ANNUAL REPORT 2024

中軟國際

Chinasoft International Limited

中軟國際有限公司*

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

* for identification purpose only

Contents

Corporate Information

THE BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Zhang Yaqin
Mr. Gao Liangyu

Independent non-executive Directors

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Leong Leung Chai Florence

AUTHORISED REPRESENTATIVES

Dr. Chen Yuhong
Ms. Leong Leung Chai Florence

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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HSBC Bank (China) Company Limited
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Dear Investors,

Marked by the rise of DeepSeek, the value of the AI industry is shifting from hardware infrastructure to software applications. Breakthroughs in technology, architectural innovations, and the open-sourcing of models have further lowered the barriers for enterprises to adopt AI technologies. With the growing need for high performance and low-compute power applications, AI inference capabilities have significantly improved, accelerating the proliferation of AI-native applications – and thus ushering in a new era of full-scale enterprise AI transformation.

Chinasoft has seized this strategic opportunity and continued to invest deeply in AI. Our business layout spans the entire AI technology stack – from computing infrastructure construction and operations, data governance, model training, inference deployment, and edge intelligence to cloud intelligence and AI-native next-generation ERP and industry applications. We offer integrated services across hardware, algorithms, platforms, and solutions, building comprehensive full-stack AI capabilities. We have become a leader in the AI era, a pioneer of AI technology, and an enabler of the transition from "seeing" to "doing." Through our full-stack AI capabilities, we empower clients to fully implement and apply AI, driving business transformation. During the reporting period, we increased strategic investment, secured a leading edge in full-stack AI, stabilized our core IT services business, and achieved real growth in adjusted profit. The Group recorded revenue of RMB16.95 billion and adjusted profit of RMB0.65 billion, with an R&D investment of RMB0.91 billion into products and solutions.

I. STRENGTHENING THE CLOUD INTELLIGENCE FOUNDATION TO SUPPORT AI COMPUTING POWER AND MODEL ACCESS

Over the past seven years as a strategic "Sailing on the Same Boat with Huawei Cloud" partner, the Group has kept pace with Huawei Cloud's growth trajectory, with its cloud intelligence business consistently leading the Huawei Cloud ecosystem in scale and ranking first in performance and project volume. The Group's cloud integration achievements and project delivery volume both rank No.1 within the Huawei ecosystem, with the CTSP (Cloud Transformation Service Provider) partner share also taking the lead. By leveraging direct sales, distribution, and sustained operations in Huawei Cloud, the Group has extended its reach to a broad base of potential high-value DeepSeek customers, enabling full-spectrum integration with AI-related products and services, while continuously incubating new growth drivers. The Group has provided over 300 clients with core services such as Ascend (昇騰) compatibility and cloud migration planning and implementation, successfully delivering more than 200 CTSP projects across multiple industries. In collaboration with Gui'an Development Group, and centered on Ascend computing power, the Group jointly established Chinasoft YunZhi Technology Co., Ltd. in Guian New District, focusing on smart governance and enterprise digital transformation, and driving industry-wide adoption of intelligent computing capabilities.

The Group has upgraded its Model Factory to version 2.0, offering end-to-end lifecycle services from data governance and model training to deployment and validation. This initiative has already supported AI pilot projects in collaboration with leading clients in the energy, steel, and pharmaceutical industries. With a robust computing infrastructure and management system, the Group provides one-stop services such as computing power rental, model training, and application development.

Based on Ascend Cloud, in partnership with Huawei and the Beijing Changping Future Science City, the Group co-invested in the Digital Power Innovation Center. The Center integrates DeepSeek models and leverages the Group's comprehensive AI service capabilities to deliver AI computing services, AI engineering deployment, AI scenario consulting, and intelligent agent services. It is equipped with three innovative lab environments – AILab, Corporate Enterprise Core Operation System Lab, and IDSLab – to accelerate the transformation and application of frontier technologies, and to continuously build an open and collaborative AI ecosystem.

II. ACCELERATING AI TECHNOLOGY AND PRODUCT INNOVATION TO POWER AI-NATIVE APPLICATIONS

The Group launched its Agentic AI platform suite – Lumi and Lumi ONE – as well as the integrated training and inference platform ARK Foundry, built on DeepSeek R1. These platforms feature advanced model fine-tuning capabilities and efficient inference services, enabling enterprises to create customized large model solutions tailored to their specific needs. This significantly shortens the time from AI concept to implementation, making the development of complex intelligent agents and large model applications faster and easier than ever before.

Embracing Huawei Cloud's AI-native application engine, the Group leverages Ascend AI computing power and Huawei Cloud's KAITIAN aPaaS platform to provide the foundational infrastructure for agent development, training, and deployment – supporting rapid iteration and scenario-based implementation of industry models. The Group's JointPilot Platform, jointly developed with Huawei Cloud, delivers product-level large model solutions for various industries. This collaboration establishes an end-to-end full-stack technical partnership that spans from AI computing infrastructure, foundational models, and AI-native application engines to industry-specific applications. It also integrates AI agent capabilities into SME digital transformation services, helping small and medium-sized enterprises achieve intelligent upgrades.

The Group is committed to industry-specific data accumulation, scenario-driven algorithm iteration, and domain model distillation. Its self-developed "Wen Series" Agent products have been deeply integrated with leading clients across industries such as government, finance, energy, power, steel, and pharmaceuticals – achieving innovative use cases in intelligent Q&A, document generation, auditing, and CV-based monitoring. In 2024, the Group rolled out its AI Data Analyst Agent, built on the AI-native application engine, integrating planning and reasoning, advanced analytics, and data security – improving data analysis efficiency and supporting enterprise management and decision-making. The Government AI Agent leverages a "unified ledger-style" digital resource management platform to dynamically mine the value of government data and support intelligent decision-making in scenarios such as policy execution and urban monitoring. The Financial Simulation Agent empowers financial institutions to significantly reduce operational costs and effectively control risks while maintaining high compliance standards.

III. FOCUSING ON CORE ERP SCENARIOS TO LEAD IN AI-DRIVEN DIGITAL TRANSFORMATION SERVICES

The Group is strategically focused on high-value areas such as ERP and digital transformation services. In alignment with domestic ERP localization and "Xinchuang" (IT innovation) requirements, the Group deeply engages with central and state-owned enterprise (SOE) leaders in industries such as energy and manufacturing, participating in management transformation and process reengineering. These efforts drive the reconstruction of next-generation AI-native ERP applications, enabling smooth and autonomous localization replacements, and supporting clients in achieving full-scale AI adoption and intelligent upgrades.

The Group has significantly increased its R&D investment and launched industry-specific editions of enterprise core operating systems. By developing industry solution plug-ins, blueprint libraries, and template libraries – and integrating AI and big data technologies – the Group offers intelligent analytics and decision-making support, enabling process automation and full compatibility with domestic hardware and software environments. This empowers enterprises to operate efficiently and accelerate digital transformation.

By introducing generative AI technologies, the Group has established the Agentic CDM Delivery Methodology, covering the full project lifecycle. It has also invested in setting up joint laboratories to accelerate R&D commercialization and provide end-to-end support – from technical validation to real-world deployment – fostering technological innovation in enterprise core systems. Through deep cooperation with state-owned digital technology companies, the Group became the first partner to provide consulting and implementation services for enterprise core operating systems.

IV. FULLY ADVANCING HARMONYOS ENABLEMENT TO BUILD AN AI-POWERED DEVICE-EDGE-CLOUD COLLABORATIVE PLATFORM

Under the "(1+1)×N" strategy (KaihongOS + Super Device Management Platform), the Group integrates HarmonyOS, Ascend computing power, and AI Agents to build an intelligent IoT foundation that enables coordination across device, edge, and cloud. It supports trusted and localized applications in key domestic scenarios such as water and agriculture, firefighting, transportation, and defense, creating a self-developed, software-hardware integrated platform that delivers fully localized solutions. The Group has developed more than 50 general-purpose AI algorithms and jointly released six industry-specific intelligent terminal products with ecosystem partners. By extending Agent capabilities to device and edge environments, the Group enables unmanned or low-human-intervention real-time monitoring in urban, transportation, river, reservoir, dam, and emergency scenarios, with successful deployments in Suzhou, Xi'an, Yunnan, and Xinjiang – demonstrating technological leadership in "software-defined complex systems."

KaihongOS has become the first open-source HarmonyOS distribution to pass the Ministry of Public Security's security certification, and the first to fully connect with the HarmonyOS Next ecosystem and StarFlash technology, securing its leading position in the open-source HarmonyOS domain. In cybersecurity, the Group developed the independently controllable, enhanced LiteOS-M security kernel, which became the first IoT OS kernel in China to receive the nationally recognized EAL5+ security certification issued by the China Cybersecurity Review Technology and Certification Center (CCRC). As at 31 December 2024, the Group and Shen Kaihong collectively hold 626 patents related to open-source HarmonyOS operating systems, IoT, intelligent terminals, and AI algorithms and applications.

In terminal-side intelligence, the Group actively develops HarmonyOS-based PCs, robots, drones, cameras, and other advanced endpoint devices, launching HarmonyOS-based intelligent products in collaboration with related manufacturers. The self-developed HarmonyOS PC virtual machine product is positioned to expand into the domestic IT innovation market and consumer (ToC) business opportunities, deepening the Group's strategic layout for the "HarmonyOS + PC + AI" software ecosystem. On HarmonyOS-native applications and meta services, the Group provides development and migration services for single-framework mobile apps. It has formed partnerships with nearly 300 app vendors across smart mobility, lifestyle services, finance, e-government, healthcare, and cultural tourism sectors. The Group has become one of the first "HarmonyOS Native Application Development and Training Diamond Service Providers," capturing over 70% of the single-framework HarmonyOS services market. In HarmonyOS southbound adaptation, the Group has enabled tens of millions of devices. Alongside Shen Kaihong, the Group has contributed more than 4.8 million lines of code to the OpenHarmony community main repository, ranking first among all ecosystem vendors outside of Huawei.

V. ACCELERATING THE CONSOLIDATION OF INDUSTRY AI SOLUTIONS TO DRIVE DOMAIN MODEL EVOLUTION AND VALUE REALIZATION

The Group has achieved significant business breakthroughs and market recognition across several key industries.

In the smart power and energy sector, the Group has collaborated closely with Huawei's Power Digitalization BU to jointly advance the construction of AI model training facilities and pre-integrated validation labs for power distribution solutions. Multiple AI solutions have been successfully deployed in the power industry, covering scenarios such as user load forecasting, renewable energy scheduling and prediction, and AI-based power safety monitoring. In the smart government sector, the Group developed the "AI Think Tank for Government" all-in-one solution, building a cluster of government-specific intelligent agents that support flexible localized deployment and scenario-based evolution. In smart finance, the Group secured AIGC-related projects from multiple major state-owned banks and leading urban commercial banks. It launched an intelligent bill risk control solution, showcasing the wide application value of Agentic AI in the financial sector and driving intelligent operations for financial institutions. In smart healthcare and social security, the Group developed the DeepSeek Medical Insurance Risk Control All-in-One Machine and the Social Security Fund Supervision Large Model All-in-One Machine, with deployments across several top-tier hospitals and more than 20 provincial-level HRSS (Human Resources and Social Security) departments across China. The Group also won the bid for Huawei Cloud's AI-Native Application Engine collaboration project, establishing a product-level partnership with Huawei in the field of large model applications.

VI. STEADY PROGRESS IN OVERSEAS STRATEGIC EXPANSION, BECOMING A LEADING PROVIDER OF ITS AND AIS SOLUTIONS IN HONG KONG

The Group has positioned Hong Kong as a strategic bridgehead for overseas markets, radiating into the Asia-Pacific, Middle East, and other regions. It has established R&D and delivery centers and successfully delivered a number of digital government, smart city, and smart venue projects.

In Hong Kong, the Group has achieved tangible results in key tracks such as smart city/campus projects and major Chinese-funded enterprises. Notably, the Group participated in the Hong Kong Kai Tak Sports Park project, a next-generation smart integrated facility that goes "beyond a stadium," which officially opened to the public and realized full-scenario visibility, controllability, and manageability across the entire park. During the reporting period, the Group also secured a HK$410 million contract for the Hong Kong Police Force Central Digital Imaging Platform ("CDIP") project, establishing a benchmark for government-controlled IT systems.

The Group has identified Saudi Arabia as the strategic hub for its Middle East expansion and has established a joint venture, Joint Advanced Technologies (JAT), which successfully signed a cooperation agreement with Huawei Cloud. The Group also signed a memorandum of deeper collaboration with Huawei for the Middle East and Central Asia, and joined the "Middle East and Central Asia China Enterprise Alliance" and Huawei Cloud's "Fusion Intelligence Ecosystem Alliance" to jointly drive regional digital transformation. Leveraging data platform solutions, modernized cloud-native applications, and AIGC-based financial scenarios, the Group has supported the digital transformation of its financial clients and secured multiple important customer projects in Hong Kong and Southeast Asia.

VII. INTERNAL MANAGEMENT AI TRANSFORMATION: ENHANCING LEAN OPERATIONS AND DRIVING EFFICIENCY

The Group has independently developed an AI-powered recruitment system. Through the deployment of intelligent talent search and recommendation Agents, the Group has significantly improved the efficiency of talent acquisition and resource allocation, achieving end-to-end accuracy rates of up to 85%. The Group's self-developed AI tool, "Finance Q&A," enables automatic generation of business analysis reports, interactive intelligent analytics, and assisted decision-making support across various operational modules. AI-assisted operations have been applied across smart workflows, intelligent accounts receivable clearing, and smart contract review, driving optimizations in resource scheduling, cost control, and internal risk management. These innovations have significantly enhanced the Group's overall operational efficiency.

The Group will continue to disclose progress made in the domain of full-stack AI.

As we look back from the historic vantage point of 2025, the Group has always taken "root technology" as our foundation and "industry value" as our guiding star, remaining steadfast in our partnership with Huawei. Together, we are writing our chapter in the waves of cloud intelligence, the HarmonyOS ecosystem, and industrial digitalization. We have never wavered in our ambition to "claim one-tenth of the market." Every technological breakthrough, every real-world deployment, is another solid step forward on our path to becoming a leader in the AIS era.

Chen Yuhong
2025 Spring

Business Overview

Chinasoft is actively investing in and deploying a full-stack AI business and technology system, spanning from compute infrastructure to cloud-edge-device model deployment and applications. The Group is accelerating the AI-driven transformation of its “1+3” business matrix, building a comprehensive system of capabilities to fully unleash the amplification effect of AI as a core engine in practical applications.

In the AIGC business the Group upgraded its Model Factory and launched an Agent Factory. It developed the Agentic AI platform Lumi, the integrated training-inference platform Foundry, and the intelligent agent application development and integration platform JointPilot. Through lighthouse projects, the Group has co-developed AI solutions with leading clients in industries such as energy and utilities, government, finance, auditing, and healthcare. It also independently developed LMBSS, a multi-architecture, heterogeneous large model operation management system for AI compute centers, offering compute operations and resource scheduling services. The Group has built its own compute centers and established a series of joint labs to support innovation, solution adaptation, and integration verification.

In the ERP and digital transformation services business, the Group developed a new generation of AI-native, localized ERP industry editions and created Agentic CDM, a methodology system for delivering large-scale complex engineering projects using AI. It has partnered with original vendors to establish competency centers covering consulting, implementation, technical operations, project management, and business design, and has also invested in a joint lab for core enterprise operation systems. The EIMOS platform, built on the 4A architecture, enables full-lifecycle integration of BA (Business Architecture), DA (Data Architecture), and AA (Application Architecture).

In the HarmonyOS intelligent IoT and digital twin business, the Group has built a unified cloud-edge-device intelligent sensing infrastructure using KaihongOS, AI-native operating system. This enables the transformation of raw sensed data into generated value. The Group has collaborated with manufacturers of cameras, drones, and robots to launch HarmonyOS-based products, while also developing its own HarmonyOS PC and simulation platform. A total of 20 self-developed products have been successfully deployed across key industries such as water conservancy and environmental protection, emergency response and firefighting, gas, urban lifeline infrastructure, and transportation.

In the cloud intelligence business, the Group leveraged its close cooperation with Huawei Cloud across direct sales, distribution, and ongoing operations to reach a wide range of potential high-value DeepSeek clients. It has fully integrated AI-related products and services, expanded its CTSP (Cloud Transformation Service Provider) cloud service portfolio, and strengthened Ascend Cloud AI capabilities to establish a solid foundation for compute and model access.

The Group is also actively expanding globally, using Hong Kong as a strategic hub to reach markets across Asia-Pacific, the Middle East, and beyond. It has built R&D and delivery centers in multiple regions and ranks among the top-tier providers of intelligent solutions in markets such as digital governance, smart cities, and intelligent venues. This global expansion enables the scaled replication and commercialization of its self-developed products and service capabilities.

I. FULL-STACK AI PRODUCTS AND SERVICES

Chinasoft is actively building out a full-stack portfolio of AI products and services. By collaborating closely with strategic core clients on continuous joint innovation, the Group is diving deep into high-value, niche industry scenarios. Leveraging its long-standing strengths in foundational technologies and the comprehensive advantages of its product portfolio, Chinasoft is creating leading products and industry solutions that deeply integrate cutting-edge technology with real-world applications. This enables the advancement of enterprise-wide AI adoption and the development of symbiotic AI capabilities.

I. AIGC SERVICES

In the area of foundational computing power, the Group has established a Sci-Tech Innovation Center to fully integrate the DeepSeek large model. It is equipped with three innovative lab environments– AI Lab, Enterprise Core Operation System Lab, and IDS Lab– to promote the transformation and application of cutting-edge technological achievements. For computing power operations, the Group leverages Ascend-based infrastructure to provide clients with deep adaptation and deployment of the DeepSeek large model, supporting the optimized allocation of computing resources.

In the model platform domain, the Group has upgraded its Model Factory services to version 2.0. Adopting a service architecture of "Model Services + Agent Products," it has introduced model training, deployment, and management functions based on the Ascend framework. Innovative use cases have been developed around intelligent Q&A, document generation, auditing, and CV-based monitoring. A complete system for data assetization and modular service delivery has been built, including data labeling services that provide high-quality, trustworthy data essential for large model implementation.

In the application services domain, the Group has launched AI platform suites ARK Lumi and Lumi ONE, along with continuous upgrades to the JointPilot (Lingxi) AI application platform. Low-code and no-code AI application development tools deeply integrated with DeepSeek have been introduced. The intelligent agent platform and related Agent products have undergone further upgrades. Industry-specific Agent products and solutions have been released for sectors such as government, finance, auditing, healthcare, manufacturing, and social security funds, forming a scenario-driven Agent matrix. The Group embraces Huawei Cloud's AI-native application engine and collaborates with leading enterprises such as iFLYTEK and Huakun Zhenyu to accelerate the real-world implementation of large model applications.

1.1 AI Agent Factory

The Agent Factory includes the Agentic AI platforms Lumi and Lumi ONE, the integrated training-inference platform ARK Foundry, and the JointPilot (Lingxi) AI application platform. Together, these empower AI agents to autonomously collaborate and operate efficiently across complex business scenarios. By fully harnessing the high-performance and stable inference capabilities of large models, the platform suite helps enterprises significantly shorten the cycle from AI innovation ideation to implementation – making the development of complex agents and deployment of large models faster and more streamlined than ever before.

1.1.1 Agentic AI Platform – ARK Lumi Platform

During the reporting period, the Group developed the ARK Lumi and ARK Lumi ONE platform suite– Agentic AI platforms deeply integrated with DeepSeek– using a low-code/no-code approach. ARK Lumi is an enterprise-oriented Agentic AI platform featuring multiple leading-edge capabilities. Integrated with DeepSeek R1, the platform enables intelligent agents to collaborate autonomously and operate efficiently in complex business scenarios. It offers six core advantages: multi-agent collaboration, autonomous workflow construction, dynamic decision-making mechanisms, cross-system integration, real-time monitoring and analysis, and security and compliance assurance.

1.1.2 ARK Lumi Localized Deployment Version – ARK Lumi ONE

ARK Lumi ONE is the localized deployment version of ARK Lumi, providing a complete AI agent solution tailored for enterprises with a strong focus on data security and customization. Deployed within the enterprise's internal environment, it retains the powerful functional modules of the Lumi platform, including enterprise knowledge base with RAG (Retrieval-Augmented Generation), vector search engine, DeepSeek R1 distilled model, and secure, compliant local deployment. ARK Lumi ONE integrates the full-featured DeepSeek R1 and adopts an optimized distilled version of the DeepSeek R1 model, maximizing efficient and stable inference capabilities. The integration of enterprise knowledge base and RAG helps enterprises quickly build and manage knowledge systems, enhancing decision-making intelligence. It includes a high-performance vector database for more efficient semantic search and retrieval, further unlocking the value of unstructured data. All data is deployed locally, ensuring sensitive information remains in-house, fully meeting the high-standard compliance requirements of industries such as finance, government, and healthcare.

1.1.3 DeepSeek R1 Training-Inference Integrated Platform – ARK Foundry

During the reporting period, the Group developed the DeepSeek R1 training-inference integrated platform – ARK Foundry, which focuses on providing an industry-leading unified training and inference solution for DeepSeek R1. The platform supports various heterogeneous GPU cards and dynamic, efficient scheduling mechanisms, and seamlessly connects to the development and deployment of intelligent agents (Agents). As an end-to-end, one-stop AI platform, ARK Foundry enables secondary training of DeepSeek R1 based on domain-specific enterprise data, tailoring the model to better align with business scenario needs. Additionally, through advanced knowledge distillation techniques, ARK Foundry compresses the large-scale R1 model into smaller, more efficient versions. ARK Foundry offers full-process professional tooling support – from data preparation to model training, deployment, and application. Key features include intelligent data upload, automatic training time and cost estimation, one-click LLM training and inference task execution, and end-to-end AI training-inference integration. The platform also provides an application studio and a comprehensive development toolchain, enabling enterprises to build intelligent agent applications rapidly and efficiently. ARK Foundry is applied within the Lumi ONE platform, enabling seamless integration between model training and inference, while providing end-to-end Agent development and customization services tailored to enterprises' specific business requirements.

1.1.4 JointPilot (Lingxi) AI Application Platform

JointPilot (Lingxi) serves as an enterprise-grade AI agent application development and integration platform, deeply integrated with the DeepSeek large model. Leveraging the complex data analytics capabilities of the "Wenshu" Agent and the unstructured knowledge processing and precise retrieval capabilities of the "Wenzhi" Agent, the platform has built a Seek Series AI Agent matrix that covers both general-purpose and vertical-specific scenarios across government and enterprise domains. The platform has undergone comprehensive upgrades in the following dimensions: –Architectural Upgrade: Implements a multi-agent collaboration mechanism. Through dynamic model matching for task steps, it significantly enhances task planning accuracy and tool invocation autonomy. – Integration Innovation: Establishes a new foundation for "AI-powered integration," creating an intelligent middleware layer that supports multimodal data fusion and strengthens standardized access to model APIs. – Security Architecture: Introduces a layered defense system that includes fine-grained access control, tenant-level enhanced isolation, and full-link protection mechanisms– building a secure barrier for large model applications. –Enhanced Reliability: To meet the low fault-tolerance demands of professional scenarios, the platform applies input-output constraint modeling based on knowledge graph technology, improving both result accuracy and controllability. It also launched the "Wenshu Large Model," registered with the Cyberspace Administration of China, specifically designed for handling complex structured data. The Seek Series AI Agents have entered deep product-level collaboration with Huawei Cloud. Based on Huawei Cloud's AI-native application engine, the Group has developed products such as "Lingxi Wenshu – AI Data Analyst," which have been deployed in over 30 benchmark projects in smart manufacturing, urban governance, and healthcare across cities including Suzhou, Shenzhen, and Chengdu. To date, more than 60 scenario-based Agent assistants have been developed. As a core partner in the Ascend developer ecosystem, the Group has built a comprehensive Ascend AI application matrix covering multiple industries.

1.2 AI Industry Solutions

1.2.1 Smart Power and Energy

The Group has partnered with Huawei's Power Digitalization Corps to jointly plan and develop applications for the domestic and international power industry, advancing deep collaboration in AI, IoT, and operational services. Together, they have built an AI model training ground for power scenarios, a pre-integration validation site for intelligent distribution solutions (IDS), and co-developed AI solutions tailored to the power sector. The Group, in collaboration with Huawei and other partners, has jointly released a Smart Power Distribution and Utilization Solution. The Group has also engaged in co-innovation projects with Huawei in various areas, including user load forecasting for a provincial power grid company, new energy power dispatch forecasting and analysis for a digital energy company, AI detection for power safety production, predictive maintenance of power production equipment, and AI-powered power inspection. On the international front, the Group has expanded its smart distribution grid business. Notable initiatives include a pilot project across 70 distribution zones with Hong Kong Electric, and a top-level digitalization consulting project for urban power distribution networks in South Africa.

In the energy sector, the Group has addressed the key pain points across coal mining operations– including extraction, excavation, machinery, transportation, and ventilation– by leveraging large models to comprehensively prevent and manage on-site safety risks involving personnel, equipment, and the environment. This approach helps achieve goals such as cost reduction, efficiency improvement, stable equipment operation, and enhanced project quality. In the oil and gas pipeline sector, the Group integrated industry expertise and data resources to provide comprehensive and efficient AI support across various business domains, affiliated enterprises, and research and innovation units within the industry. In the steel industry, the Group analyzed, forecasted, and monitored the full-process production flows of materials, energy, and information, offering strong support for collaborative production planning and management. In the oil and gas domain, the Group has partnered with PetroChina Coalbed Methane Co., Ltd. to promote innovative practices in smart oil and gas, successfully deploying an intelligent cost management platform and a full-lifecycle intelligent asset management system for coalbed methane operations.

In the mining sector, the Group, leveraging its capabilities in intelligent applications and services for underground mining, jointly released the “Integrated Mine Management” solution with Huawei’s Oil & Gas and Mining Corps. Built on Huawei’s MetaStudio digital foundation, the solution has been successfully implemented in several medium– and large-scale mines, including Tun Cheng, Dongyu, and Zhongmei Yufeng in Shanxi Province. Based on Huawei’s software and hardware infrastructure, the Group developed a Mine Safety All-in-One Machine, which has been deployed in a coal mine safety supervision and risk assessment platform project in Yiqi, Inner Mongolia. In the aluminum industry, the Group implemented a comprehensive intelligent mine anti-theft solution– developed using Huawei Cloud and Ascend computing power– for a major aluminum group in Guizhou. This solution enables full-space-time, all-angle patrol and monitoring of mining areas. The Group also collaborates with leading domestic industrial automation companies such as Inovance and Zhejiang SUPCON in areas including enterprise digital transformation, industrial automation/intelligence, and new energy. These efforts support clients in advancing the localization and high-quality development of industrial software, with the Group being elevated to the status of strategic-level supplier.

1.2.2 *Smart E-Government*

During the reporting period, the Group’s AIGC Research Institute developed an all-in-one solution tailored for smart governance and enterprise use cases– the “Government AI Think Tank.” Powered by the DeepSeek large model and built on the Group’s proprietary JointPilot (Lingxi) AI application platform, the solution was deeply optimized for Huawei’s Ascend AI hardware infrastructure. It enabled the construction of an intelligent agent cluster for government scenarios, supporting flexible localized deployment, scalable expansion, and scenario-driven evolution. The solution came pre-installed with DeepSeek-V3, the R1 series of large models, and distilled models, and utilized Ascend computing power as its technical foundation. Through core self-developed platform components– including the Knowledge Center, Integration Engine, and Intelligent Agent Builder– it established a matrix of over 60 standardized AI application scenarios. The governance-specific use cases covered areas such as public sentiment analysis, document generation, safety inspection, government services, industrial investment promotion, and regulatory compliance.

During the reporting period, the Group upgraded its end-to-end services with AI to significantly improve operational efficiency, increasing the speed of key services such as proposal review and acceptance audits by more than tenfold. A knowledge base comprising over 100,000 project rules and best practices was built on the JointPilot platform and integrated with the DeepSeek-R1 model to enhance reasoning capabilities. By combining the strengths of the "Wenzhi" and "Wenshu" agents from the Seek Series, the Group developed a compliance auditing agent, which has already been deployed in municipal and district-level clients in cities such as Shenzhen and Hengyang, continuously serving over 50 data bureaus across 9 provinces. The Group accelerated its collaboration with Huawei's One-Stop Government Services Corps, jointly exploring AI-powered innovation scenarios focused on improving administrative efficiency and enabling refined governance, powered by DeepSeek and Ascend computing. Flagship AI projects were successfully implemented in cities including Shenzhen, Yancheng, and Tangshan, covering areas such as public hotline sentiment analysis, smart medical insurance policy advisory, and industrial economic analytics. Together with Huawei, the Group launched several joint solutions, including "Unified Urban Governance Platform" and the "Next-Generation IOC Unified Monitoring Dashboard." The "AIGC Public Sentiment and Data Governance Platform" product also won Third Prize in the China Academy of Information and Communications Technology's 'Dingxin Cup', and has since been promoted and replicated nationwide. The Group continued to collaborate with key municipal big data bureaus, delivering projects such as government data resource governance in a Yangtze River Delta city, data infrastructure governance for a municipal public security bureau, and a government data asset service platform for a northeastern city's new district. These initiatives empowered smart governance and facilitated the circulation and exchange of public data assets.

1.2.3 Smart Finance

In the financial sector, the Group was awarded and participated in multiple AIGC projects with state-owned banks and leading city commercial banks. The enterprise-grade Agentic AI platform Lumi, integrated with DeepSeek R1, along with the Lumi ONE localized deployment solution, demonstrated broad application value in finance thanks to their powerful agent collaboration and decision-making capabilities. Across use cases such as credit risk management, fraud detection, intelligent customer service assistants, portfolio optimization, and automated claims processing, Lumi showcased the vast potential of Agentic AI to help financial institutions reduce costs, improve efficiency, manage risk, and enhance service quality– establishing a new benchmark for intelligent operations in the financial industry.

The Group launched an AI-powered intelligent bill risk control solution, providing a smart management and risk prevention tool for bill-related operations. The solution enabled automated compliance review of trade backgrounds and bill risk detection. The system adopted a modular design, allowing for seamless integration with existing bill processing systems, while also being adaptable for other business systems and use cases.

1.2.4 Smart Audit

During the reporting period, the Group developed the "DeepSeek Eco-Environmental Comprehensive Enforcement Large Model All-in-One Solution." Powered by the DeepSeek large model and deeply integrated with Ascend computing power, the solution established an intelligent agent architecture for comprehensive environmental enforcement, covering the full spectrum of enforcement scenarios and forming a matrix of intelligent agents. In terms of application, the solution addressed areas including regulation interpretation, risk warning, enforcement assistance, and case adjudication. Through real-time analysis and accurate forecasting, it enabled proactive identification of potential environmental violations and provided effective decision support for enforcement agencies.

In the field of enterprise auditing, the Group's audit team built a dedicated intelligent platform for audit operations– the Audit Agent Platform– based on the computing infrastructure of the Sci-Tech Innovation Center and the fully privatized, full-parameter DeepSeek models (including V3 and R1 671B dual engines), as well as the foundation of the Group's intelligent auditing platform. This platform deeply integrated artificial intelligence technologies and planned 12 application scenarios and over 30 AI agents, embedded throughout the end-to-end audit process in the form of intelligent assistants. It significantly enhanced the audit system's capabilities in issue detection and root cause analysis. In addition, the Group actively advanced fine-tuning and distillation R&D of vertical large audit models, and explored applications in government auditing, internal enterprise auditing, and financial auditing. During the reporting period, both the CNOOC intelligent audit project and the Shandong Energy digital audit platform project went live, and received Level 5 (the highest level) ratings in the audit data construction and utilization capability assessment by the China Academy of Information and Communications Technology– marking a leading industry standard. The Group also won the bid for Huaxia Bank's audit analysis and monitoring platform project, introducing innovative monitoring scenarios and promoting the transformation of audit models. The Group's intelligent auditing solution was officially listed as part of the Huawei Cloud Baseline Solution portfolio.

1.2.5 Smart Healthcare and Social Security

In the field of medical insurance fund supervision, the Group was awarded several key projects, including the Beijing Medical Insurance Bureau's on-site inspection project in Jiangxi Province, the municipal-level medical insurance flight inspection project, the third-party on-site enforcement service project, and the third-party fund supervision project for the Kunshan Medical Insurance Bureau. Leveraging its extensive experience in medical insurance supervision, the Group developed a new Medical Insurance Compliance Agent solution, which was successfully implemented across several leading Class III Grade A hospitals. In collaboration with Huawei, the Group jointly launched the Hospital-Side Medical Insurance Risk Control All-in-One Solution, which was successfully deployed at institutions such as the Xiyuan Hospital of the China Academy of Chinese Medical Sciences, Beijing Friendship Hospital affiliated with Capital Medical University, and the Third Affiliated Hospital of Beijing University of Chinese Medicine, all part of the first batch of national regional medical centers. The Medical Insurance Risk Control All-in-One Solution also entered into partnership discussions with companies including Huakun, Hyperfusion, and Hanlinhui.

The Group developed the "DeepSeek Social Security Fund Supervision Large Model All-in-One Solution." Based on the Ascend computing architecture and deeply integrated with the DeepSeek large model, the solution established four intelligent agent clusters for smart management, smart supervision, smart operations, and smart decision-making, enabling end-to-end intelligent oversight of the social security fund. Leveraging multi-source data fusion and large-model-driven intelligent analysis, the system constructed a risk profiling mechanism for the fund, enabling visualized tracking of fund flows, accurate identification of abnormal behaviors, and intelligent risk forecasting. This empowered regulatory authorities to shift from passive response to proactive prediction. Additionally, by incorporating policy simulation and intelligent decision support, the solution enhanced the fund's risk resilience and improved regulatory efficiency, accelerating the transformation of social security fund supervision toward intelligent governance. The solution was deployed in the human resources and social security departments of over 20 provinces nationwide. Among them, the Hunan Provincial Social Security Fund Supervision System– as a key digital empowerment initiative– received high praise from the Ministry of Human Resources and Social Security and was recognized as a benchmark project in the industry.

1.2.6 *Smart Healthcare*

During the reporting period, the Group accelerated its entry into the healthcare sector through a "Healthcare + AI" approach and carried out in-depth collaboration with Huawei in this domain. Together, they developed a Smart Healthcare All-in-One Solution powered by DeepSeek, which effectively addressed key challenges in the industry. In the area of medical research, the Group co-developed a Medical Research Assistant product with Huawei, significantly improving the efficiency of rare genetic disease research, which was successfully deployed at a leading Class III Grade A hospital in Chengdu. The Group also engaged in industry-academia innovation partnerships with hospitals and affiliated medical universities to explore the development of digital patient teaching tools based on DeepSeek, achieving multi-level breakthroughs with public top-tier hospitals. In addition, the Group launched initiatives to participate in holistic smart transformation planning for Class III Grade A hospitals, assuming the role of an "AI-integrated service provider." Using the JointPilot (Lingxi) platform as the foundation, the Group leveraged agent technology and knowledge weaving services to enable existing IT assets to seamlessly integrate with large models. Together with hospital clients, the Group co-developed AI innovation scenarios across medical services, education, research, management, and operations, supporting hospitals in low-cost, high-efficiency adoption of AI capabilities and driving their intelligent transformation.

1.2.7 Resilient City

In response to the policy opportunity presented by the "Guiding Opinions on Advancing New Urban Infrastructure Development to Build Resilient Cities", Chinasoft has partnered with Shen Kaihong to leverage foundational technology leadership and ecosystem influence. Together with the Xi'an municipal government, the Group co-established an intelligent terminal industry chain and jointly launched the Xi'an Resilient City Lab to support the optimization of Xi'an's integrated software-hardware intelligent terminal industry structure. This lab represents a multidimensional breakthrough in resilient urban infrastructure. In open-use cases such as low-disruption micro-upgrades at intersections, gas pipeline monitoring, emergency preparedness, and ecological conservation of the Qinling Mountains, the lab has deployed OpenHarmony-based IoT modules to retrofit legacy equipment and integrate new devices. Through the construction and modernization of intelligent urban infrastructure, the Group has significantly enhanced Xi'an's resilience in city governance, laying a strong foundation for replicating HarmonyOS city-level deployments across other municipalities.

In the water conservancy and environmental protection sector, the Group developed China's first water services solution based on foundational OpenHarmony technology. The solution is built upon the KaihongOS operating system, HarmonyOS IoT terminal hardware, and the Suiming Smart Perception Platform software. It integrates advanced technologies such as Harmony AIoT, Kunpeng/Ascend computing, and digital twin applications to form a complete edge-side loop encompassing high-efficiency data collection, remote control, logical coordination, and AI enablement for water-related physical infrastructure. The solution received the 2024 China Enterprise Digital Innovation Solution of the Year award. Strategic partnerships have been formed with the Northern Design Alliance, North China Municipal Design Institute, and China Municipal Engineering North Institute to co-develop "Northern OpenHarmony City" in Tianjin. In collaboration with the Nanjing Hydraulic Research Institute, Huawei, and other partners, the Group launched "Huiwan," a universal digital twin hyper-converged platform focused on water conservancy digital twin development.

In the emergency firefighting sector, the Group partnered with the Shaanxi Provincial Fire Rescue Corps to co-develop the "Shaanxi Smart Firefighting Project," which includes a data platform, technical standards framework, application systems for fire prevention and suppression, rescue operations, team management, and unified operations and maintenance. The system enables dynamic awareness, intelligent assessment, and precision control, transforming firefighting from a traditional to a digital model. Together with Huawei, the Group launched China's first "Fire Harmony" solution, integrating big data analytics, HarmonyOS-based IoT technology, digital twins, and large AI models to drive intelligent transformation in the emergency services sector. As one of the first partners, the Group co-founded the HarmonyOS Emergency Industry Alliance and jointly released the alliance's first innovation: the Ascend Large Model Integrated Appliance. This appliance, combined with a Harmony-based ubiquitous sensing network, has enabled smart emergency agents for use in earthquake early warning, fire rescue, emergency response, and meteorological monitoring.

In the urban lifeline sector, the Group worked with Shen Kaihong, Beijing Enterprises ZhiKe, Anke Xin, and Topology Technology to release China's first OpenHarmony-based smart gas solution—"RanHong." Built on the RanHong OS, the solution integrates sensors, edge computing devices, the RanHong DAIoT platform, sector applications, and controllable environments to form a fully localized, intelligent, end-edge-cloud gas ecosystem.

1.2.8 Smart Transportation

During the reporting period, HarmonyOS-based intelligent control applications were successfully promoted in highway tunnel scenarios. Focusing on core customers in the Chengdu-Chongqing region and partnering with Shen Kaihong, the Group has expanded its market reach nationwide with a comprehensive portfolio of clients, solutions, and products under the "SuiHong" initiative. In the highway tunnel domain, the Group formed an exclusive partnership with China Merchants Huachida to provide HarmonyOS-based collection and transmission hardware integration. Their jointly developed "HarmonyOS Highway Tunnel Integrated Solution" has been deployed in multiple cities and projects across China, including the Wenzhou Avenue Tunnel, a major highway project in Gansu, a national highway in Sichuan, the Chongqing Bridge and Tunnel project, several expressway projects in Guizhou, and highway upgrades in the Beijing-Tianjin and Zhejiang regions. An integrated IoT platform and tunnel control system have been built, supporting three-tier management: field operations, centralized control, and owner oversight. The solution was recognized as a "Key Recommended Innovation in Tunnel Engineering for 2024". Built on the secure Kaihong digital foundation, the Group also partnered with Shen Kaihong, Hebei Expressway, and Huawei to establish the "JiHong" Joint Innovation Lab, marking the first full-scale HarmonyOS deployment in a highway scenario nationwide. The Group also launched the "Cloud-Network Collaborative Tolling Solution," contributing new momentum to highway digitalization. In the rail transit sector, the Group released a HarmonyOS Smart Station master plan. Through deep integration of HarmonyOS technologies, the solution efficiently addresses core challenges in traffic safety, emergency response, and passenger flow forecasting. The Group established a joint lab with Guiyang Metro to co-create intelligent, HarmonyOS-powered transportation applications. In partnership with Shen Kaihong, Guangzhou Metro, Huawei, and China Unicom, the Group introduced the "JianHong" Smart Metro Construction Plan, built on KaihongOS, 5G, and AI technologies. This initiative supports safer, more efficient, and higher-quality metro construction operations.

1.3 Model Factory 2.0 Services

During the reporting period, the Group upgraded its Model Factory services to version 2.0, adopting a "Model Services + Agent Products" service architecture. Centered around the Ascend + DeepSeek framework, the upgraded offering provided expert-level, scenario-driven AI model solutions to help clients rapidly build collaborative platforms for intelligent agent development. The Group delivered specialized services including expert-level model training and fine-tuning, model evaluation, model deployment, and model distillation, redefining the enterprise large model development paradigm and enabling the creation of privatized enterprise models and agent-based applications. Model Factory, built on Ascend root technologies and developed in close collaboration with Huawei, achieved deep integration of the Ascend ecosystem with industry-specific scenarios. Leveraging Ascend's full-stack AI adaptation capabilities, the Group optimized Ascend AI chips and the CANN computing architecture for over 50 key clients across Beijing, Shanghai, Jiangsu, and other regions, supporting scenario-based deployments in industries such as finance and healthcare, and improving AI inference efficiency by about 15% for clients. In the Pangu Large Model domain, the Group completed over 40 major projects across 8 key industries– including energy and manufacturing– in 2024. Highlights included a large model delivery for an automotive manufacturer that reduced the R&D cycle by 15%, and a pathology diagnostic large model project for a healthcare company in Zhejiang that achieved an accuracy rate of 97.3%.

Through close collaboration with Huawei Cloud, the Group's Model Factory services maintained a leading position in Huawei's CTSP AI framework industry market share. The Group built a comprehensive data labeling service system through a combination of "machine + human" annotation and machine-based intelligent labeling methods. This system covered the full lifecycle, including data collection and processing, annotation review, quality inspection and evaluation, dataset version management, and more– supporting both model training and inference. It also accommodated a variety of annotation types to ensure high accuracy and consistency in training data. As of the reporting period, this business expanded beyond autonomous driving and cloud computing, and successfully obtained Pangu large model capability label certification. Additionally, the Group's Intelligent Agent Orchestration System enabled the automation of complex business workflows, achieving a threefold improvement in medical data annotation efficiency.

The Group developed core capabilities in CV-based monitoring, Q&A, document generation, and auditing, while also establishing software infrastructure for GPU-based computing. Focusing on NLP, computer vision (CV), and predictive applications, the Group engaged deeply with industry clients across specific scenarios and tasks, delivering advanced solutions in model transfer and deployment, operator optimization, model training, prompt engineering, and agent development– establishing itself as a leader in applied innovation. The Group provided end-to-end, one-stop services for training and developing NLP/CV large models, successfully delivering NLP and CV training-inference projects. It formed deep collaborations with leading clients across industries including government, finance, power, energy, steel, and pharmaceuticals. The Group supported the successful launch of the AI-enabled large model project version for the National Pipeline Network digital platform, and participated in the first large model project applying Huawei Pangu Embodied Intelligence, contributing to the successful development of an intelligent recipe-based cooking robot for ECOVACS.

1.4 *Intelligent Software Factory*

The Group leveraged its 4A platform EIMOS to provide intelligent software factory services, achieving full-lifecycle integration across Business Architecture (BA), Data Architecture (DA), and Application Architecture (AA). By utilizing a unified data model to invoke technical services, the Group efficiently drives software development processes. This data-driven, integrated intelligent platform enables business architecture to drive data architecture, which in turn drives application architecture, thereby ensuring a unified alignment between Transaction Processing (TP) and Analytical Processing (AP). Each layer – business, data, application, and technology – is interlinked, with business and data models jointly driving the assembly of applications, supporting continuous digital transformation. Through metadata-linked 4A modeling, the Group treats metadata as a core knowledge asset, generating uniquely tailored data architectures that fit client business characteristics. Using technologies such as data weaving, new applications can be rapidly assembled based on data assets and development tools, ensuring agility in responding to business change. The Group continues to strengthen its R&D efficiency management, focusing on project management, knowledge management, software cost metrics, and resource management. By aligning precisely with the generative AI market, the Group has already achieved successful applications within the oil and gas sector and is actively expanding into the power and energy industries.

1.5 Sci-Tech Innovation Center

During the reporting period, the Group, in collaboration with Beijing Changping Future Science City and Huawei's Power Digitalization Corps, jointly established the Digital Power Sci-Tech Innovation Center. Anchored in the Energy Valley of Changping Future Science City, the center fully leveraged the benefits of industrial clustering to create a comprehensive innovation platform that integrates practical innovation, solution adaptation, integration testing, collaborative exchange, and training demonstrations. The Digital Power Sci-Tech Innovation Center operated with 50P of intelligent computing power and was equipped with a Tier 3 data center. It was built on Huawei Cloud and core enterprise IT applications (including HIS, MRS, GaussDB, ROMA, DWS), providing a comprehensive resource platform for both AI innovation and business innovation. As of the reporting period, the platform offered access to three innovation lab environments– AI Lab, QiHeJing Lab, and IDS Lab– to support services in AI scenario innovation, domestically developed core enterprise systems, and integrated power application solutions. The platform also supported the Changping District Government and Data Bureau in deploying optimized full-parameter versions of DeepSeek-V3 and DeepSeek-R1 models.

2. ERP AND DIGITAL TRANSFORMATION SERVICES

The Group partnered with leading state-owned and central enterprises in sectors such as power and energy and manufacturing to jointly embark on a journey of intelligent digital transformation in the era of AI large models. The Group was deeply involved in organizational change and business process reengineering, with a focus on next-generation ERP application reconstruction as the core transformation scenario– helping clients lay a solid foundation for full-scale AI enablement. In response to real-world needs such as domestic system replacement and intelligent upgrades, the Group actively developed industry-specific enterprise core system distributions, delivering end-to-end services including: – Pre-research and prototyping of proprietary ERP systems, – Consulting and implementation of domestic ERP suites in finance, HR, procurement, supply chain, and project management, – Information system platform upgrades and customized application development for production and operations. These efforts enabled the Group to establish a distinctive value proposition in the ERP and digital transformation landscape.

2.1 Industry Distributions of Enterprise Core Operation System

During the reporting period, the Group increased its investment in developing industry-specific distributions of enterprise core operation systems, aimed at meeting the localization and intelligent transformation needs of leading enterprises. By aligning with high-value industry application scenarios, the Group built on standardized product modules to develop a suite of industry solution plugins, tools, preconfigured architecture blueprints, template libraries, and configuration catalogs, significantly shortening implementation cycles. Tailored to the characteristics of industries such as power and energy, the Group provided dedicated functional modules and business processes, embedded with industry best practices to ensure alignment between financial and operational data. The systems integrated cutting-edge technologies such as AI and big data to deliver intelligent analysis, forecasting, and decision-making support, enabling automation and intelligent operation of business processes. The solutions were fully compatible with domestic software and hardware environments, and supported future business expansion and technology upgrades through modular design, open architecture, and microservices. Through close collaboration with leading clients, the Group not only addressed the technical challenges of ERP localization but also provided strong support for digital transformation, becoming a key strategic partner for enterprises pursuing intelligent transformation in the AI large model era.

2.2 ERP Consulting, Implementation Services, and Pilot Projects

The Group assembled project teams capable of delivering large-scale R&D initiatives, established corresponding business and project management models, and formed deep partnerships with central enterprise digital technology companies in the area of self-developed ERP system integration. During the reporting period, the Group successfully delivered a prototype ERP system development project for a state-owned power enterprise, becoming the first partner to provide enterprise core system consulting and implementation services directly to the client. The Group participated in the core modules of an ERP implementation project for a central energy enterprise, supporting the client in enhancing strategic control and advancing ERP system optimization, business-finance integration, operational collaboration, and end-to-end value chain alignment– all based on unified data standards, process specifications, and technical architecture. For a state-owned oil and gas enterprise, the Group carried out supply chain data governance services, built a management data warehouse for overseas investment subsidiaries, and provided planning, design, and implementation services for a comprehensive business management reporting system. The Group continued to deepen its work with major central and state-owned clients in the energy and power sector, including PetroChina, State Grid, China Energy Investment Corporation, and China Southern Power Grid, and expanded to new projects such as PetroChina Planning Institute's Integrated Scheduling Platform and China Coal Technology & Engineering Group's ERP Management Platform.

To meet the localization needs of ERP systems for central and state-owned enterprises in critical infrastructure industries, the Group launched its "Pilot Project" service. This service involved system evolution planning, feasibility studies for self-developed solutions, pre-research, and prototype system development and validation. The Group conducted comprehensive evaluations of clients' existing ERP systems, analyzing their system architecture, business processes, and data assets. It then formulated localization transition roadmaps, assessed the feasibility and necessity of developing self-owned ERP systems based on the specific business characteristics of each enterprise, and provided technical selection advice along with clear phased goals and implementation pathways. Based on a domestic technology stack, the Group developed ERP system prototypes, validating key functions and performance metrics. Through rapid iteration and testing, the Group ensured that the prototype systems met clients' core business requirements and facilitated a smooth migration from legacy ERP systems to localized ERP platforms. This service also addressed customized needs in digital transformation, ensuring system stability, security, and sustainability. As of the reporting period, the service had helped multiple central enterprises define clear replacement roadmaps and derive tangible benefits.

2.3 *Agentic CDM Delivery Methodology*

During the reporting period, the Group increased its investment in building a delivery methodology system for large and complex engineering projects, powered by generative AI technologies. The system established a supporting structure of organization, methodology, and systems for delivering enterprise core operation systems, achieving knowledge generalization and ensuring efficient implementation and high-quality delivery. Agentic CDM (Agentic Chinasoft International Delivery Methods) is an intelligent delivery methodology that covers the entire project lifecycle. Its core goal is to leverage AI technologies and automation tools to enable end-to-end, high-efficiency delivery– from requirement analysis to system go-live. This methodology integrates three modes: package-driven, platform-based custom development, and platform integration. Through practical feedback and continuous iteration, it has formed a standardized, reusable delivery framework that covers the full cycle of value creation, including current-state assessment, deconstruction analysis, high-level design, low-level design, system implementation, testing and validation, deployment and transition, and batch rollout.

Agentic CDM incorporated end-to-end AI enablement, including the use of Natural Language Processing (NLP) to automatically analyze client documentation and interview transcripts, generating current-state analysis reports; application of machine learning models to provide intelligent diagnostics and optimization suggestions for business processes; AI-based code framework and configuration template generation; and the use of AI to produce test-case-driven automated testing tools and deployment utilities. The system also evaluated cutover risks and formulated contingency plans, and applied AI models to analyze implementation data and optimize rollout strategies. Through the Agentic CDM delivery methodology, the Group not only improved the efficiency and quality of project delivery, but also provided enterprises with a standardized and intelligent delivery framework, becoming a critical enabler of digital and intelligent transformation in the era of large AI models. The Group will continue to explore best practices for AI-powered delivery of large-scale, complex engineering projects to help enterprises achieve digital transformation and high-quality development.

2.4 *Capability Centers and Joint Laboratories*

The Group established a series of specialized capability centers for consulting, implementation, operations, and maintenance. These centers serve as core platforms for the Group's service delivery capabilities, aiming to enhance project delivery efficiency and quality through standardized and professional capability development, while also facilitating the accumulation and reuse of institutional knowledge. The capability centers were built around the following core objectives: –Streamlining the entire service chain across consulting, implementation, and operations to ensure seamless capability integration. –Extracting best practices, methodologies, templates, and tools to form standardized intellectual property assets and solidify industry expertise. –Cultivating "golden seed" teams, leveraging R&D best practices to rapidly scale high-quality resources and establish replicable, scalable professional capabilities in consulting, implementation, and development. Through the development of these specialized centers, the Group established a standardized, reusable service framework that significantly improved both the efficiency and quality of project delivery.

The Group also invested in the establishment of the Yangfan R/7 Enterprise Core Operation System Joint Laboratory, which provided essential environments and supporting services for development testing, training and certification, decoupling analysis, and validation optimization. The laboratory was built on domestically produced foundational software and hardware, accelerating the transformation of R&D outcomes. It was dedicated to creating an ecosystem for integration testing, technology incubation, and industry innovation, offering end-to-end support from technical validation to application deployment. It became a key vehicle for technological innovation in the Group's enterprise core operation system industry solutions.

3. HARMONYOS SMART IOT AND DIGITAL TWIN

Aligned with the "(1+1)×N" strategy, the Group built a secure digital foundation based on the combination of KaihongOS and the KaihongOS Meta Super Device Management Platform, focusing on the development of a self-controlled intelligent IoT infrastructure and delivering integrated end-edge-cloud-network-application hardware-software solutions. The Group continued to build AI-native operating systems and introduced on-device AI services to drive deep industry transformation. During the reporting period, the Group strengthened a fused operational model that integrated industry solution expansion and productized delivery onto a unified platform. Technological advancement was driven by the Shen Kaihong "1+1" secure IoT foundation, leveraging the core of OpenHarmony and AI-integrated hardware-software product solutions. This effort was supported by a centralized delivery hub, reinforcing the "Spearhead-Troop-Basecamp" alliance model to boost synergy and tactical capabilities. The Group made significant breakthroughs in sectors such as water conservancy, road transportation, and fire safety, modernized legacy industries like rail transit and airports/ports, and penetrated new industries including environmental protection and emergency management. Seizing the opportunity presented by resilient city development, the Group engaged deeply in scenario planning for urban HarmonyOS applications and launched a new operational model known as "Urban Hong" in line with city-level projects– continuously expanding its presence in markets defined by national-level infrastructure and innovative urban initiatives. By leveraging its AI + HarmonyOS technological advantages, the Group also developed flagship solutions for the cultural tourism sector, establishing benchmark cases for HarmonyOS ecosystem services.

3.1 HarmonyOS AI-Native Operating System

KaihongOS adopted a multi-kernel hybrid deployment architecture, achieving real-time performance (interrupt latency + task switching latency) of ≤3μs. This met the demands of rich human-machine interaction scenarios while also fulfilling the hard real-time requirements of domains such as industrial control and aerospace. KaihongOS became the first to achieve full ecosystem compatibility with HarmonyOS Next and support for StarFlash connectivity. It resolved the extreme low-latency challenges of OpenHarmony in complex environments through a kernel-level hard real-time engine. In terms of native kernel security, KaihongOS passed Level-3 Security Certification under the Ministry of Public Security's "Cybersecurity Special Product Security Testing Certificate." Its enhanced LiteOS-M secure kernel received EAL5+ security certification from the China Cybersecurity Review Technology and Certification Center (CCRC), making it the first OpenHarmony distribution to obtain this certification– reinforcing its position as the most secure, stable, and application-valuable OpenHarmony OS in the industry. Through the "1+1" integrated solution of KaihongOS and KaihongOS Meta, the Group successfully built an edge-device intelligent sensing product system and the Suiming Intelligent Sensing Platform, forming an integrated cloud-edge-device digital foundation that enabled seamless data generation from real-world sensing.

The Group co-developed the Kaihong Smart All-Scenario Experimental Kit with Shen Kaihong. Built on the OpenHarmony-based KaihongOS and incorporating L0/L2 development boards and multiple IoT sensor modules, it supported soft-bus networking, scenario-based interaction, and the experience of 30+ IoT capabilities. With KaihongOS Meta's unified and open AI framework, a variety of professional algorithm models and educational datasets were integrated to empower software-defined spatial intelligence, merging humans, AI digital agents, and the environment into a unified experience. The KaihongOS drone swarm collaboration mode was piloted in Zhaoqing, using OpenHarmony's distributed soft-bus technology to enable interconnected operation and control across air and ground equipment, providing a complete and efficient solution for practical low-altitude economy applications. In the OpenHarmony ecosystem, the Group, in partnership with Shen Kaihong, contributed over 4.85 million lines of code to the main community repository– ranking first among all contributors aside from Huawei. The Group was awarded the titles of "Class A Donor for OpenHarmony Project," "Top 100 Code Contributor," and "OpenHarmony Special Committee Member."

3.2 *Harmony AI Smart End Terminal*

In the area of OpenHarmony hardware-software integrated products, the Group, leveraging KaihongOS, successfully developed an integrated AI hardware-software solution spanning device-edge-cloud-application. Through edge-side intelligent devices and the Suiming Intelligent Sensing Platform, the solution completed data collection, remote control, logic-based interactivity, and AI enablement to close the loop at the edge. During the reporting period, the Group launched 20 self-developed products. In the water conservancy sector, it developed specialized integrated hardware such as radar-visual flow measurement units, hydraulic actuated water push systems, and flow-control gates. In the highway transportation sector, to address rapid integration of multiple edge devices and coordinated control, the Group introduced the MAH300 "Yi-Wang" distributed controller, which became the first industrial-grade distributed controller in the OpenHarmony ecosystem. In the rail transit sector, the Group co-developed an OpenHarmony-based metro gate control system. In the urban lifeline sector, the Group focused on urban pipeline networks, water supply safety, drainage and flood prevention, gas safety, and heating safety, and successively launched edge-side devices such as fixed-point laser methane gas detectors, water supply network flow meters, thermal pipeline pressure gauges, wireless single-channel pressure monitors, and water level observation spheres. In the emergency and firefighting sector, the Group developed OpenHarmony + BeiDou-based intelligent monitoring solutions for social-side firefighting equipment such as fire hydrants, water cannons, pump stations, and elevated water tanks– including a fire hydrant pressure monitoring cap and an elevated tank water level sensor. All of the above products passed community compatibility assessments conducted by the OpenAtom Open Source Foundation.

In the area of intellectual property, the Group obtained 12 new patents, further enhancing product capabilities. It achieved support for BeiDou two-way communication, enabling air-space-ground integrated connectivity in emergency scenarios. By combining high-performance computing with industry-specific AI algorithms, the Group enabled unmanned or minimally manned real-time monitoring across scenarios such as urban areas, transportation networks, rivers, reservoirs, dams, and emergency response. As of the reporting period, the Group had developed more than 50 general-purpose AI algorithms, with 8 of them deeply optimized for practical deployment. The related integrated hardware-software products were successfully deployed in Suzhou, Xi'an, Yunnan, and Xinjiang, and saw widespread application across industries including water conservancy, transportation, and urban lifelines.

3.3 AI + Edge-Side Industry Applications

During the reporting period, the Group's innovative "Industry Hong" product solutions achieved significant breakthroughs in water conservancy and environmental protection, emergency firefighting, gas services, urban lifelines, and transportation, empowering the development of resilient cities. The Group signed a strategic cooperation agreement with the People's Government of Guangming District, Shenzhen, to jointly build a domestically developed, self-controlled HarmonyOS-based digital foundation and HarmonyOS-compatible edge devices for smart cities. This initiative targeted core urban management scenarios such as water resources, transportation, education, firefighting, and emergency response in Guangming District and launched AI + HarmonyOS innovation pilot demonstrations. In addition, by leveraging the Model Training Lab and CLAP Platform (CSI LLM & AI Agent Platform), the Group supported the development and operation of Guangming District's computing infrastructure and industry-specific applications. The Group also deepened its collaboration with Xi'an, working with Shen Kaihong to support the city's deployment and optimization of integrated smart terminal industries, serving resilient city construction needs and actively participating in local enterprise ERP localization and self-developed technology initiatives.

3.4 HarmonyOS North-South Ecosystem Services

During the reporting period, the Group deeply integrated into the Huawei HarmonyOS ecosystem, working closely with Huawei Devices and Huawei Cloud teams to deliver Harmony-native application and meta-service migration for over 500 apps across 400+ enterprises. With over 50,000 certified HarmonyOS engineers, the Group ranked#1 in the ecosystem, solidifying its leadership and expertise. Through its AI + HarmonyOS strategy, it collaborated with cultural tourism partners to launch over 7,000 meta-services, significantly contributing to over 15,000 apps going live in the Harmony ecosystem. The Group trained more than 20,000 Harmony professionals, earning numerous recognitions such as:"OpenHarmony Talent Certification Pioneer (Company Level)","Huawei Developer CloudSpace Outstanding Growth Officer", and"2024 Outstanding Contribution to HarmonyOS Talent Development". It also received the"2024 HDC Harmony Ecosystem Excellent Service Provider","Harmony Ecosystem Pioneer Partner Award", and"2024 Annual Harmony Ecosystem Developer Service Excellence Award". Joint projects like "LeYou Weihai" won the "2024 Industry Solution Innovation Award", while the "QuNanxun" HarmonyOS application and meta-service project received both the "Harmony Ecosystem Innovation Award" and "Industry Solution Innovation Award". In southbound chip adaptation, the Group supported 500+ device categories and 400+ brand clients, with device connections reaching the tens of millions. The Group built a comprehensive support system for ecosystem partners through a hardware product ecosystem library, KaihongOS developer platform, Kaihong Mall, industry showcases, talent training programs, as well as funds, associations, and innovation centers. These efforts advanced the AI-empowered development of the OpenHarmony ecosystem.

4. INTELLIGENT CLOUD SERVICES

Over the past seven years, the Group maintained deep strategic collaboration with Huawei Cloud, becoming a top-performing partner in the Huawei Cloud ecosystem. It held multiple partnership roles, including software partner, service partner, and distributor, and was awarded the "Huawei Cloud Ecosystem Rock Award", the highest honor at the Huawei Cloud Ecosystem Conference. In multiple key regions, the Group and Huawei Cloud upheld the principle of "capability co-evolution, commercial co-success", jointly exploring industry application scenarios and building a capability-to-value business loop. In 2024, the Group achieved leading revenue growth within Huawei Cloud's ecosystem, maintaining a clear leadership position. As a Cloud Transformation Service Provider (CTSP), the Group achieved Huawei Cloud's#1 market share, leading in HarmonyOS and Ascend adaptation and model services. The Group and Huawei Cloud successfully delivered benchmark client projects including Tinghsin, Runda, and Ecovacs, and received Huawei Cloud's top awards in key regions, including "Cooperative Spirit Award", "Outstanding Contribution Award of the Year", "Billion-Yuan Club", "Best Solution Partner", and "Best Service Partner".

4.1 CTSP Cloud Services and Ascend Cloud AI Enablement

During the reporting period, as a leading cloud service provider and core partner of Huawei Cloud, the Group focused on strengthening its long-term service capabilities as a CTSP. It obtained 10 first-tier CTSP professional certifications, launched three baseline cloud solutions, and jointly released service offerings with Huawei Cloud, including “Enterprise Cloud Migration Services” and “Professional Data Governance Services.” These services supported over 300 clients across core domains such as Ascend model adaptation, cloud migration planning and execution, data management and analytics, operational excellence, big data, and application integration. The Group established Cloud Centers of Excellence (CCOEs) in key cities, forming localized service organizations to enhance integrated sales and service capabilities. These centers helped enterprises plan and manage their AI-driven cloud transformation more efficiently, reducing IT governance costs and promoting business innovation. The Group continued to make significant strides in areas including AI foundation models, data governance, and HarmonyOS, with over 200 CTSP projects successfully delivered across energy, steel, and pharmaceutical industries. It also co-developed industry-specific large model applications with leading enterprise clients, maintaining a leading position within the Huawei Cloud CTSP partner ecosystem. Working with Huawei Cloud, the Group achieved breakthroughs in sectors such as automotive, manufacturing, software development, and retail, delivering AIGC, HarmonyOS, data governance, and migration solutions to key clients including Ecovacs, Nanjing Big Data Bureau Group, and XCMG. Additionally, the Group co-incubated core cloud resellers and independent software vendors (ISVs) such as FanRuan, Blacklake, and Yozo Office, further expanding the Huawei Cloud ecosystem.

As one of the first integration partners for Huawei Cloud’s integrated business, the Group leveraged consulting and planning capabilities to integrate Huawei’s public cloud resources, private cloud deployment, Ascend Cloud specialization, and flagship products. This enabled the Group to deepen its collaboration with Huawei Cloud on baseline joint solutions and multi-industry solutions, continuously expanding customer reach and driving in-depth AI-driven digital transformation across government and enterprise clients. The Group’s advanced cloud integration business was successfully implemented across more than 20 projects, including RPA, big data, and cloud services, for key clients such as a major data group and an energy technology company using Huawei Cloud’s RDS services. The Group ranked among the top contributors in Huawei Cloud’s partner ecosystem and was honored at the 2024 Huawei Cloud Ecosystem Summit and the 2024 Huawei China Partner Conference, receiving the “Huawei Cloud Stack Outstanding Partner Contribution Award” and the “Huawei Cloud Outstanding SI Partner Award.” In collaboration with Huawei Cloud’s Guangzhou and Shenzhen offices, the Group achieved project breakthroughs in industries such as automotive, manufacturing, software development, and retail, delivering AIGC, HarmonyOS, data governance, and migration solutions to major clients including Bonad, Xuanwu, and Shenzhen Angel Drinking Water Industrial Group. Additionally, the Group co-incubated key cloud resellers and ISVs, such as Particle Cloud, Huaxin, and DataLink, further enhancing ecosystem development. The Group actively responded to strategic initiatives, including Guangdong Province’s Core Software Development Program and the National SME Digital Transformation Pilot City Program, leveraging its strengths in consulting, diagnostics, and system integration to support clients such as Zhongshan Huilipu, Shenzhen Hesi Zhongcheng, Wenxun, and Triassic Tech in their digital transformation journeys.

4.2 Computing Power Operations

The Group leveraged Ascend AI computing power to provide clients with deep adaptation and deployment services for the DeepSeek large model, supporting the optimized allocation of computing resources. During the reporting period, the Xi'an Yanta AI Innovation Development Center, which the Group continuously served, announced an expansion of its computing power capacity to 500P, further upgrading what is known as the "strongest brain" in western China, and establishing a nationally leading large-scale AI computing cluster. The Group also supported the successful deployment of new DeepSeek models at the Xi'an base, backed by comprehensive testing capabilities. In addition, the Group collaborated with Xianyang High-tech Zone to jointly develop the Xianyang AI Computing Center, achieving a breakthrough in building a fully NVIDIA-powered computing center from scratch (0 to 1). The Group also undertook operations for Phase II of the Cybersecurity Intelligent Computing Center and established a deep partnership with CloudWalk Technology, combining both parties' technological and operational experience in the computing power sector to build scenario-based AI applications anchored in the industrial strengths of the Dongxihu District.

The Group established AI computing center city-level intelligent hubs as foundational infrastructure, and focused on AI application incubation, delivering scenario-based solutions to over 180 industry clients and building an ecosystem of more than 3,000 partners. These efforts covered a wide range of sectors including academia, smart manufacturing, Internet of Vehicles, biopharmaceuticals, energy, finance, and the internet. The Group independently developed LMBSS, a multi-modal large model operations management system tailored for AI computing center clients. The system was successfully deployed in computing power operations projects for Gui'an Development Group, Nanjing Big Data Bureau, and the Beijing Changping Computing Center, providing refined management for resource allocation, scheduling, monitoring, and billing, ensuring the efficient utilization and stable operation of computing resources. The Group also won the bid for the Guian New Area Hyperconnected Intelligent Computing Infrastructure Project and the first-phase construction of the Smart City Management Platform. In collaboration with Guifa Group, the Group coestablished Guizhou Guian New Area Chinasoft Cloud Intelligence Technology Co., Ltd., focusing on areas such as smart governance, enterprise digitalization, cloud management centers, and AIGC model factories. Leveraging the "China Data Valley" computing power advantage, this partnership injected fresh momentum into the Group's business expansion in Guizhou and the broader Southwest China region.

4.3 AI-Powered Cloud Base Operations

During the reporting period, the Group continued to operate its existing bases covering industrial internet, Xinchuang (domestic innovation), and Kunpeng business domains. While ensuring enterprise enablement and steady operations, the Group promoted tailored AI transformation services according to the unique strengths of each base. Xiamen Base focused on creating one-stop AI intelligent upgrade services centered on "scenario value" for enterprises, targeting major state-owned enterprises such as Xiamen C&D Corporation and Xiamen ITG Holding. Leveraging the market influence and resources of SOEs, the base expanded AI adoption, particularly in AI quality inspection and digital marketing in the manufacturing sector to improve productivity and competitiveness. The Group's proprietary Lingxi platform was successfully listed in the Jimei District Government's procurement catalog, driving regional industrial upgrading. Nanjing Base focused on DeepSeek + Ascend Cloud services, supporting clients in building intelligent infrastructure. It served model providers such as ZonEnergy and Zhongxin Sec, delivering pure DS inference computing power and MaaS + industry templates. It also provided distillation and fine-tuning services for DS-based model applications to clients such as Qianmu Information, Huarui Education, and offered DSV3 SFT supervised tuning and reinforcement learning services to Tianchuang Robotics, Xinren Technology, and Yunzhangfang. Lishui Base focused on traditional manufacturing industries and actively promoted the rollout of the Group's AI Agent platform and products. In addition to delivering ready-to-use proprietary AI Agent products (the Seek Series + professional services), the base collaborated with mid-sized enterprises' IT departments to jointly promote AI implementation in business operations, facilitating the internal development of proprietary AI applications.

4.4 Financial Cloud Services

During the reporting period, the Group successfully implemented HarmonyOS App projects for multiple major state-owned banks, joint-stock banks, and securities and insurance firms. Several of these apps completed internal testing and were successfully published on the Huawei App Market. The Group independently developed the HarmonyOS-native application development platform for financial institutions (TOP HAPX), which integrates four key capability libraries: App framework, business components, security features, and UI construction tools, providing a solid foundation for HarmonyOS application development in finance. In terms of financial IT integration services, the Group delivered several significant Xinchuang projects, including a GaussDB-based financial market management system for a major state-owned bank, a bank card business integration project for another top-tier state-owned bank, a new-generation core system based on Kunpeng architecture for a rural commercial bank, and a core system localization and adaptation project for a leading insurance firm. These successful implementations further reinforced the Group's recognition and credibility among top-tier financial clients.

The Group ranked first in the transaction banking category in IDC's China Banking IT Solutions Market Share report, maintaining the top position for another year. It also held the second place in the payments and clearing sector for consecutive years, and ranked third in channel management and risk management. In digital business, digital lending, and open banking, the Group followed closely in fourth place. Its end-to-end supply chain finance solution was selected as an exemplary case in IDC's Supply Chain Technology Report, and ranked among the top in the market share report for niche segments. In the cloud-native domain, a consumer credit data service platform developed for a client using cloud-native technology was featured in the IDC PeerScape: Financial Industry Cloud-Native Practice Insight report. The Group also achieved TMMi Level 5 certification under the international Software Testing Maturity Model Integration framework– the first Level 5 certification for its testing capability stream. The Group was certified as a Huawei Digital Finance Legion Industry Application Integration Service Partner, further affirming the authority and competitiveness of its financial solutions integration capabilities.

4.5 OpenEuler-Gauss Ecosystem Business

During the reporting period, in the domain of domestic operating systems, the Group actively collaborated with the OpenAtom Open Source Foundation and worked with the openEuler community to support information technology innovation across key infrastructure industries nationwide, providing customers and ecosystem partners with end-to-end product and technical services. As a key partner of the openEuler community, the Group was awarded the "Outstanding Contributor to the openEuler Community" accolade. It partnered with Chengdu TD Tech Ltd. to develop a commercial release of a server operating system tailored for specific industries. Based on openEuler, the Group built a secure, reliable, and stable embedded operating system. The Group also developed the visualized MOS platform, which integrates functions such as OS migration, upgrades, slimming, monitoring, inspection, intelligent operations, optimization, and security hardening– ensuring secure and stable system operations for clients. In the domestic database domain, the Group developed and launched the DSM database migration and synchronization platform, enabling bidirectional data synchronization across heterogeneous databases. The platform successfully passed all Huawei Cloud GaussDB compatibility tests and was awarded the HUAWEI COMPATIBLE technical certification. The Group secured and executed the China Mobile Online Autonomous and Secure Business Database Dual-Center Architecture R&D project, supporting the dual-center transition towards independent control. It remained active in contributing to and collaborating with open source database communities, maintaining a strong presence in the openGauss community and becoming a certified service provider of openGauss. Additionally, the Group established close partnerships with leading domestic database vendors to provide extensive database migration and localization services. It signed a technical service agreement with Yashan Technology to jointly advance tool adaptation for database migration and synchronization, and entered into a strategic cooperation agreement with Dameng Database.

5. OVERSEA SERVICES

During the reporting period, the Group built a systematic business development and delivery service capability in key regions such as the Asia-Pacific, successfully providing advanced cloud infrastructure for smart city and smart venue projects across multiple countries and regions. In the Kai Tak Sports Park project in Hong Kong, the Group continued to deliver an integrated smart venue solution, including applications such as command center operations, physical security, crowd flow analytics, and venue reservation management. These solutions enabled full-scenario visibility, control, and governance across the sports park, setting a new benchmark for the construction and intelligent operation of large-scale international smart venue systems. Leveraging its relationship with key clients in Hong Kong, the Group secured the HK$410 million Hong Kong Police CDIP project, establishing a flagship example of government-led IT autonomy. For financial clients, the Group supported digital and intelligent transformation through its data platform solutions, modern cloud-native application capabilities, and AIGC-based financial scenario solutions, winning several major projects in Hong Kong and Southeast Asia. As a strategic overseas partner of Huawei Cloud, the Group was recognized for its outstanding service capabilities and notable business growth, receiving the "2023 Outstanding Contribution Partner" award from Huawei's Hong Kong and Macau region and the "Annual Service Partner" award from Huawei Cloud Asia Pacific.

The Group positioned Saudi Arabia as its strategic hub for the Middle East market and established a joint venture– Joint Advanced Technologies (JAT)– with Saudi Arabia's 3F Technology Investment Company. The joint venture JAT officially launched operations in the Middle East by successfully signing a partnership agreement with Huawei Cloud. The Group also signed a memorandum of understanding with Huawei to deepen cooperation across the Middle East and Central Asia, and joined both the "China Enterprises Alliance in the Middle East and Central Asia" and Huawei Cloud's "Intelligent Digital Ecosystem Alliance" to jointly drive regional digital transformation. The Group contributed to the development of digital infrastructure for Saudi Arabia's NEOM project and successfully launched the Sindalah UOC project, pioneering a new model of digital operations for intelligent spaces. In the smart campus and hybrid cloud domains, the Group deepened collaboration with Huawei, co-releasing the "Smart Campus 2030" white paper and multiple joint solutions based on Huawei Cloud Stack, including industry clouds, smart campuses, and intelligent buildings– advancing innovation and transformation across campuses and cities.

II. SOFTWARE AND TECHNICAL SERVICES

During the reporting period, the Group improved the efficiency and quality of existing business segments, leveraging AI-based management tools to optimize system management and ensure sustained profit growth. The Group actively explored code large model-assisted programming, using AI models to significantly reduce development costs and improve efficiency, thereby optimizing its business structure.

1. **HUAWEI**

During the reporting period, the Group empowered its HR supply chain management with AI foundation models, enhancing the flexibility of its talent pool. By leveraging "intelligent talent search + intelligent recommendation," the Group significantly improved resource acquisition and supply efficiency. The Group engaged in extensive and in-depth collaboration with Huawei's consumer business. In the operating system domain, it was deeply involved in the release and upgrade of HarmonyOS and HarmonyOS NEXT. In the Huawei Smart Selection automotive business, the Group provided comprehensive support for the launch of the Wenjie, Zhijie, and Xiangjie vehicle series, helping Huawei deliver intelligent connectivity solutions across people, vehicles, and homes. It supported the release of ADS Pro V3.2, contributing to Huawei's upgrades in intelligent vehicle solutions, product development, and brand positioning. The Group also deepened its collaboration with Huawei on core technologies such as Ascend, openEuler, and Gauss. Leveraging its full-stack adaptation capabilities for Ascend AI, the Group optimized Ascend AI chips and the CANN computing architecture for over 50 key clients in Beijing, Shanghai, Jiangsu, and other regions, facilitating the implementation of AI-powered scenarios in sectors such as finance and healthcare. Through its extensive engagement with the openEuler open-source community and domestic technology ecosystem, the Group provided telecom operators and financial institutions with customized products, tool platform development, and technical support services based on the openEuler operating system. In the Gauss database domain, the Group successfully delivered an independently controlled dual-center architecture platform supporting the openGauss database for industry clients, addressing domestic substitution needs and ensuring business continuity.

2. **END TERMINAL MANUFACTURING**

During the reporting period, the Group further strengthened its partnership with HONOR, providing robust support for HONOR's accelerated expansion into markets across the Asia-Pacific and Europe. The Group was deeply involved in the launch of the MagicOS 9.0 system, working alongside HONOR to develop a comprehensive smart ecosystem powered by edge AI agents. The Group maintained long-term cooperation with leading OEMs such as Huaqin, CNCE, and Wingtech, and successfully expanded its business to include clients like GoerTek, driving business diversification. Its collaboration with Xiaomi Group continued to deepen across various domains– including smartphones, wearables, televisions, internet services, information technology, smart vehicles, and artificial intelligence. The Group was selected as one of Xiaomi's first-tier strategic suppliers and dedicated substantial technical resources to support Xiaomi's "Human-Vehicle-Home Integrated Ecosystem" strategy, particularly in hardware industrial design and simulation R&D. The Group also advanced its cooperation with OPPO, delivering high-quality project outcomes across foundational software, system testing, multimedia development, and application testing, becoming the largest supplier to OPPO's software engineering department. In the home appliance manufacturing sector, the Group maintained close collaboration with leading enterprises, focusing on intelligent inspection and analytics capabilities across product manufacturing and logistics processes to improve product quality and delivery efficiency. The Group continued to invest in digital IT process development, supporting the digital transformation and upgrade efforts of major home appliance manufacturers.

3. AUTOMOBILE

During the reporting period, the Group jointly undertook the Ministry of Industry and Information Technology's (MIIT) "Foundational Software for Intelligent Driving Operating Systems" project, in collaboration with MIIT, Tsinghua University, major automotive manufacturers (including FAW, GAC, and (BYD), and intelligent mobility companies such as China Automotive Intelligence, China Intelligent Connected Vehicle, Banma Zhixing, and SIMMTech. The project provided foundational and application-level support for the development of next-generation operating systems for intelligent connected vehicles. In the intelligent connected vehicle domain, the Group provided technical support to Changan Automobile across areas such as automotive big data, intelligent cloud, smart cockpits, smart mobility, smart lifestyle, and intelligent services. The Group delivered comprehensive smart mobility services and, for its outstanding contributions to the SDA architecture project, was honored with Changan Automobile's 2024 "Beidou Tianshu" Contribution Award.

4. ENERGY AND ELECTRICITY

During the reporting period, the Group deepened strategic cooperation with key central state-owned enterprises, including PetroChina, Sinopec, CNOOC, and State Grid Corporation of China. The Group also expanded its client base to include Sinochem, China Energy, and China Coal Technology and Engineering Group. The Group ranked first in overall market share for PetroChina Kunlun Digital Intelligence business, with services covering exploration, refining, oil and gas, and sales. The Group delivered end-to-end digitalization, consulting, design, and R&D services. For CNOOC, the Group provided construction and operations for infrastructure such as data centers, enterprise management data warehouses, cloud computing platforms, and network communications. For State Grid, the Group delivered operation and inspection systems, safety inspection systems, consulting, and platform services, enabling smart production, smart transmission, and intelligent monitoring.

5. FINANCE

During the reporting period, the Group made steady progress in integrated financial innovation and domestic IT substitution (Xinchuan). Major project wins included a multimillion-RMB DWS lakehouse integration project for a state-owned bank; a next-generation system based on Kunpeng servers for a rural commercial bank; and a gold card system project for a commercial bank, which included domestic database migration, cloud-native deployment, and dual-active database architecture across locations. The Group also secured a multimillion-RMB Xinchuang (secure and controllable) project for an insurance company, involving comprehensive localization of its core, asset management, and administration systems. The Group achieved historic breakthroughs in both IT services and domestic substitution for clients across state-owned and joint-stock commercial banks.

6. TELECOMMUNICATION

During the reporting period, the Group deepened cooperation with China Mobile, China Telecom, and China Unicom, securing major new projects including China Mobile Integrated DICT, Migu Culture, and China Telecom Tianyi Cloud Omnichannel Center. The Group also expanded its client base to include Unicom Music and Unicom Cloud Shield, covering core areas of telecom operator services. In the telecom equipment segment, the Group maintained its leading position in partnerships with major vendors including Datang, FiberHome, and DTMobile. The Group's technical strength and service quality continued to earn industry-wide recognition. It also made new breakthroughs with clients such as the StarNet Innovation Institute and Hengtong Group, further consolidating its leadership in the equipment vendor market.

In 2024, the Group maintained stable business development. Revenue decreased by 1.0% YoY, while service revenue declined by 1.9% YoY. Adjusted profit increased by 3.8% YoY. However, profit declined by 28.3% YoY and profit attributable to owners of the Company decreased by 28.1%YoY. Basic earnings per share recorded a YoY decrease of 22.7%.

	2024 RMB'000	2023 RMB'000	% Increase (decrease) over the same period last year
Revenue	**16,950,733**	17,116,894	(1.0%)
Service revenue	**16,314,168**	16,631,560	(1.9%)
Profit for the year	**511,145**	712,667	(28.3%)
Profit for the year attributable to owners of the Company	**512,925**	713,394	(28.1%)
Basic earnings per share *(cents)*	**20.01**	25.88	(22.7%)
Adjusted profit	**650,240**	626,350	3.8%

KEY OPERATING DATA

	2024 RMB'000	2023 RMB'000	% Increase (decrease) over the same period last year
Revenue	**16,950,733**	17,116,894	(1.0%)
Service revenue	**16,314,168**	16,631,560	(1.9%)
Cost of sales and services	**(13,209,231)**	(13,113,818)	0.7%
Gross profit	**3,741,502**	4,003,076	(6.5%)
Other income	**241,941**	428,905	(43.6%)
Loss from derecognition of financial assets measured at amortised cost	**(2,815)**	(2,332)	20.7%
Impairment losses under expected credit loss model, net of reversal	**(273,855)**	(117,313)	133.4%
Impairment loss on investment accounted for using the equity method	**(13,703)**	(22,377)	(38.8%)
Other gains or losses	**219,574**	83,905	161.7%
Selling and distribution costs	**(875,097)**	(868,347)	0.8%
Administrative expenses	**(1,220,082)**	(1,354,733)	(9.9%)
Research and development costs	**(906,274)**	(1,078,296)	(16.0%)
Other expenses	**(95,070)**	(105,680)	(10.0%)
Finance costs	**(175,918)**	(202,833)	(13.3%)
Share of results of investments accounted for using the equity method	**(72,107)**	(30,028)	140.1%
Profit before taxation	**568,096**	733,947	(22.6%)
Income tax expense	**(56,951)**	(21,280)	167.6%
Profit for the year	**511,145**	712,667	(28.3%)
Profit for the year attributable to owners of the Company	**512,925**	713,394	(28.1%)
Basic earnings per share (cents)	**20.01**	25.88	(22.7%)
Adjusted profit	**650,240**	626,350	3.8%

GENERAL OVERVIEW

In 2024, the rise of DeepSeek signals that Agentic AI and reasoning will further propel the practical application of computing power, generative AI, and physical AI. The AI inflection point has indeed arrived. Chinasoft International capitalizes on this strategic opportunity and persists in investing in the AI domain. Its business footprint encompasses a comprehensive AI technology stack, spanning from the building and operation of computing infrastructure, data governance, model training, reasoning deployment, edge intelligence, cloud intelligence, to AI - native next - generation ERP and industry - specific applications. Offering integrated services that cover hardware, algorithms, platforms, and solutions, Chinasoft International has forged full - stack AI capabilities. It has emerged as an explorer, enabler, and frontrunner in the AI era. By establishing full - stack AI capabilities, the company facilitates clients in achieving the full - scale implementation and application of AI, thereby driving business transformation. The second growth curve of the business has exhibited strong momentum, with outstanding performance across multiple business segments, providing sustained impetus for the Group's high-quality development.

During the reporting period, the company established Technology Innovation Center. By integrating with DeepSeek and leveraging Chinasoft International's overall AI service capabilities, it offers a comprehensive four – in – one service package encompassing AI computing services, AI engineering implementation, AI scenario consulting services, and AI intelligent agent services. It is equipped with three innovation experiment environments, namely the AI Lab, the Enterprise Core Economics Lab, and the IDS Lab, to promote the transformation and application of more cutting – edge technological achievements and continuously build an open AI ecosystem.

During the reporting period, the Group made steady progress in computing power operations and infrastructure expansion. By optimizing the allocation of Ascend AI computing power, the Group expanded its computing capacity in key locations such as Xi'an, establishing multiple computing centers to support industry demand. In collaboration with Huawei, the Group co-developed the Changping Digital Power Innovation Center, providing a fully localized computing power foundation. Furthermore, the Group's independently developed LMBSS Computing Power Management System successfully won the bid for the Guiyang Hyper-Connected New Computing Power Project, further solidifying the Group's leadership in computing power operations. In addition, the Group launched tailored intelligent solutions across multiple industries, including smart finance, smart energy and power, digital government, and intelligent manufacturing, which have been highly recognized by the market.

During the reporting period, the JointPilot (Lingxi) AI application platform was comprehensively upgraded, and its "Wen" series of AI Agents entered product-level cooperation with Huawei in large-model application fields. To date, the Group has deployed over 60 AI Agent assistants and developed more than 30 flagship use cases.The Model Factory was upgraded to version 2.0, based on a "Model Services + Agent Products" framework and powered by Ascend + DeepSeek, offering tailored AI model solutions that enable clients to build enterprise-level intelligent agent platforms and develop private models and applications.In addition, the Group built up its computer vision (CV) capabilities and now offers one-stop large-model development services for both natural language processing (NLP) and CV.The Group successfully delivered key projects across government, finance, and energy sectors, including: enabling the AI model deployment for China Oil & Gas Pipeline Network Corporation's digital platform,participating in the first Huawei Pangu-based embodied intelligence project, and assisting ECOVACS in intelligent robot R&D,all of which demonstrate the Group's strong technological capabilities and robust industry adaptability.

During the reporting period, the Group focused on ERP and digital transformation, developing an enterprise core management system based on domestic, independently controllable ERP using the EIMOS intelligent architecture, specifically tailored for the power industry. The Group became the first partner to provide consulting and implementation services for enterprise core management systems. The Group deepened its engagement with leading central state-owned enterprises, including PetroChina, State Grid, and China Southern Power Grid, successfully delivering the first pre-research project for an independently controlled ERP system for a major nuclear power client. Additionally, the Group participated in a large-scale ERP project for a central energy enterprise, undertaking key risk control and audit modules while expanding into new business segments. The Group's service capabilities extended to the delivery of solutions based on the Huawei Cloud PaaS platform and its proprietary pan-ERP technology framework. By building a supply chain-centered foundational business and technology platform, the Group enhanced the competitiveness of its solutions through project replication and business consolidation. Furthermore, the Group established a capability center to develop and refine the Agentic CDM methodology and tool platform, aligning with national domestication strategies. The Group launched pilot projects for domestic, independently controllable ERP systems, spearheading their adoption. It also initiated the construction of the Yangfan R/7 Enterprise Core Management System Joint Laboratory, supporting digital technology subsidiaries of central enterprises. Additionally, leveraging a low-code platform based on the 4A architecture and AI dual-engine technology, the Group developed an intelligent solution delivery system, driving business model upgrades and accelerating enterprise digital transformation.

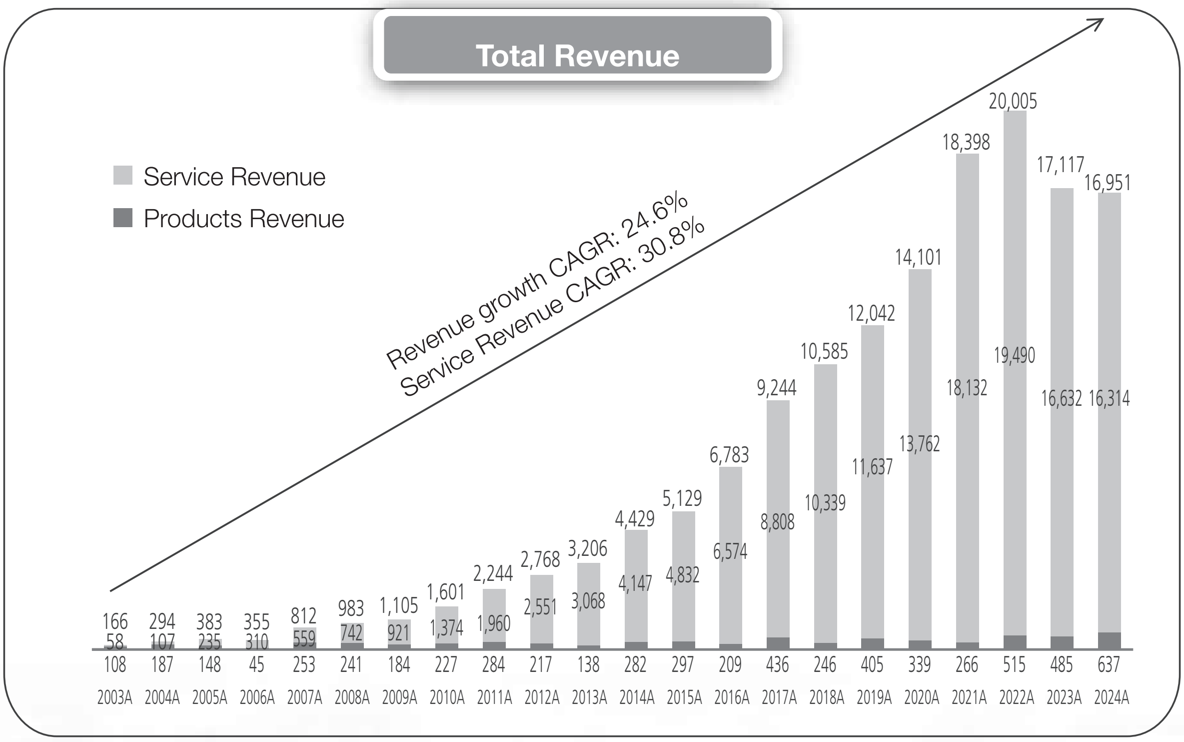
During the reporting period, the Group leveraged KaihongOS and the Super Device Management Platform KaihongOS Meta to develop integrated software-hardware solutions, continuously advancing the AI-native operating system and introducing edge AI services to drive industry transformation. By utilizing multi-kernel hybrid deployment technology, KaihongOS achieved high real-time performance and enhanced security. Its full-ecosystem integration with HarmonyOS Next and StarFlash connectivity effectively addressed low-latency challenges in complex scenarios. The system obtained multiple authoritative security certifications and ranked among the top contributors in the OpenHarmony community, further solidifying its leading position within the open-source HarmonyOS ecosystem. In collaboration with Shen Kaihong, the Group launched the Kaihong Smart All-Scenario Experimental Kit, which enhances IoT capability experiences and accelerates AI-driven software-defined spaces. In the smart terminal sector, the Group developed 20 proprietary KaihongOS-based products, spanning industries such as water conservancy, transportation, rail transit, urban lifeline management, and emergency firefighting. These products successfully passed community compatibility assessments and have been deployed in multiple locations. Regarding industry solutions, the Group's "Industry Hong" product line achieved significant breakthroughs in resilient cities, smart water conservancy and environmental protection, intelligent emergency firefighting, smart gas, and intelligent transportation. Notably, the Group developed China's first open-source HarmonyOS-based water management solution, launched the "Firefighting Hong" intelligent firefighting system, and promoted comprehensive HarmonyOS-controlled applications for highway tunnel management. In HarmonyOS ecosystem services, the Group provided migration services for over 500 applications, supporting more than 400 enterprises and integrating millions of devices. These achievements earned the Group multiple ecosystem honors and reinforced its contribution to the growth of the HarmonyOS ecosystem.

During the reporting period, the Group continued its seven-year "sailing on the same boat" strategic collaboration with Huawei Cloud, achieving remarkable results in the intelligent cloud business and maintaining its leading position within the Huawei Cloud ecosystem. The Group was honored with the Huawei Cloud Ecosystem Rock Award, the most prestigious accolade at the Huawei Cloud Ecosystem Summit. During the reporting period, the Group achieved over 30% growth in Huawei Cloud SMB CORE performance and remained a leader in CTSP cloud services, providing Ascend AI adaptation, cloud migration planning, and data governance services to more than 300 enterprises. Moreover, it successfully implemented over 200 CTSP projects in multiple industries. The Group also focused on the AI transformation of existing cloud infrastructure. Key initiatives included Xiamen Base (developed a one-stop AI upgrade service), Nanjing Base (assisted clients in building intelligent computing foundations), and Lishui Base (advanced the AI Agent platform rollout, accelerating industry upgrades). In financial integration services, the Group successfully implemented HarmonyOS App projects for multiple financial institutions, launched several fintech innovation projects, and secured a leading market share in various financial solution segments. Additionally, the Group's solutions obtained multiple authoritative certifications. Within the openEuler ecosystem, the Group collaborated with the openEuler community, supporting critical industries with domestically developed IT infrastructure. The Group also developed the visualized MOS platform, ensuring system stability for enterprise clients. In the domestic database sector, the Group launched the DSM platform, successfully passing Huawei Cloud GaussDB compatibility testing and securing the China Mobile Online project bid. The Group continues to contribute to open-source communities, actively promoting domestic database innovation and substitution services.

During the reporting period, as a strategic overseas partner of Huawei Cloud, the Group achieved notable success across the Asia-Pacific and Middle East regions. In Asia-Pacific, the Group established a structured business expansion and delivery framework, successfully providing smart venue integrated solutions for projects such as Kai Tak Sports Park in Hong Kong. Additionally, the Group won the bid for the Hong Kong Police CDIP project, supported digital transformation for financial clients, and received multiple service partner awards from Huawei Hong Kong-Macao and Asia-Pacific regions. In the Middle East, the Group positioned Saudi Arabia as its strategic hub and established a joint venture, Joint Advanced Technologies (JAT), with Saudi 3F Technology Investment Company. The Group also signed a Memorandum of Understanding (MoU) with Huawei to deepen cooperation, joined key regional alliances, and actively contributed to regional digital transformation efforts. The Group further supported the digital infrastructure development of NEOM, Saudi Arabia's futuristic city, and collaborated with Huawei to release the "Smart Campus 2030" white paper, along with multiple joint smart campus and urban innovation solutions, driving intelligent urban transformation across the region.

Looking ahead, the Company adheres to the philosophy of basing on "root technologies" and targeting "industry value", and will continue to leverage a domestically developed computing power foundation as its core support, while enhancing its full-stack AI product and service capabilities, including Model Factory, JointPilot, Agent-based applications, domestically controlled ERP systems, and HarmonyOS ecosystem-enabled software and hardware solutions. By driving the intelligent upgrade of enterprise application scenarios, the Group aims to further improve productivity and foster new-generation productivity models. Committed to delivering long-term and stable value to shareholders, clients, and partners, the Group will stride resolutely towards the leading position in the AIS era.

Since the Group's listing on the Growth Enterprise Market in 2003, the compound annual growth rate (CAGR) of revenue reached 24.6%, while the CAGR of service revenue reached 30.8%. Please refer to the following graph for details:



CUSTOMERS

The Group's customers span globally, in addition to the Greater China, it has achieved remarkable results in the Asia-Pacific and Middle East and extends its influence to customers globally. The Group has established long-term partnerships with leading domestic and international enterprises such as Huawei, HSBC, Honor, China Mobile, China Telecom, Tencent, Alibaba, Baidu, Ping An, Bank of Communications, China Construction Bank, CGN, PetroChina, CNOOC, and State Grid. In 2024, service revenue from the top five customers accounted for 57.4% of the Group's total service revenue, while the top ten customers contributed 65.1% of the total service revenue.

In 2024, the Group had 2,174 active clients. Among them, there were 188 large clients with service revenue exceeding RMB 6 million.

MARKET

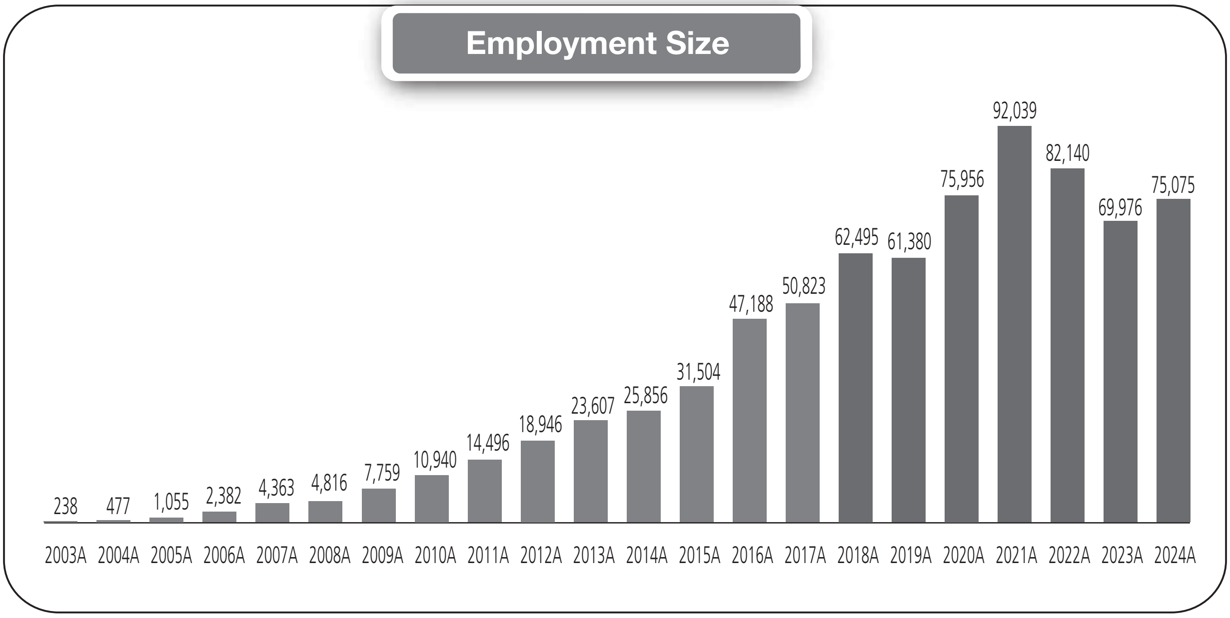
During the reporting period, the Group focused on key industries, including power, finance, government affairs, transportation, public utilities, and enterprise manufacturing, developing and deploying HarmonyOS and AI-driven industry solutions. In the domestic market, the Group concentrated on economically developed regions such as the Greater Bay Area, Yangtze River Delta, and Beijing-Tianjin-Hebei, as well as key central and western hub regions. The Group strengthened its presence in Beijing, Shenzhen, Xi'an, Guangzhou, Nanjing, Shanghai and Chengdu, leveraging its Spearhead, Legion, and Base Camp organizational structure to drive the implementation of AI+ solutions and deepen its industry offerings. In the overseas market, the Group expanded its footprint by establishing R&D and delivery centers in Hong Kong, Thailand, Japan, Singapore, Saudi Arabia, and the UAE. In Saudi Arabia, the Group established the JAT joint venture, successfully delivering multiple projects in digital government, smart cities, and smart venues, reinforcing its position as a global leader in digital transformation solutions.

HUMAN RESOURCES

As of the end of 2024, the total number of employees in the Group reached 75,075 (compared to 69,976 at the end of 2023), representing a 7.3% increase. The average number of employees for the year was 72,526, reflecting a 4.6% decrease from the previous year's average of 76,058. The rebound in the number of employees in the second half of the year indicates the recovery of the company's core business, providing a guarantee for the revenue growth in 2025.

As of the end of 2024, the number of technical personnel in the Group reached 71,745, accounting for 95.6% of the total number of employees. Among them, project managers, consultants, and senior engineers totaled 26,289, comprising 36.6% of the total technical personnel in the Group.

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



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2024 and 2023:

	2024 RMB'000	% of revenue	% of service revenue	2023 RMB'000	% of revenue	% of service revenue
Revenue	16,950,733	N/A	N/A	17,116,894	N/A	N/A
Service revenue	16,314,168	N/A	N/A	16,631,560	N/A	N/A
Cost of sales and services	(13,209,231)	(77.9%)	(81.0%)	(13,113,818)	(76.6%)	(78.8%)
Gross Profit	3,741,502	22.1%	22.9%	4,003,076	23.4%	24.1%
Other income	241,941	1.4%	1.5%	428,905	2.5%	2.6%
Loss from derecognition of financial assets measured at amortised cost	(2,815)	(0.0%)	(0.0%)	(2,332)	(0.0%)	(0.0%)
Impairment losses under expected credit loss model, net of reversal	(273,855)	(1.6%)	(1.7%)	(117,313)	(0.7%)	(0.7%)
Impairment loss on investment accounted for using the equity method	(13,703)	(0.1%)	(0.1%)	(22,377)	(0.1%)	(0.1%)
Other gains or losses	219,574	1.3%	1.3%	83,905	0.5%	0.5%
Selling and distribution costs	(875,097)	(5.2%)	(5.4%)	(868,347)	(5.1%)	(5.2%)
Administrative expenses	(1,220,082)	(7.2%)	(7.5%)	(1,354,733)	(7.9%)	(8.1%)
Research and development costs	(906,274)	(5.3%)	(5.6%)	(1,078,296)	(6.3%)	(6.5%)
Other expenses	(95,070)	(0.6%)	(0.6%)	(105,680)	(0.6%)	(0.6%)
Finance costs	(175,918)	(1.0%)	(1.1%)	(202,833)	(1.2%)	(1.2%)
Share of results of investments accounted for using the equity method	(72,107)	(0.4%)	(0.4%)	(30,028)	(0.2%)	(0.2%)
Profit before taxation	568,096	3.4%	3.5%	733,947	4.3%	4.4%
Income tax expense	(56,951)	(0.3%)	(0.3%)	(21,280)	(0.1%)	(0.1%)
Profit for the year	511,145	3.0%	3.1%	712,667	4.2%	4.3%
Profit for the year attributable to the Owners of the Company	512,925	3.0%	3.1%	713,394	4.2%	4.3%
Adjusted profit	650,240	3.8%	4.0%	626,350	3.7%	3.8%

REVENUE

In 2024, the Group recorded revenue of RMB 16,950.733 million (2023: RMB 17,116.894 million), representing a 1.0% year-over-year (YoY) decrease. Service revenue for 2024 amounted to RMB 16,314.168 million (2023: RMB 16,631.560 million), reflecting a 1.9% YoY decline. The decline in revenue was mainly affected by the economic environment. The average total number of employees throughout 2024 was 72,526, representing a 4.6% decrease compared to the average of 76,058 employees in the same period last year. The number of employees began to recover in the second quarter of 2024, and the revenue in the second half of 2024 increased by 13.9% quarter-on-quarter.

TPG and IIG's revenue and proportion of total revenue in 2024 are as follow:

	2024 **RMB'000**	**Weight**	2023 RMB'000	Weight	Growth *rate*
TPG	**14,770,393**	**87.1%**	15,020,564	87.8%	(1.7%)
IIG	**2,180,340**	**12.9%**	2,096,330	12.2%	4.0%
Total	**16,950,733**	**100%**	17,116,894	100%	(1.0%)

GROSS PROFIT

In 2024, the Group achieved a gross profit of RMB 3,741.502 million (2023: RMB 4,003.076 million), reflecting a 6.5% year-over-year (YoY) decline. The gross profit margin for 2024 was 22.1% (2023: 23.4%), marking a 1.3% decrease YoY. The gross profit as a percentage of service revenue was 22.9% (2023: 24.1%), showing a 1.2% decline YoY. The decline in gross profit margin during the reporting period was primarily due to the continued impact of pricing reductions by major clients in the second half of 2023, which led to a decline in overall profitability.

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

1. Increase the proportion of high-margin service businesses and accelerate the full-stack AI product and service industry layout to enhance product and service competitiveness and profitability.

2. Advance software-hardware productization, promoting the sales of proprietary technologies (KaihongOS, JointPilot, large-model Agents) and commercializing products such as DeepSeek all-in-one devices and Kaihong Smart PCs to upgrade the business model.

3. Enhance delivery efficiency by integrating AI tools into the delivery process, thereby improving overall profitability.

OPERATING EXPENSES

In 2024, the Group's selling and distribution expenses amounted to RMB 875.097 million (2023: RMB 868.347 million), representing a 0.8% year-over-year (YoY) increase. These expenses accounted for 5.2% of revenue (2023: 5.1%), reflecting a 0.1% increase. During the reporting period, the Group increased its efforts in business development for customers from central state-owned enterprises and overseas customers.

In 2024, the Group's administrative expenses totaled RMB 1,220.082 million (2023: RMB 1,354.733 million), reflecting a 9.9% YoY decrease. Administrative expenses accounted for 7.2% of revenue, compared to 7.9% in 2023, marking a 0.7% decline. Excluding share-based payment expenses, administrative expenses as a percentage of revenue decreased by 1.2% YoY. During the reporting period, the Group enhanced budget management and used self-developed recruitment Agents to improve the operational efficiency of business and functional units, resulting in a significant reduction in management expenses. In the future, the company will continue to improve the work efficiency of the overall functional systems through self-developed Agent products, and further reduce the ratio of administrative expenses.

In 2024, the Group's research and development (R&D) expenses totaled RMB 906.274 million (2023: RMB 1,078.296 million), reflecting a 16.0% YoY decrease. R&D expenses accounted for 5.3% of revenue, compared to 6.3% in 2023, representing a 1.0% decline. During the reporting period, the Group prioritized R&D resources towards key areas such as AI, ERP, and integrated solutions for OpenHarmony, while reducing investments in non-core business areas. Moreover, the Group actively applied a series of technologies, including the latest large AI models, to improve R&D efficiency.

OTHER INCOME

In 2024, the Group recorded other income of RMB 241.941 million (2023: RMB 428.905 million), representing a 43.6% year-over-year (YoY) decrease. The decline was primarily due to a reduction in government subsidies and interest income compared to the previous year, as well as the termination of additional value added tax super credit policy, which impacted other income during the reporting period.

OTHER GAINS OR LOSSES

In 2024, the Group recorded other gains of RMB 219.574 million (2023: RMB 83.905 million), representing a 161.7% year-over-year (YoY) increase. The significant increase was primarily driven by investment income from the partial disposal of investments accounted for using the equity method during the reporting period, as well as gains from fair value change of financial assets at fair value.

FINANCE COSTS AND INCOME TAX

In 2024, the Group's finance costs amounted to RMB 175.918 million (2023: RMB 202.833 million), representing a 13.3% year-over-year (YoY) decrease. Finance costs as a percentage of revenue stood at 1.0%, compared to 1.2% in 2023, reflecting a 0.2% decline. The reduction in finance costs was primarily due to the partial refinancing of high-cost syndicated loans, which led to lower borrowing costs.

In 2024, losses from derecognition of financial assets measured at amortized cost was RMB 2.815 million (2023: RMB 2.332 million), marking a 20.7% YoY increase.

In 2024, the Group's income tax expense was RMB 56.951 million (2023: RMB 21.280 million), reflecting a 167.6% YoY increase. The increase was mainly attributed to: a higher investment-related income, which led to an increase in deferred tax expenses. On the other hand, the final tax settlement resulted in a tax refund in 2023, whereas in 2024, it led to a tax payment. Excluding the impact of investment-related income, the effective tax rate in 2024 was 7.4%, compared to 2.9% in 2023, reflecting a 4.5% increase.

OTHER NON-CASH EXPENSES

In 2024, the Group's other expenses amounted to RMB 95.070 million (2023: RMB 105.680 million), representing a 10.0% year-over-year (YoY) decrease. Other expenses as a percentage of revenue remained at 0.6%, consistent with 2023.

In 2024, impairment losses on investments accounted for using the equity method were RMB 13.703 million (2023: RMB 22.377 million), reflecting a 38.8% YoY decrease. This decline was primarily due to investment impairments related to associate companies.

In 2024, impairment losses under expected credit loss model, net of reversal, amounted to RMB 273.855 million (2023: RMB 117.313 million), representing a 133.4% YoY increase. This is mainly because the company made significant individual provisions for trade receivables and contract assets.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2024, the Group's total available cash balance (comprising bank balances and cash, term deposits, and pledged bank deposits) amounted to RMB4,747.142 million (2023: RMB 5,088.641 million). It is mainly due to the company substantially ramping up its share repurchase and cancellation efforts within the reporting period. The aggregate amount of share repurchases reached HK$926,726,800.

In 2024, the Group's net current assets amounted to RMB6,687.092 million (2023: RMB9,983.119 million). The current ratio in 2024, calculated as the ratio of current assets to current liabilities, was 2.1, representing a decrease of 2.3 compared to 4.4 in 2023.

In 2024, the Group's borrowings amounted to RMB4,416.097 million (2023: RMB 3,016.817 million). The net borrowing ratio is calculated by dividing the borrowing amount (borrowings minus available cash balances, including bank balances and cash, term deposits, and pledged bank deposits) by the total equity. The Group's available cash balance exceeded the sum of borrowings in both 2024 and 2023, resulting in a negative net borrowing ratio. Therefore, the net borrowing ratio was negative, indicating that the company has relatively strong solvency.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2024, the Group recorded a profit of RMB 511.145 million (2023: RMB 712.667 million), representing a 28.3% year-over-year (YoY) decrease, it is mainly due to the increase in bad debt provisions and the decrease in government subsidies. Profit as a percentage of revenue was 3.0% (2023: 4.2%), reflecting a 1.2% decline. Profit as a percentage of service revenue stood at 3.1% (2023: 4.3%), also decreasing by 1.2%.

In 2024, the profit attributable to owners of the Company was RMB 512.925 million (2023: RMB 713.394 million), marking a 28.1% YoY decline.

Based on profit attributable to owners of the Group, the basic earnings per share (EPS) in 2024 was RMB 20.01 cents (2023: RMB 25.88 cents), reflecting a 22.7% YoY decrease.

ADJUSTED PROFIT

In order to provide shareholders with supplementary information reflecting the company's sustainable operational capacity and operating efficiency in its main business, on the basis of disclosing the profit for the year in accordance with HKFRSs, the company supplements the disclosure of the adjusted profit. The adjusted profit does not have a standardised meaning prescribed by HKFRSs and therefore may not be comparable to similar measures presented by other companies. The following table shows the calculation process of the adjusted profit and the reconciliation process from adjusted profit to profit for the year:

	2024 **RMB'000**	2023 RMB'000
Gross profit	**3,741,502**	4,003,076
Selling and distribution costs	**(875,097)**	(868,347)
Administrative expenses	**(1,220,082)**	(1,354,733)
Research and development costs	**(906,274)**	(1,078,296)
Amortisation of intangible assets (included in other expenses)	**(89,809)**	(75,350)
Adjusted profit	**650,240**	626,350
Other income	**241,941**	428,905
Loss from derecognition of financial assets measured at amortised cost	**(2,815)**	(2,332)
Impairment losses under expected credit loss model, net of reversal	**(273,855)**	(117,313)
Impairment loss on investment accounted for using the equity method	**(13,703)**	(22,377)
Other gains or losses	**219,574**	83,905
Other expenses (excluding amortization of intangible assets)	**(5,261)**	(30,330)
Finance costs	**(175,918)**	(202,833)
Share of results of investments accounted for using the equity method	**(72,107)**	(30,028)
Profit before taxation	**568,096**	733,947
Income tax expense	**(56,951)**	(21,280)
Profit for the year	**511,145**	712,667

In 2024, despite the continued pressure on gross margin, the Group implemented strategic initiatives, precise execution, and proactive efficiency enhancement measures to improve profitability. After reducing selling and distribution costs, administrative expenses, research and development costs, and amortization of intangible assets, the Group achieved an adjusted profit of RMB650.240 million (2023: RMB626.350 million), representing an 3.8% year-over-year (YoY) increase. The adjusted profit margin for 2024 was 3.8% (2023: 3.7%), reflecting a 0.1% increase YoY. Based on service revenue, the adjusted profit margin stood at 4.0% (2023: 3.8%), showing a 0.2% improvement YoY.

SEGMENT REVENUE AND RESULTS

In 2024, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2024	2023	Growth Rate	**2024**	2023	Growth Rate
	RMB'000	RMB'000		**RMB'000**	RMB'000	
TPG	**14,770,393**	15,020,564	(1.7%)	**661,432**	798,823	(17.2%)
IIG	**2,180,340**	2,096,330	4.0%	**87,698**	147,454	(40.5%)
Total	**16,950,733**	17,116,894	(1.0%)	**749,130**	946,277	(20.8%)

In terms of segment revenue, TPG's revenue declined by 1.7% YoY, primarily due to the contraction in business demand from core customers last year. IIG's revenue increased by 4.0% YoY, mainly driven by higher revenue from Agent products and open-source HarmonyOS products and solutions during the reporting period.

In terms of segment results, TPG's result declined by 17.2% YoY. Excluding the impact of bad debt, the YoY decrease was 9.4%, primarily due to profit declines caused by the significant reduction in government subsidies during the reporting period and price reductions from core customers. IIG's performance declined by 40.5% YoY. However, excluding the impact of bad debt, the YoY increase was 20.8%, mainly attributable to profit growth from HarmonyOS solutions and Agent-related products during the reporting period.

The company actively invests in and lays out full-stack AI businesses and technologies, from computing power, through cloud-edge-terminal model deployment, to applications, and comprehensively speeds up the AI upgrade of the "1+3" business setup, with the ambition of capturing one-tenth of the market across industries and driving digital transformation across various sectors. The Group continues to align with Huawei Cloud's growth trajectory, maintaining a leading position in HarmonyOS and Ascend AI adaptation model services. Its products and solutions are deeply integrated with DeepSeek, further expanding the all-in-one product intelligent agent platform (which combines hardware and software) and Agent products. Also, the Group uses self-developed AI low-code and no-code products to boost the consulting and implementation of domestic, self-controllable ERP systems, establishing a second growth curve for enterprise core management systems. As the business structure continues to improve, the profitability of the Group is expected to gradually increase.

FUND RAISING ACTIVITIES

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

On 4 October 2021, the Company entered into the placing agreement with the placing agent, UBS AG Hong Kong Branch, to procure not less than six placees on a best efforts basis to purchase up to an aggregate of 162,000,000 placing shares at the placing price of HK$12.26 per placing share.

The placing shares were allotted on 12 October 2021 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2021. The net proceeds from the placing is approximately HK$1,970 million (after deduction of commission and other expenses of the placing). The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	**Intended use of the proceeds**	**Actual use of the proceeds**	**The amount of the remaining net proceeds as at 31 December 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$788 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$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$267 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$521 million to be for the intended use	Before 31 December 2025
Approximately HK$394 million	For general working capital of the Company	Approximately HK$394 million were used for general working capital of the Company	–	–

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

A. CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2024 to 31 December 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 separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

Code Provision F.2.2

Under Code Provision F.2.2, the chairman of the board should attend the annual general meeting. The Chairman of the board, Dr. Chen Yuhong was unable to attend the 2023 AGM due to urgent business matters. Instead, one of the independent non-executive Directors attended and acted as the Chairman of the 2023 AGM.

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

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules on terms no less exacting than the required standard set out in the Model Code as its code of conduct regarding securities transactions by Directors. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2024.

C. BOARD OF DIRECTORS

1. Composition of the Board of Directors

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

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

Non-executive directors:
Dr. Zhang Yaqin
Mr. Gao Liangyu

Independent non-executive directors:
Dr. Lai Guanrong
Professor Mo Lai Lan
Mr. Yeung Tak Bun J.P.

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

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

2. Meetings and Board Practices

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

During the year ended 31 December 2024, the Board held four regular board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance records of the board meetings and general meetings held are set out below:

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

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

3. Functions of the Board of Directors

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

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

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

4. Independent Non-executive Directors

During the year ended 31 December 2024, the Board had met the requirements of the Listing Rule 3.10(1) and Rule 3.10A relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of the Board.

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

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

5. Chairman and Chief Executive Officer

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

Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

6. Terms of Appointment of Non-executive Directors

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

7. **Appointment, Re-election and Removal of Directors**

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

Prior to the convening of the annual general meeting of the Company in May 2025, the board of Directors resolved that Dr. Tang Zhenming, Dr. Zhang Yaqin and Professor Mo Lai Lan should retire and stand for re-election at the annual general meeting in accordance with the requirements under the articles of association of the Company.

8. **Board Diversity Policy**

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

During the reporting year and as at the date of this report, the Board comprises seven male directors (representing 87.5% of the Board) and one female director (representing 12.5% of the Board). All eight board members are Chinese. They have expertise in IT, asset management, finance, accounting and auditing. There are three senior management members of the Company, two of whom are male (representing 66.7% of the senior management) and one is a female (representing 33.3% of the senior management). The Company will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board of Directors and senior management, to ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation. Based on the business model of the Company, the gender diversity in respect of the current composition of the Board is satisfactory.

9. **Directors' Training**

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

During the year ended 31 December 2024, all Directors namely Dr. Chen Yuhong, Dr. He Ning, Dr. Tang Zhenming, Dr. Zhang Yaqin, Mr. Gao Liangyu, Dr. Lai Guanrong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. have participated in continuous professional development, including attending seminars or training sessions and reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.. The Company also encouraged all Directors to participate relevant courses which enable them to develop and refresh their knowledge and skills for better fulfillment of the directors' duties.

10. **Indemnity of Directors**

Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, losses, damages and expenses which any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. During the reporting year, the Company arranged appropriate directors' liability insurance for its Directors and senior management to cover their responsibilities arising from the legal actions against the Directors and senior management in relation to corporate activities.

11. Company Secretary

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

According to Rule 3.29 of the Listing Rules, Ms. Leong has taken not less than 15 hours of relevant professional training for the year ended 31 December 2024.

D. BOARD COMMITTEES

1. Remuneration Committee

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

During the reporting year and as at the date of this report, the Remuneration Committee comprised four Directors, namely Dr. Lai Guanrong as the Chairman of the Remuneration Committee and Dr. Chen Yuhong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. as the members of the Remuneration Committee. Dr. Chen Yuhong is an executive Director, and the remaining members are independent non-executive Directors.

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

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

The board of Directors considered that the existing terms of appointment and levels of remuneration of the Directors and senior management of the Company are fair and reasonable, and resolved that a review be carried out again in the year ending 31 December 2025.

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

2. Audit Committee

The Company established an audit committee (the "Audit Committee") on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group's financial reporting and internal control system. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2024.

During the reporting year and as at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Lai Guanrong and Mr. Yeung Tak Bun J.P. as the members of the Audit Committee.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2024 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

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

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

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

3. Nomination Committee

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

During the reporting year and as at the date of this report, the Nomination Committee comprised four Directors, namely Dr. Lai Guanrong as the Chairman of the Nomination Committee and Dr. Chen Yuhong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P. as the members of the Nomination Committee. Dr. Chen Yuhong as an executive Director, and the remaining members are independent non-executive Directors.

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

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

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

4. Corporate Governance Functions

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

E. ACCOUNTABILITY AND AUDIT

1. Director's Responsibility for the Consolidated Financial Statements

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

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

2. Internal Control

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

3. Auditor's Remuneration

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

	2024 RMB'000
2024 annual audit	7,108
Non-audit related professional services	490
	7,598

F. RISK MANAGEMENT AND INTERNAL CONTROL

1. Accountability

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

2. Structure of Risk Management and Internal Control Governance

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

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

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

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

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

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

3. Risk Management

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

3.1 Risk Management Objectives

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

- Identify, assess, quantify, respond and manage all current and future significant risks, and contain them at all times at a level and in a scope acceptable to management;
- Establish a consistent and effective monitoring and reporting system for all significant risks;
- Provide reasonable assurance that the Company will comply with the requirements of relevant laws and regulations of external monitoring authorities, and that various departments comply with relevant internal rules and regulations;
- Provide reasonable assurance that significant measures to achieve the Company's targets are properly implemented.

3.2 Major Processes of Risk Management

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

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

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

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

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

3.3 *Significant Risks*

In accordance with the corporate risk management framework, the Group conducted an overall risk audit and assessment in 2024. The following lists the risks of the Group and its major affiliates, the changes in the nature and level of these risks, and the relevant responds measures to prevent or mitigate these significant risks.

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

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

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk Relating to Social Responsibility	**Risk relating to inadequate implementation of corporate social responsibility** Corporate social responsibility is subject to the close attention of investors, regulatory authorities and public opinions. A deficiency in corporate social responsibility will damage the brand reputation of an enterprise, but also restrict the sustainable development of the enterprise.	The Company adheres to the SA8000 Standards and is committed to strengthening the construction of its key CSR modules. To advance its system of social responsibility in terms of cultural values, ideology and labour systems, creating sustained momentum for the long-term development and providing inexhaustible international competitiveness of the Company. In daily operation, the Company proactively performs its social responsibility, fulfills a green and innovative environmental protection concept, and pays attention to the environment and resources by reducing energy consumption. It also actively promotes and practices outstanding corporate citizenship, pays attention to the demands and expectations of stakeholders, and effectively implements social responsibility communication and management.	No change
Risk Relating to Human Resources	**Risk relating to the market's competition for talents** To maintain the superb technical and management capabilities of the Company, it relies on a team of high-quality personnel. Under the backdrop of the Company's accelerated business development and the increasingly fierce competition for talents in the industry, it can only attract talents and develop their potentials by investing more in human resources to recruit and retain key talents. All these present a bigger challenge to the construction of the human resources management and system.	The Company continuously optimises its management systems of value creation, value assessment and value distribution, so as to promote the employees' sense of responsibility and mission, with respect, trust, opportunities, honors and rewards. The organization's vitality is maintained through attracting talented personnel and retaining key talents. The Company is committed to achieve the common development of the Company and the employees, through the creation of a human resources performance management system that promotes fair, open and energetic competition among the employees and the continuous improvement of process management structure.	No change

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

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risks of Artificial Intelligence	**Risks of the Industrial Revolution Brought by Artificial Intelligence Technology** The industrial revolution driven by artificial intelligence technology is reshaping the landscape of the software outsourcing industry at an unprecedented pace. Business models are shifting towards intelligence and diversification, while technical capabilities are advancing comprehensively in automation and intelligence. Market competition dynamics may adjust accordingly due to the rise of emerging enterprises and industry consolidation, with continuous optimization of costs and efficiency. If the Company fails to keep up with technological and market changes, it may face several risks. In terms of business, customers will be easily lost, market share will be seized, and business expansion will be limited. In terms of technology, there will be a lag and disconnection, making it difficult to cope with complex challenges. In the competition of the industry, competitiveness will be reduced or even face elimination. The operating costs will rise, profit margins will be compressed, and development will be in a difficult situation.	The Company remains highly attentive to developments in artificial intelligence technology and changing customer demands. It continues to invest heavily in the AI sector, establishing specialized research institutions such as the AIGC Research Institute. By attracting top technical talent and collaborating with leading industry partners, the company provides full-stack, all-scenario AI services in areas such as model factories, computing power operations, and AI agent application services. This enables seamless integration of large model applications and research and development, working together with customers to create a new landscape of AI-driven productivity. By driving the practical implementation of AI innovation, the company is accelerating its transformation from traditional IT services to high-value AI services and solutions. This demonstrates its outstanding technological innovation capabilities, further solidifies its industry leadership, and effectively mitigates various risks arising from AI-driven industrial transformation.	Increasing

4. **Internal Control**

4.1 Internal Control Objectives

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

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

4.2 Internal control

The Group has referred to the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework, and incorporated the Group's business management characteristics in the design of its internal control system, and has established an internal audit team to take responsibility of the internal control function. As at the year ended 31 December 2024, the Group completed risk-oriented internal review and assessments on day-to-day fund management, financial reporting management, procurement and inventory, asset management, and business and debt collection procedures, and periodically followed-up with the rectifications of the problems identified by internal control assessment. Management and Audit Committee reviewed the internal control assessment reports, and assessed the effectiveness of the Group's risk management and internal control systems. The scope of the review included the Group's major control and risk management functions, such as financial control, operations control and compliance control.

The Board considered that, as at 31 December 2024, the Group had carried out internal control's "plan, review, report and follow-up" processes of the close-loop management system, that the Group's risk management and internal control systems were effective and adequate, that the Company's procedures on financial reporting and the compliance of the provisions under the Listing Rules were effective and adequate and that no significant areas of concern that might affect the Group's financial control, operations control, compliance control and risk management functions had been uncovered.

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

4.3 Inside information

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

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

G. INVESTORS AND SHAREHOLDERS RELATIONS

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

H. SHAREHOLDER'S RIGHTS

1. How shareholders can convene an extraordinary general meeting

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

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

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

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

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

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of comprehensive income on page 152.

The Directors have recommended the payment of a final dividend of HK$0.0533 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2024. The proposed dividend payments from share premium account of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on Tuesday, 20 May 2025 at 2:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Monday, 23 June 2025 to shareholders whose names shall appear on the register of members of the Company on Friday, 6 June 2025.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 14 May 2025 to Tuesday, 20 May 2025, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 May 2025.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 3 June 2025 to Friday, 6 June 2025, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 2 June 2025.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2024 are approximately RMB2,223,777,000.

SHARE CAPITAL

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

During the year, the Company has repurchased and cancelled a total of 211,220,000 ordinary shares of the Company and no ordinary shares of the Company were allotted.

PROPERTY, PLANT AND EQUIPMENT

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

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB5,260,000 (2023: approximately RMB30,330,000).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 252. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

(i) Review of our business

A review of the business of the Group for the year ended 31 December 2024 as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 7 and pages 35 to 49 respectively of this annual report.

(ii) Principal Risks and Uncertainties

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

(1) Financial Risk

Capital risk

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

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

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

Interest rate risk

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

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

Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables, other receivables, financial assets at fair value, trade payables denominated in foreign currencies arising from income generated from provision of services or purchases and the Company's borrowings denominated in HK$, which expose the Group to foreign currency risk. It is the Group's policy for each operating entity to operate in local currency as far as possible to minimize currency risk. The Group's principal businesses are conducted in RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management. However, the management has kept on monitoring the movement of all foreign currency exposure including that of the foreign currency denominated loans, and will consider hedging significant foreign exchange exposure should the need arise.

Credit risk

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

(2) Business Risk

Market risk

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

Operational risk

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

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

No any significant events which happened after the reporting date of 31 December 2024 affecting the Group.

(iv) Future development of the Group

An indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 7 and pages 35 to 49 respectively of this annual report.

(v) Compliance with Laws and Regulations

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

(vi) Environmental Policies and Performance

The Group encourages environmental protection and promotes awareness towards environmental protection in its daily business operation. For the year ended 31 December 2024, the Group is in compliance with international and national environmental standards and implemented green production policies to raise efficiency and minimise both energy consumption and pollutant discharge and the details are set out in the "Environmental, Social and Governance Report" in this annual report. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operation to enhance sustainability.

(vii) Key Relationships with Employees, Customers and Suppliers

As at 31 December 2024, the Group had a headcount of 75,075 employees (31 December 2023: 69,976). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

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

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 December 2024.

DIRECTORS

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

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

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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.

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

Name	Capacity	Number of issued ordinary shares held	Total number of shares	Total approximate % of the issued share capital as at 31 December 2024
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	315,488,861 *(Note 1)*	340,138,144	12.45%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	24,649,283 *(Note 2)*		
He Ning	Beneficial owner and beneficiary of trust	6,000,000 *(Note 3)*	6,000,000	0.22%
Tang Zhenming	Beneficial owner and beneficiary of trust	24,891,765 *(Note 4)*	24,891,765	0.91%
Zhang Yaqin	Beneficial owner	250,000	250,000	0.01%
Yeung Tak Bun	Beneficial owner and beneficiary of trust	1,000,000 *(Note 5)*	1,000,000	0.04%

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 year, 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 year. The remaining awarded shares will be vested by period based on future performance.

(2) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the “Kunlun”) and Dan Capital Management Limited (the “Dan Capital”) on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 3A – Director/Chief Executive Notice – Interests in Shares of Listed Corporation dated 16 June 2022 for further details of the shareholding structure.

(3) On 30 August 2023, there are 5,000,000 awarded shares granted to Dr. He Ning and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 660,000 awarded shares were vested and transferred to Dr. He during the year.

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

(5) 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 200,000 awarded shares were vested and transferred to Mr. Yeung during the year.

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	Number of share options: Outstanding as at 1 January 2024	Exercised during the year	Granted during the year	Expired during the year	Outstanding as at 31 December 2024	Percentage of total issued ordinary share of the Company as at 31 December 2024	Total No. of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 31 December 2024	*Note*
Zhang Yaqin	5.65	1,000,000	–	–	1,000,000	–	0.00%	–	0.00%	(i)
Gao Liangyu	5.65	1,000,000	–	–	1,000,000	–	0.00%	–	0.00%	(i)
Lai Guanrong	5.65	800,000	–	–	800,000	–	0.00%	–	0.00%	(i)
Mo Lai Lan	5.65	800,000	–	–	800,000	–	0.00%	–	0.00%	(i)

Note:

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 December 2024, none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be notified to the Company and the Stock Exchange.

As at 31 December 2024, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2024 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2024, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2024, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2024, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 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 year ended 31 December 2024.

SHARE OPTION SCHEME

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

The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under the 2013 Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of approval of the 2013 Share Option Scheme ("Scheme Mandate Limit"). Since 2013 Share Option Scheme was expired on 20 May 2023, and a total of 37,300,000 share options granted under the 2013 Share Option Scheme were expired on 26 August 2024, no any shares were issuable under Scheme Mandate Limit as at 31 December 2024.

As at 31 December 2024, no share options granted to certain directors and employees of the Group pursuant to the 2003 Share Option Scheme and 2013 Share Option Scheme were outstanding. The terms on the exercise of such share options expired during the year as set out in note 41 to the financial statements and notes in the section headed "Directors' Interests in Shares" above.

During the reporting year, no share options were granted or exercised and 37,300,000 share options were lapsed.

Save as disclosed above, no share options have been granted, exercised or have lapsed pursuant to the 2003 Share Option Scheme and the 2013 Share Option Scheme as at 31 December 2024.

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The vesting of these share awards is subject to the fulfilment of certain performance targets by the employees. The performance targets are related to (i) financial parameters of the Group (such as the revenue, profits and general financial condition of the Group); (ii) non-financial parameters of the Group (such as the Group's strategic objectives, operational targets and future development plan); and/or (iii) individual performance indicators relevant to the directors and employees' roles and responsibilities. There is no scheme mandate or service provider sublimit applicable to the Share Award Scheme. As the grant of Awarded Shares to Directors also forms part of their remuneration packages under their respective service contracts with the Company, it is therefore exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.73(6) and Rule 14A.95 of the Listing Rules. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018 and note 41 to the financial statements.

On 1 June 2020, the Company had granted a total of 152,000,000 awards to certain Directors and employees of the Company pursuant to the Share Award Scheme, of which 23,800,000 awards were granted to the Directors of the Company. The 152,000,000 awards represented the value of approximately HK$604,960,000 with the closing price of HK$3.98 per share on the date of grant. As at 31 December 2024, 56,940,000 awarded shares granted on 1 June 2020 were unvested, representing 2.08% of the issued share capital of the Company as at 31 December 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 31 December 2024, 142,380,000 granted on 30 August 2023 were unvested, representing 5.21% of the issued share capital of the Company as at 31 December 2024.

Details of share awards granted under the Share Award Scheme during the year ended 31 December 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 Year	Awards Vested During the Year	Purchase Price	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Year)	Awards Cancelled During the Year	Awards Lapsed During the Year	Unvested Awards Outstanding as at 31 December 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	5,600,000	1/6/2020-31/5/2027	–	(5,200,000)	Nil	HK$4.7972	–	–	400,000
Other Employees	1/6/2020	69,633,000	1/6/2020-31/5/2027	–	(17,623,000)	Nil	HK$4.7972	–	–	52,010,000
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	–	(660,000)	Nil	HK$5.1252	–	–	4,340,000
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	–	(200,000)	Nil	HK$5.1252	–	–	800,000
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	–	(2,220,000)	Nil	HK$5.1252	–	–	122,244,000
Total		145,460,000		–	(3,080,000)**			–	–	142,380,000

* 3,420,452 awarded shares vested during the year were transferred to the selected employee after the year end.

** 2,220,000 awarded shares vested during the year were transferred to the selected employee after the year end.

Details of share awards granted to the five highest paid individuals (including Directors) under the Share Award Scheme during the year ended 31 December 2024 are as follows:

Date of Grant	Unvested Awards Outstanding as at 1 January 2024	Vesting Period	Awards Granted During the Year	Awards Vested During the Year	Purchase Price	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Year)	Awards Cancelled During the Year	Awards Lapsed During the Year	Unvested Awards Outstanding as at 31 December 2024
1/6/2020	13,338,000	1/6/2020-31/5/2027	–	(8,408,000)	Nil	HK$4.7972	–	–	4,930,000
30/8/2023	19,996,000	30/8/2023-29/8/2030	–	(660,000)	Nil	HK$5.1252	–	–	19,336,000
	33,334,000		–	(9,068,000)			–	–	24,266,000

Each of the awards represents a conditional right to receive one awarded share subject to certain terms and conditions of the grant of such awards. The awarded shares will be settled by way of existing issued shares of the Company held by the independent trustee of the Share Award Scheme of the Company. During the year ended 31 December 2024, no any consideration (2023: HK$751,404,000) has been used to acquire any shares (2023: 143,184,000 shares) of the Company from open market by the independent trustee of the Company. As at 31 December 2024, 239,846,214 shares (2023: 263,316,762 shares) of the Company were held by the independent trustee of the Company, representing 8.78% (2023: 8.95%) of the total issued ordinary share capital of the Company as at 31 December 2024.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2024.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 55.34% (2023: 60.01%) of the Group's total turnover and the Group's largest customer accounted for approximately 40.85% (2023: 45.16%) of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 31.05% (2023: 43.00%) of the Group's total purchases and the Group's largest supplier accounted for approximately 8.54% (2023: 13.31%) of the Group's total purchases.

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

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2024, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate percentage of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership *(Note 1)*	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	340,138,144	12.45%
Bank of Communications Trustee Limited *(Note 2)*	Trustee	239,846,214	8.78%
UBS Group AG *(Note 3)*	Interest of controlled corporations	169,219,731	6.19%

Notes:

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

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

(3) UBS Asset Management (Hong Kong) Ltd., UBS Asset Management (Shanghai) Limited, UBS Asset Management (Singapore) Ltd., UBS Fund Management (Europe) S.A.,UBS Fund Management (Switzerland) AG, UBS Asset Management (UK) Limited, UBS AG, UBS Switzerland AG, are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 169,219,731 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 5 December 2024 for further details of the shareholding structure.

Save as disclosed above, as at 31 December 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.

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

During the year ended 31 December 2024, the Company repurchased 211,220,000 of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company before 31 December 2024. The total amount paid for the repurchases of HK$926,726,800 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of Shares Repurchased	Purchase Price per Share		Total Purchase Price
		Highest	Lowest	
		HK$	*HK$*	*HK$*
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	4.05	89,377,800
June 2024	12,812,000	4.16	3.98	51,766,960
July 2024	41,052,000	4.37	3.91	169,385,840
August 2024	12,200,000	3.75	3.51	44,418,740
September 2024	24,422,000	4.17	3.59	93,231,000
	211,220,000			926,726,800

EMOLUMENT POLICY

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

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2024.

COMPETING INTERESTS

As at 31 December 2024, none of the Directors of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business apart from the Group's business which competed or might compete with the business of the Group.

AUDITOR

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

On behalf of the Board

Dr. Chen Yuhong
Chairman & Chief Executive Officer

Beijing, 28 March 2025

INTRODUCTION TO THE REPORT

As an industry-leading global software and information technology services company, Chinasoft International understands that the sound development of an enterprise is closely connected to good environmental, social and governance (hereinafter referred to as "ESG") performance. The Group attaches great importance to ESG work and actively practices corporate social responsibility in various dimensions, including product responsibility, social responsibility, green innovation and employee care, so as to build a solid foundation for the long-term development of the enterprise, power its international competitiveness, and contribute indispensable corporate strength to economic prosperity, social progress and environmental protection. This report is guided by the relevant policies, philosophies and objectives of the Group, and provides a comprehensive account of the Group's key initiatives, significant events and outstanding performance in environmental, social and governance aspects in 2024.

SCOPE OF THE REPORT

This report covers the period from 1 January 2024 to 31 December 2024 (hereinafter referred to as the "Reporting Period"), and some contents may exceed the abovementioned period due to explanation needs. This report covers the headquarters and affiliated companies of Chinasoft International Group (hereinafter referred to as the "Group" or "Chinasoft International").

BASIS OF PREPARATION

This report has been prepared in compliance with the Environmental, Social and Governance Reporting Code (the "ESG Code") as set out in Appendix C2 of the Listing Rules of the Hong Kong Stock Exchange, with reference to the Global Reporting Initiative (the "GRI") issued by the Global Sustainability Standards Board (GSSB). The governance of the Group is set out in the Corporate Governance Report section of the annual report.

DATA DESCRIPTION

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

REPORTING PRINCIPLES

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

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

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

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

ESG GOVERNANCE STATEMENT FROM THE BOARD

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

The Board of Directors of the Group continues to have the highest authority over ESG-related matters and assumes full responsibility for the Group's ESG strategy, reporting and supervision, and is responsible for guiding and reviewing the Company's overall ESG goals, implementation plan, ESG risk assessment and countermeasures. The ESG Working Committee under the Board of Directors is responsible for supervising the commitment and performance of key ESG issues, ensuring the in-depth integration of ESG concept and corporate strategies, and reporting to the Board of Directors on a regular basis. The ESG Working Committee is chaired by the Chairman of the Board of Directors and CEO of Chinasoft International, with the presidents of the business units and the persons in charge of the functional departments of the Group's head office as members, and is responsible for the coordination and management of the Group's ESG work.

The ESG Working Committee comprehensively integrates ESG management requirements into the end-to-end process from business planning to business lifecycle management by focusing on the three aspects of environment, society and governance, and integrating them with the Company's technology service business attributes to intensively make ESG a reality. In addition, the ESG Working Committee actively expands its influence, focuses on leading issues, pays close attention to the trend of the global sustainable development, and intensively participates in the discussion and practice of the world's leading issues, as well as strengthens its internal management and supervision. The Committee also strengthens its internal management and supervision. By taking into account changes in the external economic environment, macro policies and the Company's development strategy, the Committee accurately identifies the Group's ESG risks, regularly reviews important ESG issues, defines the Company's ESG governance priorities, and achieves synergistic development between the Company's operations and ESG.

During the Reporting Period, the Board of Directors focused on promoting the further optimisation and refinement of the Group's ESG concepts and strategies, continuously exploring the path of low-carbon development, conducting in-depth reviews of the performance of the Group's ESG-related environmental targets, actively addressing climate change and supporting the protection of biodiversity. This report discloses in detail the progress and formulation of Chinasoft International Group's ESG work and targets for 2024, which have been approved by the Board of Directors.

TOPIC: DIGITALISATION EMPOWERS NEW QUALITY PRODUCTIVE FORCES AND BROADENS NEW WAYS FOR HIGH-QUALITY INDUSTRIAL DEVELOPMENT

Chinasoft International closely follows the national policy direction of "accelerating the cultivation and development of new quality productive forces, promoting the deep integration of the Internet, big data, artificial intelligence and the real economy, upgrading the modernisation level of the industrial chain, and promoting the high-quality development of the economy", and leveraging the 20-year accumulation of the software industry and the cutting-edge digital technological innovation and service system, Chinasoft International has explored the potential of the "service+ platform+ ecology" model, and unleashed the effect of digital empowerment in an all-rounded way. We will create tailor-made solutions for the high-quality development of various industries, including intelligent energy management, green supply chain digitisation and other diversified and adapted solutions, and promote the in-depth transformation of enterprises to reduce carbon emissions and increase efficiency. At the same time, with the concept of open cooperation, we will join hands with our ecological partners to focus on the application of digital technology in new energy development and utilisation, green manufacturing optimisation and other fields, and jointly explore new paths of digital transformation and upgrading, so as to inject a strong impetus into the development of the green economy.

Chinasoft International Smart City Solution Opens New Era of Regional Digital Intelligence Transformation

In the wave of digital transformation, cities, as the front line of change, are experiencing unprecedented changes. Chinasoft International is deeply committed to the international market, leveraging the Group's expertise in core smart city solutions to promote regional digitalisation and intelligent development, and contributing to the construction of smart cities around the world.

Case: Chinasoft International and SMA join hands to build an Integrated Operation Centre platform (IOC)

Sarawak, the largest state in Malaysia by area, is actively embracing the digital revolution. The Sarawak Multimedia Authority (SMA) is actively promoting digital economy programmes and projects under the state government's Smart City and Digital Economy initiatives.

Chinasoft International and SMA have joined hands to create an "Integrated Operation Centre(IOC)" platform for managers, with intelligent hardware as the foundation, digital platforms as the carrier and intelligent operation as the means, adhering to the concept of "IOC-as-a-service". The platform integrates one-stop services such as intelligent security, intelligent traffic, big data analysis, announcement release, event handling, weather monitoring and news notification. Meanwhile, through the collaboration with the mobile APP, the platform provides citizens with convenient services such as intelligent travelling, one-click payment, one-click reporting, one-click complaint, etc., and ultimately realises "one-screen general management, one-click notification, and one-machine travelling".

The implementation of this solution has significantly optimised the regulatory efficiency of the administrators, enhanced citizens' satisfaction with government management, filled the gap in the field of smart city construction in Sarawak, and laid a solid foundation for the digital transformation of Sarawak.

Unblocking the "last kilometre" of mine digital operation, escorting the mine safety production

As mining deposits continue to be discovered, the diversity of geological conditions and the complexity of production equipment have led to pain points in mine operations and safety management, such as lack of implementation, difficulty in identifying problems, incomplete rectification, and lack of applications. Chinasoft International has launched an intelligent mine work safety management solution based on Huawei's ISDP on-site operation software platform, which focuses on safety management, connects the management of mining enterprises, business sections and work teams, and realises the three-screen linkage of "management-operation-work" to ensure that there is no dead corner in safety management. Through the application of comprehensive safety management, it realises intelligent classification and control of risks and investigation and management of hidden dangers; through the application of on-site work management, the platform realises the digitization of standard operation, and comprehensively improves the efficiency of mine safety production management and operation.

Case: Empowering the Safety Management System of an Iron Mine in Liaoning Province

The iron ore mine in Liaoning in the case is one of the large iron ore mines under the key management of a large state-owned iron and steel company's mining company. Due to the lack of timely and effective information management tools, its daily management relied on manual work, risk classification and control relied on offline paper documents, and hidden danger rectification notices were transmitted by WeChat for record, making it difficult to obtain safety business data in a timely manner, and it was impossible to carry out forward-looking analyses based on the data.

With its technological advantages, Chinasoft International created a comprehensive solution for the mine. Through the dual prevention management capability, it realised online dead cycle management of risks and hidden dangers; carried out online management of performance lists, automatically issued tasks and assessed real-time performance; took the initiative to dock with security, equipment, personnel positioning and other systems, and comprehensively utilised the data to proactively push out security decisions.

With the digital empowerment of Chinasoft International, the hidden danger rectification process is fully online, and the problems are 100% manageable and verifiable; business data is automatically recorded and can have a real-time view in the back stage without delay; business information is automatically archived, which is convenient for supervision and retrospection; safety assessment data is generated in real time with 100% accuracy rate; the equipment data is linked with point inspection, and the point inspection saves an average of 5 minutes for each single order. This cooperation significantly improved the safety management level of the iron ore mine and set a model for the digital transformation of the mining industry.

Promoting modernisation of basin water governance with a portfolio of intelligent water solutions

Under the wave of digitisation and intelligence, the construction of intelligent water conservancy has become an inevitable trend, which is related to the efficient use of water resources and sustainable development of the region. Chinasoft International, with its innovative service concept, technology and experience accumulation, joins hands with industry partners to promote the construction of digital twin water conservancy, optimise intelligent water conservancy solutions, and promote the development of new quality productive forces of water conservancy with the empowerment of science and technology.

Case: all-round display of intelligent water solutions portfolio appearing in the Taihu Lake Basin Water Management Achievements and Advanced Technology Exhibition

On November 13, the Taihu International Conference on Water Management, themed "Practicing the New Development Concept and Promoting Modernisation of Basin Water Governance", opened in Wuxi, Jiangsu Province, and Chinasoft International made a spectacular appearance together with Huawei.

Intelligent Water Solutions Portfolio

At the exhibition, Chinasoft International comprehensively displayed part of its intelligent water solutions portfolio built on its localised operating system KaihongOS.

– Measurement, control and calculation integrated gate solution: integrating "sense, intelligence and control" system, with edge computing capability and built-in hydraulic algorithms. It is applicable to key water conservation scenarios such as farmland irrigation and water resource scheduling, and promotes unattended and automatic operation of gates and pumping stations, and realises anomaly detection, alarm and closed-loop management.

– Modernised Harmony Hydrological Station Solution: Adopting the "End-Edge-Cloud" AI architecture and integrating high-precision AI algorithms, it not only realises precise applications, but also supports scenario-based customisation.

– Water conservancy "digital man" solution: based on water conservancy large model knowledge management, using big data and AI technology to realise intelligent management of water conservancy knowledge and help the digital transformation of the water conservancy industry.

Digital Twin Hyper-Converged All-in-One Machine "Huiwan"

The product "Huiwan", which means the Bay of Taihu Lake where technology and innovation converge, focuses on the construction of digital twin water conservancy and consists of five core components:

– Data aggregation service: Provide "three lines of defence" public data service, access to "sky, air, earth, water and engineering" all-round perception data, and support multi-scenario "four pre" applications.

– Hydrological Professional Model Platform: Carrying the hydrological, hydrodynamic and water quality general model algorithms independently developed by NHRI, providing customised services.

– Water conservancy visualisation platform: to achieve rapid generation and release of L1-L3 level baseboards, to meet high-performance rendering needs, and to dynamically map and update water conservancy information.

– Multi-scenario business application system: covering water project forecasting and scheduling, urban water environment joint control, digital twin reservoirs/lakes/canals and urban flooding early warning, etc., forming the "Four Pre" application solution.

– Hardware and software support environment: supports multi-way rendering, adapts to localised Kunpeng CPU and Kirin system, and meets the requirements of information technology application innovation.

The release of "Huiwan" marks a new starting point for the construction of digital twin water conservancy. Through the application and promotion of "Huiwan" and other innovative products, it will provide more solid support for the integrated development of the Yangtze River Economic Belt and the Yangtze River Delta, and help the continuous prosperity and development of the region's economy and society.

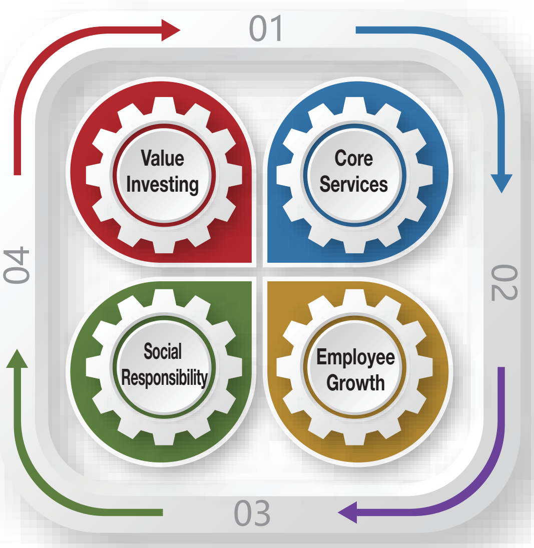
1. RESPONSIBILITY MANAGEMENT

1.1 ESG MANAGEMENT

ESG Philosophy

Chinasoft International is committed to becoming a leading sustainable enterprise in the world by adhering to the ESG management policy of "Lawful Management, Sustainable Innovation, Green Development and Harmonious Integration". The Group integrates value creation, core services, employee development and social responsibility into all aspects of its operations, and continues to build an organisation with long-term value and strong competitiveness to build a better future together with all stakeholders.

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



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

Chinasoft International's ESG Philosophy

- Value Investing: The company focuses on cloud intelligence services, AI, AIOT and Harmony eco-services, EAS and consulting as the core strategy for future development, and continues to serve the industries of public utilities, transport, finance, energy and power, government, manufacturing and other industries, and to help the domestic software service industry leapfrog in the direction of investment with centralized resources. Through precise investment, it creates long-term and stable value for enterprises and stakeholders, and promotes the innovation and progress of the industry.

- Core services: With deep insights into emerging technology trends and business processes, as well as rich practical experience, we are committed to becoming our clients' strategic partners and professional consultants. In terms of business layout, we help our clients achieve lean and intelligent upgrading of outsourcing business, integrate advanced technical means to meet their rapid demand for high-quality talents and enhance talent satisfaction; in terms of digital transformation, we implement customised middle-office strategies, comprehensively build "cloud-pipe-edge-end" technology stack in cloud services, and fully integrating the scenarios of business domain (B domain), operation domain (O domain), and management domain (M domain), connecting the whole cycle process of "consulting-design-development-operation-maintenance"; at the same time, we provide customers with a full-stack of technical services based on the cloud, combined with the advanced technologies accumulation of Harmony, Meta ERP, AICG, etc.

- Employee Development: Adhering to the values of "sharing, creating and growing together", we continuously optimise our human resource management system to build a talent development ecosystem that includes "position as the cornerstone, cadre selection and cultivation, professional certification and competency enhancement, introduction of outstanding talents, and improvement of incentive mechanism". We promote the personal growth and progress of employees, and at the same time help enterprises to enhance team cohesion, centripetal force and stability, and create a positive working atmosphere.

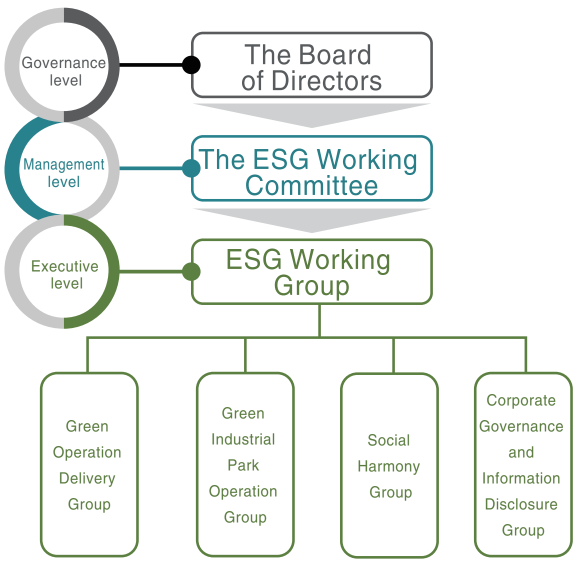
- Social Responsibility: We actively practice low-carbon operations and green office concepts, leverage our expertise in "digital environmental protection" and other areas, integrate the industry's advanced IT toolset, scale software engineering concepts and practical experience to provide customers with intelligent and green solutions, empowering the digital transformation of enterprises, and jointly creating a green and low-carbon production and lifestyle. In addition, we pay attention to the hot issues in the society and actively participate in public welfare undertakings, such as education support, community development, environmental protection, etc., contributing to the harmonious development of the society.

The Group will consistently implement the ESG philosophy of integrating value creation, core services, employee development and social responsibility, strengthen close cooperation with customers and various stakeholders, and realise synergistic growth in economic, social and environmental benefits, thereby setting an example for the promotion of sustainable development in the industry.

ESG GOVERNANCE FRAMEWORK

The Group attaches great importance to ESG work and has established a more comprehensive and clearly defined three-tier ESG governance structure centred on the governance, management and executive levels, with clear responsibilities and synergistic operations at each level to jointly promote the sound development of the Group's ESG work.

The Board of Directors of the Group is fully responsible for the Group's ESG strategy and governance. The Sustainability Committee under the Board of Directors is responsible for formulating ESG strategy decisions, comprehensively monitoring the achievement of ESG objectives and performance, analysing ESG risks and opportunities, and scientifically guiding the future direction of the work. The ESG Working Committee coordinates ESG-related management work, is responsible for overseeing and managing the commitment to and performance of key ESG issues, ensures that ESG concepts are integrated with the Company's strategies, and regularly reports to the Board of Directors on the ESG implementation results and major plans. Under the ESG Working Committee, there are four groups, including the Green Operation Delivery Group, the Green Industrial Park Operation Group, the Social Harmony Group, and the Corporate Governance and Information Disclosure Group, which are responsible for incorporating ESG into the areas of strategic planning, business delivery, park operation, internal control, risk management, employee development, compensation and welfare, and process development under the leadership of the ESG Working Committee, and promoting the implementation of ESG-related work. The division of labour at all levels, from strategy formulation, management coordination to concrete implementation, ensures the effective promotion of the Group's ESG work in an all-round manner and builds a solid foundation for the Group's sustainable development.



The ESG Governance Framework of Chinasoft International

ESG Governance Framework

STAKEHOLDER COMMUNICATION

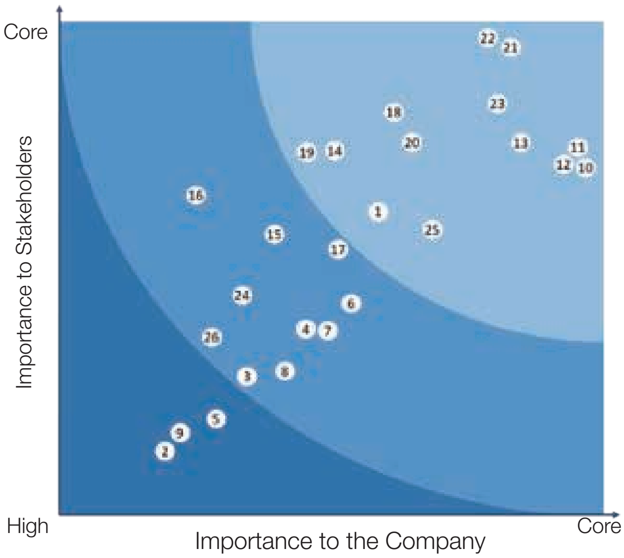
The Group has always believed that maintaining close communication with stakeholders and actively responding to stakeholders' requests are important cornerstones of ESG management. We have established multiple communication channels to identify the feedback and expectations of various stakeholders on the Group, respond to the views of various parties in a timely and effective manner and enhance the Group's ESG performance in a targeted manner. During the year, the Group conducted surveys and statistics on stakeholders' issues of concern at different levels through various channels to identify the Group's environmental, social and governance priorities, and collated and formed a stakeholder communication table, which provided the foundation for the Group's identification of material issues.

Stakeholders	Expectations	Communication channels
Government and regulatory bodies	– Compliance with laws and regulations and the Listing Rules – Integrity in the business – Payment of taxes according to the law – Assured product safety – To drive forward the technological progress	– Study of policy and guidance documents – Participation in meetings and trainings organised by relevant authorities and associations – Work closely together with relevant authorities during review and inspections – Telephone, email and face-to face communication
Shareholders and Investors	– Continuous improvement of business performance – Compliance operations – Sound corporate governance – Timely and full disclosure of information – Considerable investment return	– Convene shareholders' and investors' meetings – Publish financial reports, announcements and other information – Publish news and information via company's websites – Telephone, email and face-to-face communication with investors
Customers	– To assure product and service quality – To ensure delivery on schedule and to perform product responsibility – To ensure the security of customer information – To meet the diverse needs of customers	– Carry out surveys on customers' requirements – Carry out customer service satisfaction questionnaire – Telephone, email and face-to-face communication with customers

Stakeholders	Expectations	Communication channels
Employees	– To protect the interests of employees – Caring for occupational health of employees – To ensure workplace safety – To provide training and development opportunities – To offer fair and reasonable remuneration packages	– Conduct questionnaire surveys on organizational ambiance – Organise regular meetings and employee discussion forums – Organise parties and interactive activities for employees and their families – Establish online communication and Q&A platforms – Telephone, email and face-to-face communication with employees
Suppliers	– Open, equitable and fair procurement – Fulfilment of contracts, creation of mutual benefits and win-win situations – Stable demand and common development	– Conduct assessments and interviews through on-site visits – Telephone, email and face-to-face communication with suppliers
Community	– To protect the social environment – To support community development – Equal opportunity employment and protection of human rights	– Maintain networking and dialogue with the community – Participate in community activities – Make charitable donations
Public and media	– Full and transparent disclosure of information – Timely feedback to external inquiries – Sustainable business development	– Publish financial reports, announcements and other information – Publish news and information via company's websites and social media – Establish communication channels such as telephone, email and Internet communication platform

SUBSTANTIVE ISSUE IDENTIFICATION

In accordance with Appendix C2 "the Environmental, Social and Governance Reporting Code" of the Listing Rules of the Stock Exchange of Hong Kong and international standards, based on the results of the stakeholder communication questionnaire and the actual situation of the Group, the Group assessed the materiality of the ESG issues that are related to the Group's business and important to the Group in terms of the two analysing dimensions of "materiality to the stakeholders" and "materiality to the Group", and then screened them in order of priority. A matrix of material issues was formed to serve as the focus of the Group's ESG work and report.



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

Chinasoft International Material Issues Matrix and List

1.2 INTEGRITY MANAGEMENT

The Group conducts its business activities in strict compliance with the Criminal Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, the Company Law of the People's Republic of China, the Auditing Law of the People's Republic of China, etc. The Group attaches great importance to the observance of business ethics and the construction of clean management, and has always held a zero-tolerance attitude towards the violation of business ethics, and has been implementing the corporate culture of integrity and compliance in accordance with the highest standards.

The Group has established an organisational management system under which the Board of Directors is responsible for the risk management, internal control and compliance system at the overall level of the Group. The Group has formulated the "Business Conduct Guidelines for Managements", the "Code of Conduct for Employees", the "Employee Handbook" and other internal management systems to regulate the business ethical requirements of its employees, and has also made the necessary revisions to them in a timely manner based on changes in the national laws, norms and relevant regulations.

In terms of internal staff management, the Group has established the Cadre Integrity Documentation System to accurately grasp the situation of cadre integrity, urge cadres to perform their duties in a clean manner, strictly control cadre integrity, and prevent cadres from "being promoted with corruption problem"; and require management cadres to sign the "Cadre Integrity Commitment Letter" to clearly define the behavioural standards of management cadres, further enhance the awareness of integrity and self-discipline, and build up a strong ideological line of defense against corruption from the source. In addition, the Group attaches importance to the management of conflict of interest and requires management cadres at certain levels to declare their relatives and affiliates to prevent cadres from making use of their authority or influence in their positions to transfer benefits to specific relations or affiliates and to prevent various types of conflict of interest incidents from occurring.

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

During the year, the Group received a total of 301 reports of information and fraud leads, with 21 valid reports, 5 confirmed fraud cases from internal investigations, all of which were handled appropriately; 3 cases were under investigation by the public security authorities, and 2 cases completed the judicial process with judgements handed down by the courts.

- **Strengthening Supervision and Management**

  The Group has established the Integrity Monitoring Department, which is responsible for the construction of the integrity supervision system of the Company, and has formulated the "Management Measures for Integrity Monitoring Reporting and Investigation of Cases", "Internal Audit Management Measures of Chinasoft International" and other systems, which clearly stipulate the process of preventing, detecting and combating irregularities such as corruption, malpractices and bribery, so as to ensure that the Group's various internal control rules and regulations can be effectively implemented and to assist in the fulfillment of the Company's strategies. With regard to the implementation of relevant policies and other internal control systems, the Integrity Supervision Department conducts all-round inspections of various businesses and employees through the execution of special audits, exit audits, case investigations and other means to prevent ethical and compliance risks.

  During the Reporting Period, the Group carried out a number of internal audits, which included the dimensions of employees' professional ethics risk and integrity in practice in the scope of audit evaluation, conducted continuous monitoring of possible corruption risks, focused inspections on high-risk business areas, identified and communicated business risks and management loopholes, and effectively explored fraud clues.

- **Open up reporting and complaint channels**

  The Group provides a smooth integrity reporting channel and continuously strengthens the publicity of reporting channels to encourage all employees, business partners and other parties to report on the Group's employees for corruption, malpractice and other irregularities. We encourage real-name reporting, and give certain rewards for valid reports that are substantiated, and strictly implement the confidentiality requirements for whistleblowers. Whistleblowers can report irregularities through the reporting mailbox (lianzheng@chinasofti.com), letter address, Chinasoft International Integrity Monitoring WeChat official account, and internal WeLink Integrity Reporting Platform. The Integrity Monitoring Department collects all kinds of reports, audits and referrals from other departments, etc., to find out the clues of malpractice, and conducts independent investigations in a timely manner.

- **Building a Culture of Integrity**
  The Group continues to promote the culture of integrity. Every year, the Group promotes employees' awareness of integrity through internal periodicals, internal case warnings, holiday integrity tips and cultural activities:

  – Released 26 issues of internal periodicals in the Sunshine Integrity Community with the theme of integrity publicity and education. Periodicals centered around the hot news, anti-corruption policy, discipline inspection columns, alarm bells ringing and other modules, to create an atmosphere of integrity within the company and build a platform for the construction of integrity culture.

  – In order to play the role of case warning and education, the Integrity Supervision Department of internally briefing on two cases of fraud, corruption and illegal cases, titled "case of discipline, case of regulation", combined with the case situation for analysis, so as to warn the company's cadres and employees to take the case as an example, to have an introspection, and to further build up the awareness of rules and the sense of integrity, and resolutely guard the ideological and moral line of defence to prevent corruption and moral degeneration.

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

  – Held two anti-corruption publicity and education activities: the online quiz activity of "Sailing with Integrity and Discipline" in conjunction with the 7-1 Party's Day; and the activity of "Honouring Integrity and Rejecting Corruption, You and I Walk Together" in conjunction with the 12-9 International Anti-corruption Day, to promote the staff to know, respect, honour and practise integrity, and to actively create a good atmosphere of cleanliness and righteousness.

Anti-Corruption Day themed activity

- **Enhancing integrity training**

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

  During the Reporting Period, the Group organised and conducted 6 thematic seminars on integrity, covering over 10,000 people, of which cadres participated in 3 seminars, covering over 200 people, to guide the Company's employees' ideological awareness of "not daring to, not being able to, and not wanting to become corrupt", to strengthen legal awareness, to deepen the employees' knowledge and understanding of the fight against corruption and to improve the staff's moral qualities by means of case analyses, interpretation of the law and handling of irregularities, etc., and to enhance employees' awareness of cleanliness, self-discipline and compliance.

Indicator		Data for 2024
Employee Anti-Corruption Training	Number of training sessions conducted	6
	Number of people covered	10,000+
	Hours of training	6
Board/Management Anti-Corruption Training	Number of training sessions conducted	3
	Number of people covered	200+
	Hours of training	3

2. WORKING WITH SUPPLY CHAIN PARTNERS

2.1 PRODUCT LIABILITY

With the brand positioning of "Digital Transformation Service Expert ", the Group has been operating in a prudent and compliant manner and strictly abiding by the relevant national laws. During the year under review, the Group continued to strengthen product quality control, drive innovative research and development, and improve the intellectual property protection system. At the same time, the Group attached great importance to the protection of customers' information security, and built a stringent data security management mechanism, in order to provide high-quality and high-value digital services for customers, and to strive to become a reliable partner of customers.

During the Reporting Period, the Group has been ranked among the Top 100 in the "Global IT Services Market Share Ranking" published by Gartner for five consecutive years, with the latest ranking of 73rd for the current year. The honours and awards received by the Group include but are not limited to the following:

Awards	Selected as one of the top 100 enterprises by software and information technology service competitiveness in 2024 and ranked in the top 15
	Awarded "40 Years of Contribution to China's Software Industry" and "2023 Software Industry Application Leader".
	Digital Audit Platform 3.0 selected as "Typical Product of China's Software Industry in 40 Years".
	AlAgent Scenario Case of "Ask" Series Awarded as "2023 Typical Exemplary Cases in Software Industry"
	"Harmony Intelligent Water Conservancy Solution for Coordination of Flood Prevention, Drainage and Self-flowing Water" won the "2024 Digital Innovation Solution for Chinese Enterprises" award.
	Harmony Eco-Tunnel Intelligent Solution Won the 2024 Road Tunnel "Four New Technologies" Key Promotion Achievement Award
	Awarded "Outstanding Contributor to OpenHarmony Community" plaque
	Awarded Huawei's "HarmonyOS Development Service Provider" Pioneer Programme
	Honoured with "2024 Harmony Eco-Development Service Provider Excellence Award
	In China's banking industry IT solutions in the payment and clearing field for many consecutive years to sit in the runner-up seat, channel management and risk management in third place, digital business class solutions, digital credit, open banking followed in fourth place.
	Certified by International Software Testing Maturity Model Integration TMMi5.

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

- **Strict control of product quality**

  The Group strictly complies with the "Product Quality Law of the People's Republic of China" and other relevant laws and regulations, systematically combs and optimises the business delivery process, focuses on solving the weak links in project delivery, and is committed to becoming an efficient supplier of quality resources, a guarantor of stable and high-quality deliveries, a co-creator and a strong defender of the entire product life cycle, an excellent controller of comprehensive costs, and a firm practitioner of internal control management. At present, the Group has successfully obtained ISO 9001 quality management system certification, CMMI2.0 L5 certification and the highest level of qualification for information system construction and service capability assessment – CS5 (the first batch), and its product development and project management capabilities are in the advanced echelon of the industry. During the year, the Group continued to improve the Managed Service Delivery ("MSD") business process structure and Delivery Project Management Process ("DPMP"), and further enhanced the quality of project delivery through the following measures:

  – In response to common problems that frequently arise in business promotion, a special team consisting of managers, business personnel and quality personnel is formed to carry out root cause analyses on a regular basis. The results of the analyses are transformed into practical improvement plans, and the improvement measures are integrated into the MSD process to solve project problems and bring the value of the process into play;

  – Establish a regular review mechanism for quality management activities, conduct a comprehensive review of the implementation on a regular basis, strengthen process compliance, enhance the effectiveness of the quality system operation, and achieve the orderly operation of quality management standardisation;

  – Clearly define the quality problem handling process and the responsibility tracing mechanism, and carry out timely quality assessment at all key nodes of the delivery process. Intervene to improve and intercept risks in a timely manner for the problems spotted, realising precise early warning of quality problems beforehand, strict accountability and continuous improvement afterwards, and achieving dynamic cyclic management of quality problems.

  – Use data metrics and prediction models, conduct rolling analyses of project delivery performance, quality building effectiveness and engineering capability shortcomings, pinpointing problems and taking targeted improvement measures to effectively improve project delivery rates on schedule.

  – AI specialised work: 2024 we centered on digital efficiency, focusing on scenarios such as AI recruitment, programming, office efficiency, asking for numbers, and asking for strategies. Through the use of AI, we improved the accuracy of CV screening, increased the efficiency of meeting minutes generation, and covered the results of financial Q&A for the whole staff.

- **Strengthening information security and privacy protection**

  Following the process of the rule of law, Chinasoft International has continued to optimise the information security, network security and privacy protection systems and processes applicable to all business lines and subsidiaries in accordance with laws and regulations such as the Civil Code of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Law of the People's Republic of China on Personal Information Protection, and the Law of the People's Republic of China on Protection of Consumer Rights and Interests. We strengthened internal publicity to deepen employees' understanding of the regulations and systems and processes, and continuously enhanced their awareness of information risk and security to provide strong support for the company's position as a trusted partner of customers.

  In the field of information and network security, the Group actively practiced the concept of comprehensive security management, formulated systems such as the General Outline of Information Security Strategy, the Guidance Manual for the Use of Information Assets, the Provisions on Rewards and Punishments for Information Security and the Provisions on the Management of the Network of Chinasoft International, etc., deeply embedded security requirements in all aspects of process control, strictly stipulated the control of the use of information assets and penalties for non-compliance, perfected the construction of the network architecture, and comprehensively safeguarded the security of network operation. The Group issued the "Office Management Regulations" during the Reporting Period. During the Reporting Period, the Group issued the "Specification for Security Management of Office Network and Equipment" to supplement and improve the security management strategy for server network DMZ and local area network, so as to improve the security of the office network; and the "VPN Management System" was issued to standardise the management of the construction of VPNs outside the Company to access the resources of the Company, the management of account numbers and the management of access privileges, so as to strengthen the use of compliance and the enhancement of the security system.

  During the Reporting Period, the Group vigorously strengthened its information security construction by completing the procurement of IPS authorisations for firewalls at Internet venues to enhance its defence capability; deployed situational awareness systems at important venues for real-time monitoring of attacks and weaknesses and reinforcement; deployed leakage scanning systems to scan applications and servers for vulnerabilities, and rectified them before putting them online; deployed a zero-trust VPN system to restrict visits from external networks; and deployed a fortress machine to safeguard the security of operation and maintenance.

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

Notice on the Establishment of the Working Group on Information and Network Security and Privacy Protection of the Company	– The Executive Committee is the highest decision-making body for information security, network security and personal privacy protection; – The Information and Network Security and Privacy Protection Working Group has been identified as the day-to-day support organization to support the Executive Committee in decision-making.
Regulations on the Management of Information Confidentiality of Chinasoft International	– Clarify the requirements for information confidentiality management, regulate the use of company, customer and related party information by employees, strengthen the protection of critical information assets, and promote the efficient flow and sharing of non-critical information assets.
Regulations on Rewards and Penalties for Information and Network Security and Privacy Protection of Chinasoft International	– Clarify the operational strategy for rewarding outstanding contributions and imposing penalties for non-compliance in the areas of information security, cybersecurity and privacy protection and strengthen enforcement.
General Outline of the Policy on the Protection of Personal Data/Privacy of Chinasoft International	– Specify the scope of data protection to include customers' personal data/privacy, employees' personal data/privacy, and specifically the full range of data and privacy information generated by or involved in all business processes; – Specify the Company's authority to provide individuals with control over data, including notification of data subjects, data subjects' choice and consent, data collection/use/retention and disposal, disclosure to third parties, cross-border transfers of personal data, and data subjects' right of access; – Provide for regulatory requirements that minimize data collection and retention in all scenarios, while clarifying the tiered review and approval process.

Regulations on the Management of Emergency Response to the Incidents of Chinasoft International's Personal Data Leakage	– Emergency drills: Carry out emergency response training and exercise at least once a year, and organise the participation of relevant internal personnel to ensure that they are familiar with their job responsibilities and master emergency response strategies and procedures; – Response measures: Upon learning of a personal data/privacy protection violation, the Group will promptly organize an internal investigation, assess the severity of the incident, take remedial measures, and notify the regulator and stakeholders within the statutory timeframe upon completion of the process.

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

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

– **Clarify responsibilities:** Integrate the information security management responsibilities of each functional department and business group line, continuously expand the information security system to the grass-roots information security organisations, and unimpeded the circulation of the information security system.

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

– **Iterative system:** Continuously iterate the industry's data security software system and self-developed information security control tools, and gradually extend the mature technical solutions to finance, personnel, operations, human resources, recruitment, the Executive Committee Office and other departments, so as to achieve all-around and refined control of key information assets, key nodes of activities and key personnel.

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

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

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

– **Regular security checks:** special inspections of networks and office environments are carried out to avoid loopholes in process approvals caused by cross-duty or non-separation of duties; gateway equipment in various places is cross-audited to see if it is configured in accordance with the security baseline, and timely corrections are made in response to problems identified by the audits, so as to ensure that the requirements of the security baseline are met; and external auditors are hired annually to carry out information security audits.

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

- **Optimising customer service**
  The company has always regarded the enhancement of customer satisfaction as the core objective of customer service, and is committed to responding to and solving customers' problems promptly. In order to better grasp the needs of our customers and strengthen communication between both parties, we have taken the following measures:

– **Continuous opening of the official consultation platform:** Through the official consulting telephone number, we continue to accept customer business consulting and complaint matters to enhance customer satisfaction.

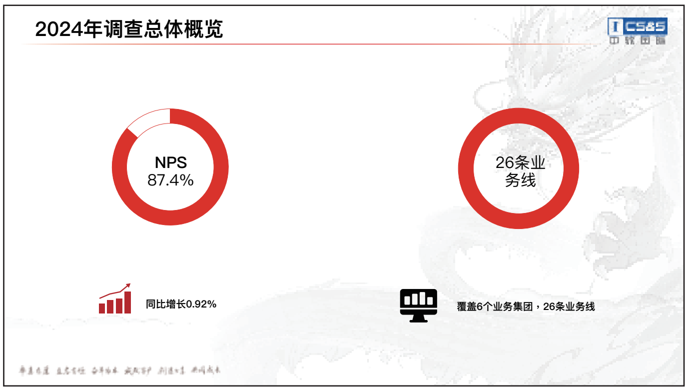
– **Strengthening daily visits and communication:** Adopting a two-pronged approach of "daily visits + centralised customer satisfaction surveys" to complement each other and ensure comprehensive coverage.

– **Optimise the complaint handling mechanism:** accurately identify risky customers based on customer profiling, and continuously optimise the problem response and complaint handling mechanism to ensure that customer problems are resolved in a timely and effective manner, and to avoid the backlog or deterioration of problems.

– **Optimise the VOC management function of the PIMS system:** achieve end-to-end management from problem entry, review and handling to problem closure and secondary assessment, ensuring that problems or claims during and after product or service delivery can be responded to quickly and handled properly.

– **Optimise the communication mechanism and customer satisfaction application management mechanism:** Define a hierarchical communication mechanism, implement a personalised service plan of "one customer, one strategy", and solidify key workflows; strengthen the importance of management at all levels to customer voice management, ensure that supervisors at all levels continue to pay attention to customer feedback and respond to it efficiently, so as to comprehensively improve the efficiency of customer satisfaction management.

During the year, the NPS net recommendation value was 87.4%, an increase of 0.92% year-on-year, and the NPS net recommendation value has tended to be relatively stable. In the past three years, the proportion of recommenders has been rising year by year, the proportion of passives has been decreasing year by year, and the depreciators are mostly caused by the dissatisfaction of the customer in the process triggered by individual problems. In the recycling sample set, other customer groups accounted for only 21.6%, and the proportion is gradually expanding, up 32.2% year-on-year.



Indicator	Data for 2024
Customer Suggestions (cases)	197
Handling Rate of Customer Suggestion (%)	90

- **Encouragement of R&D innovation**
  The Group continues to encourage innovation in research and development. With the guidance of "incentivising for job duties and awarding for project results", the Group has established a project manager job contribution award incentive system to guide project managers to follow the Group's standardised operating procedures strictly, to fully mobilise their motivation and initiative, to inspire them to lead their teams to pursue outstanding project delivery results, and to achieve personal career growth and enhancement of their capabilities while creating higher business value. During the Reporting Period, the preliminary draft of the Company's R&D Management Measures was prepared to further standardise the R&D processes and standards. Meanwhile, the Company continued to increase its investment in R&D, with an investment of RMB906.27 million in R&D funds, and encouraged all staff to use AI and improve work efficiency through AI. A total of 9 project managers received the AI Practice Innovation Award.

  The Group actively encourages members of the project team to engage in project delivery in key areas such as energy, water treatment and environmental protection, to enhance energy utilisation efficiency with the help of advanced IT technologies, and to explore and create new economic growth points. During the Reporting Period, the Group successfully integrated clean technology innovation in the energy and environment industry with information system innovation, launching a low-carbon smart park solution to help it realise precise control of carbon emissions through digital technology and promote green development of the park.

- **Building a strong barrier to intellectual property protection**
  The Group regards the protection of intellectual property rights as an important cornerstone of enterprise development. In accordance with the Copyright Law of the People's Republic of China, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Advertising Law of the People's Republic of China and other laws and regulations, the Group improves the enterprise qualification management system, focuses on the enhancement of the system management capacity and industry expansion, promotes intellectual property innovation, strengthens the protection measures, and builds a full-process protection to facilitate the innovative development of enterprises. During the Reporting Period, the Group mainly carried out the following initiatives to enhance employees' awareness of intellectual property protection and strengthen the intellectual property management process:

  – Optimise the process of qualification management, make full use of qualification application IT, improve the efficiency of qualification work and enhance the effectiveness of qualification.

  – Enhance industry system management capabilities by gaining a deeper understanding of the business area and following industry management system standards.

  – Develop and teach courses on intellectual property protection to strengthen employees' awareness of intellectual property protection and enhance their motivation for invention and creation.

During the Reporting Period, the Group received a total of 304 copyright certificates for computer software from the National Copyright Administration of China, as well as 7 invention patents, 9 trademarks and 31 enterprise qualification certificates.

2.2 SUSTAINABLE SUPPLY CHAIN

The Group strictly complies with the "Bidding Law of the People's Republic of China" in carrying out procurement activities. Through the "Measures for the Management of Procurement and Tendering of the Company", the Group has clearly defined the management requirements for the access of suppliers, the management of the procurement process, the assessment of suppliers, and the withdrawal of suppliers to ensure that the procurement process is lawful, compliant and reasonable. Clear and strict management specifications have been formulated for key aspects such as supplier admission, procurement process control, supplier assessment and supplier withdrawal mechanism to ensure that the entire procurement process is in strict compliance with laws and regulations.

In addition, the Group takes into full consideration the elements of energy conservation and environmental protection from the perspective of the entire life cycle of products, actively promotes the concept of green procurement, works closely with upstream and downstream partners, and jointly undertakes social responsibilities such as environmental protection, energy conservation and emission reduction, to build a highly efficient and environmentally friendly green supply chain system, and to promote the sustainable development of the industry.

- **Supplier Management**

The Group establishes and continuously improves the whole life cycle management process of suppliers:

Supplier access	– The Group conducts a comprehensive assessment of suppliers in terms of corporate credentials, business reputation, quality assurance and contract fulfillment capability before the suppliers are admitted to the Group. – In accordance with the relevant provisions of the "Regulations Governing Purchases and Tenders of the Company", the Group selects suppliers by means of bidding (invitation), competitive negotiation, price comparison and single-source negotiation according to different types and amounts of purchases.

Supplier Assessment	–	The Procurement Department, in collaboration with relevant departments, annually evaluates the partners of the supplier database in terms of quality, delivery time, price and service; for suppliers with a total score of less than 80 (excluding 80) in the annual assessment, the Procurement Department will conduct tracking and evaluation of their improvement effects, and re-assessment if necessary, and cancel the qualification of their supplier qualification in the event of slow improvement or non-improvement.
Supplier withdrawal	–	If the supplier's quality score is less than 25 points, the Procurement Department will put the supplier on the black list and record the reasons for elimination for review.

Supplier Data Disclosure

Indicator	Data for 2024
Total number of suppliers	618
Number of suppliers by region – North China	227
Number of suppliers by region – South China	130
Number of suppliers by region – Eastern China	98
Number of suppliers by region – Northwest China	69
Number of suppliers by region – Central China	55
Number of suppliers by region – Overseas	20
Number of suppliers by region – Southwest China	19

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

  The Group attaches great importance to the fulfilment of the environmental and social responsibilities of its suppliers, optimises the supply chain sustainability governance structure, continuously improves the sustainable supply chain policy, strictly controls the significant environmental and social risks of its suppliers, actively practices sustainable supply chain management initiatives, and constructs a multi-disciplinary and eco-friendly digital financial system through the infiltration and propagation of environmental protection concepts.

Supply Chain Sustainability Governance Framework

The Group has set up a Supply Chain Sustainability Management Team under the Procurement Department to screen and develop ESG-compliant supplier resources, assess the environmental impact of suppliers' production processes, pay attention to suppliers' social performance such as employee rights and interests protection and community participation, monitor labour compliance, promote community-friendly cooperation, and proactively provide suppliers with professional advice on improvement.

Improving sustainable supply chain policies

Environmental aspects	For suppliers, they are required to set a clear carbon reduction path, actively promote the use of clean energy, strictly supervise the waste disposal process, and are encouraged to carry out waste recycling projects, and for those with outstanding results, priority to cooperation opportunities will be given. For channel partners, the adoption of electric vehicles or low-emission transport means is advocated in the logistics and distribution chain, and the Group assists in optimising distribution routes to reduce energy consumption. In the area of warehousing, we promote energy-saving renovation of warehouse facilities to ensure that the energy consumption per unit of storage area decreases year by year.
social level	For suppliers, they are required to strictly comply with local labour laws and regulations, and actively provide skills training to promote the career development of their employees. At the same time, we have established a complaint channel for suppliers' employees, and the company makes regular visits to ensure that labour disputes can be resolved in a timely and appropriate manner. For channel partners, attention is paid to their social influence in the end market. Partners are required to follow the principle of fair competition in the process of sales promotion and to put an end to false propaganda, commercial fraud and other undesirable behaviours.

Supply Chain ESG Risk Identification and Control

The Group is subdivided into supply chain segments and conducts a comprehensive sorting of each node, including raw material procurement, production and processing, product transportation, warehousing and distribution. For each node, we identify possible significant environmental and social risks through data collection, field research and communication with suppliers, and require selected suppliers to sign a corporate social responsibility commitment, and strengthen regular management to achieve whole-process monitoring.

Through the establishment of a risk information database, we use a combination of qualitative and quantitative methods to assess the impact of suppliers' ESG risks on the company's business operations, update the risk dynamics of each node in real time, and regularly compare with industry benchmarks to check for deficiencies and ensure that the risk identification is comprehensive and timely.

In order to strengthen the qualification audit, the Group encourages suppliers to obtain internationally recognised environmental management system certifications such as ISO 14001 (environmental management system certification), OHSAS 18001 or ISO 45001 (occupational health and safety management system certification), ISO 14025 Type III Environmental Labelling Certification, CQC Quality and Environmental Protection Product Certification, and so on, and gives priority to newly introduced suppliers. For newly introduced suppliers, priority will be given to enterprises that have been certified or are in the process of certification.

Raw material procurement node	Promote sustainable sourcing programmes in cooperation with suppliers, giving preference to raw materials from reliable and environmentally friendly sources, such as certified renewable materials.
process node	Once a year, we organise a field inspection team to inspect the operation of environmental protection facilities, labour intensity and safety of the factory based on the pre-established ESG audit checklist; we assist suppliers in implementing energy-saving and emission reduction technological transformation, and jointly set up environmental protection targets and evaluate them on a regular basis.
Product transport node	Pay attention to the carbon emissions of transport means and the potential disruption to communities caused by transport route planning, promote the use of new energy transport means to reduce carbon emissions, and pay attention to the work intensity and rest protection of transport personnel to ensure compliance with labour regulations.

- **Selection of Environmental Products and Services**

  When selecting suppliers, the Group actively tilts its procurement budget towards environmentally friendly products, gives priority to suppliers of energy-saving and environmentally friendly products with official certifications, and regularly verifies and validates the environmental qualifications and green attributes of the suppliers' products to ensure that the environmental declarations provided by them are true and reliable. When signing procurement contracts with suppliers, environmental protection clauses are embedded to specify the environmental performance requirements of the products, such as stipulating the upper limit of energy consumption and the emission limit of hazardous substances during the use cycle of the products, etc. Suppliers are required to provide environmental protection test reports on a regular basis, and in the event of environmental protection failing to meet the targets, the Company has the right to take measures such as refusing to accept the goods, deducting the payment for the goods and terminating the co-operation. In addition, the Group continues to promote the "Digital Environmental Protection" policy by adopting online tendering as far as possible to reduce carbon emissions generated during travelling and to practice the concept of smart travelling.

3. ENVIRONMENTAL PROTECTION

The Group has always set environmental management targets in strict accordance with a series of laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Programme for Implementing the System of Classification of Domestic Wastes by the Ministry of Housing and Urban-Rural Development of the National Development and Reform Commission, and has continuously tracked the progress of the achievement of targets. We continue to improve our environmental management system, actively promote the concept of green office, vigorously advocate energy-saving and emission reduction actions, and ensure that the discharge of waste meets the standards and is disposed of in a compliant manner. Leveraging on the Group's strengths in the field of digital intelligence technology, the Group provides strong support for eco-environmental protection through its products and services, and helps enterprises to achieve the fusion of digital intelligence and green transformation, and to build a green production and lifestyle. During the Reporting Period, the Group's ISO 14001 environmental management system certification continued to be effective.

3.1 GREEN OPERATION

Environmental Targets and Progress

The Group is guided by the targets set for the next five years in 2021 in the areas of greenhouse gases, energy consumption, water resources, and hazardous and non-hazardous waste management, and will steadily promote environmental protection, carry out environmental protection actions in multiple dimensions, continue to promote energy conservation and emission reduction, and ensure effective implementation of various environmental protection systems and initiatives through improved monitoring and enforcement mechanisms.

Environmental targets for greenhouse gases, energy consumption, and use of water resources:
Using 2021 as the base year, the Company's greenhouse gas emissions per RMB million operating income, comprehensive energy consumption per RMB million operating income and water consumption per RMB million operating income will remain stable over the next five years.

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

Objectives for non-hazardous waste management:
In the future, we will continue to promote the implementation of separate domestic waste disposal and achieve a standard disposal rate of 100%.

Emissions Management

The Group focuses on the software and information technology services sector, and its own production activities have a relatively low impact on the environment. Emissions mainly originate from the consumption of outsourced electricity, indirect greenhouse gas emissions generated from staff travelling on business trips, non-hazardous waste such as domestic rubbish generated from the office area, electronic waste such as monitors and other electronic assemblies, as well as domestic sewage generated from the office area. During the year, the Group continued to deepen the concept of green development and the management initiatives implemented to reduce emissions included:

- **Greenhouse gas emissions management**
  - When selecting sites for leasing, energy saving and environmental requirements are taken into account, priority is given to sites equipped with fresh air systems, and fresh air systems are reasonably utilised in winter and summer seasons to maintain indoor temperatures and air quality, to ensure that the air-conditioning system is maintained in an energy-saving mode, and to arrange for site supervisors to conduct inspections on a regular basis.

  - In daily working processes, we actively advocate the use of online communication tools such as telephone, email and online meetings by employees to reduce unnecessary movement and gathering of personnel and reduce energy consumption.

- Strictly control the use of official vehicles, while strongly encouraging employees to adopt green travelling modes, effectively reducing greenhouse gas emissions generated during commuting and travelling with employees.

- At the Xi'an parl and the Nanjing Jiangning office site, charging piles have been installed to facilitate the use of new energy vehicles by employees, helping to reduce greenhouse gas emissions from fossil fuel combustion; timer switches have been installed at the Xi'an base to automatically switch off air conditioning and heating equipment at night, on weekends and during holidays, further reducing greenhouse gas emissions.

• **Hazardous and electronic waste management**

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

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

- Placing recycling baskets for keyboards, mice, power cords and connection cables in office areas, reuse computer hard disks and equipment parts after remodeling, and 18,809 pieces of computer spare parts were recycled and reused during the Reporting Period. Of these, the main ones that were reused were 2,757 keyboards, 2,731 mice, 1,922 power cords and 1,015 VGA cables.

• **Non-hazardous waste management**

- Reasonably distribute and allocate classified bins, set up collection bins for collecting tea dregs and fruit peels in the pantry, post clear and eye-catching rubbish signs, and classify and recycle kitchen rubbish, other rubbish, and recyclables.™

- Equipped with "paper for recycling" baskets in the printing area of each office venue, actively advocating double-sided printing of internal files, and encouraging the secondary use of single-sided printed paper.

- Vigorously promote paperless office, actively adopting measures such as electronic contract signing, electronic certificates of resignation and letters of resignation. At the same time, use electronic advertising machines to carry out promotional work in the administrative, personnel and information security departments to save paper resources in all segments.

- Electrical equipment such as microwave ovens and freezers are installed in pantries, and employees are encouraged to bring their own lunches to reduce the emission of white waste such as disposable lunch boxes.

- Actively promote staff to bring their own lunchboxes and cups, and use ceramic cups instead of disposable paper cups when receiving visitors to reduce the use of disposable tableware.

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

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

Table: Emissions Data Disclosure note 1, 2

Indicator	Data for 2022	Data for 2023	Data for 2024
Greenhous gas emissions from direct sources (tonnes of CO_2 equivalent)	87	111	106
Greenhous gas emissions from indirect sources (tonnes of CO_2 equivalent)	22,019	19,408	16,236
Staff greenhouse gas emissions from employee travel note[3] (tonnes of CO_2 equivalent)	1,654	11,799	11,617
Total greenhouse gas emissions (tonnes CO_2 equivalent)	23,760	31,318	27,959
Greenhouse gas emissions per RMB million operating income (tonnes of CO_2 equivalent/million)	1.19	1.83	1.65
Total domestic sewage discharge (tonnes)	217,408	176,109	159,789
Office domestic waste emissions (tonnes) [4]	6,700	5,714	5,876
Office domestic waste emissions per RMB million operating income (tonnes/million)	0.33	0.33	0.35
Hazardous waste generation note[5] (tonnes)	1.16	0.46	0.46
Hazardous waste generation per RMB100 million operating income (tonnes/100 million)	0.058	0.003	0.003
Electronic waste generation (tonnes)	75	234	30.67
Electronic waste generation per RMB million operating income (tonnes/million)	0.004	0.014	0.002

Note:

1. Greenhouse gas emissions are calculated with reference to the "GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) 2012" published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the "Sixth Assessment Report" issued by the Intergovernmental Panel on Climate Change (IPCC); the emission factors used to calculate greenhouse gas emissions from indirect emission sources are determined with reference to the "Announcement on the Release of CO2 Emission Factors for Electricity in 2022" issued by the Ministry of Ecology and Environment of the People's Republic of China in December 2024, and the national average CO2 emission factor of electric power as 0.5366 kgCO2/kWh; the emission factors used to calculate greenhouse gas emissions caused by employees' business trips are determined with reference to the EEIO carbon emission factor library released by the UK Department for Environment, Food & Rural Affairs (DEFRA) in 2011.

2. The statistical scope of the Company's emissions data includes the actual data generated by the subsidiaries of Chinasoft International Group registered in the PRC but excludes the data from the overseas offices. The Group's operating revenue for 2024 amounted to 16,951 million.

3. Since 2023, employees travelled more; and the scope of Scope III statistics was extended to include carbon dioxide emissions from travelling by taxi, train and accommodation, in addition to aircraft emissions.

4. The number of employees increased in the current year compared to the previous year, resulting in a rise in domestic waste emissions.

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

Effective use of resources

The Group strictly complies with the "Energy Conservation Law of the People's Republic of China" and other relevant laws and regulations, and fully implements the concept of "Thrift, Recycling and Reduction of Consumption" in its daily operations, and endeavours to enhance the efficiency of comprehensive utilisation of resources, and reduce the consumption of energy and resources through the implementation of green office and energy conservation measures. The resources involved in the Group's daily operations mainly include electricity consumed in the operation of electronic equipment, central air-conditioning and municipal water supply. During the year, the Group continued to actively promote various energy and resource conservation management initiatives:

- Reducing energy consumption
  - When selecting office rental sites, priority is given to screening buildings constructed with energy-saving technologies and environmentally friendly materials to reduce energy consumption and environmental impact at source.
  - Except for important festivals, events and maintenance, the landscape lighting of the building is switched off during daily hours to minimise unnecessary power loss; all office areas are illuminated with LED energy-saving lamps to improve lighting efficiency.

- We have implemented the "Five-Off" system, which requires employees to switch off their computers and display screens before leaving their workstations at the end of their working hours; and security guards ensure that the power supply of lights, monitors, water dispensers, microwave ovens and air-conditioners is switched off during site inspections. According to the overtime situation of the staff at the site, non-essential electrical equipment is switched off at reasonable intervals to effectively reduce the overall power consumption.

- For some vacant or less frequently used rooms and office space, turn off their heating equipment in time to reduce the heating area, avoid energy waste and realise accurate heating.

- The opening hours of air-conditioning on summer working days are scientifically and reasonably adjusted according to the actual working needs of the business sector and the energy efficiency characteristics of air-conditioning operation.

- Establish a regular mechanism for the repair and maintenance of facilities and equipment to reduce energy consumption through timely repair of equipment faults and optimisation of equipment operating parameters.

- By recording, observing, analysing and adjusting the relevant dynamic parameters of the equipment and facilities to achieve the specific operation behaviour of the system equipment with low energy consumption operation effect, it ensures that the system equipment operates stably in the low energy consumption state, and realizes the resource saving and efficient use in the whole life cycle of the building.

• **Water conservation**

- In outdoor greening irrigation operations, the use of drip irrigation, micro-sprinkler irrigation and other water-saving irrigation technology, through precise control of water supply and irrigation range, effectively reduces the unnecessary consumption of water resources and improves the efficiency of water resources.

- Pay close attention to weather changes, with the help of weather forecast information, rationally plan greening irrigation time, strictly avoid irrigation operations before or during rainfall to prevent the waste of water resources.

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

- Fine-tune air-conditioning operating hours and reduce air-conditioning water consumption based on actual office usage and staff distribution.

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

Disclosure of Resource Utilization Data note [1]

Indicator	Data for 2022	Data for 2023	Data for 2024
Consumption of gasoline (liters)	39,763	50,733	48,561
Electricity consumption (million kWh)	3,861	3,341	3,026
Electricity consumption per RMB million operating income (kWh/million)	0.19	0.20	0.18
Comprehensive energy consumption note[2] (tonnes standard coal)	4,788	4,160	3,771
Comprehensive energy consumption per RMB million operating income (tonnes standard coal/ millions)	0.24	0.24	0.22
Water consumption (tonnes)	255,775	207,188	187,987
Water consumption per RMB million operating income (Tonnes/Million)	12.79	12.10	11.09

Note: 1. The statistical scope of the Company's use of resources data includes the actual data generated by the subsidiaries of Chinasoft International Group registered in the PRC but exclude the data from the overseas offices. The Group's operating revenue for 2024 amounted to 16,951 million.

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

Environmental and Natural Resources Protection

The Group adheres to the concept of green and takes "empowering the digital and intelligent transformation of the ecological environment industry and jointly building a new era of smart environment" as its positioning. While realising its own green and low-carbon development, the Group fully supports its customers in promoting energy conservation, emission reduction and carbon reduction, and empowers them to digitise and decarbonise through the use of digital technology. It promotes the innovative integration of clean technologies and information systems in the fields of energy, water treatment and environmental protection, provides diversified intelligent solutions and creates new economic growth points.

This year, Chinasoft International launched a low-carbon smart park solution. Relying on cutting-edge technologies such as artificial intelligence, cloud computing, Internet of Things, big data and 5G, the solution builds a carbon digital infrastructure with a carbon audit engine at its core. With the help of the smart park integration platform, it innovatively expands zero-carbon application scenarios in multiple industries, and realises accurate quantification, real-time monitoring and efficient management of carbon emissions for the government, regions, enterprises and other entities. This not only promotes the balance between energy supply and demand and the recycling of resources, but also provides strong support for the management of carbon emissions and the improvement of environmental quality in the park, and helps enterprises move towards a new era of green and intelligent parks.

3.2 RESPONSE TO CLIMATE CHANGE

In order to actively respond to the national "carbon peak and carbon neutrality" target, the Group has formulated a "Carbon Neutrality" planning programme, fully integrated climate change response into its operation and management processes, identified climate change risks in accordance with the disclosure framework of the Task Force on Climate-Related Financial Disclosure ("TCFD"), promoted the implementation of energy-saving and emission reduction initiatives, and provided the Group itself and its customers with digital solutions for the "carbon peak and carbon neutrality" initiatives, so as to grasp the opportunities of green development and enhance its ability to respond to climate change. We will enhance our ability to respond to climate change and promote the sustainable development of ourselves and our partners.

Climate Strategies

The Group actively responds to the national strategy of "carbon peak and carbon neutrality", and is committed to reducing the total amount of greenhouse gas emissions by integrating emission reduction targets into corporate operations. Through systematic analyses and research, we have carefully explored and planned scientific and effective emission reduction paths, comprehensively implemented green office concepts and energy-saving and emission reduction initiatives, and constructed a low-carbon operation model.

In the course of business operations, the Group's major greenhouse gas emissions are direct emissions from fuel use by its own fuel-fired vehicles and indirect emissions from purchased electricity. In order to effectively reduce greenhouse gas emissions, the Group has formulated and implemented a series of targeted emission reduction measures:

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

  In the field of corporate vehicles, the Group has actively responded to the call for green development of the country and vigorously promoted the application of new energy vehicles. 6 of the Group's newly purchased vehicles in 2024 were new energy models. Meanwhile, 5 fuel vehicles were scrapped simultaneously to further reduce carbon emissions. The Group plans to gradually replace 80% of its fuel vehicles with new energy vehicles in the next 10 years.

- Promoting the use of renewable electricity
  In respect of the use of purchased electricity, the Group has actively explored the use of clean energy by purchasing green electricity for use in its owned and leased office premises, which effectively reduces the greenhouse gas emissions generated from the use of conventional electricity, helps optimise the Group's energy mix and contributes to the reduction of greenhouse gas emissions and the use of clean energy.

The Group has continued to deepen the penetration of green and low-carbon concepts in all aspects of its operations. The Group has vigorously implemented the online collaborative office model and relied on the WELINK digital platform to realise efficient online office collaboration processes and effectively reduce the indirect greenhouse gas emissions caused by employees' business travel. At the same time, we have further increased the construction of green travel facilities, optimised the layout of charging piles in our parks and office sites in Xi'an and Nanjing, encouraged employees to use new energy vehicles for commuting, and guided them to practise low-carbon travel, thereby effectively reducing carbon emissions in the process of commuting.

On the basis of accelerating its own low-carbon transformation process, the Group has given full play to its technological expertise in IT services and digital ecological resource advantages, and has actively laid out its plans in the fields of green energy, digital energy and smart energy. Through the integration of industry resources and the application of innovative technologies, the Group will endeavour to build a green, intelligent and efficient smart energy ecosystem, and inject strong impetus into the achievement of the national strategic goal of "carbon peak and carbon neutrality".

Climate risk governance

Against the backdrop of an increasingly severe global climate change situation, the Group pays great attention to the potential impact of climate change on corporate operations. On the basis of continuous improvement of the existing risk management system, the Group identifies and controls the risks arising from climate change on its operations, taking into account the latest development of its business and its actual operations.

In accordance with the TCFD disclosure recommendations and the relevant recommendations of the ESG Code Part D: Climate-related Disclosure of the Hong Kong Stock Exchange, the Group has identified the transition and physical risks posed by climate change to the Company's business, and constructed a complete and targeted system of strategies and countermeasures from three aspects: the formulation of preventive strategies before risks occur, the rapid response mechanism when risks occur and the planning of recovery measures after risks occur.

In respect of climate change-related transition risks, the Group's climate change-related risks cover policy and legal risks, market and technological risks and reputational risks. The Group continuously pays attention to changes in the legal and industry environment, obtains the needs and evaluations of stakeholders, and continuously optimises its internal management and business processes, so as to gradually enhance its ability to adapt to the external environment.

In respect of physical risks related to climate change, the Group clarifies the major environmental and social risk management guidelines and principles, optimises the management framework, clarifies organisational responsibilities, and standardises the management process, reporting mechanism and incident classification criteria in accordance with the standards of GBT30146-2013 Public Safety Business Continuity Management System Requirements and ISO22301 Business Continuity Management – 2012. Through regular emergency drills on major risks, the Group has continuously strengthened the risk prevention awareness of all staff, ensuring the continuous and stable operation of the Group's business in a complex and volatile environment, and building a solid foundation for the sustainable development of the Group.

Type of risk		Response
Transition risk	Policy and Legal risks	We pay close attention to the latest policy developments in addressing climate change, follow the requirements and recommendations of external regulators on information disclosure, and continuously improve the level of information disclosure to ensure that our operations are in line with the latest regulations.
	Market and technology risk	Continuously promote energy saving and emission reduction initiatives, optimise the energy mix, increase the proportion of renewable electricity used and reduce carbon emissions from our own operations.
		Leveraging the advantages of IT services and digital eco-resources, the company empowers its customers in green and low-carbon transformation, and meets their diversified needs for low-carbon products and services.
	Reputational risk	Provide transparent and effective stakeholder communication channels to actively demonstrate the Group's commitment and progress in environmental protection.
		Timely access to external evaluations from customers, investors, the public and other stakeholders to promote continuous improvement of product and service quality.
		We attach great importance to the sustainable development of the supply chain, control the implementation of environmental protection and social responsibility at source, and maintain the Group's good reputation and brand image in the market.

Physical risk	Acute risk	In order to reduce the impact of extreme weather events such as earthquakes and floods on business operations, the Group compiled the "Risk Assessment Report on Climate Disasters", implemented the "Chinasoft International's Earthquake Disaster Emergency Plan", "Chinasoft International's Fire Emergency Plan" and the "Chinasoft International's Typhoon and Rainstorm Disaster Emergency Plan", and other emergency plans, formulated the event classification mechanism, and strengthened the incident response specifications such as event prevention and early alerts, emergency response, emergency handling, emergency protection, information reporting, and so on. The Company has strengthened the assessment and inspection of building safety to control the adverse impacts of extreme weather on the Company's buildings and equipment.
	Chronic risk	In response to chronic risks such as the increase in average temperature caused by changes in rainfall patterns and weather patterns, the Group has constructed a long-term monitoring mechanism to continuously monitor the hours of use of heat dissipation equipment to avoid the increase in energy consumption caused by persistently high temperatures, and assessed the impact of the increase in energy consumption on costs and formulated a response strategy in advance.

4. STAFF DEVELOPMENT

The Group regards employees as the core driving force of corporate development, strictly complies with laws and regulations, and continuously deepens the construction of employee development system. We respect and protect the rights and interests of our employees, facilitate their career development, safeguard their occupational health and safety, and create a favourable working environment and corporate atmosphere. By formulating and implementing a series of effective initiatives to promote the common growth of employees and the enterprise in all aspects, the Group is committed to creating a fair, inclusive and safe workplace environment to help employees realise their personal values and career aspirations.

4.1 Protecting the rights and interests of employees

The Group has always placed compliance and the protection of employees' rights and interests at the core of its development, and has strictly complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Regulations on Work-Related Injuries and Insurance, the Law of the People's Republic of China on the Protection of Minors and the Prohibition of the Use of Child Labour, etc. The Group has also established and improved its employee employment standards, continued to optimise the structure of the workforce, and has proactively safeguarded the rights and interests of its employees in terms of remuneration, benefits, working hours and holidays. We actively safeguard the rights and interests of employees in terms of remuneration and benefits, working hours and holidays, etc., and create a harmonious and stable employment environment. The certification of the Group's SA8000 corporate social responsibility system remains effective.

Insisting on equal employment and promoting diversity in the workforce

The Group has deeply integrated the concepts of equal employment and employee diversity management into the core of its corporate operations, formulated the Equal Employment Policy and the Corporate Social Responsibility Management Manual, established a fair and transparent recruitment process, created an equal and fair employment environment, and explicitly opposed any form of discrimination to ensure that all employees are treated fairly. The Group optimised its talent supply chain management by introducing advanced digital assessment tools and standardised processes to forecast medium– to long-term and short-term talent demand and implement talent supply strategies through internal deployment and external supply. During the Reporting Period, the Group's talent demand satisfaction rate reached 98.2%, effectively solving the problem of talent resources supply.

The Group attaches great importance to the building of a diversified workforce and is fully committed to promoting the Employee Diversity Programme, upholding the concept of openness and inclusiveness, and actively fostering a diversified and inclusive workplace atmosphere. We encourage and support employees from different backgrounds, such as women, ethnic minorities and people with disabilities, to join the team and build a diversified workforce structure in terms of gender, geography, ethnicity, age, education and other dimensions. During the Reporting Period, the Group promoted the "AIGC Safeguard Recruitment Efficiency Improvement" project, in which candidate resumes were analysed through structured descriptions of requirements, customised talent profiles and person-to-position accuracy for person-to-position matching. During the year, the HR model was further optimised with an accuracy of 76.89%, which significantly reduced the loss of manually screening CVs and improved the accuracy and efficiency of screening.

As at the end of the Reporting Period, the Group had a total of 75,075 employees, distributed throughout the country and in various countries around the world; ethnic minority employees totalled 3,741, accounting for approximately 5% of the total number of employees; 458 employees with disabilities were employed, accounting for approximately 0.61% of the total number of employees; and 4,818 fresh graduates were absorbed during the year.

Disclosure of Employment Data

Indicator	Data for 2024
Total number of employees (persons)	75,075
Number of full-time employees (persons)	74,989
Number of part-time employees (persons)	86
Number of male employees (persons)	53,323
Number of female employees (persons)	21,752
Number of employees aged ≤30 (persons)	41,105
Number of employees aged 30 < age ≤ 50 (persons)	33,743
Number of employees aged >50 (persons)	227
Number of employees in Xi'an (persons)	13,815
Number of employees in Shenzhen (persons)	11,194
Number of employees in Shanghai (persons)	5,955
Number of employees in Nanjing (persons)	6,427
Number of employees in Beijing (persons)	7,165
Number of employees in Chengdu (persons)	3,423
Number of employees in Hangzhou (persons)	3,080
Number of employees in Wuhan (persons)	3,346
Number of employees in Dongguan (persons)	5,186
Number of employees in other areas (persons)	15,484
Employee turnover rate (%)	**34**
Male employee turnover (%)	34
Female employee turnover rate (%)	33
Turnover rate of employees aged ≤ 30 (%)	32
Turnover rate of employees aged 30 < age ≤ 50 years (%)	22
Turnover rate of employees aged >50 (%)	35
Employee turnover rate in Xi'an (%)	30
Employee turnover rate in Shenzhen (%)	36
Employee turnover rate in Shanghai (%)	32
Employee turnover rate in Nanjing (%)	30
Employee turnover rate in Beijing (%)	38
Employee turnover rate in Chengdu (%)	31
Employee turnover rate in Hangzhou (%)	46
Employee turnover rate in Wuhan (%)	29
Employee turnover rate in Dongguan (%)	24
Employee turnover rate in other areas (%)	36

Safeguarding legitimate rights and interests and improving employee cohesion

The Group has always regarded the protection of employees' rights and interests as a key element of corporate development, and has strictly complied with relevant provisions of the "Articles of Association of the Workers' Congress of Chinasoft International", and continues to improve internal systems such as the "Talent Incentive Management Outline", the "Remuneration Framework Management Measures" and the "Performance Management White Paper", to comprehensively safeguard the lawful rights and interests of its employees in terms of remuneration and benefits, labour rights and interests, and to build up a good working environment and corporate atmosphere.

To promote the organic integration of the personal growth of employees and the overall development of the Group, and to realise the synergy and common development of the Group and its employees. The Group has adopted various measures to protect the rights and interests of employees, including:

- Remuneration incentives
  - Optimise and improve the remuneration framework, improve the grading rules and harmonise the salary fixing criteria;
  - We formulate short-term and medium– and long-term incentive plans, design refined and differentiated remuneration structures based on factors such as job value evaluation, contribution to performance output, individual capabilities and special skills, ensure that remuneration packages match individual contributions, and fully mobilise the enthusiasm and creativity of all types of talents;
  - Establish a mechanism for recognising staff excellence and conduct annual merit assessment to recognise and motivate individuals and teams that have made outstanding contributions.
- Performance appraisal
  - Optimise and improve performance management, refine the performance evaluation process and rules, and clarify the specific impact of organisational performance results on the proportional distribution of cadre and employee performance;
  - Establish a mechanism for routine performance disclosure and strengthen performance communication and performance process management;
  - Continuously optimise the talent incentive and performance management work calendar, and promote the institutionalisation, process and calendarisation of pay and performance management.

- Time management
  - Flexible working system is implemented, with flexible office hours based on regional and business characteristics;
  - The use of time and attendance billboards to present staff attendance analysis data facilitates the business department to grasp the staff's working hours in a timely manner, and then scientifically and reasonably co-ordinate the staff's work tasks and rest periods to enhance the overall work efficiency;
  - It further strengthens the data interaction capability with the client's system and realises the synchronisation of employees' attendance data from the client's system to the Group's system, effectively simplifying the attendance management process.
- Holiday management
  - Improve the overtime compensation system and provide a convenient and efficient channel for holiday settlement;
  - Formulate and publish detailed annual leave arrangement notices in advance, accurately reach employees through multi-channels, and remind employees to reasonably arrange their leave;
  - Strictly implement the "Parental Leave" policy to ensure that employees are entitled to the relevant welfare leave in accordance with the law.

Chinasoft International "Annual Award of Excellence"

The Group strives to build a diversified and systematic incentive system, which is closely integrated with the existing remuneration system to achieve synergy and encourage all employees to "believe in their own power" and realise the "glory and dreams" of the Company and each employee. In terms of management mode, based on the organic combination of strategy-budget-performance at all levels of the organisation, we will further improve the end-to-end management mechanism. Focusing on the two major themes of "scale growth and continuous improvement of business quality", the Company recognised and incentivised outstanding teams and individuals who made outstanding contributions to key aspects of the Company in FY2024. This year's evaluation of excellence resulted in the selection of one CEO Special Award, four "Teams of Winning Battles", 5 "Warriors", 13 "Gold Medal Teams", 15 "Gold Medal Individuals", 400 "Outstanding Individuals" and 32 "Outstanding Teams", and multi-dimensional rewards such as cash, shares and prizes.

Emphasis on human rights protection and adherence to labour norms

The Group respects and protects the human rights of its employees and has established the “Child Labor and Underage Worker Control Procedures” to oppose any form of discrimination and harassment. The Group has set up procedural documents such as the “Control Procedures for Child and Underage Workers” and the “Prevention of Forced Labor Control Procedures” to prevent the use of child and forced labour. We have established channels for reporting and complaining about sexual harassment, including an official email address, our regional EHS officer, a reporting phone number and a geek platform, and we strictly keep the information of the parties concerned confidential to ensure a safe and healthy working environment for our employees. During the Reporting Period, the Group did not have any incidents of child labour and forced labour violations.

4.2 Support for staff development

The Group adheres to the people-oriented philosophy, establishes various career development channels for employees, and configures clear qualification systems and rich learning resources for each channel to support employees to give full play to their strengths and abilities, grow and achieve career goals in their own suitable career paths, accelerate the growth of talents, and provide a broad platform for the realisation of employees’ self-worth and the expansion of their careers.

This year, we have established a multi-channel job grade system for employee development, which includes 3 groups, namely management, professional and administrative, totalling more than 50 sub-channels and 15 promotion grades. In terms of management ability development, we carry out competency development programmes for managers at different levels from multiple perspectives and in a systematic manner, to enhance management concepts and skills, and to build a management team that is in line with the culture and values of Chinasoft International, and is capable of sustained leadership and development. In terms of professional competency development, we build learning maps, develop learning resources, and organise various learning methods such as lectures by experts, exchanges of journals, and training activities according to employees’ professional development paths and the competency requirements of their positions and grades, so as to promote the growth of employees’ professional competency. In terms of general ability cultivation, we organise activities such as professionalism, general vocational skills, learning enhancement and new employee training in accordance with the company’s development needs and employee ability growth requirements.

Management/leadership development training

Tactical training team	To help “new promotion”, “new entry” and “new post” three groups of new members to integrate quickly, cadres and members to achieve “faith, trust, trustworthiness”; as well as center around the “1 + 3 + base camp” business and %10 binding “training” to improve the members, and “war” to complete the rganizational tasks, to build up the “sharp knife - legion - base camp”structure.
EHS Training for Basic Supervisors	EHS management empowerment for HR system personnel and grassroots supervisors, sharing and guidance on EHS incident handling methods for specific cases; holding exams for key points, strengthening EHS risk management awareness and guidance on handling methods, and improving EHS incident handling ability.

Job-specific development training programmes

2024HR Rooted Engine Programme	Taking the qualification of HR sequence as the starting point, the talent development project is designed and built around the qualification requirements and the short board of competence identified in the post certification, aiming at improving the job competence of HR through systematic training, becoming the enabler of business and the promoter of strategy implementation by downward rooting, and becoming the engine of talent development and the facilitator of management change by upward growth.
Pre-sales special competence enhancement	The training, which was conducted in batches for all delivery cadres and sales, helped employees quickly understand the business related to Huawei’s 10% strategy, understand the urgency of the demand for new technologies and the Group’s strengths, and respond to customer scenarios to gain a head start in cooperation. Through a combination of special training and certification, the training greatly improved the pre-sales capabilities of cadres and sales staff in Harmony, data, AI, and other areas, and achieved key results in the real-world process, winning customer recognition in the direction of Harmony business.
Thousands of model engineers trained	Together with the industry’s top AI experts and scientists, combined with a wealth of industry cases and practices, the programme provides participants with systematic learning of big model theory, guidance on experimental operations and practical project development experience. Through this programme, the Group is committed to building a team of professional engineers who are highly skilled, innovative and able to respond quickly to the changing needs of the market. Up to now 102 employees have successfully obtained the authoritative HCCDP-AI certification, laying a solid foundation for participation in AI projects.

MetaERP Professional Competence Development	Through the five-day empowerment training, improve system familiarity and configuration proficiency, precipitate MetaERP "people, money, things, items" modules based on proofing scenarios to sort out the whole process of operation manuals and course materials, organise the project in the gold seeds of the team to carry out empowerment training to promote the growth of the professional ability of the staff.

New Employee Training

In order to strengthen the foundation of talent development, the Group conducts new employee training for all new employees to help them understand the organisation, adapt to the environment and familiarise themselves with their positions in a shorter period of time, so as to enter their roles more quickly. The new employee training mainly includes departmental introduction, strategy introduction, main business introduction, as well as daily work-related systems and tools training, etc. It effectively guides new employees to deeply understand the organisational structure, strategic direction and business layout, and urges all employees to reach a high degree of consistency in organisational awareness, strategic objectives and business understanding, which helps employees enter the workplace in a better and faster manner, and truly realise synergy and advancement, thus bringing together a powerful force to promote the Group's development. Gathering a strong synergy to promote the development of the Group.

Degree Education Programme

Through the formulation of scientific and reasonable degree education programmes, provision of policy support, organisation of implementation and evaluation of feedback, the Group has been gradually upgrading the knowledge structure of its cadres, broadening their mindset, enhancing their potential for management decision-making and strategic development, effectively upgrading the overall quality and professional competence of its cadres, and reserving for the Company human resources that are competitive in the marketplace and suitable for the Company's strategic development.

2024 Commencement Degree Conferment Ceremony

Disclosure of Development and Training Data

Indicator	Data for 2024
Total training hours of employees (hours)	124,708
Average training hours of employees (hours/person)	1.7
Total training hours of male employees (hours)	88,575
Average training hours of male employees (hours/person)	1.7
Total training hours of female employees (hours)	36,132
Average training hours of female employees (hours/person)	1.7
Average training hours completed by senior management (hours/person)	1.6
Average training hours completed by intermediate management (hours/person)	1.8
Proportion of male employees trained (%)	95
Proportion of female employees trained (%)	95
Percentage of senior management trained (%)	100
Percentage of intermediate management trained (%)	100

4.3 Employee Care and Wellness

The Group upholds a high degree of concern for the occupational health and safety of its employees, strictly abides by “Law of the People’s Republic of China on Prevention and Control of Occupational Diseases”, the “Social Insurance Law of the People’s Republic of China” and other laws and regulations, pays attention to the occupational health and safety of its employees, and continues to strengthen the capability of corporate health management. In order to provide a healthy and safe office environment for its employees, the Group provided its employees with all-round care and protection, and actively carried out occupational health training to continuously enhance their sense of well-being and sense of belonging. During the Reporting Period, the Group further improved its internal management processes and the certification of ISO 45001 Occupational Health and Safety Management System continued to be effective.

Focusing on health and safety and improving the working environment

The Group always puts the physical and mental health and life safety of its employees in the first place, and continuously deepens the construction of its environment, health and safety (EHS) management system. Through systematic sorting and optimisation, a safe and healthy office environment has been created for employees. During the Reporting Period, the Group implemented various initiatives to safeguard the occupational health and safety of its employees:

- EHS Management: Achieve full coverage of EHS digital system, realise the four major functions of EHS information management, EHS risk control, EHS event control, EHS case database management, improve the management efficiency of EHS events and reduce safety risks; establish EHS risk personnel accounts, pay continuous attention to and cyclically manage the physical and mental health of relevant personnel.

- EHS training: set up an EHS empowerment theme month to carry out EHS empowerment training; invite psychologists to carry out mental health lectures, analyse the root causes of stress in the workplace, explain specific stress-relief techniques, and illustrate employees' mastery of psychological stress-relief skills through interactions, games, and other means.

- Physical Examination: In cooperation with a large physical examination centre, we offer preferential entry physical examination packages to new employees; we regularly organise free physical examinations for in-service employees to conduct a comprehensive "scanning" of their health status, and 747 employees in special positions have participated in occupational health check-ups on time; we offer preferential physical examination packages for family members of our employees to extend health benefits to the families of our employees to enhance the employees' sense of belonging and well-being in a comprehensive manner.

- Insurance: Make contribution to five insurances and one fund for current employees in accordance with the law; purchase supplementary medical, maternity, critical illness, accidental injury and other commercial insurance for employees who have served the Company for three years or more and have been confirmed by the department to have good performance, benefiting over 30,000 employees. Purchase customized supplementary commercial insurance for certain employees in special positions; provide preferential online purchase channels for supplemental commercial insurance to employees with less than three years of service experience, benefiting over 2,000 employees; provided employees with preferential purchase channels for children's commercial supplemental insurance, benefiting over 5,000 employees' children; and continued to optimize the online self-assisted claim and self-service insurance system for commercial insurance.

- Employee Psychological Assistance: In cooperation with a third party, we continuously operate the Employee Psychological Assistance Programme (EAP) care system, covering nearly 50,000 employees of the company, to understand the state of employees' mental health and enhance their sense of well-being by means of psychological assessment, a 24-hour psychological assistance hotline, psychological counselling, psychological training, long-term business trip assessment, outbound business trip assessment, and psychological assuring articles.

- Sunshine Heart Examination Activity: Evaluate the psychological quality, emotional stability, stress response, sleep quality and other parameters of in-service employees, identify potential psychological problems, improve the level of employees' mental health and work efficiency, and promote personal growth. Carrying out self-awareness and identification assessment of employees' mental health, employees can obtain a mental health examination report after completion, so as to understand their own psychological condition and make self-improvement in a timely manner.

- Health and Safety Month Activities: To create a harmonious and caring organisational atmosphere, enhance health and safety awareness, popularise safety knowledge and skills, and create a good environment for employees to work safely and healthily. At the same time, to create a learning lecture theatre, to consolidate the ability of grass-roots supervisors, standard actions to do standard, and to carry out health and safety month co-construction activities.

- Office environment and site safety and security: Regularly carry out site power and fire inspections, strictly verify the fire compliance of the office space, and ensure that the fire extinguishing facilities are intact and effective; pay close attention to the facilities and environmental hygiene of the office space, ensure the normal operation of the power, property, and office equipment, enhance the risk prevention and control capacity of site management, and create a comfortable office environment to meet the office needs of the staff.

Health and Safety Data Disclosure

Indicator	2022	2023	2024
No. of work-related fatalities (persons)	1	1	1
Ratio of work-related fatalities (%)	0.001	0.001	0.001
No. of working days lost due to work-related injuries (days)	840	1,055	1,494

Focus on employee care and enhance employee happiness

The Group continues to focus on the well-being of its employees, and actively creates a vibrant working atmosphere and strengthens the care and support for its employees in all aspects. The Group organised a variety of employee activities to enhance the sense of belonging and happiness of employees and to build a solid foundation of talents for the sound development of the enterprise. During the Reporting Period, the Group carried out the following initiatives to promote employee care:

- **Organisation Climate Survey:** In order to understand employees' satisfaction with the company and to enhance employees' dedication and team cohesion, the Group organises climate surveys and outputs survey reports, with an overall total of 386 teams and 35,272 participants in this year's survey.

- **Smooth employee voice management:** The Group is committed to tracing the root causes of problems and solving employee issues at the source. Through the establishment of diversified communication channels, such as the company's microblog, HRM mailboxes, executive mailboxes and other channels, we responded to the voices of employees in a timely manner. During the year, a total of four voice analysis reports were outputted to understand the background in a targeted manner and give suggestions for solutions; in order to further encourage the active participation of employees in the management of the company, we set up the "Punishment and Complaint Control Procedures" to give full play to the subjective initiative of the employees to promote the company's continuous progress together.

- **Holiday sympathy:** attach great importance to the humanistic care of employees, show care and condolences to employees in important festivals, improve employee cohesion and sense of belonging, and create a warm and harmonious corporate atmosphere.

Case: Festival activity series

The Group organised a series of activities for the Dragon Boat Festival, such as the "Hundred Barges Strive for Flow – Breaking Waves and Sprinting" and the "War Drums Sounding for Sprinting, Bright Moon Shining on the Journey", and other colourful festive activities. The Group invited its employees to participate in the creation of slogans and posters around the themes of the Mid-Year Sprint, admiration of the traditional culture and praise of the team spirit, and distributed festive benefits to the employees.

Case: Summer daycare & yoga classes

In order to effectively play the role of trade unions as “servers of the employees”, solve the problems of “urgency, difficulty, worry and hope” of employees, and do a good job of caring as the employees’ “mother’s family”, the Nanjing Trade Union of Chinasoft International, in conjunction with the park’s trade unions, opened the 2024 summer employees’ children’s daycare class, which hosted more than 30 children of the employees, and also opened the Yoga class on every Wednesday night, which was participated in by more than 40 employees.

Case: Sending coolness in summer and warmth in winter

The Group launched the “Summer Cooling” campaign in August 2024 to serve frontline staff in Nanjing and other places to stimulate staff motivation, care for staff life and enhance the Group’s cohesion and centripetal force.

Case: The Chinese Valentine's Day dating event

In order to enrich the leisure time of single youths and build a civilised, healthy and harmonious dating platform, on the occasion of the Chinese traditional Valentine's Day, the trade union of Chinasoft International in Nanjing, together with the trade unions of several other enterprises and institutions, carried out the "Hand-in-Hand Friendship" Youth Friendship Activity, which was participated by more than 160 young single employees, who exchanged views with each other, made friends and made a connection in the activity.

On the day of the event, the atmosphere was warm and the participants were enthusiastic. The organisers carefully designed a number of interactive sessions, including activities such as "Meeting Love Around the Corner", "The Magic of Love Goes Round and Round", "Porters Searching for Love", and "If You Are the One ", to promote exchanges and understandings among young singles, and to allow participants to show themselves and discover each other's sparkling points in a relaxing environment, which demonstrated the company's concern and support for the issue of young people's love and marriage.

Case: Helping the needy employees

The Group provides warmth and care to employees in difficulties, helps employees in difficulties to solve their problems and provides timely emergency assistance to employees with sudden and temporary difficulties. In December 2024, the Group actively raised funds for the sick employees of FBG's North China business line, and a total of RMB60,000 was donated by the Group's employees.

5. COMMUNITY INVESTMENT

The Group has continued to fulfil its corporate social responsibility by actively responding to the diversified needs of the society and encouraging its employees to participate in voluntary service activities, so as to contribute to the realisation of common prosperity and the building of a better society. During the Reporting Period, the Group planned and organised a series of public welfare activities in a rich variety of forms, including blood donation, community care services for the elderly and children, visiting party members in difficulty and environmental beautification, etc. These voluntary activities conveyed love to all corners of the society, demonstrated the spirit of commitment of the employees of the Company, and promoted the concept of voluntary service.

Case: Voluntary Action of Caring the Elderly and Children

In January 2024, in Xi'an we carried out the activity of "Volunteering Enterprises, Sending Warmth in Winter", organising Party members to visit the people in difficulty in Qinzhong Village, Qindu Street, Xi'an City, sending them living materials and supplies to keep out the cold, talking with them attentively, carrying out cold and freezing prevention propaganda, reminding them to take good care of themselves, paying attention to travel safety as well as keeping out the cold, and encouraging them to be positive and optimistic in facing the difficulties. In Chengdu, we organised Party members to visit Chengdu Children's Welfare Institution to show their sympathy and care for the children, so that the children in the institution are well protected in four aspects: raising, teaching, treatment and recreation.

Case: helping to beautify the environment

In March 2024, we organised party volunteers in Nanjing to participate in the environmental improvement of the scenic areas. We used our weekend break to carry out a "rectification" to the scenic area and the surrounding environment, remove the rubbish from the road surface and in the flower beds, placing the indiscriminately parked shared bicycles and electric vehicles one by one in the prescribed area, stopping uncivilised behaviour in a timely manner and popularising the relevant knowledge to build a "green" civilised city with "red" voluntary actions.

Case: Difficulty Help

All regions of Chinasoft International took active actions and gave full play to their own strengths to send warmth and hope to people in difficulty. In Nanjing, we pay attention to the living conditions of party members and people in difficulty and organised donation activities to gather help from all sides; in Shenzhen we lent our hand to the people in difficulty during the Learn from Lei Feng Week and organised employees to donate clothes and goods to help improve the living conditions of the people in difficulty; our Party members in Guangzhou region participate in the monthly donations of the Hanhong Foundation on a long-term fixed basis and take part in the community donation activities to make donations for the poor and illustrate the responsibility with practical actions.

Biographical Details of Directors and Senior Management

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

DIRECTORS

Executive Directors

Dr. Chen Yuhong (陳宇紅), aged 62, is the Chairman and the Chief Executive Officer of the Company and is responsible for the overall business development of the Group. He has over 20 years of practicing experience in software information industry. Dr. Chen holds a doctorate degree in optics from Beijing Institute of Technology (北京理工大學) in 1991. Prior to joining the Company on 25 April 2000, Dr. Chen worked at China National Computer Software & Technology Service Corporation ("CS&S") from October 1996 to April 2000, subsequently was appointed as vice president in June 1999 and as senior vice president of CNTC (中軟網絡信息技術有限公司) in December 2003. From June 1991 to October 1996, he was the deputy general manager of China Great Wall Computer Software Co., Ltd. (中國長城計算機軟件公司).

Dr. He Ning (何寧), aged 63, has over 38 years of management experience in the areas of science and technology, operations, investments, etc. His work experience has accumulated along with the development of the telecommunications industry and information technology (IT) industry of China. Dr. He is familiar with the rules of development of the technology, media, and telecom (TMT) sector and has rich experience in management and operations. Dr. He graduated from the Nanjing Institute of Posts and Telecommunications in 1983 with a bachelor's degree in telephone automatic switching. He subsequently received a master's degree in business management from Maastricht School of Management of the Netherlands in 2002, and received a Doctor of business administration degree from the Hong Kong Polytechnic University in 2005. Dr. He has been appointed as an executive director and vice chairman of the Board on 18 May 2021. Before that, Dr. He was a director on the board of directors of China Telecom (Hong Kong) Limited from August 1998 to June 2000; a director on the board of directors of China Mobile (Hong Kong) Limited, the chairman of the board of directors and the general manager of Jiangsu Mobile Communication Company Limited* (江蘇移動通信有限責任公司) from June 2000 to January 2003; a director and the deputy general manager of China Mobile (Hong Kong) Limited from January 2003 to December 2005; the chairman of the board of directors and the general manager of China Mobile Group Beijing Co., Ltd.* (中國移動通信集團北京有限公司) from December 2005 to 2 February 2012; the chairman of the board of directors and the general manager of China Mobile Group Device Co., Ltd.* (中國移動通信集團終端有限公司) from February 2012 to October 2015; and the chairman of the board of directors of China Mobile Capital Holdings Co., Ltd.* (中移資本控股有限責任公司) and the chairman of the board of directors of China Mobile Investment Holdings Co., Ltd.* (中移投資控股有限責任公司) from October 2016 to September 2020. In addition, from September 2019 to November 2020, Dr. He also acted as the chairman of the board of directors of 5G Fund Management Company, an executive director of China Mobile Venture Capital Co., Ltd.* (中移創業投資有限責任公司), a director of China Mobile State Innovation Investment Management Co., Ltd.* (中移國投創新投資管理有限公司), and took up the roles as a director and a supervisor, etc. of national 100 billion industrial investment fund limited company.

Dr. Tang Zhenming (唐振明), aged 62, is the senior vice president of the Company. He is responsible for the Group's training business and has over 20 years practicing experience in software information industry. Dr. Tang obtained a doctorate degree in motor electronic control from Beijing Institute of Technology (北京理工大學) in 1994. Prior to joining the Company on 25 April 2000, Dr. Tang was employed by Beijing Institute of Technology Industrial Company (北京理工大學產業總公司) as deputy general manager from May 1995 to July 1998 and by Chinasoft Cyber Information Technology Co., Ltd (Beijing) as deputy general manager from August 1998 to March 2003. Dr. Tang was also employed by American W&P Company, Beijing Office (美國W&P公司北京辦事處) as officer from December 1993 to March 1995.

Non-executive Directors

Dr. Zhang Yaqin (張亞勤), aged 59, was appointed on 31 December 2008. Dr. Zhang Yaqin is chair professor and dean of the Institute for AI Industry Research at Tsinghua University. Dr. Zhang Yaqin was the President of Baidu, Inc. (listed on NASDAQ, NASDAQ: BIDU) from September 2014 to October 2019, in charge of autonomous and intelligent cloud emerging business and basic technology system and etc., and also the Chairman of Baidu R&D Centre in U.S.. Prior to joining Baidu, Dr. Zhang served various positions at Microsoft Corporation (listed on NASDAQ, NASDAQ: MSFT) from January 1999 to September 2014, including: the corporate vice president of Microsoft Corporation, the chairman of Microsoft Asia-Pacific Research & Development Group responsible for driving Microsoft's overall research and development efforts in China and the Asia-Pacific region, the managing director and the chief scientist as well as an original founder of Microsoft Research Asia where he was in charge of Microsoft's mobile and embedded division in Microsoft's headquarters. Dr. Zhang is also a member of Committee 100, a group of leading Chinese- Americans to promote the political, science, social and economic exchanges between the US and China. Dr. Zhang was elected Foreign Member of Chinese Academy of Engineering in 2021. Dr. Zhang honored academician of the American Academy of Arts and Science in 2019. Dr. Zhang was awarded a fellow of the Australian Academy of Technology and Engineering in December 2017, and he has also been a fellow of the Institute of Electrical and Electronics Engineers since March 1997. Dr. Zhang obtained his bachelor's degree in radio electronics and master's degree in telecommunication and electrical systems from the University of Science and Technology of China (中國科技大學) in July 1983 and January 1986 respectively. In February 1990, Dr. Zhang obtained his Ph.D. degree in electrical engineering from George Washington University, Washington D.C. Dr. Zhang has been an independent non-executive director of a number of companies, including AsiaInfo Technologies Limited (listed on the Stock Exchange, stock code: 1675) since August 2018. He has been an independent non-executive director of WPP (NASDAQ: WPPGY) since January 2021.

Mr. Gao Liangyu (高良玉), aged 59, is the chairman of the board of Gao Zheng Asset Management Limited (高正資產管理有限公司) since September 2017. Mr. Gao was served as the chairman of the board of CSOP Asset Management Limited (南方東英資產管理有限公司) since March 2013, engaging in asset management business. Prior to joining CSOP Asset Management Limited, Mr. Gao was previously the deputy general manager at China Southern Fund Management Co., Ltd. (南方基金管理有限公司) in March 1998 and became the general manager of the same company from September 1998 to March 2013, responsible for the management and operation. Mr. Gao acted as the deputy division chief of the Public Offering Supervision Department of the China Securities Regulatory Commission (中國證券監督管理委員會) from March 1993 to March 1998, the section chief of the Finance Management Department of the People's Bank of China (中國人民銀行) from February 1991 to March 1993, studied in the Postgraduate Department of Financial Research Institute of the People's Bank of China from September 1988 to February 1991, and an officer of the Audits Department of Nanjing Agriculture University (南京農業大學) from July 1986 to August 1988. He served as an independent non-executive director of Jutal Offshore Oil Services Limited (巨濤海洋石油服務有限公司), a company listed on the Stock Exchange (stock code: 3303), from 2009 to 2015. Mr. Gao obtained his bachelor's degree in agricultural economics from Nanjing Agricultural University in July 1986.

Independent Non-executive Directors

Dr. Lai Guanrong (賴觀榮), aged 62, was appointed on 2 June 2015. Dr. Lai is the independent director of China Securities Co., Ltd.(中信建投證券股份有限公司) (Shanghai Stock Exchange stock code: 601066SH), the independent director of Dongxing Securities Co., Limited (東興證券股份有限公司) (Shanghai Stock Exchange stock code: 601198SH), and the independent director of New China Life Insurance Company Limited (新華人壽保險股份有限公司) (Shanghai Stock Exchange stock code: 601336). He previously acted as the director of Zhongke Industrial Group (Holding) Company Limited (中科實業集團（控股）有限公司), the deputy general manager (host duty) of Minfa Securities Company Limited (閩發證券有限公司), the deputy director of the Fujian Branch Office of the People's Bank of China (中國人民銀行福建省分行), the general manager of Fujian Min Qiao Trust Investment Company Limited (福建省閩南僑鄉信托投資公司), the president of Huafu Securities Company Limited (華福證券有限責任公司), the president of Jiahe Life Insurance Company Limited (嘉禾人壽保險股份有限公司), the Vice Chairman of Agricultural Bank of China Life Insurance Company Limited (農銀人壽保險股份有限公司), the Chairman of the Supervisory Board of Beijing Zhongguancun Science City Construction Company Limited (北京中關村科學城建設股份有限公司), the Chief Economist and Investment Committee Member of Shenzhen Yuanzhi Fuhai Investment Management Company Limited (深圳市遠致富海投資管理有限公司) and the independent director of Xinyuan Enterprise Group Company Limited (信源企業集團有限公司). Dr. Lai graduated from the Xiamen University with a bachelor's degree in economic. He was awarded a master's degree by the research department of the Graduate School of the People's Bank of China. He was awarded a doctor's degree in economic from the Xiamen University.

Professor Mo Lai Lan (巫麗蘭), aged 66, obtained her bachelor and Ph. D degrees in Accountancy from the Chinese University of Hong Kong and M.B.A. degree from Birmingham University in U.K.. She is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Prof. Mo joined The Hang Seng University of Hong Kong in January 2025 as the Head and Professor of the Department of Accountancy. Previously, Prof. Mo served as Professor of Accountancy at City University of Hong Kong (2011-2024) and was the Associate Director of the Research Centre for Sustainable Hong Kong (CSHK) (2017– 2024). CSHK is a strategic applied research center established at the City University of Hong Kong which aims at conducting impactful research in response to real-life sustainability challenges in Hong Kong and the region. Prof. Mo served as Professor and Head of the Department of Accountancy at Lingnan University from 2006 to 2011. She also had teaching and research experiences with other prominent research universities. Prior to joining the academia, Prof. Mo worked at a leading international certified public accountants firm as a professional auditor and a listed company as an internal auditor. Prof. Mo was a member of the Auditing & Assurance Standards Committee of the HKICPA from 2012 to 2017, a member of the Greater Bay Area Committee of the HKICPA in 2021, and a member of Board of Review (Inland Revenue Ordinance, Hong Kong) from 2015 to 2020. In 2024, Prof. Mo was appointed as a Non-Executive Director of the Board of the Accounting and Financial Reporting Council (AFRC), Convenor of the Financial Reporting Review Panel of the AFRC and a Specialist of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ). Professor Mo's research focuses on audit quality, tax compliance, corporate governance and sustainability. Many of her papers represent pioneer works on accounting research published in leading international research journals. She also co-authored books on corporate governance of traditional Chinese enterprises and family businesses, namely "A Dream of the Red Chambers and Corporate Governance of Family Businesses"《紅樓夢與家族企業管治》, "Corporate Governance of Pawnshops in the Chinese Communities"《華人社區當押業與公司管治》and co-edited a book entitled "Transcending the Bottleneck – The Hong Kong Accountancy Profession"《突破瓶頸－香港會計業》. Professor Mo is currently an Associate Editor of the Accounting and Business Research (founded by the Institute of Chartered Accountants in England and Wales). She is also a member of the Editorial Board of AUDITING: A Journal of Practice & Theory and Journal of International Accounting Research which are leading research journals in Auditing and International Accounting respectively. At present, Professor Mo also serves as independent non-executive director of Acme International Holdings Limited.

Mr. Yeung Tak Bun, J.P. (楊德斌), aged 59, holds a Bachelor of Science in Electrical Engineering from the University of Texas (Austin) in the US, a Master of Science in Electrical Engineering from Purdue University in the US, and an Executive MBA from the Kellogg School of Management of the University of Northwestern in the US in conjunction with the Hong Kong University of Science and Technology. Mr. Yeung started his career in the Silicon Valley, California in 1987 and had worked for several high-tech companies. Mr. Yeung held senior management positions in several multinational corporations with operations throughout Asia. When Mr. Yeung was the Chief Corporate Development Officer of the Hong Kong Science and Technology Parks Corporation in 2009, he was responsible for the development strategy of the science park, global partnership, incubation programme for start-ups, nurturing bio-tech, green-tech, IT and electronics enterprises, and initiated the science park corporate venture fund. During mid-2015–mid 2018, Mr. Yeung was appointed as the Government Chief Information Officer, head of department, and a Justice of the Peace, by the Hong Kong SAR Government. Mr. Yeung was responsible for formulation of policies and strategies for Hong Kong's information industry in development of the digital economy, e-government, cyber-security, and formulation of the blueprint for developing Hong Kong into the world's leading smart city. Mr. Yeung co-founded Intelli Global Corporation in late 2018 with international smart city and big data experts to provide top-level design and big data/artificial intelligence related products that foster city governments and companies around the world in managing cities with new smart city concepts, improving the quality of life, reducing management costs and improving urban governance efficiency. Mr. Yeung is currently the Chief Executive Officer of and Strategic Adviser to Intelli Global Corporation. Mr. Yeung holds the public positions of an Expert Group Member of the Chief Executive Policy Unit and a Member of the Digital Economy Development Committee of the HKSAR Government. He is also the President of Greater Bay Area International Information Technology Industry Association and the Founding Chairman of the Institute of Big Data Governance. In addition, Mr. Yeung serves as an independent non-executive director of companies which are listed on The Stock Exchange of Hong Kong Limited, including Yau Lee Holdings Limited (Stock Code 406) and UMP Healthcare Holdings Limited (Stock code 722). He also serves as an independent non-executive director of POA Bank Limited which is a wholly-owned subsidiary of Lufax Holding Ltd (listed on the New York Stock Exchange (NYSE: LU) and The Stock Exchange of Hong Kong Limited (Stock Code 6623)) and a member of Ping An Insurance (Group) Company of China Ltd.. (listed on The Stock Exchange of Hong Kong Limited (Stock Code 2318) and on the Shanghai Stock Exchange (SSE 601318)).

SENIOR MANAGEMENT

Mr. Simon Chung (鍾鎮銘), aged 64, is the global chief operating officer of the Company. He is responsible for the Company's overseas strategic development. He has over 30+ years of experience in IT professional services covering account management, service delivery management, technical sales, quality assurance and control, project management and customer support operation of public government, telecom, finance, high-tech and digital transformation sectors. He holds a bachelor's degree in Computing Mathematics from the University of Wollongong in Australia. Prior to joining the Company, he was a project director of Atos Origin responsible for the management of large scale projects and service delivery for major clients in Asia Pacific from 1996 to 2005.

Mr. Liao Yuanfeng (廖元峰), aged 45, is the chief financial officer of the Company. He is responsible for the corporate finance, operations, internal control, and risk management work. He joined the Group in May 2016 and was appointed on 5 November 2018 as vice president and general manager of the financial management department and on 16 April 2020 as deputy chief financial officer. Prior to joining the Company, Mr. Liao had variously been the head of finance of the Ukraine Representative Office of Huawei Technologies Company Limited, Xi'an Huawei, and the finance and quality operations department of a subsidiary from October 2007 to April 2016, and was a senior financial expert. Mr. Liao have also been the finance manager of the Pakistan subsidiary and the senior finance manager of the Asia-Pacific region of the TIENS Group, Tianjin, from April 2003 to July 2007. From September 1997 to August 2001, Mr. Liao worked in the accounting department of Xinfeng County Sub-branch of China Construction Bank. He holds a Master of Business Administration degree from Hunan University and is a Fellow of the Association of International Accountants (FAIA).

Ms. Leong Leung Chai, Florence (梁良齊), aged 45, is the company secretary and authorised representative of the Company and was appointed as the deputy chief financial officer of the Company in May 2017. She joined the Company in November 2005 to serve as the Financial Controller of the Group, and became the Company Secretary of the Company and an authorised representative since August 2013. Ms. Leong performs the duties of company secretary, and is responsible for the Group's regulatory compliance and financial reporting. Before joining the Company, Ms. Leong worked in an international audit firm for over 5 years where she was mainly responsible for financial auditing and internal control reporting. She has over 20 years' experience in financial auditing, listing compliance and corporate governance. Ms. Leong is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree (Hons) in Accountancy.

COMPANY SECRETARY

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Chinasoft International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 152 to 251, which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS – CONTINUED

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2025

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	**16,950,733**	17,116,894
Cost of sales and services		**(13,209,231)**	(13,113,818)
Gross profit		**3,741,502**	4,003,076
Other income	6	**241,941**	428,905
Loss from derecognition of financial assets measured at amortised cost		**(2,815)**	(2,332)
Impairment losses under expected credit loss model, net of reversal	7	**(273,855)**	(117,313)
Impairment loss on investment accounted for using the equity method	18	**(13,703)**	(22,377)
Other gains or losses		**219,574**	83,905
Selling and distribution costs		**(875,097)**	(868,347)
Administrative expenses		**(1,220,082)**	(1,354,733)
Research and development costs		**(906,274)**	(1,078,296)
Other expenses		**(95,070)**	(105,680)
Finance costs	8	**(175,918)**	(202,833)
Share of results of investments accounted for using the equity method		**(72,107)**	(30,028)
Profit before taxation		**568,096**	733,947
Income tax expense	9	**(56,951)**	(21,280)
Profit for the year	10	**511,145**	712,667

For the year ended 31 December 2024

	NOTE	2024 RMB'000	2023 RMB'000
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,472)**	(7,232)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**–**	1,051
Other comprehensive expense for the year, net of tax		**(8,472)**	(6,181)
Total comprehensive income for the year		**502,673**	706,486
Profit for the year attributable to:			
Owners of the Company		**512,925**	713,394
Non-controlling interests		**(1,780)**	(727)
		511,145	712,667
Total comprehensive income attributable to:			
Owners of the Company		**504,453**	707,213
Non-controlling interests		**(1,780)**	(727)
		502,673	706,486
Earnings per share			
Basic	13	**RMB0.2001**	RMB0.2588
Diluted		**RMB0.1923**	RMB0.2506

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,341,755**	1,150,858
Right-of-use assets	15	**722,936**	320,273
Intangible assets	16	**377,431**	336,136
Goodwill	17	**843,654**	843,654
Investments accounted for using the equity method	18	**445,327**	428,906
Financial assets at fair value	19	**503,553**	282,686
Derivative financial assets	39	**–**	28,988
Other receivables	21	**5,584**	6,562
Term deposits	26	**1,384,000**	704,000
Pledged bank deposits	26	**15,655**	17,970
Deferred tax assets	30	**2,166**	2,308
		5,642,061	4,122,341
Current assets			
Inventories	20	**61,297**	96,182
Trade and other receivables	21	**6,458,917**	6,091,897
Bills receivable	23	**73,205**	74,545
Contract assets	24	**2,292,057**	2,091,903
Financial assets at fair value	19	**401,007**	100,000
Derivative financial assets	39	**5,441**	11,325
Amounts due from related companies	25	**150,845**	112,806
Term deposits	26	**129,240**	556,641
Pledged bank deposits	26	**87,258**	21,920
Bank balances and cash	26	**3,130,989**	3,788,110
		12,790,256	12,945,329
Current liabilities			
Trade and other payables	27	**1,976,013**	1,662,706
Bills payable	23	**52,233**	3,364
Lease liabilities	28	**103,713**	114,663
Contract liabilities	29	**136,119**	254,421
Amounts due to related companies	25	**29,791**	29,464
Taxation payable		**164,543**	162,819
Borrowings	31	**3,640,752**	734,773
		6,103,164	2,962,210
Net current assets		**6,687,092**	9,983,119
Total assets less current liabilities		**12,329,153**	14,105,460

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**25,482**	10,667
Lease liabilities	28	**62,005**	41,021
Borrowings	31	**775,345**	2,282,044
Derivative financial liabilities	39	**27,827**	4,968
		890,659	2,338,700
		11,438,494	11,766,760
Capital and reserves			
Share capital	32	**123,434**	133,029
Share premium	33	**4,435,962**	5,474,719
Treasury shares	41	**(991,060)**	(1,114,363)
Reserves	33	**7,847,639**	7,249,076
Equity attributable to owners of the Company		**11,415,975**	11,742,461
Non-controlling interests		**22,519**	24,299
Total equity		**11,438,494**	11,766,760

The consolidated financial statements on pages 152 to 251 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Dr. Chen Yuhong	**Dr. Tang Zhenming**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2024

	Attributable to the owners of the Company													
	Share capital RMB'000	Share premium RMB'000 (note 33)	Treasury shares RMB'000	Other reserves RMB'000 (note 33)	Fair value through other comprehensive income reserve RMB'000	Translation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	General reserve fund RMB'000 (note 33)	Statutory enterprise expansion fund RMB'000 (note 33)	Statutory surplus reserve fund RMB'000 (note 33)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	136,837	6,013,911	(538,555)	(122,769)	(13,834)	(17,956)	262,839	15,793	26,749	314,075	6,032,675	12,109,765	25,026	12,134,791
Profit for the year	-	-	-	-	-	-	-	-	-	-	713,394	713,394	(727)	712,667
Other comprehensive expense for the year	-	-	-	-	-	(6,181)	-	-	-	-	-	(6,181)	-	(6,181)
Total comprehensive income (expense) for the year	-	-	-	-	-	(6,181)	-	-	-	-	713,394	707,213	(727)	706,486
Issue of ordinary shares upon exercise of share options	31	4,713	-	-	-	-	(1,180)	-	-	-	-	3,564	-	3,564
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	118,688	-	-	-	-	118,688	-	118,688
Repurchase of shares	-	-	(398,737)	-	-	-	-	-	-	-	-	(398,737)	-	(398,737)
Cancellation of shares repurchased	(3,839)	(394,898)	398,737	-	-	-	-	-	-	-	-	-	-	-
Share options expired	-	-	-	-	-	-	(38,630)	-	-	-	38,630	-	-	-
Vesting of award shares	-	(10,671)	83,888	-	-	-	(73,217)	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-	41,620	(41,620)	-	-	-
Dividends paid to ordinary shareholders (Note 12)	-	(138,336)	-	-	-	-	-	-	-	-	-	(138,336)	-	(138,336)
Purchase of shares under share award scheme	-	-	(659,696)	-	-	-	-	-	-	-	-	(659,696)	-	(659,696)
At 31 December 2023	133,029	5,474,719	(1,114,363)	(122,769)	(13,834)	(24,137)	268,500	15,793	26,749	355,695	6,743,079	11,742,461	24,299	11,766,760
Profit for the year	-	-	-	-	-	-	-	-	-	-	512,925	512,925	(1,780)	511,145
Other comprehensive expense for the year	-	-	-	-	-	(8,472)	-	-	-	-	-	(8,472)	-	(8,472)
Total comprehensive income (expense) for the year	-	-	-	-	-	(8,472)	-	-	-	-	512,925	504,453	(1,780)	502,673
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	203,865	-	-	-	-	203,865	-	203,865
Repurchase of shares	-	-	(844,121)	-	-	-	-	-	-	-	-	(844,121)	-	(844,121)
Cancellation of shares repurchased	(9,595)	(834,526)	844,121	-	-	-	-	-	-	-	-	-	-	-
Share options expired	-	-	-	-	-	-	(59,171)	-	-	-	59,171	-	-	-
Vesting of award shares	-	(13,548)	123,303	-	-	-	(109,755)	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-	41,426	(41,426)	-	-	-
Dividends paid to ordinary shareholders (Note 12)	-	(190,683)	-	-	-	-	-	-	-	-	-	(190,683)	-	(190,683)
At 31 December 2024	123,434	4,435,962	(991,060)	(122,769)	(13,834)	(32,609)	303,439	15,793	26,749	397,121	7,273,749	11,415,975	22,519	11,438,494

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit before taxation	**568,096**	733,947
Adjustments for:		
Depreciation of property, plant and equipment	**113,391**	186,883
Depreciation of right-of-use assets	**126,286**	160,421
Amortisation of intangible assets	**89,809**	75,350
Finance costs	**175,918**	202,833
Loss from derecognition of financial assets measured at amortised cost	**2,815**	2,332
Impairment losses under expected credit loss model, net of reversal	**273,855**	117,313
Impairment loss on investment accounted for using the equity method	**13,703**	22,377
Write-down loss on inventories	**9,027**	–
Share-based payment expenses	**203,865**	118,688
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")	**(79,751)**	(2,691)
Loss/(gain) on fair value change of derivative financial instruments	**11,786**	(35,345)
Loss/(gain) on fair value change of financial liability at FVTPL	**–**	(3,711)
Interest income	**(102,701)**	(152,320)
Share of results of investments accounted for using the equity method	**72,107**	30,028
(Gain)/loss on deemed disposal of investments accounted for using the equity method	**(74,247)**	3,237
Gain on partial disposal of an investment accounted for using the equity method	**(109,796)**	–
Dividend income from financial assets at FVTPL	**(6,355)**	(8,161)
Gain on disposal of a subsidiary/business	**–**	(71,044)
Loss/(gain) on disposal of property, plant and equipment	**207**	(1,883)
Gain on disposal of right-of-use assets	**(10,547)**	(10,896)
Exchange losses	**47,418**	23,384
Operating cash flows before movements in working capital	**1,324,886**	1,390,742
Increase in trade and other receivables	**(499,754)**	(60,944)
Increase in contract assets	**(336,190)**	(131,360)
Increase/(decrease) in trade and other payables	**223,802**	(294,218)
Decrease in contract liabilities	**(118,302)**	(84,799)
Decrease/(increase) in bills receivable	**1,340**	(19,982)
Decrease in inventories	**25,858**	3,176
Increase in amounts due from related companies	**(27,478)**	(51,015)
Increase/(decrease) in amounts due to related companies	**327**	(14,597)
Increase/(decrease) in bills payable	**48,869**	(1,986)
Cash generated from operations	**643,358**	735,017
Income taxes paid	**(56,502)**	(44,071)
Income taxes refunded	**16,231**	28,995
Net cash generated from operating activities	**603,087**	719,941

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Investing activities		
Purchases of property, plant and equipment	(209,494)	(270,091)
Placement of pledged bank deposits	(99,130)	(28,587)
Withdrawal of pledged bank deposits	36,111	37,879
Development costs paid	(131,104)	(130,713)
Placement of term deposits	(1,405,623)	(1,260,641)
Withdrawal of term deposits	1,155,014	58,000
Purchase of investments accounted for using the equity method	(57,469)	–
Purchase of financial assets at FVTPL	(807,123)	(130,435)
Proceeds from disposal of financial assets at FVTPL	445,000	–
Repayment from related companies	–	36,775
Payment for acquisition of subsidiaries in prior year	–	(16,281)
Net cash inflow on disposal of subsidiaries/business	2,403	41,998
Proceeds from partial disposal of an investment accounted for using the equity method	49,800	–
Interest received	84,029	172,424
Proceeds from settlement of derivative financial instruments	45,945	–
Proceeds from disposal of property, plant and equipment	3,219	20,256
Dividend income from financial assets at FVTPL	6,355	8,161
Dividend received from/repayment from return of investments accounted for using equity method	775	615
Advance to related parties	(19,045)	(4,200)
Payment for right-of-use assets	(401,950)	(1,073)
Payment for rental deposits	(5,476)	(8,976)
Withdrawal of rental deposits	23,448	30,057
Net cash used in investing activities	(1,284,315)	(1,444,832)
Financing activities		
Dividend paid	(190,683)	(138,336)
New borrowings raised	7,225,532	5,726,050
Proceeds from exercise of share options	–	3,564
Purchase of shares under share award scheme	–	(659,696)
Repurchase of shares	(844,121)	(398,737)
Advance from related companies	9	–
Repayment to related companies	(8)	(20)
Repayment of borrowings	(5,872,670)	(4,705,000)
Repayments of lease liabilities	(114,532)	(163,829)
Other interest paid	(153,041)	(178,025)
Net cash from/(used in) financing activities	50,486	(514,029)
Net decrease in cash and cash equivalents	(630,742)	(1,238,920)
Cash and cash equivalents at beginning of the year	3,788,110	5,005,226
Effect of foreign exchange rate changes	(26,379)	21,804
Cash and cash equivalents at end of the year, represented by bank balances and cash	3,130,989	3,788,110

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

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

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

New and amendments to HKFRSs in issued but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

3.2 Material accounting policy information – continued

Basis of consolidation – continued

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Goodwill

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

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

3.2 Material accounting policy information – continued

Goodwill – continued

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

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

On disposal of the relevant CGU or any of the CGUs within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

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

Investments in associates

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

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

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

3.2 Material accounting policy information – continued

Investments in associates – continued

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

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

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

Changes in the Group's interests in associates

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in notes 5.

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

3.2 Material accounting policy information – continued

Government grants

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

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

3.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

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

3.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Borrowing costs

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

Taxation

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

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

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

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

3.2 Material accounting policy information – continued

Taxation – continued

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information – continued

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

3.2 Material accounting policy information – continued

Intangible assets – continued

Intangible assets acquired separately – continued

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

3.2 Material accounting policy information – continued

Intangible assets acquired in a business combination – continued

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

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

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

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

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

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

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

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

3.2 Material accounting policy information – continued

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

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

Cash and cash equivalents

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

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

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

Inventories

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

Financial instruments

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

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

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

3.2 Material accounting policy information – continued

Financial instruments – continued

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

Financial assets

Classification and subsequent measurement of financial assets
Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

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

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit– impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or at fair value through other comprehensive income or designated as at fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains or losses” line item.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivable, other receivables, amounts due from related companies, bank balances, pledged bank deposits and term deposits) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(i) Significant increase in credit risk – continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). This definition of default is selected as it is consistent with the Group's internal credit risk management purposes that cover both quantitative and qualitative information.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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

(v) Measurement and recognition of ECL – continued

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'other gains or losses' line item as part of the net foreign exchange gains/(losses);

- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the ' other gains or losses' line item as part of the gain/(loss) from changes in fair value of financial assets.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

When the shares of the Company are purchased and held under the Company's share award scheme, the consideration paid by the Company, including any directly attributable incremental costs, is deducted from equity as treasury shares until the shares are cancelled or reissued.

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

3.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

3.2 Material accounting policy information – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Employee benefits

Retirement benefits costs

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

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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

3.2 Material accounting policy information – continued

Employee benefits – continued

Equity-settled share-based payment transactions

Share options and share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

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

When the awarded shares under the Company's share award scheme are vested, the amount previously recognised in equity-settled share-based payment reserve will be transferred to treasury shares. The difference between the amount previously recognised in equity-settled share-based payment reserve and the cost for repurchasing the awarded shares will be transferred from treasury shares to share premium.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Judgements in identifying performance obligations

In making their judgments, the directors of the Company consider the detailed criteria for identifying performance obligations set out in HKFRS 15 on the Group's project-based development contracts. In identifying performance obligations, the directors of the Company consider whether the customer benefits from each good or service on its own and whether it is distinct in the context of the contract. The provision of solutions on project-based development services includes a comprehensive set of activities in the contract, such as project design, implementation, installation, trial launch and/or acceptance. The directors of the Company consider that individual promised goods and services in the contract are highly interdependent and highly interrelated which is determined to be a single performance obligation.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic, which includes the persistent effects of changes of interest rates and inflation. As at 31 December 2024, the carrying amount of goodwill is RMB843,654,000 (31 December 2023: RMB843,654,000). Details of the recoverable amount calculation are disclosed in note 17.

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

Key sources of estimation uncertainty – continued

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances or credit-impaired and contracts assets with significant balances are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually on a collective basis using a provision matrix by groupings of various debtors that have similar loss patterns. The provision rates are based on the Group's historical default rates and taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL, the Group's trade receivables and contract assets are disclosed in notes 35, 21 and 24 respectively.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2024 **RMB'000**	2023 RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**2,792,412**	2,439,164
Outsourcing services	**13,337,355**	14,015,065
Other services	**184,401**	177,331
	16,314,168	16,631,560
Sales of software and hardware products	**636,565**	485,334
	16,950,733	17,116,894

	2024 **RMB'000**	2023 RMB'000
Timing of revenue recognition		
Over time	**16,314,168**	16,631,560
At a point in time	**636,565**	485,334
	16,950,733	17,116,894

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Performance obligations for contracts with customers and revenue recognition policies

(a) Project-based development services

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

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

(b) Outsourcing services

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

The provision of outsourcing services is billed based on the IT service hours provided and fixed hourly rates. The Group has a right to invoice in an amount that corresponds directly with the value of the Group's performance completed to date. Customers are invoiced on a regular basis and consideration is payable generally one month after the invoice date. Revenue from the provision of outsourcing services is recognizsed in an amount to which the Group has a right to invoice.

(c) Other services

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Performance obligations for contracts with customers and revenue recognition policies – continued

(d) Sales of goods

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

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

In respect of contracts for project-based development services, the transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied in relation to the contract liabilities amounts to RMB136,119,000 as at 31 December 2024 (31 December 2023: RMB254,421,000). Such transaction price allocated is expected to be recognised as revenue during 2025.

In respect of contracts for outsourcing services, other services and sales of software and hardware products, the Group applies the practical expedients under HKFRS 15 and does not disclose information about the transaction prices allocated to the remaining performance obligations. The practical expedients cover circumstances where the original expected duration of the contract is one year or less, and circumstances where the Group has a right to invoice in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Segment revenue and results

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

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

	Segment revenue		Segment results	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
TPG	**14,770,393**	15,020,564	**661,432**	798,823
IIG	**2,180,340**	2,096,330	**87,698**	147,454
	16,950,733	17,116,894	**749,130**	946,277

	2024	2023
	RMB'000	RMB'000
TPG		
Provision of services	**14,582,837**	14,888,325
Sales of software and hardware products	**187,556**	132,239
	14,770,393	15,020,564
IIG		
Provision of services	**1,731,331**	1,743,235
Sales of software and hardware products	**449,009**	353,095
	2,180,340	2,096,330
Segment revenue	**16,950,733**	17,116,894

Segment revenue reported above represents revenue generated from external customers after eliminating inter-segment services revenue of RMB249,063,000 in 2024 (2023: RMB468,854,000).

Inter-segment services are charged at a cost plus margin basis.

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

Segment results represent the profit earned by each segment without allocation of gain (loss) on deemed disposal of investments accounted for using the equity method, gain on partial disposal of an investment accounted for using the equity method, gain on disposal of a subsidiary/business, (loss) gain on fair value change of derivative financial instruments, impairment loss on investment accounted for using the equity method, corporate expenses, share-based payment expenses, unallocated share of result of investments accounted for using the equity method, interest on borrowings raised at corporate level and certain items of other income, other gains or losses recorded at corporate level. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Reconciliation of segment results to profit before taxation:

	2024	2023
	RMB'000	RMB'000
Segment results	**749,130**	946,277
Gain/(loss) on deemed disposal of investments accounted for using the equity method	**74,247**	(3,237)
Gain on partial disposal of an investment accounted for using the equity method	**109,796**	–
Gain on disposal of a subsidiary/business	**–**	71,044
(Loss)/gain on fair value change of derivative financial instruments	**(11,786)**	35,345
Impairment loss on investment accounted for using the equity method	**(13,703)**	(22,377)
Unallocated other income, other gains or losses	**26,582**	9,725
Unallocated interest on borrowings	**(110,061)**	(150,086)
Corporate expenses	**(38,630)**	(36,205)
Unallocated share of result of investments accounted for using the equity method	**(13,614)**	2,149
Share-based payment expenses	**(203,865)**	(118,688)
Profit before taxation	**568,096**	733,947

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and liabilities is presented as the CODM does not regularly review such information for the purposes of resource allocation and assessment of segment performance. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Other segment information

2024	**TPG**	**IIG**	**Unallocated**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	**236,598**	**91,684**	**1,204**	**329,486**
Loss from derecognition of financial assets measured at amortised cost	**2,815**	**–**	**–**	**2,815**
Finance costs	**61,937**	**3,743**	**110,238**	**175,918**
Impairment losses, under expected credit loss model, net of reversal	**124,020**	**149,835**	**–**	**273,855**
Interest income	**(77,597)**	**(1,705)**	**(23,399)**	**(102,701)**
Share of loss of investments accounted for using the equity method	**12,139**	**46,354**	**13,614**	**72,107**
Loss on disposal of property, plant and equipment	**146**	**61**	**–**	**207**
Gain on disposal of right-of-use assets	**(7,605)**	**(2,942)**	**–**	**(10,547)**

2023	TPG	IIG	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	332,524	88,840	1,290	422,654
Loss from derecognition of financial assets measured at amortised cost	2,332	–	–	2,332
Finance costs	45,910	6,738	150,185	202,833
Impairment losses, under expected credit loss model, net of reversal	68,076	49,237	–	117,313
Interest income	(113,441)	(3,869)	(35,010)	(152,320)
Share of loss (profit) of investments accounted for using the equity method	85	32,092	(2,149)	30,028
(Gain)/loss on disposal of property, plant and equipment	(1,996)	113	–	(1,883)
Gain on disposal of right-of-use assets	(8,532)	(2,364)	–	(10,896)

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

The Group's operations are mainly located in its country of domicile, the People's Republic of China ("PRC"), and to a lesser extent, Singapore, Japan, Saudi Arabia, Malaysia ("MY"), India and the United States of America ("USA").

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

	Revenue from external customers	
	2024	2023
	RMB'000	RMB'000
PRC	**16,749,864**	16,831,384
MY	**80,861**	90,930
Japan	**63,486**	76,302
Saudi Arabia	**22,967**	5,998
Singapore	**18,286**	13,767
India	**15,269**	7,976
USA	**–**	90,537
	16,950,733	17,116,894

As at 31 December 2024, the Group's non-current assets excluding financial instruments and deferred tax assets amount to RMB3,731,103,000 (31 December 2023: RMB3,079,827,000). Majority of the Group's non-current assets are located in the PRC, accordingly, no analysis of geographical information is presented.

Information about major customers

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

	2024	2023
	RMB'000	RMB'000
Customer A	**6,923,750**	7,730,674

6. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Interest income	**102,701**	152,320
Government grants	**103,793**	175,655
Additional value added tax super credit	**–**	51,844
Venue service income	**18,792**	20,137
Refund of individual income tax handling fee	**9,375**	12,139
Dividend income from financial assets at FVTPL	**6,355**	8,161
Others	**925**	8,649
	241,941	428,905

The government grants were mainly incentives provided by local government authorities in the PRC. There were no unfulfilled conditions or contingencies relating to these government grants.

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

	2024 RMB'000	2023 RMB'000
Impairment losses, net of reversal, on:		
– Trade receivables	**129,336**	65,877
– Contract assets	**136,036**	38,188
– Others	**8,483**	13,248
	273,855	117,313

Details of impairment assessment are set out in note 35.

8. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on borrowings	**168,442**	194,516
Interest on lease liabilities	**7,476**	8,317
	175,918	202,833

9. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Income tax expense comprises:		
PRC Enterprise Income Tax		
– current year	**31,874**	38,602
– under (over) provision in prior years	**7,506**	(18,755)
	39,380	19,847
Others	**2,615**	3,864
	41,995	23,711
Deferred tax (note 30)	**14,956**	(2,431)
	56,951	21,280

The Company is incorporated as an exempted company and as such is not subject to the Cayman Islands taxation.

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

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 2 December 2020 and 30 November 2023, Chinasoft International Information Technology Limited ("Chinasoft Beijing") was accredited as a High and New Technology Enterprise for a period up to 1 December 2023 and 29 November 2026 respectively. For the year ended 31 December 2024 and 2023, Chinasoft Beijing qualified as national key software enterprise and was subject to a preferential rate of 10% and therefore, Chinasoft Beijing used a preferential rate of 10%.

Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 12 November 2020 and 15 November 2023, Chinasoft International Shanghai Huateng Software Systems Co., Ltd ("Shanghai Huateng") was accredited as a High and New Technology Enterprise for a period up to 11 November 2023 and 14 November 2026 respectively. As a result, Shanghai Huateng was subject to the income tax rate of 15% for the years ended 31 December 2024 and 2023.

According to the Notice of the State Administration of Taxation on the Implementation of the Opinions on the Implementation of Tax Policies Concerning the Western Development Program, Chinasoft International Technology Services Limited ("CSITS") was entitled to a preferential rate of 15% for the years ended 31 December 2024 and 2023.

9. INCOME TAX EXPENSE – CONTINUED

Pursuant to a certificate issued by Science, Technology and Innovation Commission of Shenzhen Municipality dated 19 December 2022, Chinasoft International Technology Service (Shenzhen) Limited ("CSITS SZ") was accredited as a High and New Technology Enterprise for a period up to 18 December 2025. As a result, CSITS SZ was subject to the income tax rate of 15% for the year ended 31 December 2024 and 2023.

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

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

	2024	2023
	RMB'000	RMB'000
Profit before taxation	**568,096**	733,947
Tax at PRC Enterprise Income Tax rate of 25% (2023: 25%)	**142,024**	183,487
Tax effect of share of results of investments accounted for using the equity method	**18,027**	7,507
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(68,532)**	(32,426)
Tax effect of 200% (2023: 200%) deduction rate on certain research and development expenses	**(233,450)**	(267,873)
Tax effect of expenses not deductible for tax purpose	**149,851**	83,341
Tax effect of income not taxable for tax purpose	**(6,515)**	(9,627)
Under (over) provision in prior years	**7,506**	(18,755)
Tax effect of utilisation of tax losses previously not recognised	**(7,995)**	(684)
Tax effect of tax losses not recognised	**20,056**	34,723
Effect of different tax rates of entities operating in other jurisdictions	**35,979**	41,587
Income tax expense for the year	**56,951**	21,280

10. PROFIT FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	**46,045**	30,717
Retirement benefits costs (excluding those for directors)	**780,946**	728,894
Share-based payment expenses (excluding those for directors)	**172,821**	103,877
Other employee benefits expenses	**12,693,051**	13,452,796
Total employee benefits expenses	**13,692,863**	14,316,284
Less: Amounts capitalised as development costs	**(131,104)**	(130,713)
	13,561,759	14,185,571
Depreciation of property, plant and equipment	**113,391**	186,883
Depreciation of right-of-use assets	**126,286**	160,421
Amortisation of intangible assets	**89,809**	75,350
	329,486	422,654
Auditor's remuneration	**7,108**	7,208
Cost of inventories recognised as an expense (including write-down loss for inventories amounting to RMB9,027,000 (2023: nil) (Note 20)	**610,378**	440,773
Gain on disposal of a subsidiary/business (included in other gains or losses)	**–**	(71,044)
(Gain)/loss on deemed disposal of investments accounted for using the equity method	**(74,247)**	3,237
Gain on partial disposal of an investment accounted for using the equity method (included in other gains or losses)	**(109,796)**	–
Net foreign exchange loss (included in other gains or losses)	**47,418**	23,384
Fair value gain on financial assets at FVTPL (included in other gains or losses)	**(79,751)**	(2,691)
Fair value loss/(gain) on derivative financial instruments (included in other gains or losses)	**11,786**	(35,345)
Loss/(gain) on disposal of property, plant and equipment (included in other gains or losses)	**207**	(1,883)
Gain on disposal of right-of-use assets (included in other gains or losses)	**(10,547)**	(10,896)

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

Directors' and chief executive's emoluments

Details of emoluments to the directors and the chief executive for the year ended 31 December 2024 are as follows:

		Chen Yuhong	He Ning	Tang Zhenming	Total
		RMB'000	RMB'000	RMB'000	RMB'000
A)	EXECUTIVE DIRECTORS				
	Other emoluments:				
	Salaries and other benefits	3,478	2,591	3,244	9,313
	Performance related bonuses	–	965	3,163	4,128
	Share-based payment expenses	13,414	8,196	7,608	29,218
	Retirement benefits costs	66	66	66	198
	Sub-total	16,958	11,818	14,081	42,857

The executive directors' emolument shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acts as the chief executive officer of the Company.

		Zhang Yaqin	Gao Liangyu	Total
		RMB'000	RMB'000	RMB'000
B)	NON-EXECUTIVE DIRECTORS			
	Other emoluments:			
	Salaries and other benefits	272	272	544
	Sub-total	272	272	544

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

Directors' and chief executive's emoluments – continued

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

		Lai Guanrong	Mo Lai Lan	Yeung Tak Bun	Total
		RMB'000	RMB'000	RMB'000 (Note b)	RMB'000
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS				
	Fees	272	273	273	818
	Share-based payment expenses	–	–	1,826	1,826
	Sub-total	272	273	2,099	2,644

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

	RMB'000
Total emoluments for 2024	46,045

Certain executive directors of the Company are entitled to bonus payments which are determined based on their performance and contribution to the Group.

Details of emoluments to the directors and the chief executive for the year ended 31 December 2023 are as follows:

		Chen Yuhong	He Ning	Tang Zhenming	Total
		RMB'000	RMB'000	RMB'000	RMB'000
A)	EXECUTIVE DIRECTORS				
	Other emoluments:				
	Salaries and other benefits	5,609	2,587	3,603	11,799
	Performance related bonuses	–	1,800	902	2,702
	Share-based payment expenses	7,318	2,051	4,351	13,720
	Retirement benefits costs	63	63	63	189
	Sub-total	12,990	6,501	8,919	28,410

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

Directors' and chief executive's emoluments – continued

The executive directors' emolument shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acts as the chief executive officer of the Company.

		Zhang Yaqin	Gao Liangyu	Total
		RMB'000	RMB'000	RMB'000
B)	NON-EXECUTIVE DIRECTORS			
	Other emoluments:			
	Salaries and other benefits	266	266	532
	Share-based payment expenses	34	34	68
	Sub-total	300	300	600

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

		Zeng Zhijie	Lai Guanrong	Mo Lai Lan	Yeung Tak Bun	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)			(Note b)	
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS					
	Fees	50	266	269	99	684
	Share-based payment expenses	91	91	91	750	1,023
	Sub-total	141	357	360	849	1,707

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

	RMB'000
Total emoluments for 2023	30,717

Certain executive directors of the Company are entitled to bonus payments which are determined based on their performance and contribution to the Group.

Note a: Mr. Zeng Zhijie retired as independent non-executive director of the Company on 22 May 2023.

Note b: Mr. Yeung Tak Bun was appointed as an independent non-executive director of the Company on 12 August 2023.

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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2023: three) were directors of the Company whose emolument were included above. The emoluments of the remaining two (2023: two) highest paid individuals who were not directors of the Company were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	11,404	8,410
Retirement benefits costs	133	126
Share-based payment expenses	2,292	4,680
	13,829	13,216

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

	No. of employees	
	2024	2023
HK$7,000,001 to HK$7,500,000	1	2
HK$7,500,001 to HK$8,000,000	1	–
	2	2

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

None of the directors waived any emoluments during both years.

12. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2023 Final – HK8.11 cents (2023: 2022 Final of HK5.67 cents) per share	190,683	138,336

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HK5.33 cents per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

	2024 RMB'000	2023 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	512,925	713,394

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,563,273	2,756,978
Effect of dilutive potential ordinary shares:		
Share awards	104,688	89,644
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,667,961	2,846,622

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the shares of the Company held under the Company's share award scheme (see note 41).

The computation of diluted earnings per share for the years ended 31 December 2024 and 2023 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2023	893,500	661,050	11,984	18,335	310,451	1,895,320
Exchange adjustments	–	59	–	–	46	105
Additions	–	11,282	1,748	224,518	–	237,548
Transfers	–	–	–	(15,644)	15,644	–
Disposals	–	(97,951)	–	–	(90,734)	(188,685)
Disposal of subsidiaries	–	(2,652)	–	–	(1,436)	(4,088)
At 31 December 2023	893,500	571,788	13,732	227,209	233,971	1,940,200
Exchange adjustments	–	165	–	–	13	178
Additions	–	60,235	1,857	243,537	28	305,657
Transfers	–	–	–	(16,430)	16,430	–
Disposals	–	(18,243)	(896)	–	(67,104)	(86,243)
At 31 December 2024	893,500	613,945	14,693	454,316	183,338	2,159,792
DEPRECIATION						
At 1 January 2023	97,207	459,947	9,122	–	209,932	776,208
Exchange adjustments	–	42	–	–	34	76
Provided for the year	20,577	98,185	433	–	67,688	186,883
Eliminated on disposals	–	(79,673)	–	–	(90,734)	(170,407)
Disposal of subsidiaries	–	(2,419)	–	–	(999)	(3,418)
At 31 December 2023	117,784	476,082	9,555	–	185,921	789,342
Exchange adjustments	–	68	–	–	11	79
Provided for the year	20,577	55,508	459	–	36,847	113,391
Eliminated on disposals	–	(17,073)	(626)	–	(67,076)	(84,775)
At 31 December 2024	138,361	514,585	9,388	–	155,703	818,037
CARRYING VALUE						
At 31 December 2024	755,139	99,360	5,305	454,316	27,635	1,341,755
At 31 December 2023	775,716	95,706	4,177	227,209	48,050	1,150,858

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% – 5%
Furniture, fixtures and equipment	10% – 33 1⁄3%
Motor vehicles	10% – 20%
Leasehold improvements	Over the relevant lease terms or 19% – 33 $^{1}/_{3}$%, whichever is the lower

At 31 December 2024, the Group is in the process of obtaining the property certificate for the buildings with a carrying amount of RMB497,948,000 (31 December 2023: RMB511,804,000) which are located in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands	**Leased properties**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	175,807	263,640	439,447
Exchange adjustments	–	49	49
Additions	–	72,956	72,956
Depreciation charge	(5,807)	(154,614)	(160,421)
Disposal	–	(30,071)	(30,071)
Disposal of a subsidiary	–	(1,687)	(1,687)
As at 31 December 2023	170,000	150,273	320,273
Exchange adjustments	–	–	–
Additions	397,781	164,376	562,157
Depreciation charge	(9,122)	(117,164)	(126,286)
Disposal	–	(33,208)	(33,208)
As at 31 December 2024	558,659	164,277	722,936

	2024	2023
	RMB'000	RMB'000
Expense relating to short-term leases	**55,809**	47,899
Total cash outflow for leases	**554,319**	191,720

15. RIGHT-OF-USE ASSETS – CONTINUED

The Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 1 month to 6 years(2023: 1 month to 6 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices for its operations. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Group has obtained the land use right certificate for the leasehold lands which are located in the PRC. The leasehold lands are depreciated on a straight-line basis over a lease term of 20-50 years.

In October 2024, the Group purchased the land use right of a land parcel in Beijing at a consideration of RMB397,781,000. As at 31 December 2024, the Group was in the process of obtaining the land use right certificate which has been obtained in March 2025.

16. INTANGIBLE ASSETS

	Development costs	Technical knowhow	Software	Contract-based customer-related intangibles	Technical expertise	Customer relationship	Patent	Trade name	Technology	Non-compete agreements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST											
At 1 January 2023	723,726	17,367	51,598	19,704	12,494	210,301	13,771	11,075	23,344	3,273	1,086,653
Additions	130,713	–	–	–	–	–	–	–	–	–	130,713
At 31 December 2023	854,439	17,367	51,598	19,704	12,494	210,301	13,771	11,075	23,344	3,273	1,217,366
Additions	131,104	–	–	–	–	–	–	–	–	–	131,104
At 31 December 2024	985,543	17,367	51,598	19,704	12,494	210,301	13,771	11,075	23,344	3,273	1,348,470
AMORTISATION/IMPAIRMENT											
At 1 January 2023	479,154	17,367	29,212	19,704	12,494	203,224	13,771	4,337	23,344	3,273	805,880
Provided for the year	66,994	–	1,563	–	–	4,772	–	2,021	–	–	75,350
At 31 December 2023	546,148	17,367	30,775	19,704	12,494	207,996	13,771	6,358	23,344	3,273	881,230
Provided for the year	85,636	–	1,166	–	–	986	–	2,021	–	–	89,809
At 31 December 2024	631,784	17,367	31,941	19,704	12,494	208,982	13,771	8,379	23,344	3,273	971,039
CARRYING VALUE											
At 31 December 2024	353,759	–	19,657	–	–	1,319	–	2,696	–	–	377,431
At 31 December 2023	308,291	–	20,823	–	–	2,305	–	4,717	–	–	336,136

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

16. INTANGIBLE ASSETS – CONTINUED

All intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technical knowhow	3 – 10 years
Software	3 – 10 years
Contract-based customer-related intangibles	5 years
Technical expertise	5 years
Customer relationship	5 – 10 years
Patent	3.6 – 10 years
Trade name	5 years
Technology	5 years
Non-compete agreements	3 – 5 years

17. GOODWILL

	RMB'000
COST	
At 1 January 2023, 31 December 2023 and 2024	1,041,330
IMPAIRMENT	
At 1 January 2023, 31 December 2023 and 2024	197,676
CARRYING VALUE	
At 31 December 2023 and 2024	843,654

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2024 and 2023 has been allocated to the following CGU or group of CGUs:

	2024 RMB'000	2023 RMB'000
Chinasoft Beijing	**103,838**	103,838
Shanghai Huateng	**134,188**	134,188
CSITS and related business	**605,628**	605,628
	843,654	843,654

17. GOODWILL – CONTINUED

Impairment testing on goodwill – continued

The recoverable amounts of the following CGU or group of CGUs have been determined based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and applicable discount rates. The discount rates applied reflect the current market assessments of the time value of the money and the risks specific to each of the CGUs or group of CGUs. The cash flows of the CGU or group of CGUs beyond the five-year period are extrapolated using steady growth rates shown below. These growth rates are based on the long-term average growth rate of relevant industry. Management believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and outflows which include budgeted sales and gross margins. Such estimations are based on the past performance of the CGU or group of CGUs and management's expectations.

CGU or group of CGUs	Pre-tax discount rate		Growth rate	
	2024	2023	**2024**	2023
Chinasoft Beijing	**15%**	15%	**2.5%**	2.5%
Shanghai Huateng	**15%**	15%	**2.5%**	2.5%
CSITS and related business	**15%**	15%	**2.5%**	2.5%

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of these CGUs or group of CGUs to exceed their respective recoverable amount as at 31 December 2024.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2024	2023
	RMB'000	RMB'000
Cost of unlisted investments	**513,350**	489,180
Share of post-acquisition profits, net of dividend received	**(16,065)**	(22,019)
Impairment loss	**(51,958)**	(38,255)
	445,327	428,906

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

In the opinion of the directors of the Company, none of the individual investments accounted for using the equity method materially affected the results or net assets of the Group.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

Aggregate information of investments accounted for using the equity method that are not individually material:

	2024 RMB'000	2023 RMB'000
The Group's share of loss and total comprehensive expense for the year	72,107	30,028
Aggregate carrying amount of the Group's interests in these investments	445,327	428,906

19. FINANCIAL ASSETS AT FAIR VALUE

	2024 RMB'000	2023 RMB'000
Non-current assets		
Financial assets at FVTPL		
– unlisted investment funds (Note (i))	198,788	134,051
– unlisted equity investments (Note (ii))	176,576	58,635
– investments in shares with preferential rights (Note (iii))	128,189	90,000
	503,553	282,686
Current assets		
Financial assets at FVTPL		
– wealth management products (Note (iv))	–	100,000
– investment in the fund linked notes (Note (v))	401,007	–
	401,007	100,000

Notes:

(i) On 23 January 2014, the Group entered into a partnership agreement with PointGuard Management I, L.P. ("PointGuard Management") and other co-investment partners. Under the partnership agreement, the Group agreed to make a total amount of capital commitment of United States dollars ("US$")10,000,000 to PointGuard Ventures I, L.P. ("PointGuard Ventures"), a Cayman Islands exempted limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on technology convergence companies. Pursuant to the partnership agreement, PointGuard Management has the sole and exclusive right to manage, control, and conduct the affairs of PointGuard Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on PointGuard Ventures. As at 31 December 2024, the capital contributions made by the Group in PointGuard Ventures amounted to US$10,000,000 (2023: US$10,000,000) which represents a 13.29% (2023: 13.29%) share of interest.

19. FINANCIAL ASSETS AT FAIR VALUE – CONTINUED

Notes: – continued

In 2019, the Group entered into a partnership agreement with other eight co-investment partners to establish Nanjing Turing Ventures I, L.P. (“Turing Ventures”). Under the partnership agreement, as amended by a supplemental agreement, the Group agreed to make a total amount of capital contributions of RMB20,000,000 to Turing Ventures, which represents a 7.47% share of interest. Turing Ventures was established on 13 March 2019 as a PRC limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on artificial intelligence companies. Pursuant to the partnership agreement, the general partner of Turing Ventures has the sole and exclusive right to manage, control, and conduct the affairs of Turing Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on Turing Ventures. As at 31 December 2024, the capital contributions made by the Group in Turing Ventures amounted to RMB20,000,000 (2023: RMB20,000,000).

On 11 January 2022, the Group entered into a partnership agreement with Nanjing Xiangning Ventures I, L.P. (“Xiangning Ventures”) and other twelve co-investment partners. Under the partnership agreement, the Group agreed to make a total amount of capital contributions of RMB50,000,000 to Xiangning Ventures, which represents a 4.56% share of interest, and became a limited partner of Xiangning Ventures. Xiangning Ventures was established on 19 July 2021 as a PRC limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies. Pursuant to the partnership agreement, the general partner of Xiangning Ventures has the sole and exclusive right to manage, control, and conduct the affairs of Xiangning Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on Xiangning Ventures. As at 31 December 2024, the capital contributions made by the Group in Xiangning Ventures amounted to RMB50,000,000 (2023: RMB40,000,000).

(ii) For an investment in a fund where the Group owns a majority of equity interest and acts as a limited partner, the directors of the Company exercise judgment to determine whether control exists by assessing its power over the investee based on contractual terms, exposure to variability of returns from the activities of the fund and whether other party acts as a de facto agent.

The directors of the Company have concluded that the Group has control over this investment in a fund and has consolidated the fund since inception. The unlisted equity investments held by the fund amounting to RMB58,635,000 (2023: RMB58,635,000) are presented as financial assets at FVTPL in the consolidated statement of financial position.

On 24 May 2024, the Group entered into a sale agreement to dispose of its 5.03% of the 15.08% equity interest in Shenzhen Honeycomb Internet Technology Co., Ltd. (“Honeycomb”, which was accounted for using the equity method) at a consideration of RMB40,000,000. The Group then ceased to have significant influence over Honeycomb and measures the remaining 10.05% equity interest at fair value on the date of disposal. The Group recognised a gain of RMB109,796,000 on the partial disposal, including a gain of RMB 73,197,000 from the measurement of the retained interest to fair value. As at 31 December 2024, the fair value of the remaining interest held was RMB95,000,000, resulting in a gain on fair value change of RMB15,000,000.

19. FINANCIAL ASSETS AT FAIR VALUE – CONTINUED

Notes: – continued

(iii) On 15 December 2023, the Group entered into a sale agreement with Shenzhen Spacei Cloud Technology Co., LTD ("Spacei Cloud") to dispose part of its intelligent park business at a consideration of RMB70,000,000. On 19 December 2023, the Group purchased 18.37% shares with preferential rights in Spacei Cloud, for a total cash consideration of RMB90,000,000. The preferential rights include liquidation preference and anti-dilution rights. The above transactions formed a single transaction designed to achieve an overall commercial effect. The Group has the right to appoint one director and is able to exercise significant influence over Spacei Cloud. The management of the Group concludes that such shares with preferential rights are not substantively the same as ordinary shares under the agreement, hence, the investment is accounted for as financial assets at FVTPL.

(iv) The Group's wealth management products were issued by banks with expected return ranging from 1.85% to 2.59% per annum. The Group disposed the investment during the current year.

(v) On 7 August 2024, the Group entered into an agreement with Huatai International Financial Products Limited ("Huatai") to purchase a financial product in form of the fund linked notes (the "Notes") at a consideration of USD51,897,000. The Notes are linked to an investment in Darkhorse Global Fortune Fund of which the underlying investments primarily consist of stocks of listed companies. The Notes cannot be redeemed until the maturity date which is 11 August 2025 and the principal and returns are not guaranteed. Therefore, the investment is accounted for as a financial asset at FVTPL. As of 31 December 2024, the Group recognised a gain on fair value change of RMB30,165,000.

20. INVENTORIES

	2024	2023
	RMB'000	RMB'000
Computer hardware, equipment and software products	**70,324**	96,182
Less: write-down loss	**(9,027)**	–
	61,297	96,182

Inventories of RMB9,027,000 (2023: nil) are not expected to be recovered after holding more than 12 months.

21. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables, net of allowance	**5,998,723**	5,304,724
Advances to suppliers	**205,284**	555,238
Deposits, prepayments and other receivables, net of allowance	**260,494**	238,497
	6,464,501	6,098,459
Analysed for reporting purposes as:		
Non-current assets	**5,584**	6,562
Current assets	**6,458,917**	6,091,897
	6,464,501	6,098,459

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

	2024 RMB'000	2023 RMB'000
Within 90 days	**4,243,934**	4,019,768
Between 91 – 180 days	**711,423**	573,831
Between 181 – 365 days	**647,626**	425,885
Between 1 – 2 years	**395,740**	285,240
	5,998,723	5,304,724

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

Details of impairment assessment of trade and other receivables as at 31 December 2024 are set out in note 35.

22. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2024 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (see note 31). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	2024 RMB'000	2023 RMB'000
Carrying amount of bills receivable	**59,387**	44,150
Carrying amount of associated liabilities	**(59,387)**	(44,150)
Net position	**–**	–

As at 31 December 2024, trade receivables amounting to RMB912,580,000 (2023: RMB673,553,000) were factored to independent third parties on a non-recourse basis. The Group has derecognised these trade receivables in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these trade receivables to the counterparties under the non-recourse factoring agreements. Losses related to derecognition of the trade receivables were RMB2,815,000 (2023: RMB2,332,000) which were charged to profit or loss.

23. BILLS RECEIVABLE AND PAYABLE

An aged analysis of bills receivable is as follows:

	2024 RMB'000	2023 RMB'000
Within 90 days	**43,662**	38,169
90 days to 180 days	**29,543**	36,376
	73,205	74,545

23. BILLS RECEIVABLE AND PAYABLE – CONTINUED

An aged analysis of bills payable is as follows:

	2024 RMB'000	2023 RMB'000
Within 180 days	52,233	3,364

24. CONTRACT ASSETS

	2024 RMB'000	2023 RMB'000
Contract assets	2,292,057	2,091,903

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

Details of the impairment assessment are set out in note 35.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2024 and 2023, the amounts due from related companies mainly represent trade receivables from providing services with certain associates, dividends receivable from an associate of the Group and the advance to associates of the Group. The balances are unsecured, non-interest bearing and repayable on demand.

At the end of 2024 and 2023, the amounts due to related companies mainly represent trade payables from purchasing services with certain associates and an advance from an associate of the Group, which is unsecured, interest-free and repayable on demand.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TERM DEPOSITS

Bank balances and cash

Bank balances and cash include demand deposits and short-term deposits with an original maturity of three months or less for the purpose of meeting the Group's short-term cash commitments, which carry interest at market rates range from 0.0001% to 2.14% (2023: 0.0001% to 1.73%) per annum as at 31 December 2024.

Pledged bank deposits

Pledged bank deposits carry fixed interest rate ranging from 0.10% to 2.75% (2023: 0% to 2.75%) per annum. As at 31 December 2024, bank deposits amounting to RMB87,258,000 (2023: RMB21,920,000) have been pledged to secure undrawn facilities and are classified as current assets. Bank deposits amounting to RMB15,655,000 (31 December 2023: RMB17,970,000) represent funds that are frozen or regulated by the bank and are categorised as non-current assets. The pledged bank deposits will be released upon release of bank letters of guarantee or the completion of relevant contract.

Term deposits

Term deposits represent short-term and long-term bank deposits at interest rates ranging from 2.60% to 3.38% per annum as at 31 December 2024 (31 December 2023: 3.10% to 5.45%).

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

	2024 **RMB'000**	2023 RMB'000
Hong Kong dollars ("HK$")	**106,780**	665,580
US$	**45,090**	381,896
Japanese Yen	**61,838**	53,936
RMB	**12,252**	5,631

As at 31 December 2024 and 2023, the Group performed impairment assessment on bank balances, pledged bank deposits and term deposits and concluded that the probabilities of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided, details of which are set out in note 35.

27. TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	RMB'000
Trade payables	930,191	641,287
Payroll payables	858,343	892,887
Other tax payables	142,667	82,259
Other payables	44,812	46,273
	1,976,013	1,662,706

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

	2024	2023
	RMB'000	RMB'000
Within 90 days	520,624	258,236
Between 91 – 180 days	111,743	26,922
Between 181 – 365 days	126,724	145,905
Between 1 – 2 years	77,046	99,749
Over 2 years	94,054	110,475
	930,191	641,287

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

28. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**103,713**	114,663
Within a period of more than one year but not more than two years	**46,892**	34,180
Within a period of more than two years but not more than five years	**11,042**	6,841
Within a period of more than five years	**4,071**	–
	165,718	155,684
Less: Amount due for settlement with 12 months shown under current liabilities	**(103,713)**	(114,663)
Amount due for settlement after 12 months shown under non-current liabilities	**62,005**	41,021

The weighted average incremental borrowing rates applied to lease liabilities range from 1.27% to 10.25% (2023: from 2.98% to 7.21%) per annum as at 31 December 2024.

29. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities	**136,119**	254,421

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**171,647**	233,664

30. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movement thereon during the current and prior year:

	Customer relationship	Fair value adjustments charges	Difference between carrying amount and tax basis of interests in an associate	Software	Trade names	Right-of-use assets	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	(1,388)	–	(7,677)	(944)	(1,685)	(41,388)	41,388	900	(10,794)
Exchange adjustments	–	–	–	–	–	–	–	4	4
Credit (charge) to profit or loss	814	–	–	283	505	19,042	(18,220)	7	2,431
At 31 December 2023	(574)	–	(7,677)	(661)	(1,180)	(22,346)	23,168	911	(8,359)
Exchange adjustments	–	–	–	–	–	–	–	(1)	(1)
Credit (charge) to profit or loss	247	(15,518)	–	283	505	(17,983)	17,510	–	(14,956)
At 31 December 2024	(327)	(15,518)	(7,677)	(378)	(675)	(40,329)	40,678	910	(23,316)

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

	2024	2023
	RMB'000	RMB'000
Deferred tax assets	**2,166**	2,308
Deferred tax liabilities	**(25,482)**	(10,667)
	(23,316)	(8,359)

At the end of the reporting period, the Group had unused tax losses of approximately RMB173,637,000 (2023: RMB192,313,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as at 31 December 2024 and 2023 due to the unpredictability of future profit streams and these tax losses will expire in various years before 2028 (2023: 2027).

30. DEFERRED TAXATION – CONTINUED

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according to the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries as at 31 December 2024 amounting to RMB10,055,478,000 (2023: RMB9,113,145,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. BORROWINGS

	2024	2023
	RMB'000	RMB'000
Unsecured bank loans (Note (i) and (ii))	**3,979,365**	2,972,667
Secured bank loans (Note (iii) and (iv))	**436,732**	44,150
	4,416,097	3,016,817

	2024	2023
	RMB'000	RMB'000
Carrying amount repayable:		
Within one year	**3,640,752**	734,773
Within a period of more than one year but not more than two years	**–**	2,282,044
Within a period of more than two years but not more than five years	**398,000**	–
Within a period of more than five years	**377,345**	–
	4,416,097	3,016,817
Less: Amounts due within one year shown under current liabilities	**(3,640,752)**	(734,773)
Amounts shown under non-current liabilities	**775,345**	2,282,044

31 BORROWINGS – CONTINUED

	2024 RMB'000	2023 RMB'000
Total borrowings		
At floating interest rates		
– under an instalment loan facility (Notes (i) and (ii))	**1,243,786**	2,692,396
At floating interest rates		
– secured bank loans (Note (iii) and (v))	**377,345**	–
At floating interest rates – others (Notes (i) and (v))	**50,000**	180,193
At fixed interest rates – others (Notes (i) and (vi))	**2,685,579**	100,078
At fixed interest rates – secured bank loans (Note (iv) and (vi))	**59,387**	44,150
	4,416,097	3,016,817

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

Notes:

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

(ii) During 2022 and 2023, the Company raised loans of HK$3,000 million in two tranches from its loan facility with a group of financial institutions. The total loans represent 100% of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in June 2024, December 2024, June 2025, and December 2025. The contracted interest rate is the applicable Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company. The Group has complied with the relevant covenants during the reporting period. The first two instalments representing 15% of the loans, or HK$450 million has been repaid in 2024. The third instalment and partial of the residual one instalment representing 40% of the loans, or HK$1,200 million has been early repaid in 2024.

(iii) During 2024, a subsidiary of the Group entered into a loan facility agreement with a total amount of RMB660 million with a commercial bank and raised loans of RMB377 million. The loans are repayable in October 2034 and were secured by a leasehold land amounting to approximately RMB131,492,000.

(iv) Bill receivables with a net carrying value of RMBB59,387,000 (2023: RMB44,150,000) are pledged to secure certain bank loans granted to the Group.

(v) Interests on floating interest rates borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate is 1.89% (2023: 2.19%) per annum as at 31 December 2024.

(vi) Interests on fixed interest rates borrowings are charged at interest rate from to 0.55%-2.60% (2023: 2.55%) per annum as at 31 December 2024.

32. SHARE CAPITAL

	Number of shares	Nominal amount
		HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2023, 31 December 2023 and 2024	4,000,000,000	200,000

	Number of shares	Amount	Amount shown in the financial statements
		HK$	RMB'000
Issued and fully paid			
At 1 January 2023	3,027,011,358	151,350,569	136,837
Exercise of share options (Note (i))	690,000	34,500	31
Repurchase and cancellation of shares (Note (ii))	(84,402,000)	(4,220,100)	(3,839)
At 31 December 2023	2,943,299,358	147,164,969	133,029
Repurchase and cancellation of shares (Note (ii))	(211,220,000)	(10,561,000)	(9,595)
At 31 December 2024	2,732,079,358	136,603,969	123,434

Notes:

(i) During the year ended 31 December 2023, share options to subscribe 690,000 ordinary shares of HK$0.05 each were exercised with an exercise price of HK$5.65 per share (see note 41). These shares rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31 December 2024, a total of 211,220,000 (2023: 84,402,000) ordinary shares of HK$0.05 each were repurchased and cancelled.

33. SHARE PREMIUM AND RESERVES

Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Other reserves

Other reserves mainly represent the differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries after taking account the effect of reallocation of certain other reserves of the subsidiaries.

General reserve fund and statutory enterprise expansion fund

As stipulated by the relevant laws and regulations in the PRC, foreign invested enterprises are required to provide for the general reserve fund and the statutory enterprise expansion fund. Appropriations to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC and the amount and allocation basis are decided by their respective boards of directors annually. The general reserve fund can be used to make up prior year losses of these subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory enterprise expansion fund is used for expanding the capital base of these subsidiaries by means of capitalisation issue.

Statutory surplus reserve fund

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries other than foreign invested enterprises are required to provide for the statutory surplus reserve fund. Appropriations to such funds are made out of 10% of the net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31 net of cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, share premium, treasury shares and reserves.

34. CAPITAL RISK MANAGEMENT – CONTINUED

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value	904,560	382,686
Financial assets at amortised cost	11,229,290	10,811,205
Derivative financial assets	5,441	40,313
Financial liabilities		
Financial liabilities at amortised cost	5,472,609	3,737,205
Derivative financial liabilities	27,827	4,968

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, amounts due from/to related companies, term deposits, pledged bank deposits, bank balances and cash, financial assets at fair value, derivative financial assets, trade and other payables, borrowings, bills payable and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables, other receivables, financial assets at fair value, trade payables denominated in foreign currencies arising from income generated from provision of services or purchases and the Company's borrowings denominated in HK$, which expose the Group to foreign currency risk. Approximately 0.75% (2023: 0.72%) of the Group's income generated from provisions of services is denominated in currencies other than the functional currencies of the group entities providing the services.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**372,975**	678,727	**1,384,494**	2,698,946
US$	**915,651**	439,171	**422,762**	5,724
Japanese Yen	**69,417**	55,288	**363**	3
RMB	**58,613**	19,099	**7,974**	1,745
Others	**27,557**	3,818	**2,795**	(1,769)

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise currency risk. The Group's principal businesses are conducted in RMB. Since the impact of foreign exchange exposure, other than that of the foreign currency loans (note 31), is minimal, no hedging against foreign currency exposure has been carried out by the management. However, the management has kept on monitoring the movement of all foreign currency exposure including that of the foreign currency denominated loans, and will consider hedging significant foreign exchange exposure should the need arise. Certain foreign currency forward contracts had been entered by the Group in 2024 and 2023.

Sensitivity analysis

The Group is mainly exposed to HK$ and US$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit where RMB strengthens 5% against the relevant currencies. For a 5% weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the result.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis – continued

	HK$ Impact (Note a)		US$ Impact (Note b)	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**51,165**	101,084	**(23,474)**	(18,353)

Notes:

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

b). This is mainly attributable to the exposure on US$ denominated bank balances, trade and other receivables, financial assets at fair value and trade payables at the end of the reporting period.

(ii) Interest rate risk

The Group's fair value interest rate risk is the risk that the fair value of a fixed rate financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2024, except for an amount of RMB1,671,131,000 (2023: RMB2,872,589,000) of floating rates bank borrowings, the remaining bank borrowings of the Group are at fixed rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate term deposits (see note 26), pledged bank deposits (see note 26), borrowings with fixed interest rates (see note 31) and lease liabilities (see note 28). The Group is also exposed to cash flow interest rate risk in relation to floating rate bank borrowings (see note 31) and bank balances (see note 26) which are mainly concentrated on the fluctuation of prevailing interest rate announced by the Peoples' Bank of China in respect of bank loans and HIBOR arising from the Group's HK$ denominated borrowings. The Group kept certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2024, after taking into account the effect of the interest rate swap, approximately 70.5% (31 December 2023: 4.8%) of the Group's interest-bearing borrowings bore interest at fixed rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate borrowings (see note 31). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2023: 50 basis points) increase or decrease is used for borrowings when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from floating rate bank balances is insignificant.

In respect of the floating rate borrowings, if interest rates had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group' tax profit for the year ended 31 December 2024 would decrease/increase by RMB7,821,000 (2023: RMB14,268,000).

(iii) Other price risk

The Group is exposed to other price risk through its investments in certain unquoted equity interests in investees and wealth management products. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The management considers the fluctuation in fair value changes on wealth management products is insignificant, taking into account the short-term duration. Sensitivity analyses for those investments with fair value measurement categorised within Level 3 were disclosed in note 36.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivable, contract assets, term deposits, pledged bank deposits, bank balances, amounts due from related companies and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. Trade receivables reported by the Group's operating entities in the PRC accounted for 99.2% (2023: 99.1%) of the total trade receivables as at 31 December 2024. The Group has concentration of credit risk as 20.8% (2023: 25.8%) and 30.8% (2023: 36.0%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. In addition, there is concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

For the purposes of impairment assessment, other receivables, amounts due from related companies are not considered to have a high credit risk as the counterparties to these financial assets have a fair credit rating.

The credit risk on bank balances, pledged bank deposits, term deposits and bills receivable is limited because the counterparties are reputable banks in the PRC and Hong Kong.

As part of Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed collectively based on provision matrix as at 31 December 2024 and 2023.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Provision matrix:

		2024		2023	
		Gross carrying amount		Gross carrying amount	
Internal credit rating	Loss rates	Trade receivables	Contract assets	Trade receivables	Contract assets
	%	RMB'000	RMB'000	RMB'000	RMB'000
Category-1: Low risk	0.1%-0.44%	669,467	419,019	432,541	290,764
Category-2 to 3: Medium to high risk	1.96%-13.84%	809,166	507,487	835,641	543,774
Category-4 to 5: Very high risk to extremely high risk	35.82%-100.00%	145,976	52,137	85,770	37,500

The estimated loss rates are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

In addition, credit-impaired debtors and certain debtors with significant outstanding balances of a total gross carrying amount of RMB4,840,237,000 (2023: RMB4,308,403,000) and certain contract assets with significant outstanding balances of a gross carrying amount of RMB1,864,666,000 (2023: RMB1,634,892,000) as at 31 December 2024 are assessed individually.

As at 31 December 2024, the Group has provided RMB238,319,000 (2023: RMB175,829,000) and RMB66,528,000 (2023: RMB55,222,000) accumulated impairment allowance for trade receivables and contract assets, respectively, based on the provision matrix. Accumulated impairment allowance of RMB227,804,000 (2023: RMB181,802,000) and RMB484,724,000 (2023: RMB359,805,000) for trade receivables and contract assets, respectively, were made based on individual assessment.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL		
	Not credit-impaired	**Credit-impaired**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2023	168,157	123,630	291,787
Exchange adjustments	(33)	–	(33)
Recognised	104,565	8,007	112,572
Reversed	(45,952)	(743)	(46,695)
At 31 December 2023	226,737	130,894	357,631
Exchange adjustments	159	–	159
Transfer to credit-impaired	(1,530)	1,530	–
Recognised	196,608	14,564	211,172
Reversed	(75,976)	(5,860)	(81,836)
Write-offs	–	(21,003)	(21,003)
At 31 December 2024	345,998	120,125	466,123

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL		
	Not credit-impaired	Credit-impaired	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	146,592	230,247	376,839
Recognised	31,303	27,097	58,400
Reversed	(16,595)	(3,617)	(20,212)
At 31 December 2023	161,300	253,727	415,027
Exchange adjustments	189	–	189
Transfer to credit-impaired	(17,255)	17,255	–
Recognised	31,709	122,839	154,548
Reversed	(13,471)	(5,041)	(18,512)
At 31 December 2024	162,472	388,780	551,252

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with the relevant terms of the agreements.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2024, the Group has available unutilised general borrowing facilities of approximately RMB4,150,820,000 (2023: RMB4,113,483,000).

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities and derivative financial liabilities. It has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity tables

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2024
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2024							
Non-derivative financial liabilities							
Trade and other payables		975,003	–	–	–	975,003	975,003
Bills payable		52,233	–	–	–	52,233	52,233
Amounts due to related companies		29,276	–	–	–	29,276	29,276
Borrowings	0.55-2.60/ HIBOR+1.3%	2,315,479	1,421,025	20,248	851,447	4,608,199	4,416,097
Leases liabilities	4.14	56,864	48,139	48,457	20,136	173,596	165,718
		3,428,855	1,469,164	68,705	871,583	5,838,307	5,638,327
Derivative financial liabilities							
Redemption obligation		–	–	37,083	–	37,083	27,827
		–	–	37,083	–	37,083	27,827

35. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity tables – continued

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2023
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2023							
Non-derivative financial liabilities							
Trade and other payables		687,560	–	–	–	687,560	687,560
Bills payable		3,364	–	–	–	3,364	3,364
Amounts due to related companies		29,464	–	–	–	29,464	29,464
Borrowings	2.19-2.55/ HIBOR+1.3%	398,333	388,894	2,380,404	–	3,167,631	3,016,817
Leases liabilities	4.22	67,323	49,256	37,437	8,083	162,099	155,684
		1,186,044	438,150	2,417,841	8,083	4,050,118	3,892,889

Interest rate benchmark reform

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, not subject to transition.

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
	2024 RMB'000	2023 RMB'000			
Financial assets					
Wealth management products issued by banks classified as financial assets at FVTPL	–	100,000	Level 2	Discounted cash flow method, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties	N/A
Investment in the fund linked notes classified as financial assets at FVTPL	401,007	–	Level 2	Net asset value of the financial product determined by net value of its underlying listed investments	N/A
Unlisted investment funds at FVTPL	198,788	134,051	Level 3	Net asset value of the fund, principally determined by net asset value of its underlying private investments	Net asset value (Note a)
Unlisted equity investments at FVTPL	81,576	58,635	Level 2	Recent transaction price	N/A
Unlisted equity investments at FVTPL	95,000	–	Level 3	Recent transaction price and back-solve method	Excepted volatility (Note b)

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

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

	Fair value as at 31 December				
	2024	2023	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
	RMB'000	RMB'000			
Financial assets – continued					
Investment in shares with preferential rights at FVTPL	5,189	90,000	Level 2	Recent transaction price	N/A
	123,000	–	Level 3	Market approach valuation	DLOM (Note c)
Derivative financial assets	5,441	40,313	Level 2	Discounted cash flow method, future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Financial liabilities					
Derivative financial liabilities	–	4,968	Level 3	Black Scholes Merton model	Expected volatility (Note d)
Derivative financial liabilities	27,827	–	Level 3	Probability weighted valuation approach	Probability of certain event (Note e)

Notes:

a. The significant unobservable input is the net assets value of the underlying private investments made by the unlisted funds. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amounts of these investments by RMB9,939,000 at 31 December 2024 (31 December 2023: RMB6,703,000).

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

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

Notes: – continued

b. A slight increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the unlisted equity investments, and vice versa. A 5% increase in the expected volatility holding all other variables constant would increase the carrying amount of the unlisted equity investments by RMB1,000,000 at 31 December 2024.

c. A slight increase in the expected DLOM used in isolation would result in a decrease in the fair value measurement of the investment in shares with preferential rights, and vice versa. A 5% increase in the expected DLOM holding all other variables constant would decrease the carrying amount of the unlisted equity investments by RMB7,000,000 at 31 December 2024.

d. A slight increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the derivative financial liabilities, and vice versa. A 5% increase in the expected volatility holding all other variables constant would increase the carrying amount of the derivative financial liabilities by nil at 31 December 2024 (31 December 2023: RMB643,000).

e. A slight increase in the probability of certain event to happen used in isolation would result in an increase in the fair value measurement of the derivative financial liabilities, and vice versa. A 5% increase in the probability of certain event to happen holding all other variables constant would increase the carrying amount of the derivative financial liabilities by RMB2,318,000 at 31 December 2024.

36. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – CONTINUED

(ii) Reconciliation of level 3 fair value measurements:

	Unlisted investment funds at FVTPL	Investment in shares with preferential rights	Unlisted equity investments
	RMB'000	RMB'000	RMB'000
At 1 January 2023	111,360	–	–
Addition	20,000	–	–
Changes in fair value	2,691	–	–
Balance at 31 December 2023	134,051	–	–
Capital contribution	43,154	20,000	80,000
Transfer from Level 2	–	90,000	–
Changes in fair value	21,583	13,000	15,000
Balance at December 31, 2024	198,788	123,000	95,000

	Financial liabilities at fair value
	RMB'000
At 1 January 2023	19,992
Changes in fair value	1,257
Settlement	(16,281)
Balance at 31 December 2023	4,968
Changes in fair value	27,827
Settlement	(4,968)
Balance at 31 December 2024	27,827

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

37. DISPOSAL OF A SUBSIDIARY/BUSINESS

In June 2023, the Group entered into a sale agreement to dispose of its 100% equity interest in Chinasoft Interfusion Inc. ("CSIUS"). The purpose of the disposal is to release resources for the expansion of the Group's other businesses. The disposal was completed on 30 June 2023, on which date the Group lost control of CSIUS. The net assets of CSIUS at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	126
Deferred cash consideration	2,403
Total consideration	2,529

Analysis of assets and liabilities over which control was lost:

Trade and other receivables	36,587
Bank balances and cash	28,128
Right-of-use assets	1,687
Property, plant and equipment	670
Trade and other payables	(61,479)
Other liabilities	(3,057)
Net assets disposed of	2,536

37. DISPOSAL OF A SUBSIDIARY/BUSINESS – CONTINUED

Gain on disposal of a subsidiary:

	RMB'000
Consideration received and receivable	2,529
Net assets disposed of	(2,536)
Reclassification of cumulative translation reserve upon disposal of CSIUS to profit or loss	1,051
Gain on disposal (included in other gains or losses)	1,044

Net cash outflow arising on disposal:

Cash consideration	126
Less: bank balances and cash disposed of	(28,128)
	(28,002)

In addition, in December 2023, the Group entered into a sale agreement to dispose part of its intelligent park business (as disclosed in note 19). The disposal was completed on 15 December 2023, on which date the Group lost control of such business. This transaction has resulted in the recognition of a gain on disposal of a business of RMB70,000,000, and is included in other gains or losses.

38. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of 2024 and 2023, the Group pledged certain bank deposits and bills receivable to secure trade and loan facilities granted to the Group (see notes 26 and 31).

In addition, lease liabilities of RMB165,718,000 (2023: RMB155,684,000) are recognised with related right-of-use assets of RMB164,277,000 (2023: RMB150,273,000) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors and the relevant leased assets may not be used as security for borrowing purposes.

39. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivative financial assets				
Foreign currency forward contract (Note (i))	**–**	11,325	**–**	28,988
Cross currency swap contracts (Note (ii))	**5,441**	–	**–**	–

	Current		Non-current	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivative financial liabilities				
Written put option within the foreign currency forward transaction (Note (i))	**–**	–	**–**	4,968
Redemption obligation (Note (iii))	**–**	–	**27,827**	–

Note:

(i) Foreign currency forward and written put option within the foreign currency forward transaction

In 2023, the Group entered into a foreign currency forward agreement with a bank. It includes five foreign exchange transactions to settle an aggregate notional amount of HK$1,350,000,000 with specified strike rate on settlement date in RMB, of which notional amount of HK$540,000,000 is with a written put option that the bank has the right not to settle with the specified strike rate if the expiry reference rate is greater than the strike rate. As at 31 December 2024, the Group had early terminated the foreign currency forward agreement and written put option.

31 December 2023

Notional amount	**Maturity**	**Exchange rates**
Buy HK$67,500,000	14/06/2024	HK$1: RMB0.8395
Buy HK$135,000,000	16/12/2024	HK$1: RMB0.8395
Buy HK$202,500,000	16/06/2025	HK$1: RMB0.8395
Buy HK$405,000,000	12/12/2025	HK$1: RMB0.8395
Buy HK$540,000,000	12/12/2025	HK$1: RMB0.8395

39. DERIVATIVE FINANCIAL ASSETS/LIABILITIES – CONTINUED

Note: – continued

(ii) Cross currency swap contract

The major terms of the outstanding cross currency swap contracts at the end of the reporting period are as follows:

31 December 2024

Notional amounts	Commencement Date	Maturity	Contracted swap rate	Interest rates
Buy HK$400,000,000	27/03/2024	15/12/2025	HK$: RMB1:0.9179 HK$ against RMB	From 3.04% per annum to 6.12% per annum

(iii) Redemption obligation

In 2021, Chinasoft Beijing, a subsidiary of the Group, and other founding shareholders of its associate, pursuant to an agreement entered into with its associate and the new investors of the associate, agreed to redeem the interests of the new investors if the associate has not completed a qualified initial public offering on or prior to 31 December 2026. The redemption price shall be the sum of issuance price paid by the new investors plus accrued interest at simple rate of 8% per annum. The redemption obligation has been accounted for as a derivative financial liability measured at fair value.

40. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	**17,058**	1,296
– construction of property, plant and equipment	**438,150**	540,795
	455,208	542,091

In addition, as at 31 December 2024, the Group committed to contribute further capital amounting to RMB269,767,000 (2023: RMB276,408,000) under the relevant agreements for its investments in entities accounted for using the equity method or measured at fair value.

41. SHARE-BASED PAYMENTS

Share option schemes

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

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

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

The Company may grant options under the Share Option Scheme and any other share option schemes of the Company entitling the grantees to exercise up to an aggregate of 10% of the total number of shares in issue as at the date of adoption of the Share Option Scheme unless otherwise approved by the shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2024 are as follows:

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2024	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2024
Non-executive directors:									
Zhang Yaqin	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	(400,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	(300,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	(300,000)	–
Gao Liangyu	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	(400,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	(300,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	(300,000)	–
					2,000,000	–	–	(2,000,000)	–
Independent non-executive directors:									
Lai Guanrong	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	(320,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	(240,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	(240,000)	–
Mo Lai Lan	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	(320,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	(240,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	(240,000)	–
					1,600,000	–	–	(1,600,000)	–
Retired independent non-executive director:									
Zeng Zhijie	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	(320,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	(240,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	(240,000)	–
					800,000	–	–	(800,000)	–

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2024 are as follows: – continued

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share options: Outstanding at 1.1.2024	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2024
Employees:	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	12,640,000	–	–	(12,640,000)	–
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	9,570,000	–	–	(9,570,000)	–
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	9,690,000	–	–	(9,690,000)	–
					31,900,000	–	–	(31,900,000)	–
Resigned non-executive director:									
Gavriella Schuster	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	(400,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	(300,000)	–
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	(300,000)	–
					1,000,000	–	–	(1,000,000)	–
Total					37,300,000	–	–	(37,300,000)	–
Exercisable at the end of the year									–
Weighted average exercise price					HK$5.65	–	–	–	–

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2023 are as follows:

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2023
Non-executive directors:									
Zhang Yaqin	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
Gao Liangyu	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
					2,000,000	–	–	–	2,000,000
Independent non-executive directors:									
Zeng Zhijie	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Lai Guanrong	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
Mo Lai Lan	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	320,000	–	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	240,000	–	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	240,000	–	–	–	240,000
					2,400,000	–	–	–	2,400,000
Employees:	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	12,640,000	–	–	–	12,640,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	9,570,000	–	–	–	9,570,000
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	10,380,000	–	(690,000)	–	9,690,000
					32,590,000	–	(690,000)	–	31,900,000

41. SHARE-BASED PAYMENTS – CONTINUED

Share option schemes – continued

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2023 are as follows: – continued

					Number of share options				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2023	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2023
Suppliers:	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2023	12,500,000			(12,500,000)	–
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2023	12,500,000	–	–	(12,500,000)	–
					25,000,000	–	–	(25,000,000)	–
Resigned non-executive director:									
Gavriella Schuster	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	400,000	–	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	300,000	–	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	300,000	–	–	–	300,000
					1,000,000	–	–	–	1,000,000
Total					62,990,000	–	(690,000)	(25,000,000)	37,300,000
Exercisable at the end of the year									37,300,000
Weighted average exercise price					HK$5.65	–	HK$5.65	–	HK$5.65

The estimated fair value of the share options granted to certain directors and employees on 27 August 2020 was HK$1.58 to HK$1.91 per option. The estimated fair value of the share options granted to certain suppliers on 27 August 2020 was HK$1.44 to HK$1.71 per option.

The Group recognised a total expense of nil for the year ended 31 December 2024 (2023: RMB4,484,000) in relation to share options granted by the Company.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme

Pursuant to a resolution passed on 10 December 2018 by the board of directors of the Company, a share award scheme ("Share Award Scheme") was adopted. The board of directors of the Company may, at its absolute discretion, select any employee to participate in the Share Award Scheme and grant shares to the employee at no consideration. The purpose of the Share Award Scheme is to recognise the contributions by certain qualifying employees of the Group and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The directors of the Company have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Subject to any early termination as may be determined by the board of directors of the Company pursuant to the Share Award Scheme rules, the Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

The board of directors of the Company shall not make any further award of shares which will result in the nominal value of the shares awarded by the board of directors of the Company under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The maximum number of shares which may be awarded to a qualifying employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

During the year ended 31 December 2024, the trust didn't purchased any shares of the Company on the Stock Exchange for the Share Award Scheme (2023: purchased143,184,000 shares in a total consideration of RMB659,696,000). As at 31 December 2024, accumulated number of the shares purchased under Share Award Scheme is 332,346,000 (2023: 332,346,000) shares.

On 1 June 2020, the Company issued to certain directors and employees awards to subscribe for 152,000,000 shares in the Company at no consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that fair value of each share award is HK$3.98 at the grant date.

On 30 August 2023, the Company issued to certain directors and employees awards to subscribe for 145,460,000 shares in the Company at no consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that fair value of each share award is HK$5.09 at the grant date.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

The movements of the shares granted to the directors and other employees of the Group during the year ended 31 December 2024 are as follows:

				Number of share awards				
Type of grantees	Date of grant	Exercise price	Vesting period	Outstanding at 1.1.2024	Granted during the year	Vested during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2024
Executive directors:								
Chen Yuhong	1.6.2020	–	1.6.2020-31.5.2025	3,850,000	–	(2,200,000)	–	1,650,000
	30.8.2023	–	30.8.2023-29.8.2030	9,996,000	–	–	–	9,996,000
Tang Zhenming	1.6.2020	–	1.6.2020-31.5.2027	3,888,000	–	(1,008,000)	–	2,880,000
	30.8.2023	–	30.8.2023-29.8.2030	5,000,000	–	–	–	5,000,000
He Ning	30.8.2023	–	30.8.2023-29.8.2030	5,000,000	–	(660,000)	–	4,340,000
				27,734,000	–	(3,868,000)	–	23,866,000
Independent non-executive director:								
Yeung Tak Bun	30.8.2023	–	30.8.2023-29.8.2028	1,000,000	–	(200,000)	–	800,000
				1,000,000	–	(200,000)	–	800,000
Other Employees:								
Employees	1.6.2020	–	1.6.2020-31.5.2027	75,233,000	–	(22,823,000)	–	52,410,000
	30.8.2023	–	30.8.2023-29.8.2030	124,464,000	–	(2,220,000)	–	122,244,000
				199,697,000	–	(25,043,000)	–	174,654,000
Total				228,431,000	–	(29,111,000)	–	199,320,000

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

The movements of the shares granted to the directors and other employees of the Group during the year ended 31December 2023 are as follows:

				Number of share awards				
Type of grantees	Date of grant	Exercise price	Vesting period	Outstanding at 1.1.2023	Granted during the year	Vested during the year	Cancelled/ Lapsed during the year	Outstanding at 31.12.2023
Executive directors:								
Chen Yuhong	1.6.2020	–	1.6.2020-31.5.2025	5,500,000	–	(1,650,000)	–	3,850,000
	30.8.2023	–	30.8.2023-29.8.2030	–	9,996,000	–	–	9,996,000
Tang Zhenming	1.6.2020	–	1.6.2020-31.5.2027	4,320,000	–	(432,000)	–	3,888,000
	30.8.2023		30.8.2023-29.8.2030	–	5,000,000	–	–	5,000,000
He Ning	30.8.2023		30.8.2023-29.8.2030	–	5,000,000	–	–	5,000,000
				9,820,000	19,996,000	(2,082,000)	–	27,734,000
Independent non-executive director:								
Yeung Tak Bun	30.8.2023	–	30.8.2023-29.8.2028	–	1,000,000	–	–	1,000,000
				–	1,000,000	–	–	1,000,000
Other Employees:								
Employees	1.6.2020	–	1.6.2020-31.5.2027	91,303,000	–	(16,070,000)	–	75,233,000
	30.8.2023	–	30.8.2023-29.8.2030	–	124,464,000	–	–	124,464,000
				91,303,000	124,464,000	(16,070,000)	–	199,697,000
Total				101,123,000	145,460,000	(18,152,000)	–	228,431,000

The Group recognised a total expense of RMB203,865,000 for the year ended 31 December 2024 (2023: RMB114,204,000) in relation to shares awarded by the Company.

42 RETIREMENT BENEFITS SCHEMES

According to the rules and regulations of the PRC, the Group contributes to state-sponsored retirements plans for its employees in the PRC. The Group is required to contribute a certain percentage of the basic salaries of its employees to the retirements plans, and has no further obligation for the actual payment of the previous or post retirement benefits. The relevant state-sponsored retirements plans are responsible for the entire present obligation to retired employees.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund ("MPF") scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under the above retirement benefit schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 December 2024 and 2023 under such schemes, which may be used by the Group to reduce the contribution payable in future years.

During the year, the total cost of retirement benefits contributions charged to profit or loss of RMB781,144,000 (2023: RMB729,083,000) represents contributions to the schemes made by the Group at rates specified in the rules of the respective schemes.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities	Amounts due to related companies	Dividend payable
	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,928,531	283,481	10,434	–
Exchange adjustments	50,745	(344)	–	–
New borrowings raised	5,726,050	–	–	–
Repayment of borrowings	(4,705,000)	–	–	–
New leases entered	–	71,187	–	–
Termination of a lease	–	(40,724)	–	–
Repayments of lease liabilities	–	(163,829)	–	–
Interest expenses	194,516	8,317	–	–
Repayment to related companies	–	–	(20)	–
Interest paid	(178,025)	–	–	–
Dividend declared	–	–	–	138,336
Dividend paid	–	–	–	(138,336)
Disposal of a subsidiary	–	(2,404)	–	–
As at 31 December 2023	3,016,817	155,684	10,414	–
Exchange adjustments	31,017	382	–	–
New borrowings raised	7,225,532	–	–	–
Repayment of borrowings	(5,872,670)	–	–	–
New leases entered	–	160,205	–	–
Termination of a lease	–	(43,497)	–	–
Repayments of lease liabilities	–	(114,532)	–	–
Interest expenses	168,442	7,476	–	–
Advance from related companies	–	–	9	
Repayment to related companies	–	–	(8)	–
Interest paid	(153,041)	–	–	–
Dividend declared	–	–	–	190,683
Dividend paid	–	–	–	(190,683)
As at 31 December 2024	4,416,097	165,718	10,415	–

44. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with the Group's associates (including their subsidiaries), other than those disclosed elsewhere in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Provision of IT outsourcing services by the Group	**35,336**	29,612

	2024 RMB'000	2023 RMB'000
Provision of IT solution services by the Group	**12,909**	3,883

	2024 RMB'000	2023 RMB'000
Provision of other services by the Group	**6,231**	4,779

Compensation of key management personnel

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

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**18,035**	17,645
Retirement benefits costs	**282**	268
Share-based payment expenses	**31,091**	16,275
	49,408	34,188

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

45. MAJOR NON-CASH TRANSACTIONS

The Group entered into certain new lease arrangements for the use of leased properties during the year, and on the lease commencement, the Group recognised an increase in right-of-use assets of RMB160,205,000 (2023: RMB71,187,000) and lease liabilities of RMB160,205,000 (2023: RMB71,187,000) respectively.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the company at the end of the reporting period are set out below.

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2024 %	2023 %	2024 %	2023 %	
Chinasoft International (Hong Kong) Limited	Hong Kong	HK$100	–	–	100	100	Investment holding and trading of standalone software products
中軟國際科技服務(香港)有限公司 Chinasoft International Technology Service (Hong Kong) Limited	Hong Kong	HK$100,000	–	–	100	100	Provision of IT outsourcing services
北京中軟國際信息技術有限公司	PRC	RMB200,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting Chinasoft Beijing services, software development and trading of standalone software and hardware products
上海中軟華騰軟件系統有限公司 Shanghai Huateng	PRC	RMB350,000,000	–	–	100	100	Development and provision of IT system
中軟國際科技服務有限公司 CSITS	PRC	RMB100,000,000	–	–	100	100	Provision of IT outsourcing services
中軟國際(上海)科技服務有限公司 Chinasoft International Technology Service (Shanghai) Ltd.	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
北京中軟國際科技服務有限公司 CSITS BJ	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
中軟國際科技服務(大連)有限公司	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
武漢中軟國際科技服務有限公司	PRC	RMB50,000,000	–	–	100	100	Provision of IT outsourcing service

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

Details of the principal subsidiaries directly and indirectly held by the company at the end of the reporting period are set out below. – continued

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2024 %	2023 %	2024 %	2023 %	
深圳中軟國際科技服務有限公司 CSITS SZ	PRC	RMB50,000,000	–	–	100	100	Provision of solutions IT outsourcing IT consulting
中軟國際科技服務南京有限公司 CSITS NJ	PRC	RMB20,000,000	–	–	100	100	Provision of solutions IT outsourcing IT consulting
CSI Interfusion SDN.BHD	MY	MYR1,000,100	–	–	100	100	Provision of solutions IT outsourcing IT consulting
解放號網絡科技有限公司	PRC	RMB50,000,000	–	–	100	100	Provision of solutions
成都天府中軟國際科技服務有限公司 CSITS CD	PRC	RMB50,000,000	–	–	100	100	Provision of solutions

None of the subsidiaries had issued any debt securities outstanding at 31 December 2024 or at any time during the year.

Note i: All the PRC established entities are registered as limited liability companies.

In the opinion of the directors of the Company, none of the individual subsidiary has non-controlling interests that are material to the Group.

47. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2024 RMB'000	2023 RMB'000
Non-current assets		
Interests in subsidiaries	2,429,369	2,256,548
Derivative financial assets	–	28,988
	2,429,369	2,285,536
Current assets		
Other receivables	37,707	21,805
Amounts due from subsidiaries	725,296	2,372,506
Bank balances and cash	105,219	816,055
Derivative financial assets	5,441	11,325
	873,663	3,221,691
Current liabilities		
Other payables	995	991
Amounts due to subsidiaries	398,661	127,489
Borrowings	1,243,786	410,352
	1,643,442	538,832
Net current (liabilities) assets	(769,779)	2,682,859
Total assets less current liabilities	1,659,590	4,968,395
Non-current liabilities		
Borrowings	–	2,282,044
Derivative financial liabilities	–	4,968
	–	2,287,012
	1,659,590	2,681,383
Capital and reserves		
Share capital	123,434	133,029
Share premium	4,435,962	5,474,719
Treasury shares	(991,060)	(1,114,363)
Reserves (Note)	(1,908,746)	(1,812,002)
Total equity	1,659,590	2,681,383

47. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Equity-settled share-based payment reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	262,839	(1,977,557)	(1,714,718)
Loss and total comprehensive expense for the year	–	(141,575)	(141,575)
Issue of ordinary shares upon exercise of share-based payments	(1,180)	–	(1,180)
Recognition of share-based payment expenses	118,688	–	118,688
Share options expired	(38,630)	38,630	–
Vesting of award shares	(73,217)	–	(73,217)
At 31 December 2023	268,500	(2,080,502)	(1,812,002)
Loss and total comprehensive expense for the year	–	(190,854)	(190,854)
Recognition of share-based payment expenses	203,865	–	203,865
Share options expired	(59,171)	59,171	–
Vesting of award shares	(109,755)	–	(109,755)
At 31 December 2024	303,439	(2,212,185)	(1,908,746)

RESULTS

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	14,101,239	18,398,076	20,005,171	17,116,894	**16,950,733**
Profit before taxation	1,034,845	1,252,077	829,882	733,947	**568,096**
Income tax expense	(86,732)	(115,387)	(71,053)	(21,280)	**(56,951)**
Profit for the year	948,113	1,136,690	758,829	712,667	**511,145**
Attributable to:					
Owners of the Company	954,928	1,136,911	759,441	713,394	**512,925**
Non-controlling interests	(6,815)	(221)	(612)	(727)	**(1,780)**
	948,113	1,136,690	758,829	712,667	**511,145**
	HKD	HKD	HKD	HKD	**HKD**
	(cents)	(cents)	(cents)	(cents)	**(cents)**
Dividend	2.90	3.23	5.67	8.11	**5.33**

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	13,086,957	16,902,293	16,964,785	17,067,670	**18,432,317**
Total liabilities	(4,310,546)	(5,275,734)	(4,829,994)	(5,300,910)	**(6,993,823)**
	8,776,411	11,626,559	12,134,791	11,766,760	**11,438,494**