management to promote a pay incentive management which is systematic, process-based and schedule-based.

- Piloting a grassroots organisation incentive scheme to recognise and incentivise organisations and individuals who have made outstanding contributions to the frontline.

• Management of working hours

- Introducing a mechanism of flexible working, with flexible office hours according to different regions and businesses.

- The data of staff attendance analysis are displayed online, so that the department can keep track of the working hours of staff, communicate with them and arrange work and rest reasonably.

• Vacation management

- Clarifying the various types of paid leave in the staff handbook so that employees can better enjoy their rights and benefits and work with peace of mind.

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

Caring for employees

The Group strives to create a vibrant and happy working atmosphere and conducts a variety of staff activities to stimulate staff's work enthusiasm. During the reporting period, the Group carried out activities including traditional festival celebrations, health month, family day and other gala and welfare activities, and designed personalised blessing cards on employees' birthdays and employment anniversaries, demonstrating the Group's caring about the physical and mental health of employees and enhancing the staff's cohesion and sense of belonging.

"Red Stars Shine Bright with Increasingly Diverse Club Activities"

Ignite the brightest star in the heart and pursue the common dream ahead – Red Stars Club, the employee association established by the Company, has further developed and expanded. Adhering to the principle of "promoting corporate culture and facilitating employee relations", the Red Stars Club brings our employees together to enjoy and share their lives. Club members arrange programs with full enthusiasm, showing their strengths, communicating and interacting with each other to exude an enthusiastic and youthful vitality with a positive attitude. During the Reporting Period, a Xi'an branch of the Red Stars Club has been established, and further branches will be set up in more areas in the future, continuously attracting new members to join and creating more types of interest to gradually optimise and refine the construction of association.

"Staying-put for the New Year, No Less Happiness to Share"

During the Chinese New Year holidays in 2021, some of the employees responded to the national call to spend the New Year locally. To let the employees who could not return home to feel more of the New Year atmosphere in the place where they stayed, the Group arranged a number of fun activities in various regions, sending the joy and warmth of the New Year to the employees. With events such as "Sending Millions of Blessings with Chinese New Year Couplets" (寫春聯，送萬福), "Red Packets for New Year's Greetings" (拜新年，發紅包) and "A show of Tastes of New Year Eve Dinners" (曬年味，雲聚會), staying put for the Chinese new year could be also fun and interesting. Staff who stayed at their workplaces and did not return home participated in gatherings and shared the local customs of their respective cities in the forum, showed off their New Year's Eve dinners, competed in photography, and passed on warm words and greetings to each other. Some regional teams also organised outdoor activities during the Chinese New Year, making this special Chinese New Year a little more refreshing and memorable than in previous years.

B2 *Health and Safety*

The Group always puts the physical and mental health and life safety of employees as the first priority, focuses on production safety, continuously improves the working environment of employees and strengthens the safety management of office premises. To further enhance the safety of office environment and premises, we regularly inspect and test the venues' fire-fighting facilities and maintain signage to ensure that fire-fighting facilities can be used effectively. We set up various channels for the reporting of repairs to, promptly collect and effectively solve problems of premises, and purchase summer heat protection materials and set up infrastructure according to specific conditions to ensure a comfortable office environment for our staff.

Disclosure of Health and Safety Data

Indicators	2019	2020	2021
Number of work- related fatalities (person)	0	0	0
Rate of work-related fatalities (%)	0	0	0
Number of working days lost due to work-related injuries (days)	N/A	N/A	801.5

Note: The statistics of the number of working days lost due to work-related injuries (days) have been disclosed starting from 2021 and such data has not been disclosed in previous years.

"No Let-up in Epidemic Prevention, Building a Secured Fortress Together against the Virus"

In the current epidemic situation, the Group does not slacken in its regular prevention and control, and strictly implements prevention and control measures according to the requirements of the epidemic prevention authority. A contact mechanism has been established in the business department to promptly communicate relevant information from the delivery teams to the project sub-teams. Employees' most recent conditions are maintained through a system of "Health Punch Card" for all staff, while at the same time, the Company's public account, the "Corporate Voice" has been releasing the "Fight Epidemic Briefing" daily, giving encouragement to all staff with the touching stories happening on the frontline.

The Group responded to the call of the Epidemic Prevention Command and continued to promote the completion of COVID-19 vaccination by all staff. During the Reporting Period, we worked together with all subsidiary companies, and held a number of special sessions for COVID-19 vaccination and nucleic acid testing, building a good atmosphere of joint action, mutual cooperation, consolidation of resources and experience sharing. Publicity related to the prevention and control of the COVID-19 epidemic was continuously carried out to guide the employees to prevent and control the epidemic scientifically and effectively, which strongly promoted the improvement of employees' awareness of self-protection and provided a solid guarantee for winning the battle of epidemic prevention and control.

"Focus on Occupational Health and Provide Medical Protection"

The Group strictly enforces the "Social Insurance Law of the People's Republic of China" and other laws and regulations. In addition to paying "five insurance and one fund" for its employees in accordance with the law, the Group also protects the rights and interests of its employees through a number of welfare policies and measures.

– Free medical check-ups are organised for staff on a regular basis, while family members also enjoy the benefit of a discounted package from the medical check-up company. The company's system is connected to the medical check-up platform of the medical check-up institution, making it convenient for employees to arrange their medical check-ups flexibly, to complete their medical check-up appointments and collect/check their medical check-up reports on their own.

– Supplementary commercial insurance benefits including supplementary medical, maternity, critical illness, accident and life insurance policies were provided to employees with three years of service. During the year, over RMB6,420,000 was paid, benefiting 25,162 employees. The Group also provided employees with less than three years of service with preferential channels to purchase supplementary commercial insurance, benefiting 2,553 employees.

– The online commercial insurance provider's self-claim and self-insure system facilitates our employees to self-claim and sign up for self-insured coverage.

– 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. An event of EHS empowerment theme month was held, inviting external experts to conduct EHS-related empowerment training for company employees.

– Partnership with a major medical check-up centre to offer discounted induction medical packages for new employees.

"Strengthen Prevention and Early Warning, Enhance Reserves for Emergency Response Capacity"

During the Reporting Period, the Group organised fire drills to promote the basic knowledge of fire-fighting among staff, and conducted fire-fighting and orderly evacuation practices to enhance staff's skills in responding to and escaping from unexpected fires, raise their awareness of safety precautions and enhance their self-protection abilities, so as to ensure the safety of their lives.

To further create a strong anti-fraud publicity atmosphere, the Group has increased anti-fraud publicity in the venue (e.g. email publicity/daily publicity within the group/poster publicity, etc.), aiming to enhance the awareness of all staff to prevent property losses. The publicity on road safety was stepped up for staff travelling to and from work, advocating staff to firmly abide by traffic regulations and care for lives, health as well as safety.

To enhance staff's risk avoidance and emergency response skills and their ability to help themselves in the event of emergencies and accidents, various regions of the Group conducted first-aider certification training and popular knowledge promotion seminars to improve staff's practical ability to prevent and handle accidents and injuries.

During the Reporting Period, the Wuhan region led the industry alliance to release and implement the "1-3-10-20" first aid process of EHS management. Each region subsequently organised cross-checking on the first aid process to ensure the employees' mastery of the process. We strive to instantly respond to emergencies and protect the lives and health of our employees.

B3 *Development and Training*

The Group is committed to building a team which is united, full of aspirations and passions, pursuing an innovative and enterprising spirit with vigorous dynamics. The Company continues to focus on the development and cultivation of its staff, by unleashing their potential, improving the quality of staff training, facilitating the identification of talents, providing multi-path career development and optimising the training system.

For employees to gain broader work experience and access to more knowledge and promotion opportunities, the Group provides them 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 improve their strengths continuously. During the Reporting Period, the Group actively promoted the use of systems such as "Practical Courses" and Learning Platform, training and community activities such as the Digital Night School, the "Iron Army Lecture Hall on Cloud", Project Manager Community and Quality Conference, covering management, technical and professional skills.

"Chinasoft International's Digital Night School"

The Group's online knowledge platform, the Digital Night School, was established with the intention of creating a good internal learning atmosphere, showcasing excellent work results and promoting exchanges and cooperation. Over a hundred training sessions were organised throughout the year. With the dedication of more than 70 instructors, multi-dimensional presentations for various departments, from process management to project management, from theoretical frameworks to business cases, and from platform presentations to solutions, were continuously carried out and completed. We are committed to building a knowledge-based organisation and establishing our digital influence.

"A Mighty Digital Force, Empowering the Officers"

During the Reporting Period, in order to help new officers better understand the Company's strategy and integrate into the organisation more quickly, the Group organised the "New Officers Army Camp", an officer training camp designed to uplift team wisdom by building a team of army-like officers with great team spirit and the will to win, through activities such as corporate culture introduction, strategy comprehension, team building, team empowerment, thematic seminars and experience exchange.

The project manager conferences, mainly held online and supplemented offline, were continuously launched to provide support and services for the Company's capacity building of project managers on a regular basis. By creating a cross-business sharing and exchange platform for the precipitation of practical experience and essential knowledge, the effect of knowledge sharing and dissemination has become more sustainable and long-lasting.

Disclosure of Development and Training Data

Indicators	Data for 2021
Total training hours of employees (hours)	307,579
Average training hours of employees (hours/person)	3.34
Total training hours of male employees (hours)	205,703
Average training hours of male employees (hours/person)	3.34
Total training hours of female employees (hours)	101,876
Average training hours of female employees (hours/person)	3.34
Average training hours completed by senior management (hours/person)	3.52
Average training hours completed by intermediate management employees (hours/person)	3.52
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

B4 Labour Standards

The Group strictly adheres to the relevant standards and management policies in the countries and locations where our operations are located, such as the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China", and the "Regulation on Work-Related Injury Insurances", and strictly abides by the management policies established in accordance with the international policies for the prevention of child labour and forced labour, as well as the relevant policies and regulations established by the countries and locations where our operations are located. The Group insisted on standardizing its employment according to law by 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 of international or domestic standards, rules and regulations in relation to child and forced labour, or those of the countries and locations where our operations are located.

B5 Supply Chain Management

The Group 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". It continuously improves procurement standards and systems, adopts various methods such as bidding (invitation), competitive negotiation and comparative enquiry to identify procurement suppliers, and implements single-source negotiation procedures for single-source supplier procurement. At the same time, we strengthen the assessment on suppliers' environmental and social risks, entering into "Anti-corruption Agreement" with suppliers, and perform sustainable development performance evaluation on the suppliers every year. Suppliers that pass the evaluation will be included in the "Qualified Supplier List" of the Company. During the Reporting Period, the Group was not aware of any significant, actual or negative impact from its major suppliers on business ethics, environmental protection, human rights and labour practices.

- 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.

  - 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 between 25-80 are regarded as unqualified. Follow-up and evaluation, or if necessary, re-assessment of unqualified suppliers will be carried out. When a supplier is slow or fails to improve, its supplier qualification will be cancelled. Suppliers with a total assessment score of less than 25 will be eliminated, with reasons for elimination recorded, and included in the supplier blacklist.

Disclosure of Supplier Data

Indicators	Unit	Data for 2021
Total number of suppliers	Individual	547
Number of suppliers by geographical region - North China	Individual	213
Number of suppliers by geographical region - South China	Individual	105
Number of suppliers by geographical region - East China	Individual	91
Number of suppliers by geographical region - Northwest China	Individual	55
Number of suppliers by geographical region - Central China	Individual	45
Number of suppliers by geographical region - Overseas	Individual	20
Number of suppliers by geographical region – Southwest China	Individual	18

Supply Chain Environmental and Social Risk Management

The Group requires selected suppliers to have ISO14001 (environmental management system certification), OHSAS18001 (occupational health and safety management system certificate) or ISO45001 (occupational health and safety management system certification). For renovation and decoration suppliers and furniture suppliers, they are required to have ISO14025 Type III environmental labelling certification, CQC quality and environmental protection product certification, and provide quality inspection reports of products or certificates. Moreover, the Company regularly conducts site visits to suppliers to understand their scale, incumbents, asset situations, cooperation, capacity, business scopes as well as their geographical area, whether they use environmental friendly materials, and to perform qualification inspection and observe project execution. Unqualified suppliers will be terminated and blacklisted.

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, we advocate a "digital environmental protection" policy and adopt online tendering as far as possible to reduce carbon emissions from business travelling.

B6 Product Liability

With the ultimate goal of "improving customer satisfaction", the Group continuously improves product quality management, safeguard customer information security and enhance customer satisfaction. The Group continues to encourage innovation and promote system building and process-based organisation, to provide a constant source of endogenous power for the Company's development. The Group actively strengthens the protection of intellectual property rights, strictly complies with relevant national laws and strives 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 the accolades and awards it received included, but were not limited to, the following.

Awards Won	Top 100 Software and IT Services Competitive Enterprises for 2021
	New Fortune "Best IR Hong Kong Listed Company"
	"Golden Hong Kong Shares" - 3 awards, being Best TMT, Best IR and Best IR Team
	Overall First in HUAWEI Cloud Public Cloud Channel Ecology, winning 17 awards
	HUAWEI HDC Developer Conference 2021 "Excellent Partner in Full-scenario Smart Living" Award
	The 9th Global Cloud Computing Conference "Yunding Award" Excellent Digital Transformation Case Award for the Year, Excellent Solution Award for the Year and Industry Influential Person Award
	Talent Training Section of KUNPENG Computing Industry Ecology's Chongqing Centre was awarded "2020 Benchmark KUNPENG Ecology Innovation Centre - Best Talent Training Award"

- Product quality management

  The Group strictly complies with laws and regulations including the "Product Quality Law of the People's Republic of China", continuously improves project management and quality management, and constantly standardises and improves all activities. The Group has obtained ISO9001 quality management system certification, CMMI 2.0 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 took various initiatives to enhance product quality, including:

  – Establish a database of trusted personnel and regularly organise trusted certification training and examinations for new and existing staff.

  – A competence centre is set up to benchmark against the industry's TOP N peers, and achieve our competence enhancement goals through project-based operations.

  – Through the integrated project management system, the operational status of the project is tracked, and project information is captured, summarised and evaluated to provide timely warning of risks.

"The "Penta" Quality Conference"

During the Reporting Period, the Group launched a series of online and offline activities based on 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"). Through online "Roundtable" chat, the "Penta" discussion forum, theoretical Q&A and practical contests have been set up in the geek community for credible knowledge competition. At the same time, we also share practical cases, select and commend benchmark employees, to create a culture of the "Penta" cultural atmosphere.

"Project Manager Community"

During the Reporting Period, the Project Manager Community Online Platform has been upgraded to provide a series of online and offline activities for project managers, with a focus on improving project delivery capabilities. Through the "Quality in Red May" campaign, quality knowledge were popularised and quality awareness enhanced. Through the "PM Circle", an offline platform for PM management experience and experience exchange was set up. Through the "PM Live Broadcast" programme, delivery management practices were shared, establishing a benchmark for excellent practices. Meanwhile, a good PM development path was provided as a model through the "Career Path for PM" programme.

"Proactive Supplier Performance Management"

The Group emphasises autonomous management and self-management, by deepening the active management of supplier performance, and establishing an IT-enabled platform to achieve visualised management and improve management decision efficiency. Any shortcomings are constantly managed by optimising the IHSC, MSD and MHR processes. A forecast operation management mechanism is set up to form a sequence of stratified and graded performance forecast, risk issues reporting and monthly management review, to ensure suppliers' performance as well as timely and high-quality, close-loop mitigation of suppliers' performance risks.

"Continuous System Construction"

The Group attaches great importance to system construction, emphasizing that the system should pay attention to the process and business should pay attention to its core. The system construction should be consistent with business development to continuously empower the Group. During the Reporting Period, the Group conducted a number of theme meetings focused on the construction of the four major systems of strategy, manpower, operation and process IT, facilitating the construction of a system based on independent performance management and creating a solid foundation to support the Company's strategic objectives.

- 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 "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", the "Law of the People's Republic of China on Network Security", the "Interim Measures for the Administration of Internet Advertising" and the "Provisions on the Protection of Personal Information of Telecommunications and Internet Users", and has formulated the "Chinasoft International Confidentiality System" to establish an information security system with security requirements integrated into its business processes. Meanwhile, the Group pays attention to security and privacy protection in its business activities and develops 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 and was no significant event in relation to information security leaks and network security. 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 improve processes and systems in terms of information assets, personnel, environment and operations, and introduced ISO27701 personal privacy protection certification on the basis of maintaining effective ISO27001 information security certification.

- Promoted the construction of grass-roots information security organisations, by making more effort in each functional department, group and business group, to establish information security public competence organisations and business line information security organisations.

- Introduced industry data security software systems, gradually replace management procedures with technical solutions, and launch pilot runs in finance, personnel, operations, human resources, recruitment and the Executive Office 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 the red line awareness to strengthen staff awareness of information security, network security and privacy protection.

• Improving customer satisfaction

The Group practices the "Penta" concept, translating the requirements of "Penta" into metrics and into management. We are always on the same page with our customers, developing, building and looking after the products together with our customers, and are committed to fulfilling our role as the best competitor in overall costs. During the Reporting Period, we identified gaps and improvement points by comparing with industry benchmarks through customer satisfaction questionnaires and the establishment of an NPS survey team. The customer feedback and evaluations obtained were analysed, and improvement measures were formulated. The improvement progresses were continuously tracked to further enhance customer satisfaction.

• Encouraging science and technology innovation

The Group continued to improve the construction of the system of innovation platform, organise and promote research and development and launch innovation incentive activities, and encourage staff to contribute their ideas. During the Reporting Period, we continued to promote the "Zero Distance Innovation Programme", carried out the Zero Distance Innovation case selection activities, and improved the Zero Distance Innovation operation rules, to form a pool of Zero Distance Innovation assessment experts by inviting industry and technical experts to participate in the assessment. The Group has always encouraged project teams to actively explore and practice, on the basis of achieving delivery targets, to adopt innovative technologies and methods to achieve results beyond SOW requirements, so that customers can be "pleasantly surprised". Such efforts will result in reusable technologies for the Company and application products with independent intellectual property rights.

- Intellectual property protection

  The Group complies with the regulations of “Copyright Law”, “Patent Law” and “Trademark Law”, 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. The Group formulated the management standards for the Company’s internal intellectual property protection and enterprise qualification certification processes, clarified the responsibility and review scope of all departments in the process, ensuring the validity, reasonableness and compliance of the declaration process of intellectual property and qualification certification. Dedicated staff are responsible for the application, archiving and document application of intellectual property right protection and enterprise qualification certification. The already owned and commonly used corporate qualifications in the industry, intellectual property right profiles, application and maintenance processes are publicized through the qualification management community. During the Reporting Period, a total of 483 copyright certificates were received by the Group for computer software from the National Copyright Administration of China, covering as many as 16 business units. 12 new enterprise qualification certificates have been added, continuously maintained the effective operation of 76 qualifications, which effectively safeguarded the hard work contributed by the employees.

B7 Anti-Corruption

The Group strictly follows the laws and regulations, including the “Criminal Law of the People’s Republic of China” and the “Law of the People’s Republic of China against Unfair Competition”, 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, integrity clauses and corresponding penalties for breach of contract are set in procurement contracts are set out in procurement contracts. During the reporting period, the Group was not aware of any material incidents of employees violating relevant laws and regulations, and had not been subject to any case of fraud, litigation against the Group’s products or material fines.

- Establishing an integrity monitoring system

  The Integrity Monitoring Department has been established to build the Group's integrity monitoring system, combat corruption and malpractice and ensuring the implementation of the Company's internal control rules and regulations. The "Integrity Supervision Reporting and Case Investigation Management Measures" has been formulated and issued to clarify information such as the reporting means and reporting scope, forming a closed-loop management system that integrates reporting acceptance, investigation, reporting and punishment.

- Smooth channels for complaint reporting

  A dedicated email address for complaints has been set up, 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 to give the accused the opportunity to defend against the punishment received.

- Building a 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 anti-corruption news and developments, anti-corruption hot issues, cautionary cases as well as other legal and regulatory contents,

- Conducting integrity training

  We organise anti-corruption training for staff 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.

B8 Community Welfare

The Group actively participates in social welfare undertakings, continuously practices social responsibility, and advocates staff participation in voluntary activities, in order to enhance the cohesiveness and contribute to the building of a better society. During the Reporting Period, the Group organised its staff to participate in blood donation, traffic warden volunteering services and the formation of volunteer teams.

"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. We 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. We 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. The campaign recycled 1,044.2kg of used clothes/items, reducing carbon emissions by 3,759.12kg and allowing 209 trees to be planted in the public forest area, fixing 2,090 square metres of sand.

"Seeds of the Future Programme"

While achieving economic benefits for the Group, the Group also embraces a sense of social responsibility and gives back to the community through practical actions. The Group actively participated in the Seeds of the Future Project, a project under Project Hope's aesthetic education and tree planting programme, initiated by the China Youth Development Foundation to support the aesthetic education of young people. Through construction of academy and hosting summer (winter) camps, we can give full play in empowering rural youths with technology and aesthetic education activities.

Biographical Details of Directors and Senior Management

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 59, 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. (中國長城電腦軟體公司).

Dr. He Ning (何寧), aged 59, 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 59, is the senior vice president of the Company. He is responsible for the Group's training business. 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 56, was appointed on 31 December 2008. Dr. Zhang Ya-Qin is chair professor and dean of the Institute for AI Industry Research at Tsinghua University. Dr. Zhang Ya-Qin 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 and Dr. Zhang has been an independent non-executive director of Fortescue Metals Group (ASX: FMG) since October 2019. He has been an independent non-executive director of WPP (NASDAQ: WPPGY).

Mr. Gao Liangyu (高良玉), aged 56, 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.

Mrs. Gavriella Schuster, aged 56, has over the past 26 years managing organizational digital transformation and deploying a number of programs and products as well as licensing, pricing and go-to-market initiatives for Microsoft Corporation ("Microsoft"). She has consistently delivered high business growth through Microsoft's commercial segments, ranging from small business to global enterprise, leading sales and marketing teams across its Server and Cloud business, Windows Client Commercial business, Enterprise Services, licensing sales and marketing, field business development, training initiative development, segment marketing, worldwide partner marketing and training strategies, and worldwide operations. Mrs. Schuster left Microsoft in September 2021 to advise private equity firms Berkshire Partners, EQT, Premira and West River Group on their investment portfolios. She is also a renowned speaker on matters of Diversity, Equity and Inclusion with a published eBook in December 2021. Mrs. Schuster was the corporate vice president of Microsoft One Commercial Partner from June 2016 through September 2021. From May 2011 to May 2014, Mrs. Schuster was the general manager of US Cloud & Enterprise commercial business at Microsoft. From August 2006 to May 2011, Mrs. Schuster was the general manager of global product management of Windows Commercial business at Microsoft. From March 2001 to August 2006, Mrs. Schuster was a senior director of US enterprise licensing sales & marketing at Microsoft. From July 1999 to March 2001, Mrs. Schuster was a director of global Microsoft Enterprise Services at Microsoft. From February 1997 to July 1999, Mrs. Schuster was the group manager of global customer segment marketing at Microsoft. From May 1996 to February 1997, Mrs. Schuster was the group manager of global solution provider and training program for partners at Microsoft. From November 1995 to May 1996, Mrs. Schuster was the operations manager of Microsoft Partner Programs at Microsoft. Mrs. Schuster earned her bachelor's degree in Social Psychology from the University of Michigan in 1988.

Independent Non-executive Directors

Mr. Zeng Zhijie (曾之杰), aged 54, 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 59, was appointed on 2 June 2015. Dr. Lai is the independent director of China Securities Co., Ltd.(中信建投證券股份有限公司)(stock code: 601066SH) since 1 May 2021. Dr. Lai is the independent director of Dongxing Securities Co., Limited (東興證券股份有限公司) (stock colde: 601198SH) since 16 December 2021, he also is the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司) since 2013 and is the chief economist of Shenzhen CMAF Management Co., Ltd (深圳市遠致富海投資管理有限公司) since 2018. Dr. Lai graduated from the School of Economics of Xiamen University in 1983 with a bachelor's degree, specialising in finance. He was awarded a master's degree by research by the Graduate School of the People's Bank of China (now known as the PBC School of Finance of Tsinghua University) in 1986. He was awarded a doctor's degree by research by the School of Economics of Xiamen University in 2001. He also took part in the 8-month special topic training "Dialogue between financial capital and technological innovation" organised by Tsinghua University in 2014. Dr. Lai was the secretary and deputy head of the office of the Fujian Province branch of the People's Bank of China. He led the establishment of the first securities company in Fujian and one of the first batch of securities companies in China, Minfa Securities Company Limited (閩發證券有限公司), and acted as the deputy general manager leading its work after the establishment of the company. He has led and successfully planned the merger and acquisition of listed companies, namely the merger of Xuji Electric (許繼電氣) (stock code: 000400SZ) with another listed company, Tianyu Electric (天宇電氣). In 1993, Dr. Lai led and successfully planned the listing of the earliest listed Fujian company, Fuyao Glass (福耀玻璃) (stock code: 600660SH); he also participated in the acquisition of Shenzhen Puruikang Biotechnology Co., Ltd (深圳市普瑞康生物技術有限公司). In 2018, Dr Lai was the independent director of Xin Yuan Enterprises Group Limited (信源企業集團有限公司) and retired on 16 December 2021. In 1996, Dr. Lai acted as the general manager of Fujian Min Qiao Trust Investment Company Limited (福建閩僑信託投資有限公司) and took over its management. After one year, Min Qiao Trust, which had been on the brink of bankruptcy, became the trust company with the highest gross profit and return on net assets ratio in the province. He has also been the president of Huafu Securities Company (華福證券公司), a provincial owned enterprise. When Dr. Lai was involved in the setting up of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司) and acted as its legal representative and president, he and the shareholders successfully introduced the Agricultural Bank of China as a controlling shareholder of Jiahe Life Insurance, together leading Jiahe Life Insurance into a new stage of development. In addition, since 2015, Dr. Lai has served as supervisor of Beijing Zhongguancun Science City Construction Co., Ltd. and director of Zhongke Industrial Group Co., Ltd..

Professor Mo Lai Lan (巫麗蘭), aged 63, 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 Reporting Council Review Committee 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 61, 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 42, 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 42, 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 114 to 227, which comprise the consolidated statement of financial position as at 31 December 2021 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 2021, 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 relevant cash-generating units (or groups of cash-generating units) 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, performed on a sample basis, 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 fair value 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 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 complete 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 complete the relevant performance obligations; • Assessing the reasonableness of changes if any on the expected future costs to complete 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 received 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 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**18,398,076**	14,101,239
Cost of sales and services		**(13,493,835)**	(9,982,755)
Gross profit		**4,904,241**	4,118,484
Other income	6	**419,280**	312,821
Loss from derecognition of financial assets measured at amortised cost		**(5,515)**	(1,201)
Impairment losses under expected credit loss model, net of reversal	7	**(111,735)**	(161,384)
Impairment loss on goodwill	17	**–**	(21,857)
Impairment loss on investment accounted for using the equity method	18	**–**	(15,878)
Other gains or losses		**151,595**	(14,902)
Selling and distribution costs		**(943,469)**	(729,409)
Administrative expenses		**(1,755,654)**	(1,301,981)
Research and development costs		**(1,249,325)**	(930,169)
Other expenses		**(47,588)**	(43,786)
Finance costs	8	**(99,557)**	(151,458)
Share of results of investments accounted for using the equity method		**(10,196)**	(24,435)
Profit before taxation		**1,252,077**	1,034,845
Income tax expense	9	**(115,387)**	(86,732)
Profit for the year	10	**1,136,690**	948,113

	NOTE	2021 RMB'000	2020 RMB'000
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		(2,982)	4,921
Other comprehensive income (expense) for the year, net of tax		(2,982)	4,921
Total comprehensive income for the year		1,133,708	953,034
Profit for the year attributable to:			
Owners of the Company		1,136,911	954,928
Non-controlling interests		(221)	(6,815)
		1,136,690	948,113
Total comprehensive income attributable to:			
Owners of the Company		1,133,929	959,849
Non-controlling interests		(221)	(6,815)
		1,133,708	953,034
Earnings per share	13		
Basic		RMB0.4089	RMB0.3786
Diluted		RMB0.3840	RMB0.3569

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,220,085**	858,028
Right-of-use assets	15	**627,641**	333,744
Intangible assets	16	**192,855**	144,913
Goodwill	17	**843,654**	941,215
Investments accounted for using the equity method	18	**384,641**	247,154
Equity instruments at fair value	19	**78,513**	61,825
Other receivables	21	**26,565**	87,455
Pledged deposits	26, 32	**5,699**	12,792
Deferred tax assets	30	**3,013**	5,753
		3,382,666	2,692,879
Current assets			
Inventories	20	**162,631**	51,192
Trade and other receivables	21	**5,894,431**	4,580,163
Bills receivable	23	**42,438**	15,851
Contract assets	24	**1,740,630**	1,904,185
Amounts due from related companies	25	**106,828**	39,776
Pledged deposits	26	**16,289**	16,134
Bank balances and cash	26	**5,556,380**	3,786,777
		13,519,627	10,394,078
Current liabilities			
Trade and other payables	27	**2,251,585**	1,752,965
Bills payable	23	**56**	33,446
Lease liabilities	28	**213,849**	142,318
Contract liabilities	29	**410,877**	329,240
Amounts due to related companies	25	**10,657**	8,771
Dividend payable		**81**	81
Taxation payable		**181,075**	83,372
Borrowings	32	**917,421**	368,130
		3,985,601	2,718,323
Net current assets		**9,534,026**	7,675,755
Total assets less current liabilities		**12,916,692**	10,368,634

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**13,312**	10,896
Consideration payable on acquisition	38	**19,992**	–
Lease liabilities	28	**235,959**	159,942
Borrowings	32	**1,020,870**	1,421,385
		1,290,133	1,592,223
		11,626,559	8,776,411
Capital and reserves			
Share capital	33	**138,703**	131,956
Share premium	34	**6,293,665**	4,734,754
Treasury shares	42	**(588,741)**	(605,387)
Reserves	34	**5,760,294**	4,491,765
Equity attributable to owners of the Company		**11,603,921**	8,753,088
Non-controlling interests		**22,638**	23,323
Total equity		**11,626,559**	8,776,411

The consolidated financial statements on pages 114 to 227 were approved and authorised for issue by the board of directors on 29 March 2022 and are signed on its behalf by:

Dr. Chen Yuhong
DIRECTOR

Dr. Tang Zhenming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to the owners of the Company														
	Share capital RMB'000	Share premium RMB'000 (note 34)	Treasury shares RMB'000	Other reserves RMB'000 (note 34)	Fair value through other comprehensive income reserve RMB'000	Translation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000 (note 34)	Statutory enterprise expansion fund RMB'000 (note 34)	Statutory surplus reserve fund RMB'000 (note 34)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	116,325	3,145,241	(470,752)	(122,769)	(13,834)	(17,966)	196,887	100,630	15,793	26,749	231,456	3,259,850	6,467,610	66,330	6,533,940
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	954,928	954,928	(6,815)	948,113
Other comprehensive income for the year	–	–	–	–	–	4,921	–	–	–	–	–	–	4,921	–	4,921
Total comprehensive income (expense) for the year	–	–	–	–	–	4,921	–	–	–	–	–	954,928	959,849	(6,815)	953,034
Issue of ordinary shares upon exercise of share-based payments	8,057	787,810	–	–	–	–	(188,587)	–	–	–	–	–	607,280	–	607,280
Recognition of share-based payment expenses	–	–	–	–	–	–	144,337	–	–	–	–	–	144,337	–	144,337
Expiry of share-based payments	–	–	–	–	–	–	(4,164)	–	–	–	–	4,164	–	–	–
Conversion of convertible loan notes	7,574	853,511	–	–	–	–	–	(100,630)	–	–	–	–	760,455	–	760,455
Appropriations	–	–	–	–	–	–	–	–	–	–	26,063	(26,063)	–	–	–
Dividends paid to ordinary shareholders	–	(51,808)	–	–	–	–	–	–	–	–	–	–	(51,808)	–	(51,808)
Purchase of shares under share award scheme	–	–	(134,635)	–	–	–	–	–	–	–	–	–	(134,635)	–	(134,635)
Capital contribution from non-controlling interest owners	–	–	–	–	–	–	–	–	–	–	–	–	–	2,270	2,270
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(38,462)	(38,462)
At 31 December 2020	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 income 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-based payments	92	12,624	–	–	–	–	(2,711)	–	–	–	–	–	10,005	–	10,005
Recognition of 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 share awards	–	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

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Operating activities		
Profit before taxation	1,252,077	1,034,845
Adjustments for:		
Depreciation of property, plant and equipment	173,685	126,623
Depreciation of right-of-use assets	222,984	158,790
Amortisation of intangible assets	47,588	43,786
Finance costs	99,557	151,458
Loss from derecognition of financial assets measured at amortised cost	5,515	1,201
Impairment losses under expected credit loss model, net of reversal	111,735	161,384
Impairment loss on goodwill	–	21,857
Impairment loss on investments accounted for using the equity method	–	15,878
Share-based payment expenses	216,588	144,337
Gain on fair value change of financial assets	(11,688)	(1,847)
Loss on fair value change of financial liability	1,687	–
Interest income	(70,422)	(75,586)
Share of results of investments accounted for using the equity method	10,196	24,435
Gain on deemed/partial disposal of investments accounted for using the equity method	(25,288)	(8,792)
Gain on disposal of subsidiaries	(156,055)	(7,822)
(Gain)/loss on disposal of property, plant and equipment	(5)	2,189
Gain on disposal of right-of-use assets	(4,137)	(931)
Dividends from equity investment	(12,938)	–
Exchange losses/(gains)	7,829	(22,986)
Operating cash flows before movements in working capital	1,868,908	1,768,819
Increase in trade and other receivables	(1,344,744)	(1,439,873)
Decrease in contract assets	67,342	158,149
Increase in trade and other payables	470,204	555,849
Increase in contract liabilities	91,186	192,106
Increase in bills receivable	(26,587)	(11,408)
Increase in inventories	(111,763)	(1,812)
Decrease in amounts due from related companies	961	2,508
(Decrease)/increase Increase in bills payable	(33,390)	11,395
Cash generated from operations	982,117	1,235,733
Income taxes paid	(86,364)	(130,263)
Income taxes refunded	66,390	47,070
Net cash generated from operating activities	962,143	1,152,540

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Investing activities			
Purchases of property, plant and equipment		**(287,153)**	(159,338)
Placement of pledged deposits		**(8,557)**	(16,285)
Withdrawal of pledged deposits		**15,495**	220
Development costs paid		**(61,139)**	(60,215)
Purchase of other intangible assets		**(11,404)**	(1,100)
Purchase of investments accounted for using the equity method		**(160,492)**	(54,945)
Purchase of equity instrument at fair value		**(5,000)**	–
Repayment from related companies		**2,092**	29,784
Net cash outflow on acquisition of subsidiaries	38	**(321,581)**	–
Proceeds from disposal of subsidiaries	39	**321,605**	35,416
Proceeds from disposal of investments accounted for using the equity method		**22,875**	–
Interest received		**39,839**	62,550
Proceeds from disposal of property, plant and equipment		**411**	4,492
Dividend received/repayment from disposal of investments accounted for using equity method		**11,010**	1,341
Dividend received from equity instruments at fair value		**12,938**	–
Advance to related parties		**(16,738)**	(317)
Payments for deposits of acquisition of an office building		**–**	(16,385)
Withdrawal of deposits of acquisition of an office building		**73,520**	–
Payment for right-of-use assets		**(150,354)**	(2,383)
Payment for rental deposits		**(13,888)**	(19,367)
Withdrawal of rental deposits		**7,000**	4,838
Net cash used in investing activities		**(529,521)**	(191,694)
Financing activities			
Dividend paid	44	**(70,117)**	(51,808)
New borrowings raised	44	**2,245,345**	3,806,342
Proceeds from exercise of share options		**10,005**	607,280
Purchase of shares under share award scheme		**(58,314)**	(134,635)
Capital contribution from non-controlling interest owners		**–**	2,270
Advance from related companies		**2,392**	7,877
Repayment to related companies	44	**(498)**	(2,160)
Repayment of borrowings	44	**(2,072,630)**	(3,589,024)
Repayments of lease liabilities	44	**(228,070)**	(165,859)
Interest paid on convertible loan notes	44	**–**	(34,507)
Other interest paid	44	**(69,965)**	(83,955)
Proceeds from issuance of placing shares		**1,618,742**	–
Net cash generated from financing activities		**1,376,890**	361,821
Net increase in cash and cash equivalents		**1,809,512**	1,322,667
Cash and cash equivalents at beginning of the year		**3,786,777**	2,525,741
Effect of foreign exchange rate changes		**(39,909)**	(61,631)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**5,556,380**	3,786,777

1. GENERAL INFORMATION OF THE COMPANY

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"), which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, 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

2.1 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

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 and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all other 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.

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, 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*.

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 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.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 interest in subsidiaries that do not result in the Group losing control over the subsidiary 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* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, 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

Acquisitions of businesses other than business combination under common control 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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- 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.

- 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 of the acquisition-date amounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

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 either 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 assets or liabilities resulting from 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs") (or groups 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 the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Investments in associates – continued

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

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

When 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 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.

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.

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 and enhances an asset that the customer controls as the Group performs; or

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

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

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

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

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.

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

Principal versus agent

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Recognition of revenue from specific major source of revenue

The Group's revenue is principally earned from contracts for provision of solutions on project-based development services and outsourcing services, and to a lesser extent, other services and sales of goods. A small number of the contracts of the Group include multiple deliverables relating to one or more of its goods and services.

(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 interrelated. The directors of the Company have assessed that the Group's performance (i) creates and enhances an asset that the customers control as the Group performs and/or (ii) 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. Therefore, the directors of the Company have satisfied that there is only one single performance obligation and the services are 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 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 complete the satisfaction of these services, to the extent that the amount can be measured reliably and its recovery is considered probable.

(b) Outsourcing services

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. The directors of the Company have assessed that outsourcing services represent one single performance obligation and the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time.

Revenue from the provision of outsourcing services is recognised 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. The directors of the Company have assessed that other services represent one single performance obligation and the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Recognition of revenue from specific major source of revenue – continued

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee

Allocation of consideration to components of a contract

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets 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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

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

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

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

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

Lease modifications

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

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 base 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 difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Taxation – continued

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 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* 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 is 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Property, plant and equipment

Property, plant and equipment other than construction in progress 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 over their estimated useful lives and after taking into account of their estimated residual values, 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for 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.

Buildings under construction for future owner-occupied purpose

When buildings are in the course of construction for production or for administrative purposes, they are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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 (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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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 those 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 seasonable 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 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 assets 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 losses on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) – 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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) Equity instruments designated as at FVTOCI
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

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

(iii) Financial assets as at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI 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, and amounts due from related parties, bank balances and cash and pledged 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. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors and contract assets with significant balances and collectively for the remaining balances of debtors and contract assets using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12 month ECL, unless when 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.

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

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.

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.

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

(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 of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

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.

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 receivables, bills receivable, contract assets, amounts due from related parties and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Derecognition/modification 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.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in FVTOCI reserve is not reclassified to profit or loss, and will continue to be held in the FVTOCI reserve.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

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.

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 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. When such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity.

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 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

Financial liabilities at FVTPL – continued

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 changes 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.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bills payable, amounts due to related companies, dividend payable, convertible loan notes and borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with substance of the contractual arrangements and definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible loan notes – continued

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes 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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

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 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 translation 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 year, unless exchange rates fluctuate significantly during the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Employee benefits

Retirement benefits costs

Payments to the state-managed retirement benefits schemes or other defined contribution retirement schemes such as the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employee (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 of all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Equity-settled share-based payment transactions – continued

Share-based payments and share awards granted to employees – continued

For share options and share awards that vest immediately at the date of grant, the fair value of the share options and share awards granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in equity-settled share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity-settled share-based payment reserve will be transferred to accumulated profits.

When the awarded shares under the Company's share award scheme are vested, the amount previously recognised in equity-settled share-based payment reserve and the amount of the relevant treasury shares are reversed and the difference arising from the reversal is adjusted to accumulated profits.

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 entity 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.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying for the Group's accounting policies and that have been the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices. 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. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);

- the extent of leasehold improvements undertaken by Group;

- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

Judgements in determining the performance obligations

In making their judgments, the directors of the Company consider the detailed criteria for recognition of revenue set out in HKFRS 15. In determining performance obligations, the directors of the Company consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. When concluding a contract has one single performance obligation, the directors of the Company consider that the individual activities, if any, in the contract are highly interdependent and interrelated. When concluding a contract has multiple performance obligations, the directors of the Company consider that the individual performance obligation is regularly satisfied separately and the service is separately identifiable from other promises within the contract.

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

Critical judgements in applying accounting policies – continued

Judgements in determining the performance obligations – continued

It describes in note 3 the revenue recognition basis to each of the Group's major sources of revenue. The recognition of each of the Group's major sources of revenue requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company consider the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of the transaction as stipulated in the contracts entered into with its customers.

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 CGUs (or groups of CGUs) to which goodwill has been allocated, and such estimation of the recoverable amount requires management to make significant estimates such as the discount rates, forecasts of revenue growth rates and gross margins based on management's view of future business prospects. The recoverable amount determination of the CGUs (or groups of CGUs) as at 31 December 2021 is based on the present value calculation which requires the Group to estimate the future cash flows expected to arise from the CGUs (or groups 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. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve. As at 31 December 2021, the carrying amount of goodwill is RMB843,654,000 (2020: RMB941,215,000). Details of the recoverable amount calculation are disclosed in note 17.

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

Key sources of estimation uncertainty – continued

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 complete 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.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit impaired 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 that it assesses collectively using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is 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 greater financial uncertainty triggered by the Covid-19 pandemic, 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 36, 21 and 24 respectively.

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

Key sources of estimation uncertainty – continued

Estimated impairment on investments accounted for using the equity method

The Group assesses whether there is an objective evidence that an investment accounted for using the equity method may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment.

As at 31 December 2020, in view of the unsatisfactory operating and financial performance of an associate's IT training services in the People's Republic of China due to COVID-19 pandemic, the Group performed impairment assessment on the relevant associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to be generated by the associate and the proceeds from the ultimate disposal of the investment taking into account factors like discount rate. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Furthermore, the estimated cash flows and discount rate are subjected to uncertainty on how the COVID-19 pandemic may progress and evolve, including potential disruptions of the associate's training services.

As at 31 December 2021, the carrying amount of investments accounted for using the equity method amounts to RMB384,641,000 (2020: RMB247,154,000), after taking into account the impairment of nil (2020: RMB15,878,000) recognised in profit or loss during the year.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2021	2020
	RMB'000	RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**2,221,812**	2,121,617
Outsourcing services	**15,749,881**	11,484,175
Others	**160,320**	156,393
	18,132,013	13,762,185
Sales of software and hardware products	**266,063**	339,054
	18,398,076	14,101,239

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Disaggregation of revenue from contracts with customers – continued

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
Over time	**18,132,013**	13,762,185
At a point in time	**266,063**	339,054
	18,398,076	14,101,239

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 basis of the Group's goods and services is set out in note 3.

The Group's contracts for project-based development services typically include payment schedules which require stage payments over the service period once certain specific milestones are reached.

The Group's outsourcing contracts include fixed hourly fee rates, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a regular basis and consideration is payable generally one month after the invoice date.

The period between payment and transfer of the associated goods or services of the Group is typically less than one year. As such, the Group applies the practical expedient under HKFRS 15 of not adjusting the transaction prices of the contracts for the effects of any significant financing component.

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 RMB410,877,000 as at 31 December 2021 (2020: RMB329,240,000). Such transaction price allocated is expected to be recognised as revenue during 2022.

In respect of contracts for outsourcing services, other services and sales of goods, 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 practice expedients cover circumstances where the original expected duration of the contracts is one year or less, and circumstances where the Group has a right to invoice in an amount that corresponds directly with the value of the Group's performance completed to date.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results

Information reported to the chief executive officer of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group's operating divisions.

The Group's operating and reportable segments are as follows:

1. Technical professional services group ("TPG") – development, provision of solutions, IT outsourcing services for banks and other financial institutions, telecommunication carriers and other large-scale multinational companies, including sale of products

2. Internet IT services group ("IIG") – development, provision of solutions and IT outsourcing services for government, tobacco industry and other small-scaled companies and training business, including sale of products

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

	Segment revenue		Segment results	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
TPG	**16,622,352**	12,396,429	**1,209,519**	1,162,191
IIG	**1,775,724**	1,704,810	**147,939**	124,114
	18,398,076	14,101,239	**1,357,458**	1,286,305

Segment revenue reported above represents revenue generated from external customers after eliminating inter-segment services revenue of RMB642,863,000 in 2021 (2020: RMB670,351,000). Inter-segment services are charged at a cost plus margin basis.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit earned by each segment without allocation of dividends from financial assets at FVTPL, gain on deemed/partial disposal of investments account for using the equity method, gain on disposal of subsidiaries, impairment loss on goodwill, impairment loss on investment accounted for using the equity method, corporate expenses, share of loss of investments accounted for using the equity method, share-based payment expenses, interest on convertible loan notes and borrowings raised at corporate level and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

Reconciliation of segment results to profit before taxation:

	2021 RMB'000	2020 RMB'000
Segment results	1,357,458	1,286,305
Other income, gains and losses unallocated	6,801	53,747
Dividends from financial assets at FVTPL	12,938	–
Gain on deemed/partial disposal of investments accounted for using the equity method	25,288	8,792
Gain on disposal of subsidiaries	156,055	7,822
Impairment loss on goodwill	–	(21,857)
Impairment loss on investment accounted for using the equity method	–	(15,878)
Interest on convertible loan notes and borrowings	(31,093)	(84,167)
Corporate expenses	(59,244)	(55,582)
Share of loss of investments accounted for using the equity method	462	–
Share-based payment expenses	(216,588)	(144,337)
Profit before taxation	1,252,077	1,034,845

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability 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

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	
	2021	2020
	RMB'000	RMB'000
PRC	**17,753,488**	13,477,522
USA	**428,098**	430,887
Malaysia	**109,516**	61,950
Japan	**92,796**	100,236
India	**13,607**	29,680
Others	**571**	964
	18,398,076	14,101,239

Information about products and services

	2021	2020
	RMB'000	RMB'000
Sales of software and hardware products	**266,063**	339,054
Provision of services		
TPG	**16,501,755**	12,286,075
IIG	**1,630,258**	1,476,110
	18,132,013	13,762,185
	18,398,076	14,101,239

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Information about major customers

Information about revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group:

	2021	2020
	RMB'000	RMB'000
Customer A	**9,876,478**	8,056,113

No other single customers contributed 10% or more to the Group's revenue for either 2021 or 2020.

Other segment information

2021	**TPG**	**IIG**	**Unallocated**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**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)**

2020	TPG	IIG	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	239,559	87,743	1,897	329,199
Loss from derecognition of financial assets measured at amortised cost	1,201	–	–	1,201
Finance costs	56,692	10,554	84,212	151,458
Impairment losses, under expected credit loss model, net of reversal	66,787	94,204	393	161,384
Interest income	63,882	10,901	803	75,586
Share of loss of investments accounted for using the equity method	14,101	10,334	–	24,435
Loss on disposal of property, plant and equipment	1,645	544	–	2,189

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income	**70,422**	75,586
Dividend income from financial assets at FVTPL	**12,938**	–
Government grants	**235,509**	130,532
Additional value added tax super credit	**86,298**	63,208
Value added tax refund	**946**	1,129
Return of income tax	**5,772**	5,020
Others	**7,395**	37,346
	419,280	312,821

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 2021 and 2020.

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

	2021 RMB'000	2020 RMB'000
Impairment losses recognised (reversed) on:		
– Trade receivables	**21,950**	43,780
– Contract assets	**85,829**	123,246
– Others	**3,956**	(5,642)
	111,735	161,384

Details of impairment assessment are set out in note 36.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on borrowings	**79,780**	93,366
Interest on lease liabilities	**19,777**	14,631
Effective interest on convertible loan notes	**–**	43,461
	99,557	151,458

9. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**87,508**	79,368
– under provision in prior years	**11,654**	207
	99,162	79,575
Others	**16,130**	5,013
	115,292	84,588
Deferred tax (note 30)	**95**	2,144
	115,387	86,732

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards unless subject to tax exemptions set out below.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 2 December 2020, Chinasoft International Information Technology Limited ("Chinasoft Beijing") was designated as a High and New Technology Enterprise for a period up to the end of 2023. As a result, Chinasoft Beijing was subject to the income tax rate of 15% for the year ended 31 December 2021 and 2020.

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 designated as a High and New Technology Enterprise for a period up to the end of 2023. As a result, Shanghai Huateng was subject to the income tax rate of 15% for the year ended 31 December 2021 and 2020.

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 2021 and 2020.

9. INCOME TAX EXPENSE – CONTINUED

According to the policies promulgated by the Ministry of Finance and the State Taxation Administration for the Integrated Circuit Design and Software Enterprises in 2011, all eligible software enterprises that were profit-making up to the year ended 31 December 2017 were subsequently entitled to two-year income tax exemptions followed by three years' 50% reduction of the statutory income tax rates, starting from their subsequent first profit making year. Chinasoft International Technology Services (Shenzhen) Limited ("CSITS SZ") is qualified as a software enterprise and was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2018. As a result, CSITS SZ was entitled to a preferential income tax rate of 12.5% for the year ended 31 December 2021 and 2020.

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

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**1,252,077**	1,034,845
Tax at PRC Enterprise Income Tax rate of 25% (2020: 25%)	**313,019**	258,711
Tax effect of share of results of interests in entities measured under the equity method	**2,549**	6,109
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(160,002)**	(158,470)
Tax effect of 175% (2020: 175%) deduction rate on certain research and development expenses	**(140,519)**	(105,695)
Tax effect of expenses not deductible for tax purpose	**43,305**	33,169
Tax effect of income not taxable for tax purpose	**(6,393)**	(6,250)
Under provision in prior years	**11,654**	207
Tax effect of utilisation of tax losses previously not recognised	**(824)**	(4,032)
Tax effect of tax losses not recognised	**2,312**	10,009
Effect of different tax rates of subsidiaries	**50,286**	52,974
Income tax expense for the year	**115,387**	86,732

10. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**41,014**	55,192
Retirement benefits costs (excluding those for directors)	**666,395**	223,794
Share-based payment expenses (excluding those for directors)	**137,302**	99,846
Other employee benefits expenses	**14,825,249**	10,931,637
Total employee benefits expenses	**15,669,960**	11,310,469
Less: Amounts capitalised as development costs	**(61,139)**	(60,217)
	15,608,821	11,250,252
Depreciation of property, plant and equipment	**173,685**	126,623
Depreciation of right-of-use assets	**222,984**	158,790
Amortisation of intangible assets	**47,588**	43,786
	444,257	329,199
Covid-19-related rent concessions (note 15)	**91**	2,054
Auditor's remuneration	**8,800**	8,760
Cost of inventories recognised as an expense	**237,618**	324,304
Net foreign exchange loss (gain) (included in other gains or losses)	**7,829**	(22,986)
Fair value gain on equity investments (included in other gains or losses)	**(11,688)**	(1,847)
(Gain) loss on disposal of property, plant and equipment (included in other gains or losses)	**(5)**	2,189

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 2021 are as follows:

	Chen Yuhong RMB'000	He Ning RMB'000 (Note a)	Tang Zhenming RMB'000	Total 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.

	Zhang Yaqin RMB'000	Gao Liangyu RMB'000	Gavriella Schuster RMB'000	Total 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

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

Directors' and chief executive's emoluments – continued

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

	Zeng Zhijie	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

Details of emoluments to the directors and the chief executive for the year ended 31 December 2020 are as follows:

	Chen Yuhong	Tang Zhenming	Total
	RMB'000	RMB'000	RMB'000
A) EXECUTIVE DIRECTORS			
Other emoluments:			
Salaries and other benefits	14,515	10,945	25,460
Share-based payment expenses	20,289	6,106	26,395
Retirement benefits costs	39	39	78
Sub-total	34,843	17,090	51,933

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	274	274	354	902
Share-based payment expenses	313	313	313	939
Sub-total	587	587	667	1,841

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	107	291	267	665
Share-based payment expenses	251	251	251	753
Sub-total	358	542	518	1,418

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

	RMB'000
Total emoluments for 2020	55,192

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

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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2020: two) were directors of the Company whose emoluments were included above. The emoluments of the four (2020: three) highest paid individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	7,487	5,987
Retirement benefits costs	194	116
Share-based payment expenses	61,978	39,689
	69,659	45,792

The number of the highest paid employees, who are not the directors of the Company, whose remuneration fell within the following bands is as follows:

	No. of employees	
	2021	2020
Hong Kong Dollar ("HK$") HK$12,000,001 to HK$12,500,000	–	1
HK$12,500,001 to HK$13,000,000	1	–
HK$17,500,001 to HK$18,000,000	–	1
HK$18,500,001 to HK$19,000,000	2	–
HK$19,500,001 to HK$20,000,000	–	1
HK$27,000,001 to HK$27,500,000	1	–
	4	3

During either year, no emoluments were paid by the Group to any of the directors and 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 either year.

12. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2020 Final – HK2.90 cents (2019: HK2.19 cents) per share	70,117	51,808

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK3.23 cents (2020: HK2.90 cents) per ordinary shares 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

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	1,136,911	954,928
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	–	43,461
Earnings for the purpose of diluted earnings per share	1,136,911	998,389

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,780,474	2,522,327
Effect of dilutive potential ordinary shares:		
Share options	42,078	14,740
Convertible loan notes	–	171,148
Share awards (see note 42)	138,143	88,874
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,960,695	2,797,089

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme (see note 42).

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 2020	626,700	452,323	14,191	8,337	326,601	1,428,152
Exchange adjustments	(8)	(2,008)	–	–	(367)	(2,383)
Additions	–	146,865	652	38,267	13,283	199,067
Transfers	2,508	162	–	(40,705)	38,035	–
Disposals	–	(85,246)	(733)	–	(88)	(86,067)
Disposal of a subsidiary	(9,346)	(10,949)	(1,006)	–	(14,438)	(35,739)
At 31 December 2020	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
DEPRECIATION						
At 1 January 2020	49,364	310,331	10,951	–	255,083	625,729
Exchange adjustments	(4)	(1,565)	–	–	(263)	(1,832)
Provided for the year	13,986	56,092	70	–	56,475	126,623
Eliminated on disposals	–	(79,849)	(552)	–	(88)	(80,489)
Eliminated on disposal of a subsidiary	(2,709)	(9,329)	(891)	–	(12,100)	(25,029)
At 31 December 2020	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
CARRYING VALUE						
At 31 December 2021	816,869	260,993	3,103	4,869	134,251	1,220,085
At 31 December 2020	559,217	225,467	3,526	5,899	63,919	858,028

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 2021, the Group is completing the process to obtain the property certificate for the buildings with a carrying amount of RMB539,723,000 (2020: RMB548,915,000) 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 2020	37,003	241,643	278,646
Exchange adjustments	–	(862)	(862)
Additions	–	251,706	251,706
Depreciation charge	(860)	(157,930)	(158,790)
Disposal	–	(33,361)	(33,361)
Disposal of a subsidiary	–	(3,595)	(3,595)
As at 31 December 2020	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

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**32,809**	31,823
Total cash outflow for leases	**418,121**	214,594

15. RIGHT-OF-USE ASSETS – CONTINUED

The Group leases various offices for its operations. Lease contracts are entered into for fixed term 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 2021, 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, lessor of one office provided rent concessions to that occurred as a direct consequence of Covid-19 pandemic the Group through rent reductions rate of 21.37% over two months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of 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 (2020: RMB2,054,000) were recognised as negative variable lease payments.

16. INTANGIBLE ASSETS

	Development costs	Technical knowhow	Software	Contract-based customer-related intangibles	Technical expertise	Customer relationship	Patent	Trade name	Technology	Non-compete agreements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note i)		(Note i)	(Note i)	(Note ii)			(Note i)	(Note i)	
COST											
At 1 January 2020	466,015	17,367	27,719	19,704	12,494	243,924	13,764	1,010	23,344	12,239	837,580
Additions	60,217	–	1,100	–	–	–	–	–	–	–	61,317
At 31 December 2020	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
AMORTISATION/IMPAIRMENT											
At 1 January 2020	355,504	17,367	27,190	19,704	12,494	228,775	12,571	1,010	23,344	12,239	710,198
Provided for the year	38,366	–	441	–	–	3,786	1,193	–	–	–	43,786
At 31 December 2020	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
CARRYING VALUE											
At 31 December 2021	153,431	–	18,814	–	–	11,849	2	8,759	–	–	192,855
At 31 December 2020	132,362	–	1,188	–	–	11,363	–	–	–	–	144,913

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 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 2020	1,205,694
Exchange adjustments	(10,016)
At 31 December 2020	1,195,678
Arising on acquisition of a subsidiary	37,338
Disposal of a subsidiary	(191,686)
At 31 December 2021	1,041,330
IMPAIRMENT	
At 1 January 2020	231,838
Exchange adjustments	768
Impairment loss recognised in the year	21,857
At 31 December 2020	254,463
Eliminated on disposal of a subsidiary	(56,787)
At 31 December 2021	197,676
CARRYING VALUE	
At 31 December 2021	843,654
At 31 December 2020	941,215

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 2021 and 2020 has been allocated to the following CGUs and groups of CGUs:

	2021 RMB'000	2020 RMB'000
Chinasoft Beijing	103,838	66,500
Shanghai Huateng	134,188	134,188
CSITS and related business	605,628	605,628
Catapult Systems, LLC ("Catapult")	–	134,899
	843,654	941,215

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 and groups of CGUs for the purpose of impairment assessment.

The recoverable amounts of the following CGUs/groups of CGUs have been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and applicable discount rates. The discount rate applied reflects the current market assessments of the time value of the money and the risks specific to each of the CGUs/group of CGUs. The cash flows of the CGUs/groups of CGUs beyond the five-year period are extrapolated using steady growth rates shown below. These growth rates are based on the 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/or outflows which include budgeted sales and gross profit margin. Such estimation is based on the past performance of the CGUs/groups of CGUs and management's expectations.

CGUs/groups of CGUs	Pre-tax discount rate		Growth rate	
	2021	2020	2021	2020
Chinasoft Beijing	14%	15%	3%	3%
Shanghai Huateng	14%	14%	3%	3%
CSITS and related business	15%	17%	3%	3%
Catapult	N/A	16%	N/A	3%
Computer Training Center of CS&S	N/A	17%	N/A	3%

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these CGUs/groups of CGUs to exceed their aggregate recoverable amounts as at 31 December 2021.

17. GOODWILL – CONTINUED

Impairment loss recognised

Catapult runs a business operation in the USA engaged in the provision of IT services. The CGU is in the process of transformation to the cloud related services offerings and enhanced customer base which has taken longer time than expected. In 2020, Covid-19 pandemic heightened the uncertainty in the transformation process and also adversely impacted the CGU's operations in general, resulting in an impairment loss on goodwill of RMB21,027,000 in 2020. As set out in note 39, Catapult was disposed of by the Group in November 2021.

In addition, a full impairment loss of goodwill of Training Center amounting to RMB830,000 was recognised in 2020 due to its unsatisfactory financial performance and outlook. Training Center was liquidated in December 2021.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021	2020
	RMB'000	RMB'000
Cost of unlisted investments	**362,278**	237,690
Share of post-acquisition profits, net of dividend received	**38,241**	25,342
Impairment loss on unlisted investments	**(15,878)**	(15,878)
	384,641	247,154

The Group's investments accounted for using the equity method include investments in entities and investment funds operating in the PRC.

One of the entities is principally engaged in IT training services in the PRC, and its operations and growth were adversely impacted by the Covid-19 pandemic in 2020. The associate reported an operating loss in 2020 and the Group conducted an impairment assessment on its investment in the associate based on a value in use calculation that required an estimation of cash flows to be generated from the associate and employed a discount rate of 26%. An impairment loss on the investment in the associate amounting to RMB15,878,000 was recognised in 2020.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

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:

	2021 RMB'000	2020 RMB'000
The Group's share of loss and total comprehensive loss for the year	10,196	24,435
Aggregate carrying amount of the Group's interests in these investments	384,641	247,154

19. EQUITY INSTRUMENTS AT FAIR VALUE

	2021 RMB'000	2020 RMB'000
Unlisted equity investments	78,513	61,825

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 2021, the capital contributions made by the Group in PointGuard Ventures amounted to US$10,000,000 (2020: US$10,000,000) which represents a 13.29% (2020: 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 on 6 March 2019, 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 2021, the capital contributions made by the Group in Turing Ventures amounted to RMB20,000,000 (2020: RMB15,000,000).

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Computer hardware, equipment and software products	162,631	51,192

21. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables, net of allowance	5,256,303	4,279,847
Advances to suppliers	406,638	129,736
Deposits, prepayments and other receivables, net of allowance	258,055	258,035
	5,920,996	4,667,618
Analysed for reporting purposes as:		
Non-current assets	26,565	87,455
Current assets	5,894,431	4,580,163
	5,920,996	4,667,618

21. TRADE AND OTHER RECEIVABLES – CONTINUED

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

	2021	2020
	RMB'000	RMB'000
Within 90 days	**4,547,394**	3,893,261
Between 91 – 180 days	**417,732**	233,695
Between 181 – 365 days	**210,631**	82,027
Between 1 – 2 years	**80,546**	70,864
	5,256,303	4,279,847

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2021 are set out in note 36.

22. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2021, trade receivables amounting to RMB409,587,000 (2020: Nil) were factored to independent third parties without recourse. 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 counter parties. Losses related to derecognition of the trade receivables was RMB5,515,000 (2020: RMB1,201,000) which was charged to profit or loss.

23. BILLS RECEIVABLE AND PAYABLE

An aged analysis of bills receivable is as follows:

	2021 RMB'000	2020 RMB'000
Within 90 days	**42,438**	15,851

An aged analysis of bills payable is as follows:

	2021 RMB'000	2020 RMB'000
Within 180 days	**56**	33,446

24. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets	**1,740,630**	1,904,185

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates. All contract assets reported at the end of 2021 are current.

Details of the impairment assessment are set out in note 36.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2021 and 2020, the amounts due from related companies mainly represent dividend receivable from an associate of the Group, the advance to associates of the Group and the consideration receivable to transfer 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 2021 and 2020, 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. PLEDGED DEPOSITS/BANK BALANCES

Pledged deposits

The amount represents deposits pledged to certain banks to secure short-term trade and instalment loan facilities granted to the Group and is therefore classified as current and non-current asset. The deposits carry interest at the prevailing market interest rate. The weighted average interest rate at the end of the reporting period was 0.16% (2020: 0.16%) per annum. The pledged deposits will be released upon the settlement of relevant liabilities under the trade and loan facilities.

Bank balances

The amounts carry at the weighted average interest rate at 0.19% (2020: 0.26%) per annum as at 31 December 2021.

At the end of the reporting period, included in bank balances and pledged deposits are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	2021	2020
	RMB'000	RMB'000
Hong Kong Dollar	**1,735,034**	598,240
United States Dollar	**48,361**	58,187
Japanese Yen	**46,437**	59,959

In 2021 and 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

27. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**768,297**	569,163
Payroll payables	**1,238,154**	928,813
Other tax payables	**113,763**	94,155
Other payables	**131,371**	160,834
	2,251,585	1,752,965

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

	2021 RMB'000	2020 RMB'000
Within 90 days	**428,871**	536,205
Between 91 - 180 days	**133,023**	898
Between 181 - 365 days	**100,324**	3,833
Between 1 - 2 years	**82,555**	5,868
Over 2 years	**23,524**	22,359
	768,297	569,163

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

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**213,849**	142,318
Within a period of more than one year but not more than two years	**144,178**	93,541
Within a period of more than two years but not more than five years	**91,781**	58,690
Within a period of more than five years	**–**	7,711
	449,808	302,260
Less: Amount due for settlement with 12 months shown under current liabilities	**(213,849)**	(142,318)
Amount due for settlement after 12 months shown under non-current liabilities	**235,959**	159,942

The weighted average incremental borrowing rates applied to lease liabilities range from 2.02% to 6.41% (2020: from 1.57% to 6.42%).

29. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities	**410,877**	329,240

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers. All contract liabilities reported at the end of 2021 are current.

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**210,804**	80,287

30. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets 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 2020	(1,532)	(301)	3,078	3,490	(7,677)	–	–	730	(2,212)
Exchange adjustments	–	–	(131)	–	–	–	–	(157)	(288)
Credit to profit or loss	394	298	(1,275)	–	–	–	–	(1,561)	(2,144)
Disposal of a subsidiary	–	–	–	(499)	–	–	–	–	(499)
At 31 December 2020	(1,138)	(3)	1,672	2,991	(7,677)	–	–	(988)	(5,143)
Exchange adjustments	–	–	(27)	–	–	–	–	151	124
Credit 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)

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

	2021	2020
	RMB'000	RMB'000
Deferred tax assets	3,013	5,753
Deferred tax liabilities	(13,312)	(10,896)
	(10,299)	(5,143)

30. DEFERRED TAXATION – CONTINUED

At the end of the reporting period, the Group had unused tax losses of approximately RMB324,050,000 (2020: RMB437,743,000) available for offset against future profits. A deferred tax asset has been recognised in respect of nil (2020: RMB7,962,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB324,050,000 (2020: RMB429,781,000) tax losses due to the unpredictability of future profit streams and these tax losses will expire in various years before 2026 (2020: 2025).

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 2021 amounting to RMB7,102,099,000 (2020: RMB5,691,711,000) 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. CONVERTIBLE LOAN NOTES

Convertible loan notes issued in 2017

The Company entered into a subscription agreement in April 2017, as amended in May 2017, with Dan Capital Management Ltd, the subscriber, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, a RMB denominated HK$ settled convertible loan notes which would be settled by an aggregate principal amount of HK$900,000,000 (to be translated to a Renminbi amount at the prevailing market exchange rate of the date of issue of the notes, or the RMB Equivalent Principal Amount for 2017 Notes). The convertible loan notes have been issued on 3 July 2017 in two batches, HK$254,000,000 and HK$646,000,000 to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership, respectively, as the ultimate subscribers which were established by Dan Capital Management Ltd.. The RMB Equivalent Principal Amount for 2017 Notes was then determined to be RMB781,290,000 at the fixed exchange rate of RMB0.8681 to HK$1. The maturity date of the convertible loan notes is 3 July 2022.

The convertible loan notes entitle the holders to convert them into 180,000,000 ordinary shares of the Company (unless previously redeemed, converted and cancelled) at any time on or prior to the maturity date at a conversion price (subject to adjustment for among other things, consolidation or subdivision of shares, capitalisation issue and capital distribution) of HK$5 per share, translated to RMB4.34 per share at a fixed exchange rate. Interest of 3% per annum will be paid semi-annually with the first interest payment dates fell on 2 January 2018 for the convertible loan notes. Unless previously converted, repaid or cancelled, the convertible loan notes will be redeemed by the Company at the maturity date in HK$ in an amount equivalent to the RMB Equivalent Principal Amount for 2017 Notes outstanding together with accrued interest, calculated at the prevailing market rate for the HK$ to RMB on the maturity date.

31. CONVERTIBLE LOAN NOTES – CONTINUED

Convertible loan notes issued in 2017 – continued

The Company has no right to require early cancellation or redemption of any of the convertible loan notes prior to the maturity date. The note holders may request immediate redemption of the convertible loan notes in HK$ in an amount equivalent to the RMB Equivalent Principal Amount for 2017 Notes then outstanding upon occurrence of certain events of defaults. Further details of the issue of convertible loan notes were set out in the announcements made by the Company on 18 April 2017 and 3 July 2017.

At initial recognition, the conversion option component of the convertible loan notes that may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity was separated from the liability component. The conversion option component upon initial recognition is presented in equity under the heading of convertible loan notes reserve. The effective interest rate of the liability component is 6.11% per annum.

As announced by the Company on 14 December 2020, the Company has received formal requests from the notes holders to convert all of their convertible loan notes into the Company's ordinary shares. The Company has registered the transfer of the convertible loan notes. Conversion of the convertible notes was subsequently made on the same day into a total of 180,000,000 ordinary shares.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2021 **RMB'000**	2020 RMB'000
Carrying amount at the beginning of the year	–	751,501
Converted by the notes holders	–	(760,455)
Interest charge (note 8)	–	43,461
Interest paid	–	(34,507)
Carrying amount at the end of the year	–	–

32. BORROWINGS

	2021 RMB'000	2020 RMB'000
Unsecured bank loans (Note (i))	**916,411**	290,818
Secured bank loans (Note (ii))	**1,021,880**	1,498,697
	1,938,291	1,789,515

	2021 RMB'000	2020 RMB'000
Carrying amount repayable:		
Within one year	**917,421**	368,130
Within a period of more than one year but not more than two years	**1,020,870**	369,805
Within a period of more than two years but not more than five years	**–**	1,051,580
	1,938,291	1,789,515
Less: Amounts due within one year shown under current liabilities	**(917,421)**	(368,130)
Amounts shown under non-current liabilities	**1,020,870**	1,421,385

	2021 RMB'000	2020 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility (Note (ii))	**1,021,880**	1,498,697
At floating interest rates – others (Note (iii))	**330,000**	130,000
At fixed interest rates – others (Note (iv))	**586,411**	160,818
	1,938,291	1,789,515

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

32. BORROWINGS – CONTINUED

Notes:

(i) Guaranteed by the Company and certain subsidiaries of the Company.

(ii) During 2020, the Company has raised loans of HK$1,800 million in two tranches from its loan facility with a group of financial institutions. The loans represent the full amount of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in July 2021, January 2022, July 2022, and January 2023. The 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, or HK$540 million has been repaid in 2021.

In addition, the Group is required to pledge a deposit which amounts to RMB5,699,000 and is classified as non-current as at 31 December 2021 (2020: RMB12,792,000). The Group shall not withdraw any amount from the relevant deposit account, unless with the prior written consent of the facility agent, or for the prepayment or repayment of any loan outstanding, provided that (a) no default is continuing or would result from such withdrawal, and (b) the amount in the deposit account will not fall below the required balance as stipulated in the facility agreement. The required balance represents the aggregate of interest that will accrue on all the loans outstanding for a three-month period.

(iii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 3.21% (2020: 3.61%) per annum.

(iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 3.32% to 3.55% (2020: 3.50% to 4.35%) per annum.

33. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2020, 31 December 2020 and 2021	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 2020	2,544,307,358	127,215,369	116,325
Exercise of share-based payments (Note i)	180,400,000	9,020,000	8,057
Conversion of convertible loan notes (Note ii)	180,000,000	9,000,000	7,574
At 31 December 2020	2,904,707,358	145,235,369	131,956
Exercise of share-based payments (Note iii)	2,200,000	110,000	92
Issuance of placing shares (Note iv)	162,000,000	8,100,000	6,655
At 31 December 2021	3,068,907,358	153,445,369	138,703

33. SHARE CAPITAL – CONTINUED

Notes:

(i) During the year ended 31 December 2020, share options to subscribe for 180,400,000 ordinary shares of HK$0.05 each were exercised from HK$3.67 to HK$4.50 per share (see note 42). These shares rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31 December 2020, convertible loan notes issued in 2017 with the principal amount of HK$900,000,000 (translated to RMB781,290,000 at a fixed exchange rate) were converted into 180,000,000 ordinary shares of HK$0.05 each at a conversion price of HK$5.00 (translated to RMB4.34 at a fixed exchange rate) per share (see note 31). These shares rank pari passu with other shares in issue in all respects.

(iii) 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 42). These shares rank pari passu with other shares in issue in all respects.

(iv) 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 not less than six placees at HK$12.26 per share. These shares rank pari passu with other shares in issue in all respects.

34. 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

When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 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.

34. SHARE PREMIUM AND RESERVES – CONTINUED

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.

35. 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 32 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.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Equity instruments at fair value	**78,513**	61,825
Financial assets at amortised cost	**11,205,434**	8,390,404
Financial liabilities		
Amortised cost	**2,738,756**	2,419,102

36. FINANCIAL INSTRUMENTS – CONTINUED

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, pledged deposits, bank balances and cash, equity investments at fair value, trade and other payables, dividend payable, borrowings, bills payable and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

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, and trade and other payables arising from purchases dominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 0.53% (2020: 0.6%) 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	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Hong Kong Dollar	**1,735,034**	600,131	**1,021,880**	1,500,801
United States Dollar	**73,060**	120,524	**987**	6,278
Japanese Yen	**49,746**	77,115	**449**	1,330
Others	**14,351**	12,202	**2,403**	887

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 32), 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 arises.

36. 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 Hong Kong Dollar, United States Dollar 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.

	Hong Kong Dollar Impact (Note a)		United States Dollar Impact (Note b)		Japanese Yen Impact (Note c)	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**(26,743)**	33,775	**(2,703)**	(4,284)	**(1,849)**	(2,842)

Notes:

a) This is mainly attributable to the exposure on Hong Kong Dollar trade receivables, bank balances, trade payable and other payables, and instalment loans at the end of the reporting periods.

b) This is mainly attributable to the exposure on United States Dollar trade receivables, bank balances, other receivable, trade payable and other payables at the end of the reporting periods.

c) This is mainly attributable to the exposure on Japanese Yen trade receivables, bank balances and trade payables at the end of the reporting periods.

(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.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

As at 31 December 2021, except for an amount of RMB1,351,880,000 (2020: RMB1,628,697,000) of bank borrowings at floating rates, all remaining bank borrowings of the Group are at fixed rate.

The Group is exposed to fair value interest rate risk in relation to convertible loan notes (see note 31), borrowings with fixed interest rates (see note 32) 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 32) and bank deposits (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. 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 2021 and 2020. 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 borrowings (see note 32). A 50 basis points (2020: 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 deposits 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 (2020: 50 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by RMB2,585,000 (2020: RMB6,087,000).

36. 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, contract assets, 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 other items 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 addition, the Group performed impairment assessment under ECL model on trade balances individually or based on provision matrix. 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 98.8% (2020: 97.5%) of the total trade receivables as at 31 December 2021. The Group has concentration of credit risk as 40.4% (2020: 49.3%) and 55.5% (2020: 62.5%) of the total trade receivable was due from the Group's largest customer and the five largest customers respectively. In addition, there is concentration of credit risk on liquid funds 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 parties and non-current other receivables 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 liquid funds is limited because the counterparties are banks with high credit ratings 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 (not credit-impaired) as at 31 December 2021 and 2020.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Provision matrix:

		2021		2020	
		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% – 0.47%	349,559	235,491	367,394	272,230
Category-2 to 3: Medium to high risk	1.98% – 19.47%	683,496	352,954	394,374	325,516
Category-4 to 5: Very high risk to extremely high risk	45.31% – 100.00%	74,657	36,043	65,252	41,559

Credit impaired debtors and certain debtors with significant outstanding balances of a total gross carrying amount of RMB4,384,064,000 (2020: RMB3,678,342,000) and certain contract assets with significant outstanding balances of a gross carrying amount of RMB1,462,491,000 (2020: RMB1,525,418,000) as at 31 December 2021 are assessed individually.

During the year ended 31 December 2021, the Group provided RMB42,716,000 (2020: RMB11,124,000) and RMB2,242,000 (2020: RMB36,964,000) impairment allowance for trade receivables and contract assets, respectively, based on provision matrix. Impairment loss of RMB5,933,000 (2020: RMB34,189,000) and RMB121,486,000 (2020: RMB121,737,000) for trade receivables and contract assets, respectively, were made during the year ended 31 December 2021 based on individual assessment of credit impaired debtors, and certain debtors and contract assets with significant outstanding balances. Such allowance is measured at an amount equal to lifetime ECL in accordance with simplified approach.

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 type 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.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the impairment losses recognised in 2021 and 2020 described above and other movements in the loss allowance for trade receivables and contract assets.

	RMB'000
At 31 December 2019	320,776
Exchange adjustments	(101)
Recognised on trade receivables	45,313
Reversed on trade receivables	(1,533)
Disposal of a subsidiary - trade receivables	(1,641)
Recognised on contract assets	158,701
Reversed on contract assets	(35,455)
Disposal of a subsidiary - contract assets	(7)
At 31 December 2020	486,053
Exchange adjustments	49
Recognised on trade receivables	48,649
Reversed on trade receivables	(26,699)
Disposal of subsidiaries - trade receivables	(12,059)
Recognised on contract assets	123,728
Reversed on contract assets	(37,899)
At 31 December 2021	581,822

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 2021, the Group has available unutilised general borrowing facilities of approximately RMB3,716,451,000 (2020: RMB1,846,942,000).

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.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables

	Weighted average interest rate %	On demand or less than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2021 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	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
		1,843,633	115,118	1,174,416	110,002	3,243,169	3,188,564

	Weighted average interest rate %	On demand or less than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2020 RMB'000
2020							
Non derivative financial liabilities							
Trade and other payables		587,289	–	–	–	587,289	587,289
Bills payable		33,446	–	–	–	33,446	33,446
Amounts due to related companies		8,771	–	–	–	8,771	8,771
Dividend payable		81	–	–	–	81	81
Borrowings	3.61	105,506	262,974	402,546	1,060,416	1,831,442	1,789,515
Leases liabilities	5.22	90,475	80,210	105,119	66,845	342,649	302,260
		825,568	343,184	507,665	1,127,261	2,803,678	2,721,362

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2021

	Level 3 RMB'000
Financial assets	
Equity instruments at fair value	78,513

Fair value hierarchy as at 31 December 2020

	Level 3 RMB'000
Financial assets	
Equity instruments at fair value	61,825

The valuation technique and key input are based on net asset value of the relevant fund, principally determined by net asset value of its underlying investments. The significant unobservable input is net asset value, a significant change of which would result in a significant change in the fair value measurement.

(ii) Reconciliation of level 3 fair value measurements:

	Equity instruments at fair value RMB'000
At 1 January 2020	62,901
Exchange adjustments	(2,923)
Changes in fair value	1,847
Balance at 31 December 2020	61,825
Capital contribution	5,000
Exchange adjustments	(1,357)
Changes in fair value	13,045
Balance at 31 December 2021	78,513

38. 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 arrangement (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 ended 31 March 2023. The estimated fair value of this obligation is RMB18,305,000. The fair value of such contingent arrangement amounted to RMB19,992,000 as at 31 December 2021 and has been included in consideration payable on acquisition on the consolidated statement of financial position.

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

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.

38. ACQUISITION OF SUBSIDIARIES – CONTINUED

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.

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 is RMB2,387,000 attributable to the additional business generated by Zhongbiao. Revenue for the year includes RMB12,151,000 generated from Zhongbiao.

Had the acquisition of Zhongbiao been completed on 1 January 2021, revenue for the year of the Group from continuing operations would have been RMB18,401,792,000 and profit for the year from continuing operations 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.

38. ACQUISITION OF SUBSIDIARIES – CONTINUED

Acquisition of 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 "Business Combinations" 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.

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

39. DISPOSAL OF SUBSIDIARIES

In November 2021, the Group entered into a sale agreement to dispose of its 100% equity interest in 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

39. 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. 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)

Gain on disposal of a subsidiary:

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

Net cash inflow arising on disposal:

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

39. DISPOSAL OF SUBSIDIARIES – CONTINUED

During 2020, the Group entered into a sale agreement to dispose of its 51% equity interest in Xiamen Chinasoft Haisheng International Technology Limited ("CSIHS"). The disposal was completed in October 2020, and the Group lost control of CSIHS thereafter. The net assets of CSIHS disposed of were as follows:

Consideration received:

	RMB'000
Cash received	48,415
Total consideration received	48,415

Analysis of assets and liabilities over which control was lost:

Bank balances and cash	12,999
Other assets and liabilities	66,056
Net assets disposed of	(79,055)

Gain on disposal of a subsidiary:

Cash received	48,415
Net assets disposed of	(79,055)
Non-controlling interests	38,462
Gain on disposal	7,822

Net cash inflow arising on disposal:

Cash consideration	48,415
Less: bank balances and cash disposed of	(12,999)
	35,416

40. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of 2021 and 2020, 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 RMB449,808,000 (2020: RMB302,260,000) are recognised with related right-of-use assets of RMB446,027,000 (2020: RMB333,744,000) as at 31 December 2021. 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.

41. CAPITAL COMMITMENTS

	2021	2020
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	**6,004**	16,583
	6,004	16,583

In addition, as at 31 December 2021, the Group was committed to contributions of further capital amounting to RMB128,390,000 (2020: RMB28,740,000) under the relevant agreements for its investments in entities accounted for using the equity method or using fair value.

42. SHARE–BASED PAYMENTS

Share option schemes

Pursuant to a resolution passed on 20 May 2013, the Company's first share option scheme which would be expired on 1 June 2013 was terminated and a new share option scheme (the "Share Option Scheme") was adopted.

Under the Share Option Scheme, the board of directors may grant options to eligible participants including the directors, full-time and part-time employees of the Company or any of its subsidiaries or associates, suppliers and customers of the Company or any of its subsidiaries or associates to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme. An offer for the grant of options must be accepted within one month from the date of offer, and a consideration of HK$1.00 is payable by each of the participants on acceptance of the grant of options.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than ten years after the date on which an offer of the grant of an option is accepted. The subscription price for shares under the Share Option Scheme will be a price determined by the board of directors and notified to each grantee and will be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer and; (iii) the nominal value of a share.

42. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

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 Schemes 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 2021 are as follows:

					Number of share-based payment				
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

42. 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-based payment				
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
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

42. 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-based payment				
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									88,800,000
Weighted average exercise price					HK$5.65	–	HK$5.52	–	HK$5.65

42. 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 2020 are as follows:

					Number of share-based payment				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2020
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
					1,000,000	3,000,000	–	–	4,000,000

42. 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 2020 are as follows: – continued

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share-based payment: Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2020
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:	11.10.2016	HK$3.69	11.10.2016 - 10.10.2017	11.10.2017 - 10.10.2020	40,000,000	–	(40,000,000)	–	–
			11.10.2016 - 10.10.2018	11.10.2018 - 10.10.2020	24,000,000	–	(24,000,000)	–	–
			11.10.2016 - 10.10.2019	11.10.2019 - 10.10.2020	16,000,000	–	(16,000,000)	–	–
	16.1.2017	HK$3.67	Nil	16.1.2017 - 15.1.2020	25,460,000	–	(24,260,000)	(1,200,000)	–
			16.1.2017 - 16.1.2018	16.1.2018 - 15.1.2020	25,500,000	–	(24,060,000)	(1,440,000)	–
			16.1.2017 - 16.1.2019	16.1.2019 - 15.1.2020	34,000,000	–	(32,080,000)	(1,920,000)	–
	27.8.2020	HK$5.65	27.08.2020 - 26.08.2021	27.8.2021 - 26.8.2024	–	13,840,000	–	–	13,840,000
			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
					164,960,000	34,600,000	(160,400,000)	(4,560,000)	34,600,000

42. 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 2020 are as follows: – continued

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share-based payment Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2020
Suppliers:									
	21.9.2017	HK$4.50	Nil	21.9.2017 - 20.9.2020	6,000,000	–	(6,000,000)	–	–
			21.9.2017 - 20.9.2018	21.9.2018 - 20.9.2020	6,000,000	–	(6,000,000)	–	–
			21.9.2017 - 20.9.2019	21.9.2019 - 20.9.2020	8,000,000	–	(8,000,000)	–	–
	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
					20,000,000	50,000,000	(20,000,000)	–	50,000,000
Total					185,960,000	90,000,000	(180,400,000)	(4,560,000)	91,000,000
Exercisable at the end of the year									91,000,000
Weighted average exercise price					HK$3.77	HK$5.65	HK$3.77	HK$3.67	HK$5.65

42. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

The estimated fair value of the share options granted on 16 January 2017 was HK$0.94 to HK$1.16 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$3.58
Exercise price	HK$3.67
Expected volatility	52.17%
Time to maturity	3 years
Risk-free rate	1.20%
Expected dividend yield	0.00%
Expected exercise period	0 – 3 years

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,096 days up to 2017.

The estimated fair value of the share options granted on 21 September 2017 was HK$1.28 to HK$1.47 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$4.50
Exercise price	HK$4.50
Expected volatility	49.19%
Time to maturity	3 years
Risk-free rate	1.01%
Expected dividend yield	0.27%
Expected exercise period	0 – 3 years

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,096 days up to 2017.

42. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

The estimated fair value of the share options granted on 28 September 2018 was HK$1.34 to HK$1.39 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$5.22
Exercise price	HK$5.22
Expected volatility	36.71%
Time to maturity	3 years
Risk-free rate	2.41%
Expected dividend yield	0.34%
Expected exercise period	0 – 3 years

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,096 days up to 2018.

The estimated fair value of the share options granted to certain directors and other employees on 27 August 2020 was HK$1.58 to HK$1.91 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$5.65
Exercise price	HK$5.65
Expected volatility	44.96%
Time to maturity	4 years
Risk-free rate	0.28%
Expected dividend yield	0.39%
Expected exercise period	1 – 4 years

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,461 days up to 2020.

42. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

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. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$5.65
Exercise price	HK$5.65
Expected volatility	49.20%
Time to maturity	3 years
Risk-free rate	0.24%
Expected dividend yield	0.39%
Expected exercise period	1 – 3 years

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,096 days up to 2020.

The Group recognised a total expense of RMB66,721,000 for the year ended 31 December 2021 (2020: RMB29,121,000) in relation to share option 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 (10) years commencing on the adoption date.

42. SHARE–BASED PAYMENTS – CONTINUED

Share award scheme – continued

The board of directors of the Company shall not make any further award of shares which will result in the nominal value of the shares awarded by the board of directors of the Company under the Share Award Scheme exceeding ten per cent of the issued share capital of the Company from time to time.

The maximum number of shares which may be awarded to a qualifying employee under the Share Award Scheme shall not exceed one per cent of the issued share capital of the Company from time to time.

During 2021, the Company contributed RMB58,314,000 (2020: RMB134,635,000) for financing purchases of 6,932,000 (2020: 28,846,000) shares of the Company, which are currently held under the Share Award Scheme and such amount is deducted from equity as treasury shares. As at 31 December 2021, accumulated number of the share purchased is 181,788,000 (2020: 174,856,000) 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 further consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that the grant date fair value of each share award is HK$3.98.

21,651,000 (2020: nil) shares were vested during the year ended 31 December 2021, no share awards were forfeited during the year ended 31 December 2021 or 31 December 2020 and 130,349,000 (2020:152,000,000) shares of the awards remained outstanding as at 31 December 2021.

The Group recognised a total expense of RMB149,867,000 for the year ended 31 December 2021 (2020: RMB115,216,000) in relation to shares awarded by the Company.

43. 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 2021 and 2020, there were no contributions forfeited by the Group on behalf of its employees who leave the schemes prior to vesting fully in such contribution, which may be used by the employer to reduce the existing level of contributions.

During the year, the total cost of retirement benefits contributions charged to profit or loss RMB666,537,000 (2020: RMB223,872,000) represents contributions to the schemes made by the Group at rates specified in the rules of the respective schemes.

44. 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 32)	Convertible loan notes RMB'000	Lease liabilities RMB'000	Amounts due to related companies RMB'000	Dividend payable RMB'000
As at 1 January 2020	1,723,187	751,501	249,402	3,054	81
Exchange adjustments	(124,701)	–	(1,523)	–	–
New borrowings raised	3,806,342	–	–	–	–
Repayment of borrowings, net of expenses	(3,589,024)	–	–	–	–
New leases entered/lease modified	–	–	213,462	–	–
Repayments of lease liabilities	–	–	(165,859)	–	–
Conversion of convertible loan notes	–	(760,455)	–	–	–
Interest expenses	93,366	43,461	14,631	–	–
Advance from related companies	–	–	–	7,877	–
Repayment to related companies	–	–	–	(2,160)	–
Interest paid	(83,955)	(34,507)	–	–	–
Dividend declared	–	–	–	–	51,808
Dividend paid	–	–	–	–	(51,808)
Disposal of a subsidiary	(35,700)	–	(5,799)	–	–
Rent concessions	–	–	(2,054)	–	–
As at 31 December 2020	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/lease modified	–	–	363,568	–	–
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

As at 31 December 2021 and 2020, the interests accrued on borrowings of the Group are included in the carrying amounts of the corresponding financial liabilities.

45. 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:

	2021	2020
	RMB'000	RMB'000
Provision of IT outsourcing services by the Group	**5,197**	623

	2021	2020
	RMB'000	RMB'000
Provision of IT solution services by the Group	**125**	977

	2021	2020
	RMB'000	RMB'000
Provision of other services by the Group	**230**	552

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 for 50.83% equity interest.

As announced by the Company, on 23 December 2021, the Group disposed of all the equity interests 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 parties 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 99.9% equity interest of CCB Chinasoft International. On 23 December 2021, CCB Chinasoft International and another third party signed a capital injection agreement and committed to contribute RMB97,500,000 and RMB100,000,000 to SZ Kai Hong for its 19.5% and 20% equity interest, respectively, of which RMB48,750,000 and RMB50,000,000 have been paid. After the capital contribution, the equity interest held by Hongju Innovation was diluted from 50.83% to 31%.

45. 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:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	10,130	32,412
Retirement benefits costs	215	187
Share-based payment expenses	34,417	28,087
	44,762	60,686

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. MAJOR NON-CASH TRANSACTIONS

(i) The Group entered into new or modified lease arrangements for the use of leased properties during the year, and on the lease commencement, the Group recognised a net increase in right-of-use assets of RMB367,771,000 (2020: RMB214,392,000) and lease liabilities of RMB363,568,000 (2020: RMB213,462,000).

(ii) During 2020, convertible loan notes were converted into ordinary shares, details of which are set out in note 33(ii).

47. 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		
			2021 %	2020 %	2021 %	2020 %	
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
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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – 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		
			2021 %	2020 %	2021 %	2020 %	
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

None of the subsidiaries had any debt securities outstanding at 31 December 2021 or at any time during the year.

Note i: The entity is registered as an institutional organisation under the PRC law.

Note ii: All the PRC established entities, except for the entity mentioned in Note i, 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.

48. EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Company repurchased 7,374,000 shares with an aggregate consideration of approximately HK$67,001,000 under the Share Award Scheme.

49. 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:

	2021 RMB'000	2020 RMB'000
Non-current assets		
Interests in subsidiaries	2,152,671	2,152,671
Pledged deposits	5,699	12,792
	2,158,370	2,165,463
Current assets		
Other receivables	2,451	2,479
Amounts due from subsidiaries	1,491,674	1,692,452
Bank balances and cash	1,693,884	507,597
	3,188,009	2,202,528
Current liabilities		
Other payables	2,547	2,101
Amounts due to related companies	118	118
Dividend payable	81	81
Borrowings	1,010	77,312
	3,756	79,612
Net current assets	3,184,253	2,122,916
Total assets less current liabilities	5,342,623	4,288,379
Non-current liability		
Borrowings	1,020,870	1,421,385
	1,020,870	1,421,385
	4,321,753	2,866,994
Capital and reserves		
Share capital	138,703	131,956
Share premium	6,293,665	4,734,754
Treasury shares	(588,741)	(605,387)
Reserves (Note)	(1,521,874)	(1,394,329)
Total equity	4,321,753	2,866,994

49. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Equity-settled share-based payment reserve RMB'000	Convertible loan notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	196,887	100,630	(1,359,099)	(1,061,582)
Loss and total comprehensive expenses for the year	–	–	(187,867)	(187,867)
Issue of ordinary shares upon exercise of share-based payments	(188,587)	–	–	(188,587)
Recognition of share-based payment expenses	144,337	–	–	144,337
Expiry of share-based payments	(4,164)	–	4,164	–
Conversion of convertible loan notes	–	(100,630)	–	(100,630)
At 31 December 2020	148,473	–	(1,542,802)	(1,394,329)
Loss and total comprehensive expenses 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 share awards	(79,277)	–	–	(79,277)
At 31 December 2021	283,073	–	(1,804,947)	(1,521,874)

Financial Summary

RESULTS

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	9,243,684	10,585,013	12,041,895	14,101,239	**18,398,076**
Profit before taxation	632,769	760,454	798,958	1,034,845	**1,252,077**
Income tax expense	(71,462)	(44,283)	(42,272)	(86,732)	**(115,387)**
Profit for the year	561,307	716,171	756,686	948,113	**1,136,690**
Attributable to:					
Owners of the Company	565,567	715,803	754,888	954,928	**1,136,911**
Non-controlling interests	(4,260)	368	1,798	(6,815)	**(221)**
	561,307	716,171	756,686	948,113	**1,136,690**
	HKD	HKD	HKD	HKD	**HKD**
	(cents)	(cents)	(cents)	(cents)	**(cents)**
Dividend	1.8	2.15	2.19	2.90	**3.23**

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	8,751,533	10,488,244	10,745,396	13,086,957	**16,902,293**
Total liabilities	(3,521,567)	(4,456,721)	(4,211,456)	(4,310,546)	**(5,275,734)**
	5,229,966	6,031,523	6,533,940	8,776,441	**11,626,559**