

INTERIM REPORT

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Chinasoft International Limited
中軟國際有限公司*

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

* for identification purpose only

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2 HIGHLIGHTS

Results for the first half of 2024			
	For the six months ended 30 June		
	2024	2023	
Income statement highlights	(unaudited) RMB'000	(unaudited) RMB'000	% Change
Revenue	7,926,183	8,450,060	(6.2%)
Service revenue	7,647,920	8,295,751	(7.8%)
Profit for the period	285,353	350,687	(18.6%)
Profit attributable to Owners of the Company	285,720	351,028	(18.6%)
Basic EPS (RMB cents)	10.93	12.44	(12.1%)
<div><div></div><div>The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024.</div></div>			
<div><div></div><div>No closure for the Register of Members of the Company.</div></div>			



CHAIRMAN'S REPORT

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Dear Investor:

The year 2024 marks a pivotal year for the Group in fully embracing AIGC transformation and is the inaugural year for the establishment of Chinasoft International Consulting, Industry Model Training Field, and Model Factory. Against the backdrop of a grand narrative, the Group is accelerating full-stack and full-scenario innovative practices in the “1+3” business domains, with an increasingly clear strategic layout and progressively deep commercial design. We provide broad CTSP cloud transformation services through our cloud intelligence foundation, reaching and covering more valuable customers. On this foundation, we offer our value customers AIGC Model Factory and Agent applications, HarmonyOS and AIoT intelligent IoT/digital twin applications, enterprise application services, and digital transformation consulting and implementation, focusing on industries such as energy, finance, government, public utilities, and manufacturing. We comprehensively build “AI+” solutions deeply integrated into industry supply, achieving continuous penetration into customers to capture more value shares. During the reporting period, the Group achieved revenue of RMB7.926 billion and profits of RMB0.285 billion.

In alignment with our business formation advancements, the organizational structure of “Spearhead-Legion-Stronghold” is also being solidified. Spearhead: The Group continues to incubate spearhead expert teams and industry vanguards with leading technology IP capabilities. We are also setting up multiple AI laboratories in various industries and fields, aiming for targeted breakthroughs in original technology innovation. Legion: The Group's legion organization is focused on strengthening co-creation and expansion of industry baseline solutions, promoting the productization of services, and enhancing integrated sales and service capabilities. The radiation effect of lighthouse projects, developed in collaboration with key enterprises, has begun to manifest. Stronghold: The large-scale, near-field delivery resource pool demonstrates advantages in rapid response support, with professional capabilities and talent structures beginning to transition towards higher-level AI fields. Our coordinated battle formation continues to advance steadily and further.

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I. Bridging the Last Mile of Large Model Applications With AI Full-Stack and All-Scenario Services

The Group is fully committed to developing model factory services, focusing on leading enterprises in the manufacturing and energy sectors such as power, steel, and oil and gas. We enter top-level design through AI consulting and planning, solidifying software capabilities of domestic GPU computing power. Our efforts revolve around NLP, CV, and predictive applications, deeply integrating with industry clients, scenarios, and tasks. We provide services in model migration adaptation and deployment, operator optimization, model training, prompt engineering, and Agent development, promoting the release of computing power value through computing power operations, forming leading innovative practices. The Group has built industry scenario model training grounds and intelligent scientific innovation centers based on our self-established computing power centers. These serve as POC verification platforms for clients in sectors like power and finance, research institutions, and universities. We offer services such as large model pre-training experiments, scenario application verification, talent training, and industry datasets, providing developers with application development environments and comprehensive application incubation joint innovation support. We excel in providing last-mile services for AI for Science, AI for Education, and AI for Industry. The Group developed a diverse heterogeneous large model operation management system, offering refined management of computing power resources, including allocation, scheduling, monitoring, and billing, ensuring efficient utilization and stable operation of computing power resources. Our Lingxi "Ask" series AI Agent product solutions solidify our position in the Agent application ecosystem, building capabilities in intent understanding, planning reasoning, mining, and presentation. Our all-in-one machine products have passed the AI framework MindSpore compatibility technology certification. In addition, the Group has signed strategic cooperation agreements with major model manufacturers like iFlytek and Zhipu AI and has embarked on deep collaborations to jointly create a new landscape of empowering new quality productivity with large models.

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II. Leading the HarmonyOS Ecosystem Services with Deep Industry Enablement

As a co-builder and key contributor to the HarmonyOS ecosystem, the Group is committed to developing an independently controllable intelligent IoT foundation and integrated software and hardware solutions based on the 1+1 (KaihongOS + Super Device Management Platform) strategy, focusing deeply on industries such as emergency firefighting, water conservancy, and transportation. The Group has partnered with the Shaanxi Provincial Fire Rescue Brigade to create the “Shaanxi Provincial Smart Firefighting Construction Project,” launching the nation’s first “Fire Harmony” solution to achieve dynamic perception, intelligent judgment, and precise prevention and control in the firefighting industry. We introduced a cutting-edge water conservancy solution integrating the “HarmonyOS AIoT Intelligent Perception Platform + HarmonyOS IoT Terminal Hardware Products + Kunpeng/Ascend Computing Power + Digital Twin Applications,” earning the “2024 China Enterprise Digital Innovation Solution” award. The Group focuses on meeting rigid demand to improve urban services, participating in digital twin city CIM+BIM demonstrations. We aggregate the HarmonyOS industry ecosystem based on smart sensors, deploying open-source HarmonyOS PCs, cameras, drones, and more, jointly developing additional HarmonyOS industry scenario applications. For HarmonyOS native applications and meta-service northbound businesses, the Group launched mobile application HarmonyOS expert services, collaborating with over 300 application vendors in various fields such as smart mobility, lifestyle services, finance, government affairs, healthcare, and cultural tourism. The Group was awarded the title of one of the first “Diamond Service Providers for HarmonyOS Native Application Development and Training.” Our HarmonyOS chip southbound adaptation business has served over 500 product categories and 400 brand customers, with connected devices reaching tens of millions. In collaboration with Kaihong, the Group has contributed over 4 million lines of code to the main database of the OpenHarmony community, ranking first among ecosystem vendors outside of Huawei.

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III. Accelerating the Deployment of General ERP Application Services to Empower Digital and Intelligent Transformation

The Group is accelerating its presence in the central state-owned enterprises' general ERP application service market, aiming to become the preferred consulting and implementation service provider for digitalization, intelligent and autonomous controllable solutions for trillion-yuan level central state-owned enterprises. The Group is also a key driver for in-house development and replacement of critical enterprise application software and a vital force in China's enterprise digital transformation services. The Group actively explores and practices an "Product + Implementation Services" ERP construction model, adhering to high-quality standards to build industry-leading solutions and actively expanding market share. We are steadily advancing the "Phoenix", bringing in high-level partners from target industries and professional fields to create a world-class consulting team with "international experience, local innovation, and Chinese management." This team provides end-to-end services, including consulting and planning for enterprise digital transformation, enterprise application service solutions, data governance, and IT development. Leveraging the R7 platform, the Group established a mature and efficient partner working platform to support operational management, enhance delivery quality and efficiency, and solidify application components to feedback into products. The Group is actively exploring the combination of AI large models to conduct intelligent assisted submissions for enterprise application services. Collaborating with SAP, the Group provides customized consulting solutions based on commercial AI technology. The Group continued to deeply engage with leading central state-owned enterprise clients like PetroChina, Sinochem, China Southern Power Grid, creating lighthouse projects and establishing an efficient ERP project management implementation methodology. We have extensive cooperation with leading companies such as PetroChina, CNOOC, and Sinochem in application service consulting and implementation, data governance, etc., accumulating energy and power industry solutions and best practices.

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IV. Leveraging CTSP as an Engine to Propel Cloud Intelligent Services

As Huawei Cloud’s first “Sailing on the Same Boat, Co-Prosperity” partner, Chinasoft International has maintained a leading position as the “strongest, fastest-growing, and most profitable” partner in the ecosystem over seven years of collaboration. In recognition of this, the Group was awarded the 2023 “Huawei Cloud Ecosystem Rock Award.” The Group focuses on roles such as digital transformation consulting, advanced cloud integration, services, and software partnerships, holding the top position in capability certification among Huawei Cloud ecosystem partners. With over 6,000 ecosystem partners, the Group provides digital solutions and services to over 20,000 clients, achieving complementing capability and business win-win. The Group offers clients full-stack CTSP cloud services, including computing power and AI model services, big data and database services, cloud-native services, HarmonyOS services, security, and more, empowering clients throughout the entire lifecycle in consulting, integration, migration, and development, thereby enhancing client value and engagement. The Group worked closely with leading clients in industries such as energy, steel, and pharmaceuticals on AI pilot projects and promotes the integration of AI Agent service scenarios into cloud-based services to assist SMEs in intelligent upgrades. The Group has developed a product and service system, including hybrid cloud, distribution cloud, partner cloud, empowerment cloud, and sovereign cloud, providing industry-specific cloud operation platforms and localized professional services based on HCS. Based on the openEuler Rock operating system and openGauss Rock database, the Group provided integrated software and hardware scenario-based solutions for operators and local innovation centers. In the financial industry, the Group builds highly available operational capabilities for cloud platforms with “mainframe migration.

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V. Leveraging Hong Kong as a Bridgehead to Expand into Overseas Markets in Southeast Asia, the Middle East, and Africa

Leveraging its center in Hong Kong, the Group’s business extended to multiple overseas regions, including Asia-Pacific and the Middle East. We have established R&D and delivery centers in Hong Kong, Thailand, Japan, Singapore, Saudi Arabia, and the UAE, working closely with global partners like Huawei to create successful cases in digital government, smart cities, and smart venues, promoting regional digitalization and intelligence development. The Group focused on the Hong Kong market, with government, smart cities/parks, and large Chinese enterprises as the main sectors. We actively invest in product development and delivery in the construction of Hong Kong’s government systems, data governance, and comprehensive service operations and maintenance, assisting the digital governance of the Hong Kong government and becoming an active supplier of IT professional services in Hong Kong. The Group has successfully implemented projects like the Kai Tak Sports Park in Hong Kong, Smart City in Malaysia, and NEOM in Saudi Arabia, achieving new breakthroughs in the field of comprehensive system integration in overseas markets. We continue to strengthen investment in key countries and regions in Asia-Pacific, the Middle East, and Africa, participating in planning and implementation with high standards and quality. Through benchmark project construction, we enhance local operational service capabilities, continuously improve overseas service systems, and strengthen compliance construction, providing global clients with excellent products and service experiences. The Group is leveraging its high-pressure, inherent advantages to contribute significantly as a “new choice” for the Third World.

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VI. Strengthening Basic Management with ‘Leaving a Mark on Iron’ and Using Large Models to Promote Productivity Leap

The Group has initiated the SP305 strategic plan to enhance comprehensive strategic guidance, keenly analyze the situation, and quickly adjust deployments. Through in-depth discussions, we define positioning goals, path milestones, and task breakdowns. The strategic system strengthens market insight, strategic benchmarking, and quarterly implementation of initiatives. The financial system focuses on strengthening control coordination around “budget formulation, budget execution, and performance evaluation.” The human resources system implements “organizational alignment, performance alignment, and incentive alignment.” The quality and process IT management system develops applications like the HR.ai recruitment model and Fin.ai financial inquiry model to substantially improve the Group’s productivity through “AI digital employees.” These systematic reforms are maturing and have become an important component of the Group’s core competitiveness in the new era.

Dear investors, against the backdrop of the current grand narrative, we engaged in strategic planning with a shared vision, undeterred by fierce competition and willingly rooting ourselves deeply to surpass the present and plan for the future. At critical moments, with interests at stake, the Group will adhere to value-oriented principles, pursue long-term effective growth, and steadfastly navigate through cycles. We fight to win, achieving victories to realize leapfrog development!

Chairman
Chen Yuhong
2024 Summer

10 RECENT BUSINESS DEVELOPMENTS

Recent developments of the “1+3” strategic business layout:

- The Group is developing AI full-stack and full-scenario services, deeply collaborating with leading clients in industries such as Finance, Power, Energy, Steel, and Pharmaceuticals through its Model Factory services, focusing on innovative practices around NLP, CV, and predictive applications. The Group won bids and participated in AIGC projects for several state-owned banks and leading city commercial banks, promoting the implementation of intelligent training, intelligent customer service, and credit risk control scenarios. The “Ask” series AI Agent product solutions were successfully deployed in digital resource operation services in Hengyang City and Bao'an District, Shenzhen, establishing the foundational base for future large model applications in the government sector. In computing power operations, the Group developed a diverse heterogeneous large model operation management system. The Group became an Ascend Partner for Application Software and Ecosystem Operations. Additionally, the Group's all-in-one machine products achieved AI framework MindSpore compatibility certification.
- In the HarmonyOS intelligent IoT business domain, the Group, based on the 1+1 (KaihongOS + Super Device Management Platform) autonomous controllable intelligent IoT foundation and integrated software and hardware solutions, is deeply engaged in industries such as emergency firefighting and emergency response, water conservancy, and transportation. The Group has developed a self-developed software platform, smart hardware, and ecosystem product matrix, successfully implementing multiple industry solutions. The KaihongOS domestic operating system by Deepin was the first to achieve full-ecosystem connection with HarmonyOS Next, breaking through the most challenging key industries, further solidifying its leading position in the open-source HarmonyOS ecosystem.
- In the pan ERP and digital transformation fields, the Group continues to advance the “Phoenix” consulting partner plan, attracting world-class high-end consulting talent and teams to build Chinasoft International's ERP implementation service methodology and create an ERP project management IT toolkit. The Group is deeply engaged with leading central state-owned enterprise clients such as PetroChina, Sinochem, China Southern Power Grid, accumulating energy and power industry solutions and best practices. The Group won the bid for the first self-controlled ERP project for a leading nuclear power client, securing a first-mover advantage. The Group is actively exploring and practicing the “Product + Implementation Services” ERP construction model.
- In the public cloud business, the Group closely follows Huawei Cloud's growth, providing enterprises with cloud service products that cover the entire lifecycle, including cloud consulting, cloud integration, cloud migration, cloud development, and cloud operations and maintenance. The Group has successfully transformed into a top cloud transformation service partner, holding the highest number of capability tag certifications among Huawei Cloud ecosystem partners. The Group has consecutively won the exclusive “Huawei Cloud Ecosystem Rock Award,” Huawei Cloud's most prestigious annual award, twice, significantly contributing to Huawei Cloud's capability building and sales growth.

RECENT BUSINESS DEVELOPMENTS

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Industry Layout: The Group focuses on industries such as Energy, Finance, Government, Public Utilities, and Manufacturing, creating HarmonyOS-based and AI-based industry scenarios and implementation solutions. It serves many renowned domestic and international large enterprises and high-growth potential clients, such as Huawei, HSBC, Ping An, Bank of Communications, China Construction Bank, China Mobile, China Telecom, PetroChina, CNOOC, State Grid, Honor, Tencent, Alibaba, and Baidu.

Regional Layout: Domestically, the Group primarily targets economically developed areas like the Greater Bay Area, Yangtze River Delta, and Beijing-Tianjin-Hebei region, as well as central and western hub regions, deeply engaging in cities like Shenzhen, Beijing, Xi'an, Guangzhou, Nanjing, and Shanghai. The Group actively leverages its spearhead, legion, and Stronghold organizational advantages to comprehensively advance the implementation of "AI+" solutions across industries. In overseas markets, the Group has established R&D and delivery centers in multiple countries and regions, including Hong Kong, Thailand, Japan, Singapore, Saudi Arabia, and the UAE, successfully developing multiple successful cases in digital government, smart cities, and smart venues.

1. AI Full-Stack and All-Scenario Services

The Group aspires to become a comprehensive AI software and service provider in the era of large models, facilitating the value release of large models and computing power to establish leading innovation practices. The Group has established the Chinasoft International AIGC Research Institute, focusing on empowering data innovation applications with large models as the core to create the "Ask" series of solutions. It has launched the "Model Factory" last-mile service, integrating large models and domain models to provide government and enterprise customers with end-to-end large model application R&D services, covering planning and design, prototype verification, model migration, model training, model fine-tuning, application integration, and deployment, aiding the realization of ultimate scenarios. Simultaneously, it offers high-level services around computing power (such as operator adaptation, model migration, and model evaluation) to promote computing power sales and provides auxiliary operational services such as service malls and model malls. During the reporting period, the Company became Ascend Wanli's application software partner and ecosystem operation partner.

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1.1. Model Factory

During the reporting period, the Group used AI consulting and planning to enter the top-level design, accumulating software capabilities for domestic GPU computing power. Focusing on NLP, CV, and predictive applications, the Group has deeply engaged with industry customers, scenarios, and tasks. It has formed leading innovative practices in model migration adaptation and deployment, operator optimization, model training, prompt engineering, and Agent development landing services. The Group provides one-stop end-to-end services for NLP/CV large model training and development, successfully landing NLP and CV training and deployment projects and working deeply with top customers in finance, power, energy, steel, pharmaceuticals, and other industries. During the reporting period, in the financial industry, the Group focused on scenarios such as intelligent training, intelligent customer service, and credit risk control, promoting the implementation of large language model technology in the financial industry's value scenarios, winning bids, and participating in AIGC projects of several state-owned banks and leading city commercial banks. In the energy industry, the Group addressed the pain points and demands of various professional scenarios in coal mining, excavation, machinery, transportation, and communication, using large models to enable comprehensive prevention and control of unsafe factors involving people, objects, and the environment in on-site operations, achieving goals of reducing personnel, improving efficiency, stabilizing equipment operation, and enhancing engineering quality. In the oil and gas pipeline network industry, the Group, based on its existing artificial intelligence platform, uses deep learning and data mining techniques to integrate industry-specific knowledge and data resources, providing comprehensive and efficient AI support for various business areas, affiliated enterprises, and scientific research and innovation departments within the oil and gas pipeline network industry. In the steel industry, the Group focuses on sub-scenario applications such as ore classification and impurity deduction, belt inspection, steel surface inspection, low magnification inspection, intelligent cargo inspection, and prediction of nitrogen oxides in blast furnace exhaust. It analyzes, predicts, and warns the material flow, energy flow, and information flow in the full-process production of enterprises, providing efficient support for production organization and coordination.

RECENT BUSINESS DEVELOPMENTS

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1.2. Computing Power Operation

During the reporting period, the Group's Ascend AI computing power operation service established cooperative relationships with hundreds of enterprises and institutions through market promotion and business expansion, covering multiple fields such as scientific research and higher education, intelligent manufacturing, smart cities, and healthcare. Together with customers, the Group carried out over a hundred projects, providing one-stop services such as computing power resource leasing, model training, and application development, helping customers improve business efficiency and innovation capabilities. The Group independently developed the large model operation management system LMBSS for artificial intelligence computing center customers, successfully implementing computing power operation projects in places like Gui'an Development Group, Nanjing Big Data Bureau, and Beijing Changping Computing Power Center. This system supports the management and commercialization of diverse large models, offering comprehensive lifecycle management of large model resources. A complete computing power operation management system was established to meticulously manage the allocation, scheduling, monitoring, and billing of computing power resources, ensuring their efficient utilization and stable operation. The Group actively participated in computing power platform access work and successfully integrated with the Beijing Communications Authority's interconnection platform and Shenzhen Smart City Computing Power Coordination and Dispatch Platform, gaining a first-mover advantage in national computing power coordination and dispatching. In terms of large model incubation, the Qinling-Xidian Remote Sensing Brain Large Model, launched through the Xi'an Yanta Artificial Intelligence Innovation Development Center in collaboration with Xi'an University of Electronic Science and Technology, was selected for the "Computing Power Zhongguancun – 2024 Computing Power Technology Innovation and Application Service Case Collection". Regarding computing power industry standardization, at the "2024 Computing Network Integration Development Conference · Computing Power Network Industry Development Forum" organized by the China Communications Standards Association and the Computing Network Integration Industry and Standards Promotion Committee (CCSA TC621), the Group was successfully included in the "2023 Annual Computing Power Network Industry Map."

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1.3 AI Agent Application Service

During the reporting period, the Group continuously upgraded its data innovation application product direction based on large models, achieving a comprehensive upgrade of the Lingxi “Ask” series AI Agent product solutions– Ask Data, Ask Strategy, Ask Service, and Ask Vision– and formed joint solutions in various industry sectors such as Finance, Transportation, Manufacturing, Healthcare, and Education. By efficiently completing private domain data preparation and combining capabilities such as intent understanding, planning reasoning, query calculation, mining analysis, and summary presentation equipped with industry knowledge, Agents can effectively complete a closed loop from problem to report or big screen output autonomously. The Lingxi “Ask” series Agent products were successfully implemented for several manufacturing enterprises at Huawei Cloud Innovation Center bases in Suzhou and Chengdu, becoming benchmark cases for joint expansion. The Lingxi “Ask” series integrated machine product solutions underwent rapid iterative upgrades and successfully passed the Ascend compatibility technical certification of Huawei training servers and AI framework MindSpore. During the reporting period, the Lingxi Ask Data application case was selected for the “Large Model Industry Application White Paper,” and the Lingxi “Ask” series AI Agent case was awarded the “2023 Software Industry Typical Demonstration Case.” The Group participated in the formulation of four standards, including the Institute of Information and Communications Technology’s “Intelligent Agent Technical Requirements and Evaluation Methods” and the Ministry of Industry and Information Technology’s “Guidelines for Generative Artificial Intelligence Data Application Compliance,” contributing successful experience and leading insights to further build the Chinasoft International AI brand.

2. Pan-ERP and Digital Transformation

The Group is committed to becoming the leading brand for digital transformation services for Chinese enterprises, and aims to be the preferred supplier of end-to-end services in enterprise digital transformation consulting, implementation, and operations. The Group’s “Phoenix” Consulting Partner Program is continuously advancing, bringing together partners and high-end consulting talent and teams with backgrounds in world-class consulting firms and rich industry experience. It is developing a Chinasoft International ERP implementation service methodology system and building an ERP project management IT toolkit. The Group is also creating leading self-developed solutions in key areas such as supply chain, marketing, finance, business management, and data, as well as in major industries like oil and gas, power, telecommunications, and defense.

RECENT BUSINESS DEVELOPMENTS

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2.1 Pan-ERP Consulting Implementation

During the reporting period, the Group's Pan ERP consulting and implementation services continued to strengthen team and delivery capabilities. On the customer front, the Group not only continued to cultivate top industry clients such as PetroChina, Sinochem, China Southern Power Grid, Chongqing Changan, and Cha Baidao but also expanded into new projects based on industry experience and professional service capabilities. These projects include PetroChina Planning Institute's integrated scheduling, China Coal Research Institute's ERP management platform, and Anxun Logistics' operational management platform. The Group undertook an architecture operation and control project for a power grid enterprise, promoting the evolution of enterprise architecture from the current state to a blueprint through the regular control of systems, processes, and projects. For an international subsidiary of a large central oil enterprise, the Group established an operational management data warehouse for overseas investment enterprises, providing planning, design, and implementation services for the operational management reporting system. Additionally, the Group built a passenger transportation big data system for a local railway bureau, integrating passenger transportation-related business data. In terms of service capabilities, the service scope expanded to include the delivery of Pan ERP solutions based on Huawei Cloud PaaS platform and the Group's self-developed Pan ERP technology foundation. The Group also developed a foundational business platform and technology base centered on the supply chain, continuously enhancing the competitiveness of its solutions through project reuse and business sedimentation.

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2.2 Data Intelligence

During the reporting period, the Group focused on Energy, Government affairs, Transportation, Manufacturing, FMCG and Retail industry markets, continuously strengthening its capabilities in data governance, data platforms, and data element market services, and establishing industry data application solutions to empower digital construction in these industries. In the energy sector, the Group implemented data governance service projects for leading enterprises such as PetroChina, CNOOC, Sinochem, and a major power grid. It conducted consulting services in data elements and data asset tabulation, leveraging Lingxi Ask Data. In the government and public sector, the Group collaborated with big data bureaus of key cities in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing, and Northeast regions. It delivered projects like governance of municipal government data resources in a Yangtze River Delta city, data foundation governance for a municipal public security bureau, and a government data asset service platform for a new district in a Northeast city, continuously improving the quality of government data assets and enabling intelligent governance. In the transportation sector, the Group completed the passenger service platform for China's second-largest airport group, contributing to smart airport construction. By deeply exploring passenger behavior and needs, the Group built a large data platform for passenger services to provide seamless travel line services, reducing travel anxiety and enhancing passenger comfort. In the manufacturing sector, the Group provided data standardization, business-finance integration, and business-data integration services to key clients like Changan Automobile and Chutian Technology. It continued to deepen data assetization and business data integration through the approach of "scenario implementation, using to promote governance.

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2.3 Toolchain and R&D Efficiency Management

During the reporting period, the Group precisely targeted the software service delivery field, successfully launching and operating Chinasoft International's R&D Efficiency Management Suite. The suite focuses on four core aspects: "Houde" (Thick Morality), "Houji" (Thick Accumulation), "Houdu" (Thick Measure), and "Houde" (Thick Gain), each addressing project management, knowledge management, software cost measurement, and resource management. Internally, it enhances project operational efficiency and cost-effectiveness, while externally, it aligns precisely with the generative AI market to create a new generation of R&D efficiency management products. During the reporting period, the R&D Efficiency Management Suite was successfully deployed within the Group, deepening the application of the MSD process in consulting and ERP project delivery, achieving refined management of personnel, finances, and materials. Additionally, by employing cutting-edge AIGC technology, it has built an intelligent knowledge ecosystem, strengthening the "Houji" ITS knowledge management product, significantly improving the efficiency and quality of knowledge acquisition in scenarios such as project delivery, sales management, and market insight. Moreover, the "Houdu" software cost measurement platform has passed certification by the China Software Industry Association due to its professionalism and compliance with national standards and NESMA function point evaluation standards, further consolidating the Group's leading position in the software cost measurement field. In the strategic cooperation established with the China Software Industry Association, both parties jointly promoted the successful launch of the association's pricing platform, contributing to the industry's standardized and intelligent development.

3. HarmonyOS Intelligent IoT and Digital Twins

The Group is fully committed to developing an independently controllable intelligent IoT foundation and integrated software and hardware solutions based on the 1+1 (KaihongOS + Super Device Management Platform) strategy, with a focus on industries such as emergency firefighting and emergency response, water conservancy, and transportation. Leveraging Shenzhen Kaihong Digital Industry Development Co., Ltd. (hereinafter referred to as "Shen Kaihong") as the spearhead, the Group has established a "Spearhead-Legion-Stronghold" organizational structure. This structure supports comprehensive deployment across core technologies of the HarmonyOS ecosystem, industry solutions, large-scale software development capabilities, and north-south ecosystem services, continuously expanding into key markets that are "national heavyweights and city innovators." KaihongOS was the first to achieve full-ecosystem connection with HarmonyOS Next, breaking through the most challenging key industries, further solidifying its leading position in the open-source HarmonyOS ecosystem.

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3.1 Harmony Industry Enablement

During the reporting period, Chinasoft International collaborated with Shen Kaihong to focus on the edge side, building a matrix of self-developed platform software, intelligent hardware, and ecosystem hardware products equipped with KaihongOS capabilities. The open Harmony edge intelligent products have been further upgraded, with 17 self-developed products passing compatibility evaluations and obtaining 13 intellectual property rights. The second-generation Leize Intelligent All-in-One (Gateway Type) EGH200 has been upgraded with Beidou duplex communication, supporting network-free interconnection in emergency scenarios such as water conservancy flood defense scheduling and power generation. The second-generation Leize Intelligent All-in-One (Computing Type) EPH200 has upgraded high computing power, with added industry AI algorithms to achieve unmanned and minimal-man supervision in scenarios like reservoirs and rivers, as well as cost reduction and efficiency improvement in sewage plants. The second-generation Leize Intelligent All-in-One (Control Type) ECH200 has been upgraded with a screen version to achieve edge business visualization. The Yi Wang Intelligent Companion upgraded the control type MAH300 to achieve distributed control in scenarios such as tunnels. Among them, the EGH200 and MAH300 models have completed POC and achieved mass production and sales. The Group, in collaboration with Shen Kaihong, developed Kaihong's new-generation smart all-scenario experimental box compatible with OpenHarmony 4.1, equipped with HiSilicon chips, supporting Starlight technology, and integrating four core AI recognition capabilities, helping developers master OpenHarmony software and hardware development capabilities in a one-stop manner. The KaihongOS drone swarm collaboration model was piloted in Zhaoqing, where the KaihongOS distributed soft bus can connect all device data, achieving interconnection and control of various air-ground integrated operational equipment and on-site equipment. Combining operational tasks, different function-loaded drones can be flexibly combined into operational task forces as super devices, enabling "Commander + Corps" mode for one-person multi-machine control and efficient collaboration.

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3.2 Harmony Ecosystem Service

During the reporting period, in the field of HarmonyOS native applications and meta-service northbound business, the Group deeply collaborated with Huawei terminals and Huawei Cloud, forming partnerships with over 300 application vendors. These partnerships span across various domains such as smart travel, life services, finance, government affairs, healthcare, and cultural tourism. This strategic shift marks the transition from being an advantageous service provider to becoming a full-scene solution service provider within the HarmonyOS ecosystem. At the Huawei 2024 HDC Conference, the Group was honored with the “Outstanding Developer Service Provider in HarmonyOS Ecosystem” and the “Pioneer Partner Award in HarmonyOS Ecosystem,” highlighting its leading position in the industry. Additionally, the Group, in collaboration with Huawei Cloud, was the first to launch the “Chinasoft International Mobile Application HarmonyOS Expert Service,” further solidifying its market position as a core service provider for joint venture products. Meanwhile, due to its outstanding contributions to the HarmonyOS ecosystem, the Group was awarded the title of the first batch of “HarmonyOS Native Application Development and Training Diamond Service Providers” and has established deep cooperation intentions with top application partners in various industries to jointly promote ecosystem prosperity. Leveraging the robust underlying capabilities of HarmonyOS, the Group meticulously crafted a HarmonyOS digital intelligence integrated SaaS platform to fully support the operational needs of scenic areas, achieving deep integration of software and hardware through rapid scenario adaptation and optimization. The “Qu Nanxun” HarmonyOS application and meta-service developed on this platform won the 2024 HDC Industry Solution Innovation Award and the HarmonyOS Ecosystem Innovation Award. This success attracted several scenic areas, including Shandong Weihai, Jiangxi Pingxiang, Zhejiang Dongtou, and Yuhang, to join the HarmonyOS ecosystem family, exploring new chapters in smart tourism together. In terms of adapting the HarmonyOS chip for southbound business, the Group has accumulated over 500 product categories and 400+ brand clients, with tens of millions of devices connected. KaiHongOS was the first to achieve full ecosystem connection with HarmonyOS Next, successfully breaking through the most challenging key industries. In the OpenHarmony direction, the Group, in collaboration with Shen Kaihong, has contributed over 4 million lines of code to the main repository of the OpenHarmony community, making it the top contributor outside of Huawei. With over 50,000 certified HarmonyOS engineers, ranking first, this further demonstrates Chinasoft International’s leadership and professional capabilities within the HarmonyOS ecosystem.

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4. Cloud Intelligent Business

In the seven years of partnership with Huawei, the Group has achieved over 30-fold growth in business scale, consistently leading the Huawei Cloud ecosystem. The Group has evolved from a cloud general distributor and solution provider to a comprehensive partner across all Huawei Cloud domains. In 2022 and 2023, the Group consecutively won Huawei Cloud's most prestigious award, the "Huawei Cloud Ecosystem Rock Award," significantly contributing to Huawei Cloud's capability building and sales growth.

The Group focuses on developing its capabilities as a Huawei advanced cloud digital transformation consulting and system integration partner, service partner, and software partner. By building an innovative full-stack cloud service capability with cloud as the foundation, the Group provides enterprises with cloud consulting, cloud integration, cloud migration, cloud development, and cloud operations and maintenance lifecycle cloud service products. The Group actively explores autonomous industry clients, integrating HSC, database products, and industry solutions to drive deep digital transformation. It integrates AI-related solutions and services into the cloud domain to facilitate local intelligent upgrades. Concurrently, the Group builds systematic cloud intelligence business expansion and delivery service capabilities in key regions such as Asia-Pacific, implementing multiple smart city and smart venue projects. The Group also actively participates in open-source database community contributions, collaborating with ecosystem partners to support the realization of independent and controllable key foundational software.

4.1 CTSP Cloud Service

As a leading cloud service provider and core partner of Huawei Cloud CTSP, the Group is committed to strengthening long-term CTSP cloud service capabilities. The Group has achieved certification for 8 first-level and 10 second-level CTSP professional service tags, maintaining the highest number of certifications among partners. Their data governance solution has been successfully launched, and the enterprise cloud migration solution has been approved for OBP project initiation. Regional integrated sales and service delivery centers have been established in key cities, completing the allocation of regional pre-sales and delivery resources to provide clients with comprehensive lifecycle services such as consulting design, migration deployment, cloud-native application development and modernization, and operations and maintenance. The Group continues to operate customer solutions. The Group is making continuous efforts in AI large models, data governance, and HarmonyOS fields. They have successfully implemented over 40 CTSP projects across multiple industries, including energy, steel, and pharmaceuticals, co-creating large model scenario applications with leading clients and maintaining a leading position in CTSP framework cooperation. At the 2024 Huawei HPC Conference, the Group was awarded the "Outstanding Partner Award for Digital Transformation Services" and the "Outstanding Service Sales Partner Contribution Award."

RECENT BUSINESS DEVELOPMENTS

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4.2 Advanced Cloud Integration

As one of the first partners in Huawei Cloud's integration business, the Group adheres to a consulting-driven approach, integrating Huawei's public cloud resources, private cloud deployments, and Huawei's spearhead products. This drives the integration and fusion of the Group's joint baseline solutions with Huawei Cloud and multi-industry solution products and services, continuously enhancing the reach to industry clients, deepening industry supply, and promoting the deep digital transformation of government and enterprise clients. During the reporting period, the Group's advanced cloud integration business successfully implemented over 20 advanced cloud integration projects, including the data foundation for a data group company and Huawei Cloud RDS for an energy technology company in fields such as RPA, big data, and cloud services. At the 2024 Huawei HPC Conference, the Group was awarded the "Huawei Cloud Stack Outstanding Partner Contribution Award."

4.3 Cloud Enablement Service

Chinasoft International's Enablement Cloud covers multiple business areas, including industrial internet, software development, independent control, Kunpeng, and RPA digital robots. The Group continues to drive enterprise enablement and existing business operations across eight regions, including Nanjing, Lishui, Fuzhou, and Foshan, piloting and promoting AI Agent service scenarios and AI data analysis solutions. In new Enablement Cloud bases such as in Shenzhen, AI services are being integrated, entering the market for intelligent upgrades of SMEs based on large models. Chinasoft International's Empowerment Cloud supports the acceleration of digitalization in industries such as electronic information, equipment manufacturing, and software development in its regions, thereby promoting industrial upgrades. For instance, the Tangshan Digital Robot Demonstration Center provides digital transformation services to over 100 local enterprises and has established partnerships with entities such as the Caofeidian District Cyberspace Administration, Meteorological Bureau, DUNSHI Building Materials, and Jidong Group. The Tangshan RPA base cooperation model was successfully replicated in Xiangyang.

22 RECENT BUSINESS DEVELOPMENTS

4.4 Overseas Intelligent Cloud Service

As Huawei Cloud's overseas strategic partner, Chinasoft International has established systematic business expansion and delivery service capabilities in key regions such as Asia-Pacific. The Group successfully provided leading cloud infrastructure for smart city and smart venue projects in multiple countries and regions in Asia-Pacific. In the Hong Kong Kai Tak Sports Park project, the Group achieved full-scene visualization, controllability, and manageability of the sports park, greatly enhancing the park's smart operations and security capabilities. The Group was awarded the "Annual Service Partner" award for the Asia-Pacific region by Huawei Cloud, thanks to its excellent service capabilities and significant business growth. In the Middle East and Central Asia, the Group implemented projects in government and enterprise cloud and smart city construction. In Malaysia's smart city project, the Group provided data support for urban operation management, significantly improving the refinement level of urban operation management. In Saudi Arabia's NEOM project, Chinasoft International provided strong support for the construction of digital infrastructure. For financial clients, the Group offered data platform solutions, cloud-native application modernization capabilities, and AIGC financial scenario solutions, assisting clients in their digital and intelligent transformation. The Group won multiple important client projects in Hong Kong and Southeast Asia.

4.5 Software Autonomous and Controllable Adaptation

The Group actively participates in contributions and collaborations within the open-source database community. Chinasoft International's Panshi Operating System and Panshi Database were included in the "Dalian City Information Technology Autonomous and Controllable Product Resource Pool Catalog" and received the "2023 openEuler Commercial Practice Contribution" award, among others. As key products of independent control, the Panshi Operating System and Panshi Database, in collaboration with ecosystem partners, support the independent control transformation of critical foundational software, promoting the development of the independent control industry. The Group developed the visual MOS platform, integrating functions such as operating system migration, upgrades, trimming, monitoring, inspection, intelligent operation and maintenance, optimization, and security hardening. In collaboration with Chengdu TD Tech Ltd., the Group co-developed a commercial server operating system distribution version for specific industries. Based on the openGauss Panshi Database, the Group developed a data dual-active platform and a Database Migration and Synchronization Platform (DSM). The Group joined and participated in the establishment of the Gauss Database Subcommittee (Gauss Database Alliance) under the China Software Industry Association. At the OpenTenBase Open Source Core Contribution Challenge of the Open Atom Open Source Foundation, the Group won second prize and joined the OpenTenBase Community Committee.

RECENT BUSINESS DEVELOPMENTS

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5. Emerging AI Industry Solution

During the reporting period, the Group integrated AI full-stack technology to conduct innovative exploration and implement benchmark projects in areas such as finance, energy, digital government, public utilities, transportation, industrial internet and intelligent manufacturing, and auditing.

5.1 Intelligent Finance

In the HarmonyOS domain, the Group launched a HarmonyOS native application development platform and won several large-scale HarmonyOS application development projects for state-owned banks, joint-stock banks, leading insurance institutions, and bank card organizations. In the data domain, the Group introduced data governance and data asset operation products, compatible with DWS and MRS lakehouse data platforms, providing independent and controllable solutions and integration services for data products. As the general integrator, the Group built an independent and controllable data middle platform for a central financial enterprise. In the cloud services domain, the Group implemented application system modernization and cloud-native core system reconstruction for several globally renowned insurance companies, trust companies, and fund management companies, and built cloud-native technology-based consumer credit data service platforms for multiple banks. A collaboration project with a financial regulatory institution was included in IDC's report, "IDC PeerScope: Insights into Cloud-Native Practices in the Financial Industry." Additionally, the Group won multi-million-dollar next-generation payment settlement projects for several leading global foreign banks, 30 next-generation bill system projects, and built a unified corporate credit platform, effectively enhancing the digital capabilities of credit approval. In IDC's latest "China Banking IT Solutions Market Share" report, the Group retained the top position in the transaction banking domain, ranked in the top three in payment and settlement, channel management, and risk management, and was a leader in digital business solutions, digital credit, and open banking. The Group also ranked fourth in IDC's latest "China Supply Chain Fintech Solutions Market Share" report, reflecting the product achievements of addressing the "last mile" of supply chain finance implementation with a "technology capability + operational services" approach.

24 RECENT BUSINESS DEVELOPMENTS

5.2 Intelligent Energy

The Group adheres to the “consulting-first” philosophy, tailoring digital power planning solutions, power safety operation solutions, and power digital planning services for power clients, and pioneering the pilot of distribution IoT solutions. During the reporting period, the Group, in collaboration with Huawei’s Power Corps, expanded into the power industry and invested in the “One Field and Three Centers” (a power big model training field, innovation center, demonstration center, and computing power center) project in Changping Energy Valley. This project provides developers with an application development environment and comprehensive support for application incubation and joint creation experiments; it also offers pre-research and POC computing power infrastructure and development platform support for power AI big models and scenario applications. The project showcases successful cases and research outcomes to clients, conducting experiential marketing. Additionally, the Group co-created a microgrid intelligent central hub value scenario for local substations. Expanding into the overseas power market, the Group undertook the digital transformation of the distribution network in Hong Kong, enhancing remote monitoring and management for clients through multi-scenario/all-data collection, secure and reliable return linkages, and rich, intelligent cloud-based apps.

5.3 Digital Government

During the reporting period, the Group adopted a “service + platform + ecosystem” full-chain digital service model in the government market, accurately addressing the core needs of government informatization projects as they shift from incremental management to controlled operation of existing resources. The Group deeply explored and enhanced the full lifecycle value of customers. By establishing an industry-specific product system that spans from the holistic management concept of “project management, data management” to supporting the incubation of AIGC scenario applications, the Group further served the scenario innovation and construction needs of existing clients. The Group identified AI golden scenarios such as government hotlines (12345), grassroots burden reduction, industrial investment promotion, traffic inquiry, and enterprise consulting, and promoted the deployment of corresponding “Ask” series intelligent applications, completing POC phase validations and typical cases in multiple cities. The Group explored and pioneered an innovative intelligent application model in the government market that combines data element management with big model applications. The Group also developed AIGC joint solutions centered on data value realization and new-generation IOC (Integrated Operations Center), accelerating nationwide product promotion and benchmark implementation.

RECENT BUSINESS DEVELOPMENTS

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5.4 Public Utilities

During the reporting period, the Group collaborated with the Shaanxi Provincial Fire and Rescue Corps to create the “Shaanxi Province Smart Firefighting Construction Project.” This project involved building a data middle platform, a technical standards system, firefighting application systems, fire prevention and control business systems, firefighting and rescue business systems, team management business systems, a unified operations and maintenance system. These efforts enabled dynamic perception, intelligent judgment, and precise prevention and control, transitioning firefighting work from a “traditional model” to a “digital model,” collectively safeguarding urban safety. Based on this foundation, the Group, in partnership with Huawei, developed the nation’s first “Fire Harmony” solution. This solution innovatively integrates big data mining and analysis technology, HarmonyOS-based intelligent IoT technology, digital twin technology, and AI large model capabilities, achieving dynamic perception, intelligent judgment, and precise prevention and control in the firefighting industry. This initiative aims to establish industry standards for firefighting and propel the digital transformation and leapfrog development of the firefighting sector.

During the reporting period, the Group developed the nation’s first water resources and services solution based on the innovative research and development of open-source HarmonyOS core technology. The solution, built on the KaihongOS operating system, integrates HarmonyOS IoT terminal hardware products and the Suiming Intelligent Sensing Platform software. It innovatively combines cutting-edge technologies such as “HarmonyAIoT + Kunpeng/Ascend computing power + digital twin applications,” achieving four major edge-closed-loop functions: efficient data collection, remote control, logical linkage, and AI empowerment for water resources and services entities. This solution was honored with the “2024 China Enterprise Digital Innovation Solution” award. The Group also reached a strategic cooperation agreement with the Northern Design Alliance, North China Municipal Engineering Design and Research Institute, and China North Municipal Engineering Design and Research Institute to jointly establish the Hexi Northern Open-Source Harmony City Pilot Area. The parties are collectively advancing the construction of the Northern Open-Source Harmony City and collaborating on the water resources open-source Harmony ecosystem. Together, they are creating more self-developed products and solutions in key industries such as smart water resources and urban intelligent connectivity, establishing an innovation center with a national demonstration effect that combines the characteristics of water resources and informatization.

26 RECENT BUSINESS DEVELOPMENTS

The Company collaborated with Shen Kaihong, Beikong Zhike Group, and Tuopu Company, jointly launched China's first open-source HarmonyOS-based intelligent product and solution for the gas industry, named "Ranhong." Ranhong OS serves as the technical foundation, integrating sensing devices, edge computing devices, the Ranhong DAIoT platform, industry applications, and necessary self-controlled environments to create a fully integrated and intelligent ecosystem solution for the gas industry that spans terminals, edges, and the cloud. For gas enterprises, this means that from the underlying flow meters, electric control valves, inspection robots, drones, to cameras, all devices operate under a unified system, effectively "speaking the same language." This eliminates the need for manual system integration, allowing devices to directly communicate via unified protocols, coordinate operations, share computing power, and unify data. This reduces the reliance on human intervention, enhances work efficiency, and accelerates the digital transformation of the gas industry.

5.5 Intelligent Transportation

During the reporting period, in the field of rail transit, the Group launched the HarmonyOS-enabled Smart Station overall solution. This solution, through the deep integration of HarmonyOS technology, aims to enhance the operational efficiency and passenger experience of urban rail transit, leading the industry towards high-quality and sustainable development. By linking all edge devices through HarmonyOS technology and utilizing the computational and analytical capabilities of large models, the solution efficiently addresses core issues such as traffic safety, emergency response, and passenger flow prediction. The HarmonyOS-enabled Smart Station introduced the HarmonyOS operating system, achieving a comprehensive upgrade and integration of metro station systems. The HarmonyOS-based AFC system, built on OpenHarmony, ensures autonomous control of station terminal equipment. Additionally, the Group has established joint laboratories with clients such as Guiyang Metro, focusing on smart and HarmonyOS-based solutions to jointly develop new business solutions. In collaboration with Shen Kaihong, Hebei Expressway and Huawei, and based on the Kaihong secure digital platform, the Group jointly launched the "Jihong" Joint Innovation Laboratory. This initiative focuses on the informatization, intelligence, and digitalization of expressways and released the "Cloud-Network Coordinated Toll Collection Solution," injecting new momentum into the transportation industry. Together with Shen Kaihong, Guangzhou Metro, Huawei, and China Unicom, the Group developed the "Jianhong" smart metro construction solution based on technologies such as KaihongOS, 5G, and AI. This solution achieves full access to metro construction equipment and comprehensive data collection, enhancing the safety, efficiency, and quality of metro construction operations.

RECENT BUSINESS DEVELOPMENTS

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5.6 Industrial Internet and Intelligent Manufacturing

During the reporting period, the Group empowered manufacturing enterprises through autonomous control of industrial software and intelligent application services. The Group focused on the core needs of clients in aluminum electrolysis, aluminum casting, and aluminum profile manufacturing industries, and launched four leading refined product solutions: Aluminum Plant Energy Management, Aluminum Casting MES, Aluminum Profile Processing MES, and Aluminum Storage Management System. These solutions have already been adopted by more than 10 large and medium-sized aluminum enterprises, including Zhongjin Lingnan, Shandong Weiqiao Aluminum, and Min Aluminum Lightweight. The Group also deepened its collaboration with steel industry specialists, Yanshi Technology and Kowloon Technology, to develop comprehensive intelligent solutions for core production activities such as stockyard management, ironmaking, steelmaking, and rolling. These solutions have been implemented by well-known steel enterprises such as Liuzhou Iron and Steel, Baowu, and Tianzhu Steel.

5.7 Intelligent Audit

During the reporting period, the Group continued to explore the application of new technologies such as large models, engaging in deep exchanges with dozens of central state-owned enterprises and industry-renowned companies. The Group's industry influence has been expanding, and it has incubated scenario tasks such as policy Q&A, policy comparison, document extraction and analysis, audit ask data, and issue characterization. The smart auditing projects for CNOOC and Shandong Energy have successfully launched in phases; CNOOC piloted the application of large model auditing, and the Group secured a new generation of auditing project support for China Postal Savings Bank through a single-source procurement method. In the field of social security supervision, the Group achieved the upgrade and application of social security fund supervision systems at the provincial nodes of Chongqing and Hubei, and the second phase of the Heilongjiang social security fund supervision system was successfully implemented. The Group also completed the planning of project construction schemes for Hebei, Hainan, and the Xinjiang Production and Construction Corps, and successfully implemented the social security fund supervision data service project in Changsha. The Group's intelligent audit solutions have successively passed Huawei's Kunpeng technical certification and Huawei's government-enterprise solution certification, and have officially been listed on Huawei Cloud's baseline solutions. The Group successfully won two significant projects from the Beijing Medical Insurance Bureau– the municipal-level medical insurance flight inspection project and the municipal-level medical insurance daily law enforcement project– marking the Group's increasingly critical role in constructing the medical insurance supervision system. The Group has been promoting the construction of data zones for medical insurance departments at all levels nationwide, achieving centralized data storage, secure sharing, and efficient utilization, providing a solid infrastructure guarantee for the intelligent and refined management of medical insurance supervision.

28 RECENT BUSINESS DEVELOPMENTS

6. Software and Technical Service

During the reporting period, the Group's "Stronghold" business continuously improved its systematic and AI-driven operational management levels, benchmarking against leading industry companies. The Group pushed the efficiency and quality of existing business areas to the extreme, ensuring sustained profit growth. Actively exploring code large model-assisted programming, the Group maximized submission cost and efficiency through large models to optimize business structure. Additionally, the Group continuously enhanced management maturity through integrated financial and quality management, laying a solid foundation for the development of its core business.

6.1 A Communications Equipment Manufacturer

During the reporting period, Chinasoft International actively responded to Huawei's R&D transformation requirements by participating in CodeArts model-assisted programming and testing pilots. The Group accumulated application experience in code generation, code interpretation, test script generation, and code review, effectively improving per capita productivity. By empowering HR recruitment with AI large models, the Group significantly optimized candidate screening efficiency through "intelligent talent search + intelligent recommendation." Additionally, the Group built an intelligent internal control management system for the client, enabling real-time monitoring, automatic alerts, and dynamic adjustments to ensure compliance and security in the client's business operations.

During the reporting period, the Group continued to deepen its cooperation with Huawei Consumer Business, fully supporting the release of Huawei's Pura70 series, Meta70 series, Nova12 series, Pocket2 series, MateBook14, and other all-scenario new products, helping Huawei regain its leading market share in China's smart terminal market. At the same time, the Group supported the release of HarmonyOS 4.2 and ensured the launch of the HarmonyOS NEXT Beta version. The Group supported the training and testing of Huawei's conversational large model and assisted in the comprehensive upgrade of Xiaoyi's multi-modal intelligent interactions. As one of the first certified partners for HUAWEI HiCar integrated development, the Group helped Huawei create intelligent connectivity solutions across people, cars, and homes. The Group fully supported the launch of Qian Kun Smart Driving ADS 3.0 and assisted in the release of the AITO M9 and M7 series models, helping Huawei upgrade its smart vehicle solutions and build its brand.

RECENT BUSINESS DEVELOPMENTS

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6.2 Terminal Manufacturing Sector

During the reporting period, the Group deepened its collaboration with Honor, supporting Honor in accelerating its expansion into overseas markets in the Asia-Pacific and Europe. The Group also assisted with the launch of the MagicOS 8.0 system and helped Honor build an AI-enabled full-scenario smart ecosystem and global dual-flagship smartphone strategy. The Group continued to deepen its collaboration with Xiaomi Group across multiple domains, including smartphones, wearable devices, televisions, internet services, information technology, and smart cars, fully supporting the implementation of Xiaomi's "Human-Car-Home" ecosystem strategy. The Group also strengthened its partnership with OPPO, successfully delivering several projects in base software and system testing, multimedia development, and application testing, while also reaching agreements in internet services, AI center development, and hardware testing. During the reporting period, the Group deepened its cooperation with leading household appliance manufacturers, developing and enhancing intelligent detection and analysis capabilities in product manufacturing and logistics delivery.

6.3 Energy and Power Sector

During the reporting period, the Group actively engaged in deep cooperation with central state-owned enterprises such as CNPC, Sinopec, CNOOC, and State Grid, and expanded its client base to include Sinochem, China Energy, and China Coal. The Group ranked first in comprehensive business share for CNPC's Kunlun Digital, with business coverage spanning exploration, refining, oil and gas, transportation, and sales, providing integrated services in IT and digital management consulting, design, R&D, delivery, operations, and training. For CNOOC, the Group provided construction and operation services for data centers, cloud computing platforms, and network communications infrastructure. The Group also provided State Grid with inspection systems, safety inspection systems, consulting, and middleware services, offering strong support for the client's smart production, smart transportation, and smart monitoring needs.

6.4 Financial Sector

During the reporting period, the Group's financial client base exceeded 500. The Group continued to increase its market share among large state-owned banks and joint-stock commercial banks, and expanded to over 10 new city commercial banks and more than 20 leading financial institutions in insurance, securities, funds, and wealth management. The Group also strengthened its deep cooperation with foreign financial institutions in China, providing specialized system construction services in big data, payment clearing, transaction banking, and regulatory compliance.

30 RECENT BUSINESS DEVELOPMENTS

6.5 Telecom Operator Services Sector

During the reporting period, the Group continued to deepen its relationships with the three major telecom operators in China: China Mobile, China Telecom, and China Unicom. The Group signed significant DICT projects with China Mobile Online, China Mobile Integration, and China Mobile Information. It also established deep cooperation with Tianyi Cloud and the China Telecom Research Institute, securing new projects such as Tianyi IoT R&D. The Group made breakthroughs with clients, signing new projects with both. In the main equipment manufacturers' cooperation domain, the Group maintained a leading market share among key clients such as Datang, FiberHome, TD Tech, Ruijie, and H3C. In the broader electronic equipment manufacturers' sector, the Group continued its cooperation with leading clients such as Huaqin, Wingtech, and Zowee.

6.6 Intelligent Automobile Sector

During the reporting period, the Group actively positioned itself in the digital and intelligent transformation of automakers, participating in the construction of IT product R&D systems for automotive clients. The Group established a service capability system covering intelligent cockpit system architecture design, intelligent cockpit development, HMI user experience design, intelligent driving data annotation, intelligent driving testing, and intelligent cockpit testing, achieving a transformation into a professional service provider in the automotive sector. During the reporting period, the Group made breakthroughs with Toyota, helping the automaker build an intelligent connected data platform and a digital system to achieve digital and intelligent transformation. The Group also established exemplary delivery service benchmarks with leading automakers such as Geely and BYD, creating a demonstrative effect. Additionally, the Group continued to cooperate with top manufacturers such as GAC Aion, Ruqi Mobility, Great Wall Motors, NIO, Dongfeng Motor, Li Auto, and Changan Automobile, assisting clients in continuously enhancing the consumer experience in intelligent driving.

6.7 BPO Business

During the reporting period, the Group's BPO (Business Process Outsourcing) business continued to maintain strong cooperative relationships with several clients, including Tencent, Meituan, Ant Group, JD.com, ByteDance, and KuGou. The Group supported the rapid implementation of various projects, such as ByteDance POI, Ant Group's advertising review, Meituan's ChatGPT, and ByteDance's e-commerce review.

MANAGEMENT DISCUSSION AND ANALYSIS

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KEY OPERATING DATA

In the first half of 2024, the Group's revenue, service revenue, profit for the period, profit attributable to owners of the Company, and basic EPS decreased by 6.2%, 7.8%, 18.6%, 18.6%, and 12.1% respectively.

	Six Months Ended 30 June		% Change
	2024 RMB'000	2023 RMB'000	
Revenue	7,926,183	8,450,060	(6.2%)
Service revenue	7,647,920	8,295,751	(7.8%)
Profit for the period	285,353	350,687	(18.6%)
Profit attributable to owners of the Company	285,720	351,028	(18.6%)
Basic EPS (RMB cents)	10.93	12.44	(12.1%)

The key operating figures (unaudited) for the six months ended 30 June 2024 are as follows:

	Six Months Ended 30 June		% Change
	2024 RMB'000	2023 RMB'000	
Revenue	7,926,183	8,450,060	(6.2%)
Service revenue	7,647,920	8,295,751	(7.8%)
Cost of sales and services	(6,094,783)	(6,448,925)	(5.5%)
Gross profit	1,831,400	2,001,135	(8.5%)
Other income	94,577	143,660	(34.2%)
Other gains or losses	104,890	(5,663)	(1,952.2%)
Selling and distribution costs	(425,950)	(420,993)	1.2%
Other expenses	(44,638)	(38,083)	17.2%
Administrative expenses	(1,113,278)	(1,210,380)	(8.0%)
Finance costs	(99,837)	(83,087)	20.2%
Impairment losses under expected credit loss model, net of reversal	(15,455)	(14,800)	4.4%
Share of results of investments accounted for using the equity method	(34,684)	(28,598)	21.3%
Loss from derecognition of financial assets measured at amortised cost	(1,191)	(818)	45.6%
Profit before taxation	295,834	342,373	(13.6%)
Income tax expense	(10,481)	8,314	(226.1%)
Profit for the period	285,353	350,687	(18.6%)

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GENERAL OVERVIEW

In the first half of 2024, the Group continued to maintain strategic focus, steadily advancing the “1+3” strategic business layout. With cloud intelligence as the foundation, The Group’s focus is on AIGC Model Factory and Agent applications, HarmonyOS and AloT smart IoT/digital twin applications, enterprise application services, and digital transformation consulting and implementation. During the reporting period, the Group achieved revenue of RMB7.926 billion and profit for the period of RMB0.285 billion.

During the reporting period, the Group focused on AI full-stack and full-scenario services, fully developing Model Factory services and deeply collaborating with leading clients in industries such as finance, power, energy, steel, and pharmaceuticals. The Group established the Chinasoft International AIGC Research Institute, centering on large models to empower data innovation applications, and upgraded the “Ask” series solutions– Ask Data, Ask Strategy, Ask Service, Ask Vision– forming joint solutions in various industries, including finance, transportation, manufacturing, healthcare, and education. Additionally, the Group’s Ascend AI computing power operation services cover fields like research institutions, intelligent manufacturing, smart cities, and healthcare, providing clients with one-stop services such as computing power resource leasing, model training, and application development, thereby enhancing their business efficiency and innovation capabilities. During the reporting period, the Group became an Ascend Partner for Application Software and Ecosystem Operations.

During the reporting period, the Group fully developed an independently controllable intelligent IoT foundation and integrated software and hardware solutions based on the 1+1 (KaihongOS + Super Device Management Platform) strategy, focusing on industries such as defense, energy, emergency firefighting, water conservancy, and transportation. The Group piloted the KaihongOS drone fleet coordination model in Zhaoqing, expanding into low-altitude fields. The domestic operating system KaihongOS was the first to achieve full-ecosystem connection with HarmonyOS Next, breaking through the most challenging key industries. At the 2024 HDC conference, products such as the “Kuafu” robot, Kaihong notebook, Kaihong mini PC, and Kaihong desktop collectively showcased the Group’s productization capabilities. The Group, adhering to the “Spearhead-Legion-Stronghold” organizational structure, comprehensively deployed core technologies, industry solutions, large-scale software development capabilities, and north-south ecosystem services in the HarmonyOS ecosystem, continuously expanding the “National Heavy Equipment, City New Sharp” market, further solidifying its leading position in the open-source HarmonyOS ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

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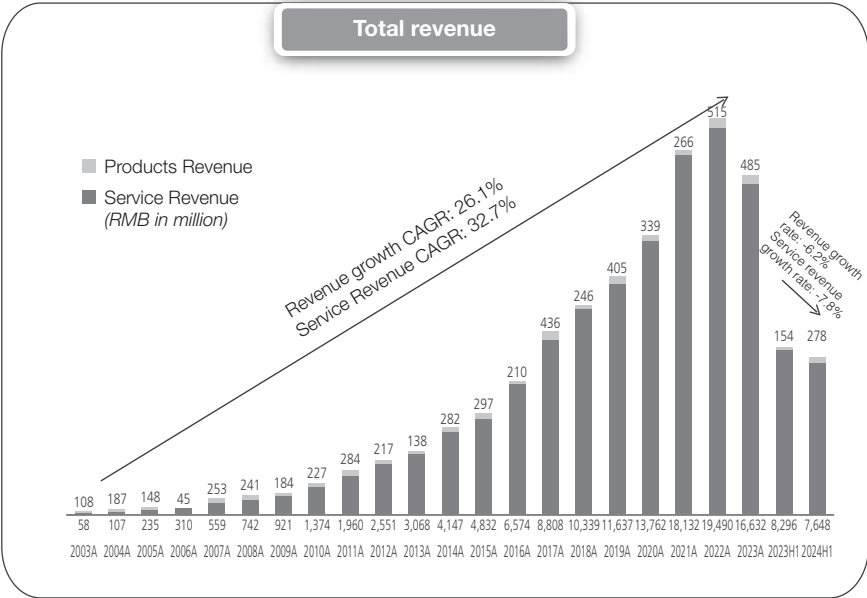
During the reporting period, the Group accelerated its layout in the pan ERP application service market for central state-owned enterprises. The Group actively explored and practiced the “Product + Implementation Services” ERP construction model, adhering to high-quality principles to build industry-leading solutions and actively expanding market share. The “Phoenix” consulting partner plan was steadily advanced, attracting world-class high-end consulting talent and teams to build Chinasoft International’s ERP implementation service methodology and create an ERP project management IT toolkit. The Group’s pan ERP consulting and implementation services continuously strengthened team and delivery capabilities, deeply engaging with leading central state-owned enterprise clients such as PetroChina, Sinochem, China Southern Power Grid, and Chongqing Changan. The service scope expanded to include general ERP solution delivery services based on the Huawei Cloud PaaS platform and the Group’s self-developed pan ERP technology foundation, building a core supply chain business platform and technology foundation to continuously enhance solution competitiveness through project replication and business deepening.

During the reporting period, in the cloud market, the Group has been in partnership with Huawei for seven years, consistently holding the position as Huawei Cloud’s top-ranked partner, continuously leading the Huawei Cloud ecosystem as Huawei Cloud’s top-ranked partner. The Group has evolved from a cloud general distributor and solution provider to a comprehensive partner across all Huawei Cloud domains, consecutively winning Huawei Cloud’s most prestigious award, the “Huawei Cloud Ecosystem Rock Award,” significantly contributing to Huawei Cloud’s capability building and sales growth. The Group focused on developing its capabilities as a Huawei advanced cloud digital transformation consulting and system integration partner, service partner, and software partner. By building an innovative full-stack cloud service capability with cloud as the foundation, the Group provides enterprises with cloud consulting, cloud integration, cloud migration, cloud development, and cloud operations and maintenance lifecycle cloud service products. The Group actively explores autonomous industry clients, integrating HSC, database products, and industry solutions to drive deep digital transformation. It integrates AI-related solutions and services into the cloud domain to facilitate local intelligent upgrades. Concurrently, the Group builds systematic cloud intelligence business expansion and delivery service capabilities in key regions such as Asia-Pacific, implementing multiple smart city and smart venue projects. The Group also actively participates in open-source database community contributions, collaborating with ecosystem partners to support the realization of independent and controllable key foundational software.

Looking ahead to the second half of the year, with cornerstone businesses stabilizing and recovering, innovative businesses have secured advantageous positions. The Group will continue to move forward with confidence, advancing in alignment with its business structure while simultaneously reinforcing the “Spearhead-Legion-Stronghold” organizational framework. The Spearhead teams will focus on incubating technological IP capabilities and forming AI research teams, the Legion organization will strengthen the co-creation and expansion of industry baseline solutions and the productization of services, while the Stronghold will demonstrate its advantages in rapid response and support, with professional capabilities transitioning to advanced AI fields. Collaborative efforts will continue to drive the Group towards its goal of becoming a globally leading technology-driven IT service company, capturing “one-tenth of the world’s market.

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Since the Group’s listing on the Growth Enterprise Market in 2003, the compound annual growth rate of revenue has reached 26.1%, while the compound annual growth rate of service revenue has reached 32.7%. In the first half of 2024, revenue decreased by 6.2% compared to the same period last year, and service revenue decreased by 7.8% compared to the same period last year. Please see the chart below for details:



Customer

The Group’s clients are located worldwide, including regions such as Asia-Pacific, North America, Europe, Middle East and Africa, in addition to Greater China. The Group has long-term relationships with many renowned domestic and international large enterprises and high-growth potential clients, such as Huawei, HSBC, Ping An, Bank of Communications, China Construction Bank, Honor, Tencent, Alibaba, Baidu, China Mobile, China Telecom, PetroChina, CNOOC, and State Grid. In the first half of 2024, service revenue from the top five clients accounted for 60.0% of the Group’s total service revenue, while service revenue from the top ten clients accounted for 68.8% of the Group’s total service revenue.

As of June 30, 2024, the Group had 187 major clients with service revenue exceeding RMB6 million in the past twelve months.

MANAGEMENT DISCUSSION AND ANALYSIS

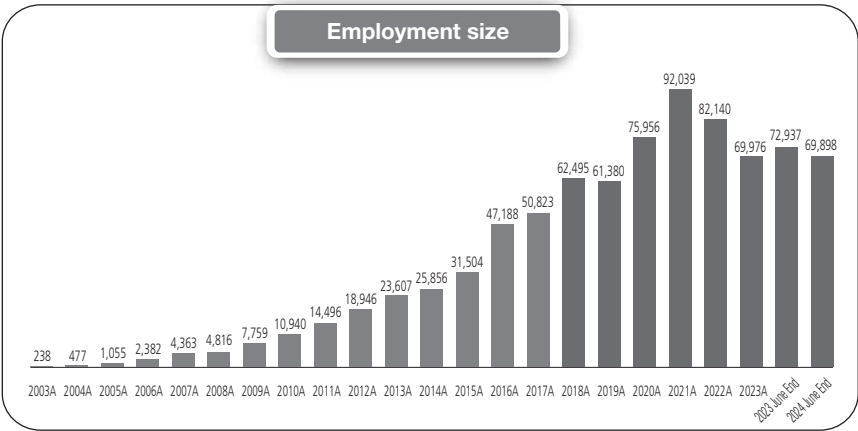
Market

During the reporting period, the Group's business was primarily concentrated in the Greater China region, where the vast market potential continues to provide growth opportunities for the Group. In the Chinese market, the Group holds a significant market share, particularly in major industries such as finance, energy, government, telecommunications, transportation, high-tech, and the Internet. Domestically, the Group primarily targets economically developed areas like the Greater Bay Area, Yangtze River Delta, and Beijing-Tianjin-Hebei region, as well as central and western hub regions, deeply engaging in cities like Shenzhen, Beijing, Xi'an, Guangzhou, Nanjing, and Shanghai. The Group actively leverages its "Spearhead-Legion-Stronghold" organizational advantages to comprehensively advance the implementation of "AI+" solutions across industries. In overseas markets, the Group has established R&D and delivery centers in multiple countries and regions, including Hong Kong, Thailand, Japan, Singapore, Saudi Arabia, and the UAE, successfully developing multiple successful cases in digital government, smart cities, and smart venues.

Human Resources

As of June 30, 2024, the total number of employees in the Group reached 69,898, compared to 72,937 as of June 30, 2023, representing a decrease of 4.2% year-over-year.

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



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Operating Results

The following is the Group's consolidated comprehensive income statement for the first half of 2023 and 2024 (unaudited):

	2024			2023		
	For the first half RMB'000	% of Revenue	% of Service Revenue	For the first half RMB'000	% of Revenue	% of Service Revenue
Revenue	7,926,183	N/A	N/A	8,450,060	N/A	N/A
Service revenue	7,647,920	N/A	N/A	8,295,751	N/A	N/A
Cost of sales and services	(6,094,783)	(76.9%)	(79.7%)	(6,448,925)	(76.3%)	(77.7%)
Gross profit	1,831,400	23.1%	23.9%	2,001,135	23.7%	24.1%
Other income	94,577	1.2%	1.2%	143,660	1.7%	1.7%
Other gains or losses	104,890	1.3%	1.4%	(5,663)	(0.1%)	(0.1%)
Selling and distribution costs	(425,950)	(5.4%)	(5.6%)	(420,993)	(5.0%)	(5.1%)
Other expenses	(44,638)	(0.6%)	(0.6%)	(38,083)	(0.5%)	(0.5%)
Administrative expenses	(1,113,278)	(14.0%)	(14.6%)	(1,210,380)	(14.3%)	(14.6%)
Finance costs	(99,837)	(1.3%)	(1.3%)	(83,087)	(1.0%)	(1.0%)
Impairment losses under expected credit loss model, net of reversal	(15,455)	(0.2%)	(0.2%)	(14,800)	(0.2%)	(0.2%)
Share of results of investments accounted for using the equity method	(34,684)	(0.4%)	(0.5%)	(28,598)	(0.3%)	(0.3%)
Loss from derecognition of financial assets measured at amortised cost	(1,191)	(0.0%)	(0.0%)	(818)	(0.0%)	(0.0%)
Profit before taxation	295,834	3.7%	3.9%	342,373	4.1%	4.1%
Income tax expense	(10,481)	(0.1%)	(0.1%)	8,314	0.1%	0.1%
Profit for the period	285,353	3.6%	3.7%	350,687	4.2%	4.2%
Profit attributable to Owners of the Company	285,720	3.6%	3.7%	351,028	4.2%	4.2%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

In the first half of 2024, the Group achieved revenue of RMB7,926.183 million (first half of 2023: RMB8,450.060 million), representing a decrease of 6.2% compared to the same period last year. In the first half of 2024, service revenue was RMB7,647.920 million (first half of 2023: RMB8,295.751 million), representing a decrease of 7.8% compared to the same period last year. The decline in revenue was mainly due to the impact of the contraction in business demand from core major clients last year.

TPG and IIG's revenue and proportion of total revenue for the first half of 2024 are as follow:

	Six months Ended 30 June 2024 RMB'000	% of Total	Six months Ended 30 June 2023 RMB'000	% of Total	Growth Rate
TPG	7,076,954	89.3%	7,631,522	90.3%	(7.3%)
IIG	849,229	10.7%	818,538	9.7%	3.7%
Total	7,926,183	100%	8,450,060	100%	(6.2%)

Cost of Sales and Services

In the first half of 2024, the Group's cost of sales and services was RMB6,094.783 million (first half of 2023: RMB6,448.925 million), representing a decrease of 5.5% compared to the same period last year. In the first half of 2024, the Group's cost of sales and services was accounted for 76.9% of revenue (first half of 2023: 76.3%), representing an increase of 0.6% compared to the same period last year.

Gross Profit

In the first half of 2024, the Group achieved a gross profit of RMB1,831.400 million (first half of 2023: RMB2,001.135 million), representing a decrease of 8.5% compared to the same period last year. The Group's gross profit margin in the first half of 2024 was 23.1% (first half of 2023: 23.7%), representing a decrease of 0.6% compared to the same period last year. In the first half of 2024, the Group's gross profit as a percentage of service revenue was 23.9% (first half of 2023: 24.1%), representing a decrease of 0.2% compared to the same period last year. The decline in gross profit margin during the reporting period was primarily due to price reductions by core major clients, which led to a decrease in the Group's profits. In the future, the Group will continue to enhance efficiency and quality through the integration of finance and quality in traditional business areas. Additionally, the Group will increase the proportion of high-margin service businesses, vigorously expand cloud services and cloud solutions, and accelerate the development of AIGC, AIoT and general ERP industries to improve service and product competitiveness and continuously enhance gross profit margin levels.

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Other Income

In the first half of 2024, other income was RMB94.577 million (first half of 2023: RMB143.660 million), representing a decrease of 34.2% compared to the same period last year. The decline was mainly due to a decrease in government subsidies compared to the same period last year and the termination of the VAT input tax additional deduction policy, leading to a reduction in other income during the reporting period.

Other Gains or Losses

In the first half of 2024, other gains were RMB104.890 million (first half of 2023: other losses were RMB5.663 million), primarily due to investment income from the Group's disposal of equity in some associate companies during the reporting period.

Operating Expenses

In the first half of 2024, selling and distribution costs were RMB425.950 million (first half of 2023: RMB420.993 million), representing an increase of 1.2% compared to the same period last year. In the first half of 2024, selling and distribution costs accounted for 5.4% of revenue (first half of 2023: 5.0%), representing an increase of 0.4% compared to the same period last year. During the reporting period, the company intensified its layout in innovative and overseas businesses.

In the first half of 2024, administrative expenses were RMB1,113.278 million (first half of 2023: RMB1,210.380 million), representing a decrease of 8.0% compared to the same period last year. In the first half of 2024, administrative expenses accounted for 14.0% of revenue (first half of 2023: 14.3%), representing a decrease of 0.3% compared to the same period last year. Excluding share-based payment expenses, the proportion of administrative expenses to revenue decreased by 1.2% compared to the same period last year. During the reporting period, the Group achieved a reduction in management expenses for functional and business departments by strengthening budget management.

Finance Costs and Income Tax

In the first half of 2024, finance costs were RMB99.837 million (first half of 2023: RMB83.087 million), representing an increase of 20.2% compared to the same period last year. Finance costs accounted for 1.3% of revenue, an increase of 0.3% from 1.0% in the same period last year. The increase in finance costs was primarily due to an increase in interest on overseas syndicated loans during the reporting period, while the Group also completed partial refinancing of high-cost syndicated loans in the first half of the year.

In the first half of 2024, losses from derecognition of financial assets measured at amortized cost were RMB1.191 million (first half of 2023: RMB0.818 million), representing an increase of 45.6% compared to the same period last year.

In the first half of 2024, income tax expense was RMB10.481 million (first half of 2023: income tax benefit of RMB8.314 million), primarily due to tax refund income generated from the final settlement and payment of income tax in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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Other Non-Cash Expenses

In the first half of 2024, other expenses were RMB44.638 million (first half of 2023: RMB38.083 million), representing an increase of 17.2% compared to the same period last year. Other expenses accounted for 0.6% of revenue, an increase of 0.1% from 0.5% in the same period last year.

In the first half of 2024, impairment losses under the expected credit loss model, net of reversal, were RMB15.455 million (first half of 2023: RMB14.800 million), representing an increase of 4.4% compared to the same period last year.

Working Capital, Financial and Capital Resource

In the first half of 2024, the Group had a total available cash balance (the sum of bank balances and cash, pledged bank deposits, and term deposits) of RMB3,937.782 million (End of 2023: RMB5,088.641 million).

In the first half of 2024, the Group's net current assets were RMB8,095.537 million (End of 2023: RMB9,983.119 million). The current ratio (the ratio of current assets to current liabilities) in the first half of 2024 was 3.0, compared to 4.4 in 2023, representing a decrease of 1.4.

In the first half of 2024, the Group's borrowings were RMB3,605.110 million (End of 2023: RMB3,016.817 million). The net gearing ratio is calculated based on the borrowings (borrowings and convertible bonds less available cash (the sum of bank balances and cash, pledged bank deposits, and term deposits)) divided by total equity. In the first half of 2024, the Group's available cash balance exceeded the sum of borrowings and convertible bonds, resulting in a negative net gearing ratio.

Profit for the Period and Earnings Per Share (EPS)

In the first half of 2024, the Group achieved a profit for the period of RMB285.353 million (first half of 2023: RMB350.687 million), representing a decrease of 18.6% compared to the same period last year. The profit for the period in the first half of 2024 accounted for 3.6% of revenue (first half of 2023: 4.2%), representing a decrease of 0.6% compared to the same period last year. The profit for the period in the first half of 2024 accounted for 3.7% of service revenue (first half of 2023: 4.2%), representing a decrease of 0.5% compared to the same period last year.

In the first half of 2024, the profit attributable to owners of the Group was RMB285.720 million (first half of 2023: RMB351.028 million), representing a decrease of 18.6% compared to the same period last year.

Based on the profit attributable to owners of the Group, the basic earnings per share in the first half of 2024 were calculated to be RMB10.93 cents (first half of 2023: RMB12.44 cents), representing a decrease of 12.1% compared to the same period last year.

40MANAGEMENT DISCUSSION AND ANALYSIS

Segment Revenue and Results

For the first half of 2024, the segment's growth of revenue and results are as follow:

	Revenue			Results		
	Six Months Ended	Six Months Ended		Six Months Ended	Six Months Ended	
	30 June 2024	30 June 2023	Growth Rate	30 June 2024	30 June 2023	Growth Rate
	RMB'000	RMB'000		RMB'000	RMB'000	
TPG	7,076,954	7,631,522	(7.3%)	295,865	379,364	(22.0%)
IIG	849,229	818,538	3.7%	60,017	66,515	(9.8%)
Total	7,926,183	8,450,060	(6.2%)	355,882	445,879	(20.2%)

In terms of segment revenue, TPG's revenue decreased by 7.3% year-on-year, the main reason is due to the contraction of business demand from core major clients last year. IIG's revenue increased by 3.7% year-on-year, primarily due to an increase in computing power business revenue during the reporting period.

In terms of segment performance, TPG's result decreased by 22.0% year-on-year, mainly due to price reductions by core major clients, which led to a decrease in the Group's profits. IIG's result decreased by 9.8% year-on-year, primarily due to increased R&D investment in new businesses such as AI Agent, "Ask" series models, and AIGC products and computing power operation products during the reporting period.

The year 2024 marks the Group's strategic push to fully embrace the AIGC transformation and is the inaugural year for Chinasoft International's consulting services, industry model training, and Model Factory. The Group is accelerating full-stack, full-scenario innovative practices within the "1+3" business domains, with its strategic layout becoming increasingly clear and its commercial reach gradually deepening. Leveraging the cloud intelligence foundation, the Group provides value clients with AIGC Model Factory and Agent applications, HarmonyOS and AIoT smart IoT/ digital twin applications, enterprise application services, and digital transformation consulting and implementation. The Group is comprehensively building in-depth industry-supply "AI+" solutions, continuously penetrating customers to capture more value share. As a result, the Group's business structure will continue to improve, and profit margins will gradually increase.

Fund Raising Activities

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2024	Expected time of utilisation (Note)
Approximately HK\$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$767 million were used for the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK\$21 million to be for the intended use	Before 31 December 2024
Approximately HK\$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$244 million were used for developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK\$544 million to be for the intended use	Before 31 December 2024
Approximately HK\$394 million	For general working capital of the Company	Approximately HK\$394 million were used for general working capital of the Company	–	–

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

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 2024 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
	Notes	2024 RMB'000	2023 RMB'000
Revenue	4	7,926,183	8,450,060
Cost of sales and services		(6,094,783)	(6,448,925)
Gross profit		1,831,400	2,001,135
Other income		94,577	143,660
Other gains or losses		104,890	(5,663)
Selling and distribution costs		(425,950)	(420,993)
Other expenses		(44,638)	(38,083)
Administrative expenses		(1,113,278)	(1,210,380)
Finance costs	5	(99,837)	(83,087)
Impairment losses under expected credit loss model, net of reversal		(15,455)	(14,800)
Share of results of investments accounted for using the equity method		(34,684)	(28,598)
Loss from derecognition of financial assets measured at amortised cost		(1,191)	(818)
Profit before taxation		295,834	342,373
Income tax expense	6	(10,481)	8,314
Profit for the period		285,353	350,687
Other comprehensive expense			
Exchange differences arising on transaction of foreign operations		(2,420)	(3,266)
Total comprehensive income for the period		282,933	347,421
Profit for the period attributable to:			
Owners of the Company		285,720	351,028
Non-controlling interests		(367)	(341)
		285,353	350,687
Total comprehensive income attributable to:			
Owners of the Company		283,300	347,762
Non-controlling interests		(367)	(341)
		282,933	347,421
Earnings per share	8		
– Basic (cents)		10.93	12.44
– Diluted (cents)		10.56	12.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) 43

		(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		1,214,378	1,150,858
Right-of-use assets		353,350	320,273
Intangible assets		342,270	336,136
Goodwill		843,654	843,654
Investments accounted for using the equity method		415,107	428,906
Financial assets at fair value		435,626	282,686
Derivative financial assets		284	28,988
Other receivables		9,409	6,562
Term deposits		1,394,000	704,000
Pledged bank deposits		–	17,970
Deferred tax assets		3,436	2,308
		5,011,514	4,122,341
Current assets			
Inventories		154,653	96,182
Trade and other receivables	9	7,094,588	6,091,897
Bills receivable		56,461	74,545
Contract assets		2,164,565	2,091,903
Financial assets at fair value		75,000	100,000
Derivative financial assets		–	11,325
Amount due from related companies		106,827	112,806
Term deposits		679,000	556,641
Pledged bank deposits		23,211	21,920
Bank balances and cash		1,841,571	3,788,110
		12,195,876	12,945,329
Current liabilities			
Trade and other payables	10	1,555,845	1,662,625
Bills payable		25,309	3,364
Lease liabilities		126,525	114,663
Contract liabilities		262,037	254,421
Amounts due to related companies		19,519	29,464
Dividend payable		81	81
Taxation payable		127,429	162,819
Borrowings	11	1,983,594	734,773
		4,100,339	2,962,210
Net current assets		8,095,537	9,983,119
Total assets less current liabilities		13,107,051	14,105,460

44 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
	Notes		
Non-current liabilities			
Deferred tax liabilities		10,159	10,667
Lease liabilities		71,720	41,021
Borrowings	11	1,621,516	2,282,044
Derivative financial liabilities		–	4,968
		<u>1,703,395</u>	<u>2,338,700</u>
		<u>11,403,656</u>	<u>11,766,760</u>
Capital and reserves			
Share capital	12	126,972	133,029
Share premium		4,712,015	5,474,719
Treasury shares		(1,004,093)	(1,114,363)
Reserves		<u>7,544,830</u>	<u>7,249,076</u>
Equity attributable to owners of the Company		<u>11,379,724</u>	<u>11,742,461</u>
Non-controlling interests		<u>23,932</u>	<u>24,299</u>
Total equity		<u>11,403,656</u>	<u>11,766,760</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) 45

	Attributable to the owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	comprehensive income reserve RMB'000	Fair value through other	Equity-settled share-based payment reserve RMB'000	General reserve fund RMB'000	Statutory surplus expansion fund RMB'000	Statutory surplus reserve fund RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	136,837	6,013,911	(538,555)	(122,789)	(13,834)		262,839	15,793	26,749	314,075	6,032,675	12,109,765	25,026	12,134,791
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive [expenses] income for the period	-	-	-	-	-	-	-	-	-	-	351,028	351,028	(341)	350,687
Total comprehensive income [expenses] for the period	-	-	-	-	-	-	-	-	-	-	-	(3,266)	-	(3,266)
Recognition of share-based payments expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchases of shares	(2,038)	(194,938)	197,036	-	-	-	34,331	-	-	-	-	34,331	-	34,331
Cancellation of repurchase of shares	-	(10,206)	74,017	-	-	-	(63,811)	-	-	-	-	(230,053)	-	(230,053)
Vesting of share awards	-	-	(659,656)	-	-	-	-	-	-	-	-	(659,656)	-	(659,656)
Purchase of shares under share award scheme	-	(138,336)	-	-	-	-	-	-	-	-	-	(138,336)	-	(138,336)
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2023	134,799	5,670,371	(1,157,261)	(122,789)	(13,834)		233,359	15,793	26,749	314,075	6,393,703	11,463,773	24,685	11,488,458
At 1 January 2024	133,029	5,474,719	(1,114,363)	(122,789)	(13,834)		268,500	15,793	26,749	355,695	6,743,079	11,742,461	24,399	11,766,760
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive [expenses] income for the period	-	-	-	-	-	-	-	-	-	-	285,720	285,720	(367)	285,353
Total comprehensive income [expenses] for the period	-	-	-	-	-	-	-	-	-	-	-	(2,420)	-	(2,420)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchases and cancellation of shares	(6,057)	(557,138)	-	-	-	-	107,861	-	-	-	-	107,861	-	107,861
Vesting of share awards	-	(14,863)	110,270	-	-	-	(95,407)	-	-	-	-	(553,215)	-	(553,215)
Dividends paid to ordinary shareholders	-	(190,683)	-	-	-	-	-	-	-	-	-	(190,683)	-	(190,683)
At 30 June 2024	126,972	4,712,015	(1,004,093)	(122,789)	(13,834)		280,954	15,793	26,749	355,695	7,028,799	11,379,724	23,932	11,403,656

46 CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net cash used in operating activities	(686,433)	(731,184)
Net cash used in investing activities	(910,800)	(721,980)
Net cash generated from financial activities	<u>(332,717)</u>	<u>812,612</u>
Net decrease in cash and cash equivalents	(1,929,950)	(640,552)
Effect of foreign exchange rate changes	(16,589)	77,986
Cash and cash equivalents at the beginning of the period	<u>3,788,110</u>	<u>5,005,226</u>
Cash and cash equivalents at the end of the period	<u><u>1,841,571</u></u>	<u><u>4,442,660</u></u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS 47

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 20 June 2003. On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange.

The 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. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 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”).

3. 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 2023, except for the adoption of new standards and interpretations effective as at 1 January 2024.

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 16	Lease Liability in Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

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

48 NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

		For the six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Nature of goods and services			
Provision of services			
Project-based development services		1,125,174	1,049,550
Outsourcing services		6,418,172	7,149,360
Others		104,574	96,841
		7,647,920	8,295,751
Sales of software and hardware products		278,263	154,309
		7,926,183	8,450,060

		For the six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Timing of revenue recognition			
Over time		7,647,920	8,295,751
At a point in time		278,263	154,309
		7,926,183	8,450,060

Revenue represents the net amounts received and receivable for goods sold and services rendered during the period.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, 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.

Information regarding the above segments is reported as below:

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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 results	
	Segment revenue		Segment revenue	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Technical Professional Services Group (TPG)	7,076,954	7,631,522	295,865	379,364
Internet IT Services Group (IIG)	849,229	818,538	60,017	66,515
	<u>7,926,183</u>	<u>8,450,060</u>	<u>355,882</u>	<u>445,879</u>

During the six months ended 30 June 2024, the segment revenue is reported after eliminating inter-segment services revenue of RMB99,360,000 (2023: RMB324,569,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Segment results	355,882	445,879
Unallocated other income, gains and losses unallocated	(4,071)	9,324
Unallocated interest on borrowings	(71,470)	(54,840)
Corporate expenses	(17,422)	(22,861)
Share-based payment expenses	(107,861)	(34,331)
Unallocated share of result of investments accounted for using the equity method	(989)	(798)
Loss on deemed disposal of investments accounted for using the equity method	141,765	—
Profit before taxation	<u>295,834</u>	<u>342,373</u>

Segment revenue by products and services:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sales of software and hardware products	278,263	154,309
Technical Professional Services Group (TPG)	6,970,146	7,579,754
Internet IT Services Group (IIG)	677,774	715,997
	<u>7,647,920</u>	<u>8,295,751</u>
	<u>7,926,183</u>	<u>8,450,060</u>

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on borrowings	96,377	77,399
Interest of lease liabilities	3,460	5,688
	<u>99,837</u>	<u>83,087</u>

6. TAXATION

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	8,281	(12,253)
Others	2,200	3,939
	<u>10,481</u>	<u>(8,314)</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.



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7. DIVIDEND

During the six months ended 30 June 2024, a final dividend of HK\$0.0811 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2023 (2022: HK\$0.0567) was declared to the owners of the Company and paid on 26 June 2024. The aggregate amount of the final dividend declared during the six months ended 30 June 2024 amounted to HK\$209,703,225 (2023: HK\$153,445,586).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2024 (2023: Nil).

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings for the purposes of calculating basic earnings per share and diluted earnings per share	285,720	351,028
	Number of shares	
	2024	2023
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,614,104,739	2,821,509,612
Effect of dilutive potential ordinary shares:		
Share options	–	26,521
Share award scheme	92,010,310	84,173,265
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,706,115,049	2,905,709,398

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

The computation of diluted earnings per share for the period ended 30 June 2024 does not assume the exercise of all of the Company's share options granted since the exercise prices of all these share options were higher than the average market price of shares of the Company.

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9. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade receivables, net of allowance	6,282,802	5,304,724
Advances to suppliers	470,938	555,238
Deposits, prepayments and other receivables, net of allowance	350,257	238,497
	<u>7,103,997</u>	<u>6,098,459</u>
Analysed for reporting purposes as:		
Non-current assets	9,409	6,562
Current assets	<u>7,094,588</u>	<u>6,091,897</u>
	<u>7,103,997</u>	<u>6,098,459</u>

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

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

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Within 90 days	4,162,887	4,019,768
Between 91 – 180 days	848,476	573,831
Between 181 – 365 days	887,555	425,885
Between 1 – 2 years	<u>383,884</u>	<u>285,240</u>
	<u>6,282,802</u>	<u>5,304,724</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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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10. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade payables	632,828	641,287
Other payables	923,017	1,021,338
	<u>1,555,845</u>	<u>1,662,625</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 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Within 90 days	237,516	258,236
Between 91-180 days	64,567	26,922
Between 181-365 days	76,527	145,905
Between 1-2 years	152,033	99,749
Over 2 years	102,185	110,475
	<u>632,828</u>	<u>641,287</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 2024 was approximately equal to the corresponding carrying amount.

54 NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

11. BORROWINGS

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Unsecured bank loans (<i>Note (i)</i>)	3,605,110	2,972,667
Secured bank loans (<i>Note (iii)</i>)	–	44,150
	<u>3,605,110</u>	<u>3,016,817</u>
	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Carrying amount repayable:		
Within one year	1,983,594	734,773
Within a period of more than one year but not more than two years	1,222,516	2,282,044
Within a period of more than two years but not more than five years	399,000	–
	<u>3,605,110</u>	<u>3,016,817</u>
Less: Amounts due within one year shown under current liabilities	(1,983,594)	(734,773)
Amounts shown under non-current liabilities	<u>1,621,516</u>	<u>2,282,044</u>
	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility (<i>Note (i) and (ii)</i>)	1,222,915	2,692,396
At floating interest rates – others (<i>Note (i) and (iv)</i>)	–	180,193
At fixed interest rates – others (<i>Note (i) and (v)</i>)	2,382,195	100,078
At fixed interest rates – secured bank loans (<i>Note (iii)</i>)	–	44,150
	<u>3,605,110</u>	<u>3,016,817</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS 55

11. BORROWINGS (CONTINUED)

Notes:

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) During 2022 and 2023, the Company raised loans of HK\$3 billion in two tranches from its loan facility with a group of financial institutions. The loans represent commitments under the facility agreement and 100%, the Group made early repayment of HK\$1.65 billion in February 2024, and the remaining HK\$1.35 billion are repayable upon maturity in December 2025. The contracted interest rate is the applicable Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company. The Group has complied with the relevants during the reporting period.
- (iii) Bill receivables with a net carrying value of RMB nil (2023: RMB44,150,000) are pledged to secure certain bank loans granted to the Group.
- (iv) 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 2024 is 2.12% (2023: 2.19%) per annum.
- (v) Interests on fixed interest rates borrowings are charged at interest rates ranged from 2.30% to 2.60% (2023: 2.55%) per annum.

56 NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:

		Number of shares	Nominal amount HK\$
Authorised			
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024		4,000,000,000	200,000,000
	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2023	3,027,011,358	151,350,569	136,837
Cancellation of repurchased shares	(45,102,000)	(2,255,100)	(2,038)
At 30 June 2023	2,981,909,358	149,095,469	134,799
At 31 December 2023 and 1 January 2024	2,943,299,358	147,164,969	133,029
Cancellation of repurchased shares	(133,546,000)	(6,677,300)	(6,057)
At 30 June 2024	2,809,753,358	140,487,669	126,972

13. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	5,692	1,296
– construction of property, plant and equipment	486,965	540,795
	492,657	542,091

In addition, as at 30 June 2024, the Group is committed to contributions of further capital amounting to RMB246,708,000 (2023: RMB276,408,000) under the relevant agreements for its investments in entities accounted for using equity method and using fair value.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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14. RELATED PARTY TRANSACTIONS

During the relevant periods in 2023 and 2024, the Group had the following transactions with the following related parties:

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Provision of IT outsourcing services by the Group	4,604	1,273
Provision of IT solution services by the Group	2,388	2,555
Provision of other services by the Group	1,801	1,811

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.

15. EMPLOYEE AND OTHER INFORMATION

The total employee benefits expenses of the Group amounted to approximately RMB6,526,599,000 including the directors' emoluments of approximately RMB22,389,000 during the six months ended 30 June 2024 (2023: approximately RMB7,199,889,000, including the directors' emoluments of approximately RMB11,995,000).

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2024 of the Group amounted to approximately RMB44,638,000 (2023: RMB38,083,000) and approximately RMB130,436,000 (2023: RMB198,267,000), respectively.

58 OTHER INFORMATION

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of shareholders, customers, service vendors, employees and other stakeholders. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2024 to 30 June 2024, except for the following deviations as explained:

Code Provision C.1.6

Under Code provision C.1.6, independent non-executive directors and other non-executive directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business commitment, two independent non-executive Directors and two non-executive Directors were unable to attend the annual general meeting of the Company held on 20 May 2024 in Hong Kong (the “2023 AGM”).

Code Provision C.2.1

Under Code provision C.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the period ended 30 June 2024.

OTHER INFORMATION

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2024, 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 2024
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	315,488,861 (Note 1) 24,649,283 (Note 2)	–	340,138,144	12.11%
He Ning	Beneficial owner and beneficiary of trust	6,000,000 (Note 3)	–	6,000,000	0.21%
Tang Zhenming	Beneficial owner and beneficiary of trust	24,891,765 (Note 4)	–	24,891,765	0.89%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 (Note 5)	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 (Note 5)	1,000,000	0.04%
Lai Guanrong	Beneficial owner	–	800,000 (Note 5)	800,000	0.03%
Mo Lailan	Beneficial owner	–	800,000 (Note 5)	800,000	0.03%
Yeung Tak Bun	Beneficiary of trust	1,000,000 (Note 6)	–	1,000,000	0.04%

60 OTHER INFORMATION

Notes:

- (1) On 1 June 2020, there were 16,600,000 awarded shares granted to Dr. Chen Yuhong and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested and transferred to Dr. Chen during May 2021, 5,500,000 awarded shares were vested during June 2022 and transferred to Dr.Chen during July 2022, 1,650,000 awarded shares were vested during June 2023 and transferred to Dr. Chen during August 2023. During the reporting period, 2,200,000 awarded shares were vested during April 2024 and transferred to Dr. Chen during May 2024. In addition, on 30 August 2023, there were 9,996,000 awarded shares granted to Dr. Chen Yuhong and held by the same trustee, of which no awarded shares were vested and transferred to Dr. Chen during the reporting period. The remaining awarded shares will be vested by period based on future performance.
- (2) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the “Kunlun”) and Dan Capital Management Limited (the “Dan Capital”) on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 3A – Director/Chief Executive Notice – Interests in Shares of Listed Corporation dated 16 June 2022 for further details of the shareholding structure.
- (3) On 30 August 2023, there are 5,000,000 awarded shares granted to Dr. He Ning and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which no awarded shares were vested and transferred to Dr. He during the reporting period.
- (4) On 1 June 2020, there were 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested and transferred to Dr. Tang during May 2021, 1,440,000 awarded shares were vested during June 2022 and transferred to Dr. Tang during July 2022, 432,000 awarded shares were vested during June 2023 and transferred to Dr. Tang during August 2023. During the reporting period, 1,008,000 awarded shares were vested during April 2024 and transferred to Dr. Tang during May 2024. In addition, on 30 August 2023, there were 5,000,000 awarded shares granted to Dr. Tang Zhenming and held by the same trustee, of which no awarded shares were vested and transferred to Dr. Tang during the reporting period. The remaining awarded shares will be vested by period based on future performance.
- (5) The interests in underlying shares of the Company represent interests in options granted to the directors.
- (6) On 30 August 2023, there are 1,000,000 awarded shares granted to Mr. Yeung Tak Bun J.P. and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which no awarded shares were vested and transferred to Mr. Yeung during the reporting period.

OTHER INFORMATION

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2024	No. of share options granted during the period	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2024	Percentage of total issued ordinary share of the Company as at 30 June 2024	Total No. of underlying ordinary shares interested as at 30 June 2024	Percentage of total issued ordinary share of the Company as at 30 June 2024	Note
Zhang Yaqin	5.65	1,000,000	-	-	1,000,000	0.04%	1,000,000	0.04%	(i)
Gao Liangyu	5.65	1,000,000	-	-	1,000,000	0.04%	1,000,000	0.04%	(i)
Lai Guanrong	5.65	800,000	-	-	800,000	0.03%	800,000	0.03%	(i)
Mo Lailan	5.65	800,000	-	-	800,000	0.03%	800,000	0.03%	(i)

Note:

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

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

Save as disclosed above and so far as was known to the Directors, as at 30 June 2024, 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.

62 OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the “2013 Share Option Scheme”) was adopted by the Company for a period of 10 years pursuant to a written resolution of all the shareholders of the Company on 20 May 2013. The 2013 Share Option Scheme was expired on 20 May 2023 and no further share options would be granted or accepted but in all other respects the provisions of the 2013 Share Option Scheme remained in full force and share options which were granted and accepted during the life of the 2013 Share Option Scheme may continue to be valid and exercisable in accordance with their terms of issue.

Since 2013 Share Option Scheme was expired on 20 May 2023, the maximum number of shares which were issuable upon exercise of all options granted at any time under the 2013 Share Option Scheme and the Scheme Mandate Limit was 37,300,000 shares, representing approximately 1.33% of the total issued ordinary share of the Company as at 30 June 2024.

As at 30 June 2024, pursuant to the 2013 Share Option Scheme, the share options to subscribe for an aggregate of 37,300,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding, representing 1.33% of the total issued ordinary share capital of the Company as at 30 June 2024. The terms on the exercise of such share options granted as set out in note in the section headed “Directors’ Interests in Shares” above.

During the reporting period, no share options were granted, exercised and lapsed under the 2013 Share Option Scheme.

OTHER INFORMATION

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SHARE AWARD SCHEME

The share award scheme (the “Share Award Scheme”) was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain selected employees (including directors) and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. There is no scheme mandate or service provider sublimit applicable to the Share Award Scheme. As the grant of Awarded Shares to Directors also forms part of their remuneration packages under their respective service contracts with the Company, it is therefore exempt from the reporting, announcement and independent Shareholders’ approval requirements under Rule 14A.73(6) and Rule 14A.95 of the Listing Rules. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018.

On 1 June 2020, the Company had granted a total of 152,000,000 awards to certain Directors and employees of the Company pursuant to the Share Award Scheme, of which 23,800,000 awards were granted to the Directors of the Company. The 152,000,000 awards represented the value of approximately HK\$604,960,000 with the closing price of HK\$3.98 per share on the date of grant. As at 30 June 2024, 56,940,000 awarded shares granted on 1 June 2020 were unvested, representing 2.03% of the issued share capital of the Company as at 30 June 2024.

On 30 August 2023, the Company had granted a total of 145,460,000 awards to certain Directors and employees of the Company pursuant to the Share Award Scheme, of which 20,996,000 awards were granted to the Directors of the Company. The 145,460,000 awards represented the value of approximately HK\$740,391,400 with the closing price of HK\$5.09 per share on the date of grant. As at 30 June 2024, 145,460,000 granted on 30 August 2023 were unvested, representing 5.18% of the issued share capital of the Company as at 30 June 2024.

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Details of share awards granted under the Share Award Scheme during the period ended 30 June 2024 are as follows:

Name or Category of Grantees	Date of Grant	Unvested Awards Outstanding as at 1 January 2024	Vesting Period	Awards Granted During the Period	Awards Vested During the Period	Purchase Price	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Period)	Awards Cancelled During the Period	Awards Lapsed During the Period	Unvested Awards Outstanding as at 30 June 2024
Chen Yuhong (Executive Director)	1/6/2020	3,850,000	1/6/2020-31/5/2025	-	(2,200,000)	Nil	HK\$4.7972	-	-	1,650,000
Tang Zhenming (Executive Director)	1/6/2020	3,888,000	1/6/2020-31/5/2027	-	(1,008,000)	Nil	HK\$4.7972	-	-	2,880,000
Five highest paid employees (excluding director)	1/6/2020	12,376,000	1/6/2020-31/5/2027	-	(4,962,000)	Nil	HK\$4.7972	-	-	7,414,000
Other Employees	1/6/2020	62,857,000	1/6/2020-31/5/2027	-	(17,861,000)*	Nil	HK\$4.7972	-	-	44,996,000
Total		82,971,000		-	(26,031,000)			-	-	56,940,000
Chen Yuhong (Executive Director)	30/8/2023	9,996,000	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	9,996,000
He Ning (Executive Director)	30/8/2023	5,000,000	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	5,000,000
Tang Zhenming (Executive Director)	30/8/2023	5,000,000	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	5,000,000
Yeung Tak Bun (Independent Non-Executive Director)	30/8/2023	1,000,000	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	1,000,000
Five highest paid employees (excluding director)	30/8/2023	-	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	-
Other Employees	30/8/2023	124,464,000	30/8/2023-29/8/2030	-	-	Nil	N/A	-	-	124,464,000
Total		145,460,000		-	-			-	-	145,460,000

* 4,146,414 awarded shares vested during the period were transferred to the selected employee after the period end.

OTHER INFORMATION

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Each of the awards represents a conditional right to receive one awarded share subject to certain terms and conditions of the grant of such awards. The awarded shares will be settled by way of existing issued shares of the Company held by the independent trustee of the Share Award Scheme of the Company. During the period ended 30 June 2024, no shares of the Company (2023 same period: 143,184,000 shares) were required from open market by the independent trustee of the Company. As at 30 June 2024, 241,432,414 shares (2023 same period: 282,638,000 shares) of the Company were held by the independent trustee of the Company, representing 8.60% (2023 same period: 9.48%) of the total issued ordinary share capital of the Company as at 30 June 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2024 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2024 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 2024, 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 six months ended 30 June 2024.

66 OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2024, the following persons (not being a Director or chief executive of the Company) had interests 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
			% of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	340,138,144	12.11%
Bank of Communications Trustee Limited (Note 2)	Trustee	251,368,914	8.95%
UBS Group AG (Note 3)	Interest of controlled corporations	210,473,282	7.49%

Notes:

- (1) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the “Kunlun”) and Dan Capital Management Limited (the “Dan Capital”) on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 underlying shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 2 - Corporate Substantial Shareholder Notice dated 16 June 2022 for further details of the shareholding structure.
- (2) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and 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.
- (3) UBS Group AG is deemed to be interested in the long positions of 210,473,282 shares in the Company held by its wholly owned subsidiaries. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 3 June 2024 for further details of the shareholding structure.

Save as disclosed above, as at 30 June 2024, 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.



OTHER INFORMATION

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COMPETING INTERESTS

As at 30 June 2024, 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 (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.

During the six months ended 30 June 2024, the Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Dr. Lai Guangrong and Mr. Yeung Tak Bun J.P. as the members of the Audit Committee.

The Audit Committee has reviewed the Group’s interim result for the six months ended 30 June 2024 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 2024 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.

68 OTHER INFORMATION

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

During the six months ended 30 June 2024, the Company repurchased 133,546,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before 30 June 2024. The total amount paid for the repurchased shares of HK\$619,691,220 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
January 2024	36,274,000	5.40	4.81	184,708,900
April 2024	63,460,000	4.90	4.40	293,837,560
May 2024	21,000,000	4.67	4.00	89,377,800
June 2024	12,812,000	4.16	3.98	51,766,960
	<u>133,546,000</u>			<u>619,691,220</u>

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

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2024.

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 2024.

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

15 August 2024, Hong Kong