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**中软国际**

**CHINASOFT INTERNATIONAL LIMITED**

**中軟國際有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 354)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

<b>Results for the first half of 2020</b>			
	<b>For the six months ended 30 June</b>		<b>% Change</b>
	<b>2020 (unaudited) RMB'000</b>	<b>2019 (unaudited) RMB'000</b>	
<b>Income statement highlights</b>			
Revenue	<b>6,059,391</b>	5,538,248	9.4%
Service revenue	<b>5,970,217</b>	5,493,458	8.7%
Profit for the period	<b>397,107</b>	358,967	10.6%
<b>Profit attributable to Owners of the Company</b>	<b>401,380</b>	362,695	10.7%
Basic EPS (RMB cents)	<b>16.22</b>	14.64	10.8%
<ul style="list-style-type: none"> <li>• The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.</li> <li>• No closure for the Register of Members of the Company.</li> </ul>			

## MANAGEMENT DISCUSSION AND ANALYSIS

### KEY OPERATING DATA

During the first half of 2020, the Group's businesses achieved steady growths. The Group's revenue, service revenue, profit for the period, profit attributable to the owners of the Company, and EPS increased by 9.4%, 8.7%, 10.6%, 10.7%, and 10.8% respectively.

	Six Months Ended 30 June		% Change
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Revenue</b>	<b>6,059,391</b>	5,538,248	9.4%
Service revenue	<b>5,970,217</b>	5,493,458	8.7%
Profit for the period	<b>397,107</b>	358,967	10.6%
Profit attributable to Owners of the Company	<b>401,380</b>	362,695	10.7%
Basic EPS (RMB cents)	<b>16.22</b>	14.64	10.8%

The key operating data (unaudited) for the six months ended 30 June 2020 are as follow:

	Six Months Ended 30 June		% Change
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Revenue</b>	<b>6,059,391</b>	5,538,248	9.4%
Service revenue	<b>5,970,217</b>	5,493,458	8.7%
Cost of sales and services	<b>(4,410,391)</b>	(3,971,495)	11.1%
<b>Gross Profit</b>	<b>1,649,000</b>	1,566,753	5.2%
Other income	<b>125,986</b>	60,498	108.2%
Other losses	<b>(6,540)</b>	(163)	3,912.3%
Selling and distribution costs	<b>(294,361)</b>	(265,745)	10.8%
Other expenses	<b>(22,319)</b>	(30,150)	(26.0%)
Administrative expenses	<b>(896,475)</b>	(832,932)	7.6%
Finance costs	<b>(90,176)</b>	(85,411)	5.6%
Impairment losses under expected credit loss model, net of reversal	<b>(14,976)</b>	(12,326)	21.5%
Share of results of investments accounted for using the equity method	<b>(7,149)</b>	(7,845)	(8.9%)
Loss from derecognition of financial assets measured at amortised cost	<b>(777)</b>	(2,497)	(68.9%)
<b>Profit before taxation</b>	<b>442,213</b>	390,182	13.3%
Income tax expense	<b>(45,106)</b>	(31,215)	44.5%
<b>Profit for the period</b>	<b>397,107</b>	358,967	10.6%

## GENERAL OVERVIEW

In the year of the Gengzi (every 60 years), the new coronavirus (COVID-19) was fierce and spread rapidly around the world, causing a huge impact on the global economy. In the face of the impact of the epidemic, the Group responded quickly, made overall arrangements and remained flexible to ensure the health and safety of employees, achieved sustained and stable business development, and reduced the impact of the epidemic on the Group. The Group's interim profit increased more than 10%, a new high since its listing, and the results were hard-won. The Group's Technical Service and Solution Business is progressing steadily, the Cloud Intelligence Business is developing rapidly, and the digital transformation is accelerating. Furthermore, the Group was selected as one of Gartner's Top 100 global IT service market shares for second consecutive years, demonstrating the value and responsibility of China's leading IT service company.

During the reporting period, the Group's Cloud Intelligence Business accelerated. The Group strengthened its Digital-First digital transformation consulting services, and focused on corporate digital transformation consulting, data consulting, and innovation consulting to enhance the Group's overall solution value. Based on the positioning of "cloudization, cloud management, and cloud native", the Group has achieved rapid growth in cloud management and professional services, and has been ranked Top 3 in the "IDC China Cloud Management Service Market" for two consecutive years. The Group launched the SaaS version of "CloudEasy" cloud management platform to help customers obtain maximum cloud service management capabilities at a minimum cost. The Group's "one-stop" Internet cloud brokerage platform, "Cloud Broker", upgraded during the period to realize the integration and onlineization of sales, service and management for medium and long-tail customers. The Group vigorously promoted DevOps professional consulting services to help government and corporate customers build native capabilities for digital transformation. Lastly, the Group's cloud-based solution business has achieved rapid growth in many fields such as finance, government, new retail, transportation, education, and etc., helping the industry to upgrade digitally and intelligently.

During the reporting period, Jointforce has accumulated 460,000 engineers, signed on 27,000 service providers and over 60,000 companies (32,000 companies have been accurately profiled) posting jobs. The cumulative amount of outsourced contracts was nearly RMB6.4 billion. The "Cloud Integrative Market" service upgraded and launched the full online and intelligent "Internet +" government procurement service of "Code Smart Acquisition", and the "Code Smart Supervision" online + offline full-process project supervision service. During the reporting period, the "Cloud Integrative Market" business has covered 14 cities and has fully reached government budget (purchasing) units in Nanjing, Xi'an, Wuhan, Chengdu, and Jinan. The "Z Plan" initially realized the Internetization of human outsourcing business, and provided enterprises with full-process talent and HR services through "resources + tools + empowerment". The Cloud Software Park has completed the construction of all the online platforms of the park, effectively supporting the park's public services. Lastly, leveraging the Jointforce ecosystem, the Group bundled with Huawei Kunpeng Industrial Cloud to help Kunpeng Industrial Cloud's implementation, operation and model innovation, and successfully signed the Chongqing Kunpeng Industrial Cloud Project.

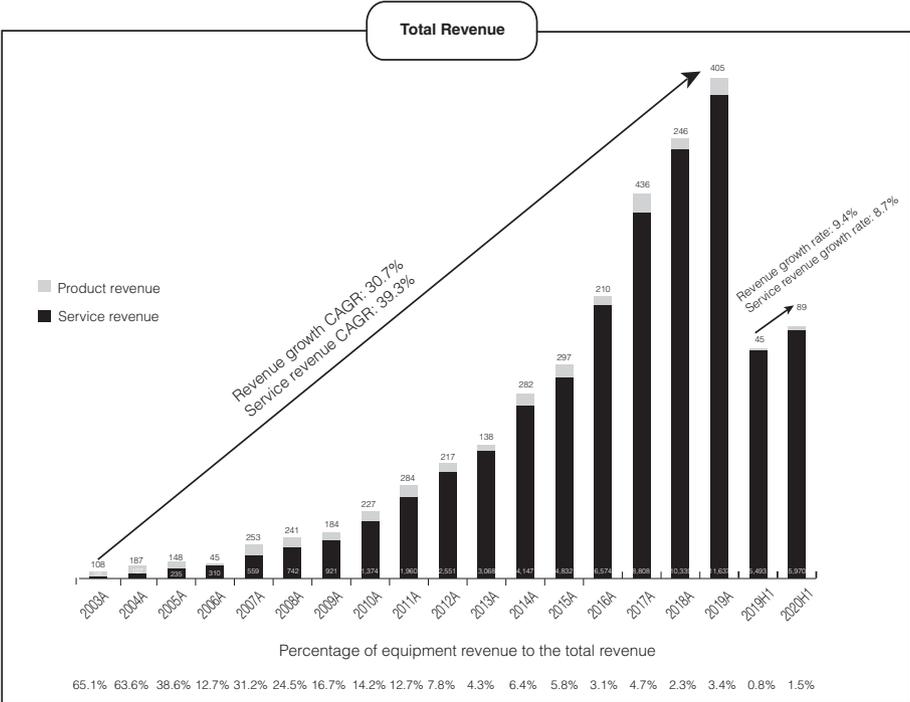
During the reporting period, the Group's big data business continued to deepen its industry advantages in the financial, government, public, and transportation industries, while continuing to develop new customers and new businesses in the fields of manufacturing, real estate, and government and enterprises. Through the utilization of AI and other smart technologies, the Group successfully promoted the rapid growth of smart BPO business, and continued to expand domestic and overseas markets. Furthermore, the Group established a "BPO delivery center" in China to enhance the comprehensive competitiveness of BPO with technological innovation as the driving force.

During the reporting period, Huawei's business scale continued to grow. On the basis of successfully passing Huawei's Supplier Development Plan (SD) certification, the Group has steadily promoted the construction of SD 2.0 to meet the needs of Huawei's new-stage business development. The Group comprehensively promoted the Huawei SD certification standard in other major customer businesses to improve the quality of key customer services. The Group helped Huawei build the Kunpeng ecosystem, participated in the development of the HMS Core 4.0 service capabilities, and continued to support the global ecological development of the HMS. Lastly, the Group's strategic cooperation with Huawei's "Co-sell" model has developed steadily, seizing opportunities for cooperation in online office and other businesses, and has established a variety of product cooperation models around Kunpeng, Goss, WeLink, and smart screens.

During the reporting period, HSBC's business improved steadily. The Group independently delivered and led the HSBCnet platform product upgrade of HSBC Commercial Bank, successfully launched a handheld smart wealth management expert for HSBC China, and launched the HSBC WeChat personal credit card automatic installment service. During the period, Tencent's business continued to develop, and the Group became the exclusive supplier for Tencent's Interactive Entertainment Group (IEG) art design posts. The Group successfully expanded its overseas game business, and added multiple delivery centers such as Shanghai and Dalian. Alibaba's business grew rapidly. The Group started new cooperations with AutoNavi Maps, Alibaba Cloud GTS Finance, and etc. The newly-built delivery base in Hangzhou has also been deployed. The Group continued to deepen its business cooperation not only with Baidu, but also Baidu related companies, such as iQiyi, Duxiaoman Finance, etc. Ping An's business grew rapidly, especially in insurance, banking, OneConnect and other fields. Lastly, Microsoft's business grew steadily. The Group entered the Microsoft game business for the first time, and its existing core businesses such as Speech and Bing continued to grow.

Currently, China’s economy is taking the lead in stabilizing and bouncing back. A new pattern of advocating domestic economy and fostering a new domestic and international relations dual cycle is emerging. The digital economy has shown strong resilience and vitality during the COVID-19, bringing in new opportunities. Facing the challenging second half of the year, the Group will work with strategic customers such as Huawei with “zero distance innovation” to continuously improve service value and customer loyalty, insist on expanding and strengthening IT services, and use AI, big data, and Internet platforms to accelerate the Group’s cloud intelligent transformation. The Group will firmly grasp the opportunities of Hongmeng ecosystem, software localization and new digital infrastructure, to improve open source cloudification, and replicate trusted engineering capabilities to build new consulting-driven digital services and continue to move towards the goal of a global IT service leader.

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growths, recording a CAGR of 30.7% and 39.3% from 2003-2019. For the first half of 2020, the revenue and service revenue achieved a YoY growth of 9.4% and 8.7%. The details are as follow:



**Customers**

The Group’s customers include large enterprises with headquarters in the Greater China, Europe, United States, and Japan. In the Greater China market, the Group holds a large market share in telecommunication, banking, financial, government, Internet, high technology, and other mainstream industries. In the first half of 2020, the Group’s top five and top ten customers accounted for 71.3% and 76.0% of the Group’s service revenue.

As of 30 June, 2020, the Group has 116 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

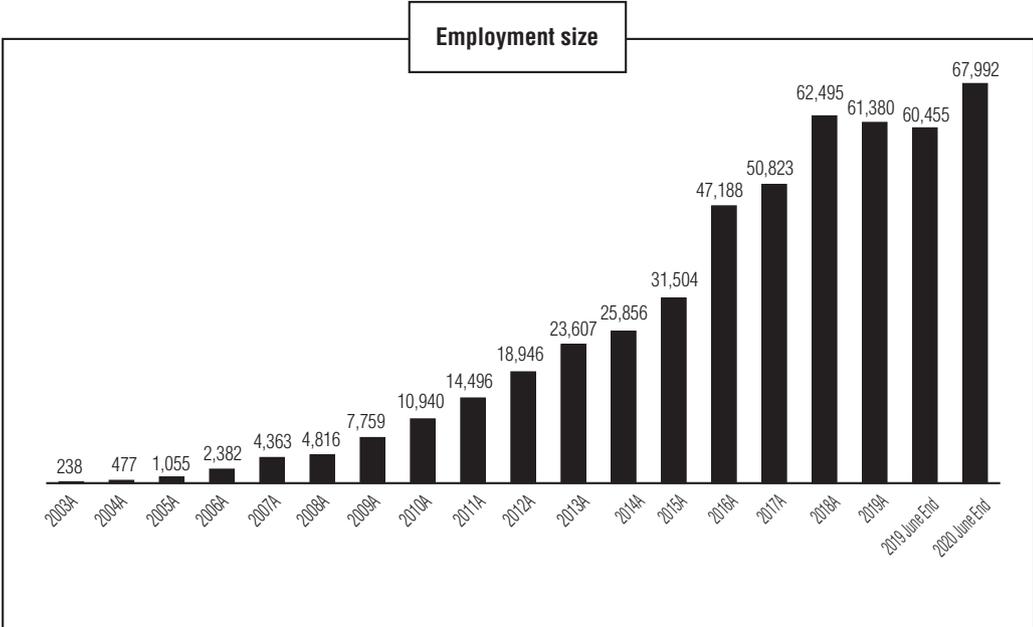
**Market**

During the reporting period, the Group’s main businesses are concentrated in the Greater China region. The huge market potential in the Greater China region continues to bring growth opportunities for the Group. The Group provides ITS to customers from 32 countries and number of Top 500 companies in the world, including Ping-An, Alibaba, Tencent, Bank of Communications, HSBC, Microsoft, GE, etc., accumulating experiences in servicing international customers. Going with the “Belt and Road” initiative, the Group will combine and increase its cooperation with Huawei’s products and industries to speed up its global layout. Furthermore, the Group will leverage its existing global strategic centers in China, United States, Mexico, Japan, India, Malaysia, etc., to increase cooperation and layout. The Group will utilize cloud driven digitalization services to promote global servicing layout, become a world class ITS enterprise, and build out China’s influence in the global IT market.

**Human Resources**

As of 30 June, 2020, the Group employs a total of 67,992 employees, representing a YoY increase of 12.5% (2019H1: 60,455).

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



## Operating Results

The following is the Group's consolidated comprehensive income statement for the first half of 2019 and 2020 (unaudited):

	2020			2019		
	For the first half RMB'000	% of Revenue	% of Service Revenue	For the first half RMB'000	% of Revenue	% of Service Revenue
<b>Revenue</b>	<b>6,059,391</b>	N/A	N/A	5,538,248	N/A	N/A
Service revenue	5,970,217	N/A	N/A	5,493,458	N/A	N/A
Costs of sales and services	(4,410,391)	(72.8%)	(73.9%)	(3,971,495)	(71.7%)	(72.3%)
<b>Gross profit</b>	<b>1,649,000</b>	<b>27.2%</b>	<b>27.6%</b>	1,566,753	28.3%	28.5%
Other income	125,986	2.1%	2.1%	60,498	1.1%	1.1%
Other losses	(6,540)	(0.1%)	(0.1%)	(163)	(0.0%)	(0.0%)
Selling and distribution costs	(294,361)	(4.9%)	(4.9%)	(265,745)	(4.8%)	(4.8%)
Other expenses	(22,319)	(0.4%)	(0.4%)	(30,150)	(0.5%)	(0.5%)
Administrative expenses	(896,475)	(14.8%)	(15.0%)	(832,932)	(15.0%)	(15.2%)
Finance costs	(90,176)	(1.5%)	(1.5%)	(85,411)	(1.5%)	(1.6%)
Impairment losses under expected credit loss model, net of reversal	(14,976)	(0.2%)	(0.3%)	(12,326)	(0.2%)	(0.2%)
Share of results of investments accounted for using the equity method	(7,149)	(0.1%)	(0.1%)	(7,845)	(0.1%)	(0.1%)
Loss from derecognition of financial assets measured at amortised cost	(777)	(0.0%)	(0.0%)	(2,497)	(0.0%)	(0.0%)
Profit before taxation	442,213	7.3%	7.4%	390,182	7.0%	7.1%
Income tax expense	(45,106)	(0.7%)	(0.8%)	(31,215)	(0.6%)	(0.6%)
<b>Profit for the period</b>	<b>397,107</b>	<b>6.6%</b>	<b>6.7%</b>	358,967	6.5%	6.5%
Profit for the period attributable to owners of the Company	401,380	6.6%	6.7%	362,695	6.5%	6.6%

## Revenue

For the first half of 2020, the Group's revenue was RMB6,059.391 million, representing a YoY growth of 9.4% (2019H1: RMB5,538.248 million). The Group's service revenue was RMB5,970.217 million, representing a YoY growth of 8.7% (2019H1: RMB5,493.458 million). The growth was mainly driven by the rapid growth of Cloud Intelligence Business and the steady growth of the core large customer businesses.

For the first half of 2020, the segment's revenue to total revenue and growth are as follow:

	Six Months Ended 30 June 2020 RMB'000	% of Total	Six Months Ended 30 June 2019 RMB'000	% of Total	Growth Rate
TPG	5,185,926	85.6%	4,748,340	85.7%	9.2%
IIG	873,465	14.4%	789,908	14.3%	10.6%
Total	<b>6,059,391</b>	<b>100%</b>	<b>5,538,248</b>	<b>100%</b>	<b>9.4%</b>

For the first half of 2020, the Technical Services and Solution Business, Cloud Intelligence Business's revenue to total revenue and growth are as follow:

	Six Months Ended 30 June 2020 RMB'000	% of Total	Six Months Ended 30 June 2019 RMB'000	% of Total	Growth Rate
Technical Services and Solution Business	4,828,639	79.7%	4,621,483	83.4%	4.5%
Cloud Intelligence Business	1,230,752	20.3%	916,765	16.6%	34.2%
Total	<b>6,059,391</b>	<b>100%</b>	<b>5,538,248</b>	<b>100%</b>	<b>9.4%</b>

## Cost of Sales and Services

For the first half of 2020, the Group's cost of sales and services was RMB4,410.391 million, representing a YoY increase of 11.1% (2019H1: RMB3,971.495 million). The Group's cost of sales and services was 72.8% of the Group's total revenue, representing a YoY increase of 1.1% (2019H1: 71.7%).

## **Gross Profit**

For the first half of 2020, the Group's gross profit was RMB1,649.000 million, representing a YoY growth of 5.2% (2019H1: RMB1,566.753 million). The Group's gross margin was 27.2%, representing a YoY decrease of 1.1% (2019H1: 28.3%). The Group's gross margin (to service revenue) was 27.6%, representing a YoY decrease of 0.9% (2019H1: 28.5%). The decrease in gross profit margin during the reporting period was because of the impact of the Coronavirus (COVID-19), which led to the delay of the Group's resumption of work, the delay of the delivery and acceptance of projects, and the delay of revenue recognition.

## **Other Income**

For the first half of 2020, the Group's other income was RMB125.986 million, representing a YoY increase of 108.2% (2019H1: RMB60.498 million). The increase of other income during the reporting period is mainly due to the increase of government subsidies compared with the same period of last year.

## **Other Losses**

For the first half of 2020, the Group's other losses were RMB6.540 million, representing a YoY increase of 3912.3% (2019H1: RMB0.163 million). The increase is mainly due to the fluctuations of the exchange rate between Hong Kong dollar and RMB during the reporting period.

## **Operating Expenses**

For the first half of 2020, the Group's selling and distribution costs were RMB294.361 million, representing a YoY increase of 10.8% (2019H1: RMB265.745 million). The Group's selling and distribution costs accounted for 4.9% of the total revenue, representing a YoY increase of 0.1% (2019H1: 4.8%).

For the first half of 2020, the Group's administrative expenses were RMB896.475 million, representing a YoY increase of 7.6% (2019H1: RMB832.932 million). The Group's administrative expenses accounted for 14.8% of the total revenue, representing a YoY decrease of 0.2% (2019H1: 15.0%). The decrease was mainly due to the impact of the coronavirus during the reporting period, management expenses such as travel expenses and hospitality conference expenses decreased compared with that of the same period last year. Moreover, the purchase of anti-epidemic materials increased.

## **Financial Costs and Income Tax**

For the first half of 2020, the Group's finance costs were RMB90.176 million, representing a YoY increase of 5.6% (2019H1: RMB85.411 million). The Group's finance costs accounted for 1.5% of the total revenue, the same as that of the last reporting period (2019H1: 1.5%). During the reporting period, the Group conducted loan swaps and used overseas syndicated loans to repay part of domestic bank loans.

For the first half of 2020, the loss from derecognition of financial assets measured at amortized cost was RMB0.777 million, representing a YoY decrease of 68.9% (2019H1: RMB2.497 million).

For the first half of 2020, the Group's income tax was RMB45.106 million, representing a YoY increase of 44.5% (2019H1: RMB31.215 million). The Group's effective income tax rate was 10.2%, representing a YoY increase of 2.2% (2019H1: 8.0%). The increase in income tax was mainly due to the decrease in the amount of income tax rebates during the reporting period compared with the same period of last year.

### **Other Non-Cash Expenses**

During the first half of 2020, the Group's other expenses were RMB22.319 million, representing a YoY decrease of 26.0% (2019H1: RMB30.150 million). The Group's other expenses accounted for 0.4% of the total revenue, representing a YoY decrease of 0.1% (2019H1: 0.5%).

During the first half of 2020, the Group's impairment losses under the expected credit model, net reversal was RMB14.976 million, representing a YoY increase of 21.5% (2019H1: 12.326 million). The Group's impairment losses under the expected credit model, net reversal accounted for 0.2% of the total revenue, the same as that of the last reporting period (2019H1: 0.2%).

### **Profit for the Period and Earnings Per Share (EPS)**

For the first half of 2020, the Group's profit was RMB397.107 million, representing a YoY growth of 10.6% (2019H1: RMB358.967 million). The Group's profit accounted for 6.6% of the total revenue, representing a YoY increase of 0.1% (2019H1: 6.5%). The Group's profit accounted for 6.7% of the service revenue, representing a YoY increase of 0.2% (2019H1: 6.5%).

For the first half of 2020, the Group's profit attributable to the owners of the Company was RMB401.380 million, representing a YoY growth of 10.7% (2019H1: RMB362.695 million).

Based on the profit attributable to the owners of the Company, the Group's EPS was RMB16.22 cents for the first half of 2020, representing a YoY increase of 10.8% (2019H1: RMB14.64 cents).

## Segment Revenue and Results

For the first half of 2020, the segment's growth of revenue, service revenue and results are as follow:

	Revenue			Services Revenue			Results		
	Six Months Ended 30 June 2020	Six Months Ended 30 June 2019	Growth Rate	Six Months Ended 30 June 2020	Six Months Ended 30 June 2019	Growth Rate	Six Months Ended 30 June 2020	Six Months Ended 30 June 2019	Growth Rate
	RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000	
TPG	5,185,926	4,748,340	9.2%	5,129,694	4,731,848	8.4%	437,114	407,891	7.2%
IIG	873,465	789,908	10.6%	840,523	761,610	10.4%	94,438	84,747	11.4%
Total	6,059,391	5,538,248	9.4%	5,970,217	5,493,458	8.7%	531,552	492,638	7.9%

In terms of segment revenue, TPG's revenue and service revenue achieved a YoY growth of 9.2% and 8.4%. The growth came mainly from the increase of revenue from core large customers including Huawei, Tencent, Alibaba, Ping-An, etc. IIG's revenue and service revenue achieved a YoY growth of 10.6% and 10.4%. The growth came mainly from the increase of year on year revenue from Jointforce, cloud management and professional services.

In terms of segment results, TPG's result achieved a YoY growth of 7.2%, slightly lower than the revenue and service revenue growths. This is mainly due to the decline in gross profit margin affected by the COVID-19. IIG's results achieved a YoY growth of 11.4%. This is mainly due to the rapid growth of the Jointforce, cloud management and professional services, which contributed to the improvement of the overall profit margin of the IIG.

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

## FUNDRAISING ACTIVITIES

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

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").

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 30 June 2020 for the intended use	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\$43 million were used to upgrade new technological capability;  (ii) Approximately HK\$100 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;	Approximately HK\$457 million to be 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.	Before 31 December 2020
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	–	–
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	–	–

*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.

As at 30 June 2020, a maximum number of 180,000,000 ordinary shares will be allotted and issued upon full conversion of 2017 CN at the initial conversion price of HK\$5.00 per conversion share.

## INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 with corresponding figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	3	<b>6,059,391</b>	5,538,248
Cost of sales and services		<b>(4,410,391)</b>	(3,971,495)
Gross profit		<b>1,649,000</b>	1,566,753
Other income		<b>125,986</b>	60,498
Other losses		<b>(6,540)</b>	(163)
Selling and distribution costs		<b>(294,361)</b>	(265,745)
Other expenses		<b>(22,319)</b>	(30,150)
Administrative expenses		<b>(896,475)</b>	(832,932)
Finance costs	4	<b>(90,176)</b>	(85,411)
Impairment losses under expected credit loss model, net of reversal		<b>(14,976)</b>	(12,326)
Share of results of investments accounted for using the equity method		<b>(7,149)</b>	(7,845)
Loss from derecognition of financial assets measured at amortised cost		<b>(777)</b>	(2,497)
Profit before taxation		<b>442,213</b>	390,182
Income tax expense	5	<b>(45,106)</b>	(31,215)
Profit for the period		<b>397,107</b>	358,967
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		<b>19,967</b>	(7,226)
Total comprehensive income for the period		<b>417,074</b>	351,741
Profit for the period attributable to:			
Owners of the Company		<b>401,380</b>	362,695
Non-controlling interests		<b>(4,273)</b>	(3,728)
		<b>397,107</b>	358,967

		<b>For the six months ended 30 June</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Total comprehensive income attributable to:			
Owners of the Company		<b>421,347</b>	355,469
Non-controlling interests		<b>(4,273)</b>	(3,728)
		<u><b>417,074</b></u>	<u>351,741</u>
Earnings per share			
– Basic (cents)	7	<u><b>16.22</b></u>	<u>14.64</u>
– Diluted (cents)		<u><b>15.73</b></u>	<u>14.31</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2020 <i>RMB'000</i>	(Audited) 31 December 2019 <i>RMB'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		784,093	802,423
Right-of-use assets		299,948	278,646
Intangible assets		130,129	127,382
Goodwill		973,856	973,856
Investments accounted for using the equity method		220,458	227,607
Equity instrument at fair value		62,901	62,901
Other receivable		84,055	66,180
Deferred tax assets		8,177	8,075
		<b>2,563,617</b>	2,547,070
<b>Current assets</b>			
Inventories		89,264	54,421
Trade and other receivables	8	4,125,880	3,297,240
Bills receivable		9,007	4,443
Contract assets		2,158,030	2,228,494
Amount due from related companies		84,592	75,126
Pledged deposits		10,891	12,861
Bank balances and cash		2,700,653	2,525,741
		<b>9,178,317</b>	8,198,326
<b>Current liabilities</b>			
Trade and other payables	9	947,867	1,229,223
Bills payable		26,084	22,051
Contract liabilities		130,946	138,815
Amounts due to related companies		2,631	3,101
Dividend payable to shareholders		85	81
Taxation payable		123,217	83,808
Borrowings	10	616,448	1,523,187
Convertible loan notes		23,466	23,829
Lease liabilities		139,753	125,668
		<b>2,010,497</b>	3,149,763
<b>Net current assets</b>		<b>7,167,820</b>	5,048,563

		(Unaudited) 30 June 2020 <i>RMB'000</i>	(Audited) 31 December 2019 <i>RMB'000</i>
Total assets less current liabilities		<u>9,731,437</u>	<u>7,595,633</u>
Non-current liabilities			
Deferred tax liabilities		10,372	10,287
Convertible loan notes		738,772	727,672
Lease liabilities		134,095	123,734
Borrowings		<u>1,644,120</u>	<u>200,000</u>
		<u>2,527,359</u>	<u>1,061,693</u>
		<u>7,204,078</u>	<u>6,533,940</u>
Capital and reserves			
Share capital	<i>11</i>	119,887	116,325
Share premium		3,478,692	3,145,241
Treasury shares		(492,989)	(470,752)
Reserves		<u>4,036,431</u>	<u>3,676,796</u>
Equity attributable to equity holders of the Company		<u>7,142,021</u>	6,467,610
Non-controlling interests		<u>62,057</u>	<u>66,330</u>
Total equity		<u>7,204,078</u>	<u>6,533,940</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Attributable to the owners of the Company

	Share capital	Share premium	Treasury shares	Other reserves	Fair value through other comprehensive income reserve	Translation reserve	Equity-settled share-based payment reserve	Convertible loan notes reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	112,994	2,982,319	(76,451)	(122,769)	(13,834)	(12,091)	235,105	118,288	15,793	26,749	180,969	2,507,424	5,954,496	64,532	6,019,028
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	362,695	362,695	(3,728)	358,967
Other comprehensive (expenses) income for the period	-	-	-	-	-	(7,226)	-	-	-	-	-	-	(7,226)	-	(7,226)
Total comprehensive (expenses) income for the year period	-	-	-	-	-	(7,226)	-	-	-	-	-	362,695	355,469	(3,728)	351,741
Issue of ordinary shares upon exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of share option expenses	-	-	-	-	-	-	6,339	-	-	-	-	-	6,339	-	6,339
Conversion of convertible loan notes	3,331	211,043	-	-	-	-	-	(17,658)	-	-	-	-	196,716	-	196,716
Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	(48,121)	-	-	-	-	-	-	-	-	-	-	(48,121)	-	(48,121)
Purchase of shares under share award scheme	-	-	(77,816)	-	-	-	-	-	-	-	-	-	(77,816)	-	(77,816)
At 30 June 2019	116,325	3,145,241	(154,267)	(122,769)	(13,834)	(19,317)	241,444	100,630	15,793	26,749	180,969	2,870,119	6,387,083	60,804	6,447,887
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 period	-	-	-	-	-	-	-	-	-	-	-	401,380	401,380	(4,273)	397,107
Other comprehensive income for the period	-	-	-	-	-	19,967	-	-	-	-	-	-	19,967	-	19,967
Total comprehensive income (expenses) for the period	-	-	-	-	-	19,967	-	-	-	-	-	401,380	421,347	(4,273)	417,074
Issue of ordinary shares upon exercise of share options	3,562	333,451	-	-	-	-	(75,897)	-	-	-	-	-	261,116	-	261,116
Recognition of share option expenses	-	-	-	-	-	-	126	-	-	-	-	-	126	-	126
Expiry of share options	-	-	-	-	-	-	(3,942)	-	-	-	-	3,942	-	-	-
Purchase of shares under share award scheme	-	-	(22,237)	-	-	-	14,059	-	-	-	-	-	(8,178)	-	(8,178)
At 30 June 2020	119,887	3,478,692	(492,989)	(122,769)	(13,834)	2,001	131,233	100,630	15,793	26,749	231,456	3,665,172	7,142,021	62,057	7,204,078

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash used in operating activities	<b>(337,107)</b>	(582,936)
Net cash used in investing activities	<b>(109,079)</b>	(379,947)
Net cash generated from financial activities	<b>606,364</b>	634,634
Net increase (decrease) in cash and cash equivalents	<b>160,178</b>	(328,249)
Effect of foreign exchange rate changes	<b>14,734</b>	5,903
Cash and cash equivalents at the beginning of the period	<b>2,525,741</b>	2,646,375
Cash and cash equivalents at the end of the period	<b>2,700,653</b>	2,324,029

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as at 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8  
Amendments to HKFRS 9,  
HKAS 39 and HKFRS 7

Definition of Material  
Interest Rate Benchmark Reform



## Segment revenue and results

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

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Technical professional services group (TPG)	<b>5,185,926</b>	4,748,340	<b>437,114</b>	407,891
Internet IT services group (IIG)	<b>873,465</b>	789,908	<b>94,438</b>	84,747
	<b>6,059,391</b>	5,538,248	<b>531,552</b>	492,638

During the six months ended 30 June 2020, the segment revenue is reported after eliminating inter-segment services revenue of RMB296,607,000 (2019: RMB303,903,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	<b>531,552</b>	492,638
Other income, gains and losses	<b>(5,827)</b>	1,032
Effective interest on convertible loan notes	<b>(22,553)</b>	(25,214)
Corporate expenses	<b>(60,833)</b>	(71,935)
Share option expenses	<b>(126)</b>	(6,339)
Profit before taxation	<b>442,213</b>	390,182

Segment revenue by products and services:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Sales of software and hardware products	<u>89,174</u>	<u>44,790</u>
Technical professional services group (TPG)	<b>5,129,694</b>	4,731,848
Internet IT services group (IIG)	<u>840,523</u>	<u>761,610</u>
	<u>5,970,217</u>	<u>5,493,458</u>
	<b><u>6,059,391</u></b>	<b><u>5,538,248</u></b>

Segment revenue (According to Technical Service and Solution Business and Cloud Intelligence Business):

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Technical Service and Solution Business ( <i>Note (i)</i> )	<b>4,828,639</b>	4,621,483
Cloud Intelligence Business ( <i>Note (ii)</i> )	<u>1,230,752</u>	<u>916,765</u>
	<u>6,059,391</u>	<u>5,538,248</u>

*Notes:*

- (i) **Technical Service and Solution Business:** It provides industry customers from telecommunications, BFSI, government, manufacturing, high technology, etc., with consultation, design, implementation, operation, and other end to end ITS and solutions.
- (ii) **Cloud Intelligence Business:** Through “digital-first” digitalization transformation consultation services and leveraging Jointforce’s ecosystem, the IIG provides customers with end to end comprehensive intelligent cloud services combining cloud (as its foundation), AI, and other technologies. The intelligent cloud services include cloud management, professional services, cloudization of industry solutions, big data management and application, intelligent business processes, etc.)

#### 4. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings wholly repayable within five years	60,574	55,183
Interest of lease liability	7,049	5,014
Effective interest on convertible loan notes	22,553	25,214
	<u>90,176</u>	<u>85,411</u>

#### 5. TAXATION

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax	44,017	31,326
Others	1,089	(111)
	<u>45,106</u>	<u>31,215</u>

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

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

#### 6. DIVIDEND

During the six months ended 30 June 2020, a final dividend of HK\$0.0219 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2019 (2018: HK\$0.0215) was declared to the owners of the Company and will be paid on 3 July 2020. The aggregate amount of the final dividend declared during the six months ended 30 June 2020 amounted to HK\$57,481,091 (2019: HK\$54,702,608).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019: Nil).

## 7. EARNINGS PER SHARE

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Earnings for the purposes of calculating basic earnings per share	<b>401,380</b>	362,695
Effect of dilutive potential profit attributable to owners of the Company:		
Interest on convertible loan notes	<u><b>22,553</b></u>	<u>25,214</u>
Earnings for the purpose of diluted earnings per share	<u><b>423,933</b></u>	<u>387,909</u>
	<b>Number of shares</b>	
	<b>2020</b>	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><b>2,474,543,644</b></u>	<u>2,477,225,732</u>
Effect of dilutive potential ordinary shares:		
Share options	<b>14,932,687</b>	25,525,194
Convertible loan notes	<b>180,000,000</b>	208,009,144
Share award scheme	<u><b>25,054,945</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>2,694,531,276</b></u>	<u>2,710,760,070</u>

The computation of diluted earnings per share for the period ended 30 June 2020, 30 June 2019 did not assume the exercise of the Company's share options granted on 21 September 2017 and 28 September 2018 since the exercise prices of these share options were higher than the average market price of shares of the Company.

## 8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Trade receivables, net of allowance	3,681,744	2,978,781
Advances to suppliers	138,935	145,319
Deposits, prepayments and other receivables, net of allowance	<u>389,256</u>	<u>239,320</u>
	<u><b>4,209,935</b></u>	<u><b>3,363,420</b></u>
Analysed for reporting purposes as:		
Non-current assets	84,055	66,180
Current assets	<u>4,125,880</u>	<u>3,297,240</u>
	<u><b>4,209,935</b></u>	<u><b>3,363,420</b></u>

Included in the non-current assets are other receivables representing deposits made in connection with an acquisition of an office building located in the PRC and the refundable lease deposit for the rental office.

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

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Within 90 days	2,865,808	2,381,748
Between 91 – 180 days	336,316	190,179
Between 181 – 365 days	303,600	296,889
Between 1 – 2 years	<u>176,020</u>	<u>109,965</u>
	<u><b>3,681,744</b></u>	<u><b>2,978,781</b></u>

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

## 9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Trade payables	403,571	423,757
Other payables	544,296	805,466
	<u>947,867</u>	<u>1,229,223</u>

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

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Within 90 days	350,145	341,337
Between 91 – 180 days	9,461	2,252
Between 181 – 365 days	3,176	7,591
Between 1 – 2 years	4,681	33,003
Over 2 years	36,108	39,574
	<u>403,571</u>	<u>423,757</u>

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

The fair value of the Group's trade and other payables at 30 June 2020 was approximately equal to the corresponding carrying amount.

## 10. BORROWINGS

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Unsecured bank loans ( <i>Note (i)</i> )	<u>2,260,568</u>	<u>1,723,187</u>
	<u><b>2,260,568</b></u>	<u><b>1,723,187</b></u>
	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Carrying amount repayable:		
Within one year	616,448	1,523,187
More than one year within five years	<u>1,644,120</u>	<u>200,000</u>
	<b>2,260,568</b>	1,723,187
Less: Amounts due within one year shown under current liabilities	<u>(616,448)</u>	<u>(1,523,187)</u>
Amounts shown under non-current liabilities	<u><b>1,644,120</b></u>	<u><b>200,000</b></u>
	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Total borrowings		
At floating interest rates ( <i>Note (ii)</i> )	1,848,284	600,000
At fixed interest rates ( <i>Note (iii)</i> )	<u>412,284</u>	<u>1,123,187</u>
	<u><b>2,260,568</b></u>	<u><b>1,723,187</b></u>

### Notes:

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2020 is 4.32% (2019: 4.53%) per annum.
- (iii) Interests on fixed rates borrowings are charged at interest rates ranged from 3.25% to 5.22% (2019: 3.92% to 5.22%).

## 11. SHARE CAPITAL

### Ordinary shares of HK\$0.05 each:

		Number of shares	Nominal amount <i>HK\$</i>
<b>Authorised</b>			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020		4,000,000,000	200,000,000
	Number of shares	Nominal amount <i>HK\$</i>	Amount shown in the financial statements <i>RMB'000</i>
<b>Issued and fully paid</b>			
At 1 January 2019	2,466,312,666	123,315,634	112,994
Conversion of convertible loan notes	77,994,692	3,899,735	3,331
At 30 June 2019	2,544,307,358	127,215,369	116,325
At 31 December 2019 and 1 January 2020	2,544,307,358	127,215,369	116,325
Exercise of options	80,400,000	4,020,000	3,562
At 30 June 2020	2,624,707,358	131,235,369	119,887

## 12. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2020 <i>RMB'000</i>	(Audited) 31 December 2019 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	14,143	6,671
	14,143	6,671

In addition, as at 30 June 2020, the Group is committed to contributions of further capital amounting to RMB83,685,000 (2019: RMB83,685,000) under the relevant agreements for its investments in entities accounted for using equity method and using fair value.

### 13. RELATED PARTY TRANSACTIONS

During the relevant periods in 2019 and 2020, the Group had the following transactions with the following related parties:

	For the six month ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Provision of IT solution services by the Group	1,125	549
Provision of other services by the Group	306	–
	<u>1,431</u>	<u>549</u>

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

### 14. EMPLOYEE AND OTHER INFORMATION

The remuneration for the employees of the Group amounted to approximately RMB4,844,011,000, including the directors' emoluments of approximately RMB23,543,000 during the six months ended 30 June 2020 (2019: approximately RMB4,385,867,000, including the directors' emoluments of approximately RMB6,734,000). The increase in employee remuneration resulted from the increase in the number of employees from 60,455 to 67,992.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2020 of the Group amounted to approximately RMB22,319,000 (2019: RMB30,150,000) and approximately RMB128,053,000 (2019: RMB119,057,000), respectively.

## **THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2020, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2020 to 30 June 2020, 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 22 June 2020 in Hong Kong (the “2019 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2019 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 2019 AGM, due to the COVID-19 outbreak. Other Board members who attended the 2019 AGM were available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2020.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

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

Name	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Total number of shares	Approximate % of total issued ordinary share as at 30 June 2020
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	282,792,861 (Note 1)	–	462,792,861	17.63%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	–	180,000,000 (Note 2)		
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 (Note 3)	–	19,027,765	0.72%
Zhang Yaqin	Beneficial owner	1,500,000	–	1,500,000	0.06%
Gavriella Schuster	Beneficial owner	–	1,000,000 (Note 4)	1,000,000	0.04%

*Notes:*

- (1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award 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. As such, Dr. Chen was deemed to be interested in 180,000,000 underlying shares of the Company held by the Dan Capital CB holders for the purposes of section 317 of the SFO. The interests in 180,000,000 underlying shares of the Company represent 50,800,000 and 129,200,000 ordinary shares which will be allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership respectively upon conversion of the Dan Capital CB.
- (3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award shares will be vested by period based on future performance.
- (4) The interests in underlying shares of the Company represent interests in options granted to the director.

### Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of	No. of	No. of	Percentage	No of	Percentage	Note
		share options outstanding as at 1 January 2020	share options exercised during the period	share options outstanding as at 30 June 2020	of total issued of the Company as at 30 June 2020	underlying ordinary shares interested in	of total issued of the Company as at 30 June 2020	
Gavriella Schuster	5.22	1,000,000	-	1,000,000	0.04%	1,000,000	0.04%	(i)

*Note:*

- (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

Save as disclosed above and so far as was known to the Directors, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or shorts in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be Company and the Stock Exchange.

### **SHARE OPTION SCHEME**

As at 30 June 2020, pursuant to the new share option scheme approved by the shareholders at the AGM held on 20 May 2013 (the “New Share Option Scheme”), the share options to subscribe for an aggregate of 101,000,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding representing 3.85% of the total issued ordinary share capital of the Company as at 30 June 2020.

During the six months ended 30 June 2020, no share options were granted under the New Share Option Scheme. An aggregate of 80,400,000 share options were exercised and 4,560,000 share options were lapsed.

### **SHARE AWARD SCHEME**

The share award scheme (the “Share Award Scheme”) was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain 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.

During the period ended 30 June 2020, a total consideration of approximately HK\$24,120,000 has been used to acquire 6,276,000 shares of the Company from open market by the independent trustee of the Company. As at 30 June 2020, an aggregate of 152,286,000 shares of the Company has been acquired from open market by the independent trustee of the Company, representing 5.80% of the total issued ordinary share capital of the Company as at 30 June 2020.

During the six months ended June 30 2020, 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, details of which are as follows:

<b>Name of Director</b>	<b>As at 1 January 2020</b>	<b>Granted during the period</b>	<b>Vested during the period</b>	<b>As at 30 June 2020</b>
Chen Yuhong	–	16,600,000	–	16,600,000
Tang Zhenming	–	7,200,000	–	7,200,000

### **DIRECTORS’ RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, during the six months ended 30 June 2020 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2020 none of the Directors had any rights to acquire shares in the Company.

### **REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS**

During the six months ended 30 June 2020, the Company had adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules relating to dealings in securities. Having made specific enquiry with all the Directors, the Directors had complied with the Model Code regarding securities transactions during the six months ended 30 June 2020.

### **SUBSTANTIAL SHAREHOLDERS**

So far as was known to the Directors, as at 30 June 2020, the following persons (not being a Director or chief executive of the Company) had interests or short position in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

## Long positions/short positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued 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	462,792,861 (L)	17.63%	16.50%
Dan Capital Kunlun Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	462,792,861 (L)	17.63%	16.50%
UBS Group AG (Note 2)	Interest of controlled corporations	270,134,015 (L)	10.29%	9.63%
	Interest of controlled corporations	32,920,828 (S)	1.25%	1.17%
Bank of Communications Trustee Limited (Note 3)	Trustee	152,286,000 (L)	5.80%	5.43%
Prime Partners Development Limited (Note 4)	Beneficial interest	140,572,725 (L)	5.36%	5.01%

\* The total number of issued share consists of 2,624,707,358 ordinary shares and convertible notes which could be converted into 180,000,000 ordinary shares.

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

### Notes:

- 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 which will be allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership 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 282,792,861 underlying shares of the Company held by Dr. Chen for the purposes of section 317 of the SFO.
- UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Financial Services Inc., UBS Asset Management Trust Company, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Shanghai) Limited, UBS Securities LLC, UBS Switzerland AG, UBS Trustees (Jersey) Limited, UBS Asset Management (Japan) Ltd and UBS Fund Management (Switzerland) AG are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 270,134,015 shares and short positions of 32,920,828 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 30 June 2020 for further details of the shareholding structure.

- (3) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and administer the Share Award Scheme of the Company. Details of the Share Award Scheme are set out in the section headed “Other Information” of this report.
- (4) Dr. Chen Yuhong is deemed to be interested in 140,572,725 Ordinary Shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.

Save as disclosed above, as at 30 June 2020, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

### **COMPETING INTERESTS**

As at 30 June 2020, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

### **AUDIT COMMITTEE**

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

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

The Audit Committee has reviewed the Group’s interim result for the six months ended 30 June 2020 in compliance with Rule 3.21 of the Listing Rules, and the relevant code provisions of the CG Code of the Listing Rules and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the interim result for the six months ended 30 June 2020 have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the period ended 30 June 2020, 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 6,276,000 shares of the Company at a total consideration of approximately HKD24,120,000.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2020.

On behalf of the Board  
**Dr. Chen Yuhong**  
*Chairman and Chief Executive Officer*

26 August 2020, Hong Kong

*As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer) and Dr. Tang Zhenming, three non-executive Directors, namely Dr. Zhang Yaqin, Mr. Gao Liangyu and Mrs. Gavriella Schuster, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan.*

\* *For identification purposes only*