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**中软国际**

**CHINASOFT INTERNATIONAL LIMITED**

**中軟國際有限公司\***

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

**(Stock Code: 354)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

**HIGHLIGHTS**

**Results for the first half of 2024**

<b>Income statement highlights</b>	<b>For the six months ended 30 June</b>		<b>% Change</b>
	<b>2024 (unaudited) RMB'000</b>	<b>2023 (unaudited) RMB'000</b>	
Revenue	<b>7,926,183</b>	8,450,060	(6.2%)
Service revenue	<b>7,647,920</b>	8,295,751	(7.8%)
Profit for the period	<b>285,353</b>	350,687	(18.6%)
<b>Profit attributable to Owners of the Company</b>	<b>285,720</b>	351,028	(18.6%)
Basic EPS (RMB cents)	<b>10.93</b>	12.44	(12.1%)

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024.
- No closure for the Register of Members of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### KEY OPERATING DATA

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

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

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

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

## GENERAL OVERVIEW

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

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

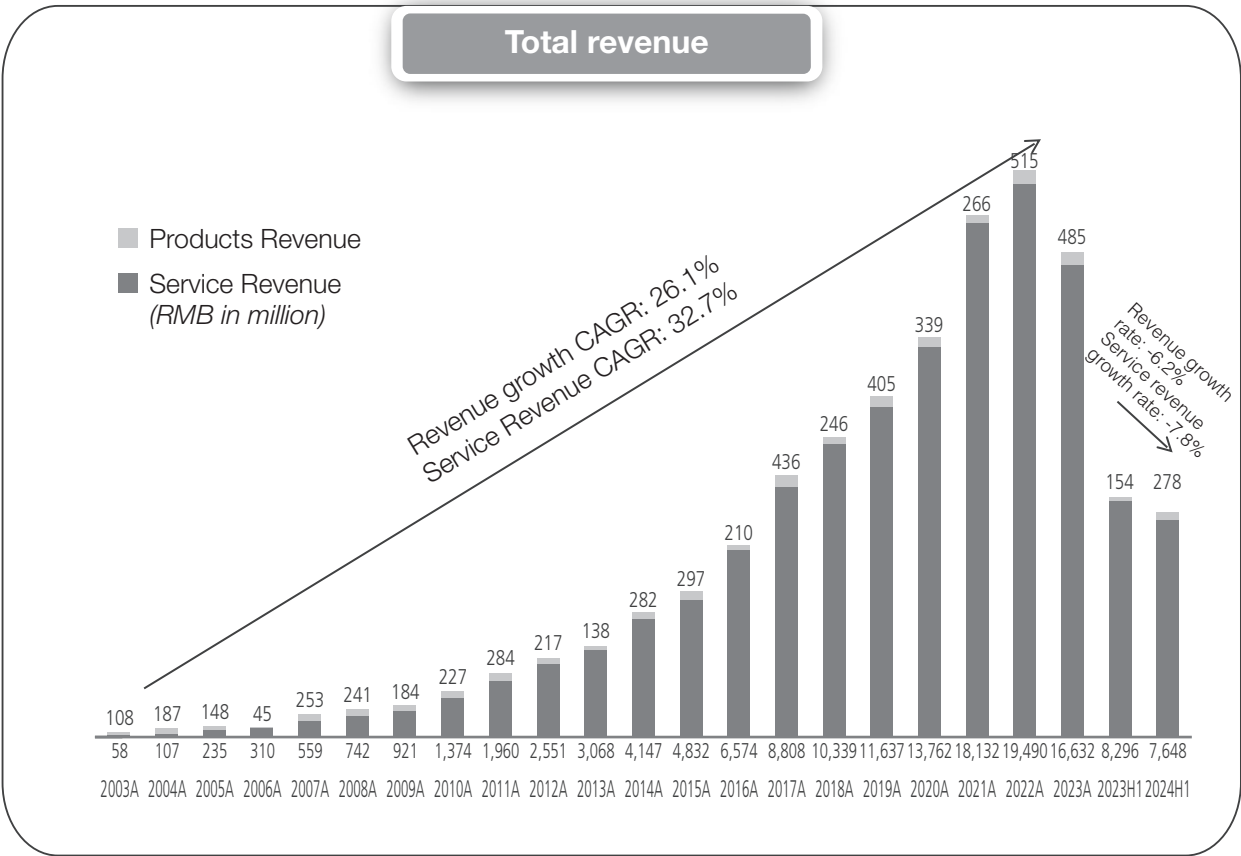
During the reporting period, the Group fully developed an independently controllable intelligent IoT foundation and integrated software and hardware solutions based on the 1+1 (KaihongOS + Super Device Management Platform) strategy, focusing on industries such as defense, energy, emergency firefighting,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

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

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

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

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



## **Customers**

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

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

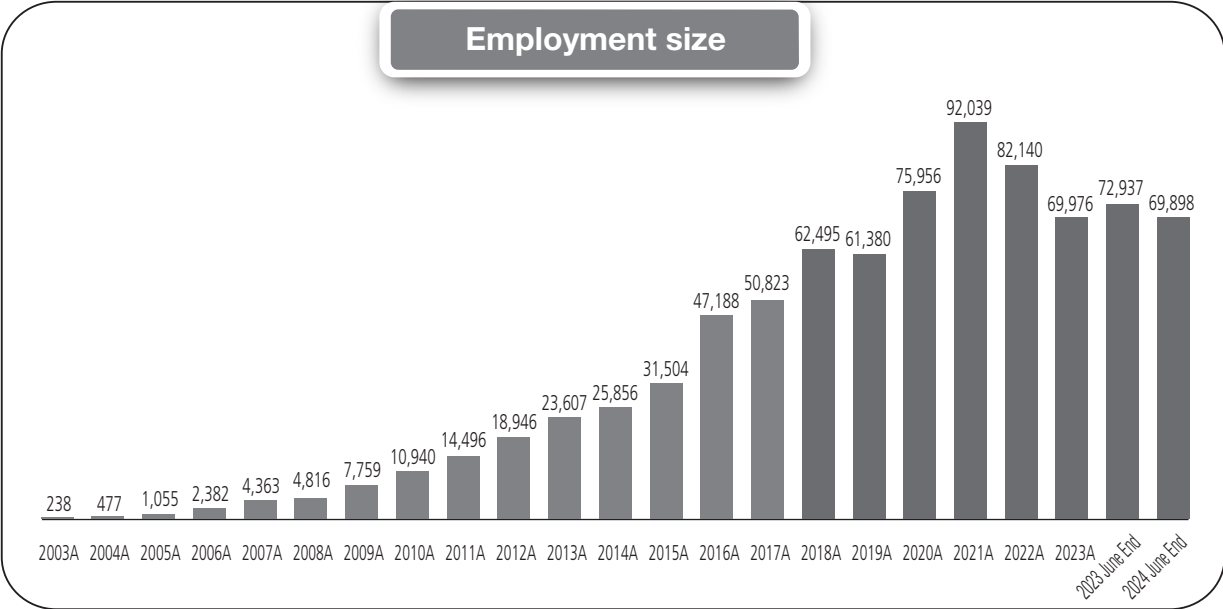
## **Markets**

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

**Human Resources**

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

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



## Operating Results

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

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



## Revenue

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

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

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

## Cost of Sales and Services

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

## **Gross Profit**

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

## **Other Income**

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

## **Other Gains or Losses**

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

## **Operating Expenses**

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

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

## **Finance Costs and Income Tax**

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

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

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

## **Other Non-Cash Expenses**

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

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

## **Working Capital, Financial and Capital Resource**

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

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

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

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

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

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

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

## Segment Revenue and Results

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

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

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

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

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

### **Fund Raising Activities**

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

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 places 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:

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

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

## INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 with corresponding figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

		<b>For the six months ended 30 June</b>	
		<b>2024</b>	2023
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Total comprehensive income attributable to:			
Owners of the Company		<b>283,300</b>	347,762
Non-controlling interests		<b>(367)</b>	(341)
		<u><b>282,933</b></u>	<u>347,421</u>
Earnings per share			
– Basic (cents)	8	<u><b>10.93</b></u>	<u>12.44</u>
– Diluted (cents)		<u><b>10.56</b></u>	<u>12.08</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the owners of the Company													Total
	Share capital	Share premium	Treasury shares	Other reserves	Fair value through other comprehensive income reserve	Translation reserve	Equity-settled share-based payment reserve	General reserve fund	Statutory enterprise expansion fund	Statutory surplus reserve fund	Accumulated profits	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 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 period	-	-	-	-	-	-	-	-	-	-	351,028	351,028	(341)	350,687
Other comprehensive (expenses) income for the period	-	-	-	-	-	(3,266)	-	-	-	-	-	(3,266)	-	(3,266)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(3,266)	-	-	-	-	351,028	347,762	(341)	347,421
Recognition of share-based payments expenses	-	-	-	-	-	-	34,331	-	-	-	-	34,331	-	34,331
Repurchase of shares	-	-	(230,053)	-	-	-	-	-	-	-	-	(230,053)	-	(230,053)
Cancellation of repurchase of shares	(2,038)	(194,998)	197,036	-	-	-	-	-	-	-	-	-	-	-
Vesting of share awards	-	(10,206)	74,017	-	-	-	(63,811)	-	-	-	-	-	-	-
Purchase of shares under share award scheme	-	-	(659,696)	-	-	-	-	-	-	-	-	(659,696)	-	(659,696)
Dividends paid to ordinary shareholders	-	(138,336)	-	-	-	-	-	-	-	-	-	(138,336)	-	(138,336)
At 30 June 2023	134,799	5,670,371	(1,157,251)	(122,769)	(13,834)	(21,222)	233,359	15,793	26,749	314,075	6,383,703	11,463,773	24,685	11,488,458
At 1 January 2024	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 period	-	-	-	-	-	-	-	-	-	-	285,720	285,720	(367)	285,353
Other comprehensive (expenses) income for the period	-	-	-	-	-	(2,420)	-	-	-	-	-	(2,420)	-	(2,420)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(2,420)	-	-	-	-	285,720	283,300	(367)	282,933
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	107,861	-	-	-	-	107,861	-	107,861
Repurchase and cancellation of shares	(6,057)	(557,158)	-	-	-	-	-	-	-	-	-	(563,215)	-	(563,215)
Vesting of share awards	-	(14,863)	110,270	-	-	-	(95,407)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	(190,683)	-	-	-	-	-	-	-	-	-	(190,683)	-	(190,683)
At 30 June 2024	126,972	4,712,015	(1,004,093)	(122,769)	(13,834)	(26,557)	280,954	15,793	26,749	355,695	7,028,799	11,379,724	23,932	11,403,656

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

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

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

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

### 2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards and interpretations effective as at 1 January 2024.

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

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

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

#### 4. REVENUE AND SEGMENT INFORMATION

##### Disaggregation of revenue from contracts with customers

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

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

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group's operating divisions.

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

1. Technical Professional Services Group ("TPG") – development, provision of solutions, IT outsourcing services for banks and other financial institutions, telecommunication carriers and other large-scale multinational companies, including sale of products.
2. Internet IT Services Group ("IIG") – development, provision of solutions and IT outsourcing services for government, tobacco industry and other small- scaled companies and training business, including sale of products.

Information regarding the above segments is reported as below:

### Segment revenue and results

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

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Technical Professional Services Group (TPG)	<b>7,076,954</b>	7,631,522	<b>295,865</b>	379,364
Internet IT Services Group (IIG)	<b>849,229</b>	818,538	<b>60,017</b>	66,515
	<b>7,926,183</b>	8,450,060	<b>355,882</b>	445,879

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

Reconciliation of segment results to profit before taxation:

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

Segment revenue by products and services:

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

## 5. FINANCE COSTS

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

## 6. TAXATION

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

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

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



## 7. DIVIDEND

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

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

## 8. EARNINGS PER SHARE

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

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

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

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

## 10. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Trade payables	632,828	641,287
Other payables	923,017	1,021,338
	<u>1,555,845</u>	<u>1,662,625</u>

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

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Within 90 days	237,516	258,236
Between 91-180 days	64,567	26,922
Between 181-365 days	76,527	145,905
Between 1-2 years	152,033	99,749
Over 2 years	102,185	110,475
	<u>632,828</u>	<u>641,287</u>

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

The fair value of the Group's trade and other payables at 30 June 2024 was approximately equal to the corresponding carrying amount.

## 11. BORROWINGS

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

## 11. BORROWINGS (CONTINUED)

*Notes:*

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

## 12. SHARE CAPITAL

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

	Number of shares	Nominal amount <i>HK\$</i>
<b>Authorised</b>		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	4,000,000,000	200,000,000

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

## 13. CAPITAL COMMITMENTS

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

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

#### 14. RELATED PARTY TRANSACTIONS

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

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

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

#### 15. EMPLOYEE AND OTHER INFORMATION

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

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

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

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

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

### **Code Provision C.1.6**

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

### **Code Provision C.2.1**

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

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



## DIRECTORS' SECURITIES TRANSACTIONS

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

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2024, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

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

Name	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Total number of shares	Approximate % of total issued ordinary share as at 30 June 2024
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	315,488,861 (Note 1)	–	340,138,144	12.11%
	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	0.21%
Tang Zhenming	Beneficial owner and beneficiary of trust	24,891,765 (Note 4)	–	24,891,765	0.89%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 (Note 5)	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 (Note 5)	1,000,000	0.04%
Lai Guanrong	Beneficial owner	–	800,000 (Note 5)	800,000	0.03%
Mo Lailan	Beneficial owner	–	800,000 (Note 5)	800,000	0.03%
Yeung Tak Bun	Beneficiary of trust	1,000,000 (Note 6)	–	1,000,000	0.04%

*Notes:*

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

## Options to subscribe for Shares

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

Note:

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

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

Save as disclosed above and so far as was known to the Directors, as at 30 June 2024, none of the Directors or chief executive of the Company had any interests or shorts in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

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

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

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

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

## **SHARE AWARD SCHEME**

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

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

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

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

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

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

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

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

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

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

During the six months ended 30 June 2024, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2024.

## **SUBSTANTIAL SHAREHOLDERS**

So far as was known to the Directors, as at 30 June 2024, the following persons (not being a Director or chief executive of the Company) had interests in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

### *Long positions in Shares*

<b>Name</b>	<b>Nature of interest</b>	<b>Approximate number of Shares</b>	<b>Approximate % of total issued ordinary share of the Company</b>
Dan Capital Tangkula Limited Partnership ( <i>Note 1</i> )	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	340,138,144	12.11%
Bank of Communications Trustee Limited ( <i>Note 2</i> )	Trustee	251,368,914	8.95%
UBS Group AG ( <i>Note 3</i> )	Interest of controlled corporations	210,473,282	7.49%

*Notes:*

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

Save as disclosed above, as at 30 June 2024, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

## **COMPETING INTERESTS**

As at 30 June 2024, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Audit Committee”) on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group’s financial reporting and internal control system.

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

The Audit Committee has reviewed the Group's interim result for the six months ended 30 June 2024 in compliance with Rule 3.21 of the Listing Rules, and the relevant code provisions of the CG Code of the Listing Rules and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the interim result for the six months ended 30 June 2024 have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

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

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

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

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

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



## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2024.

On behalf of the Board

**Dr. Chen Yuhong**

*Chairman and Chief Executive Officer*

15 August 2024, Hong Kong

*As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer), Dr. He Ning (Vice Chairman) and Dr. Tang Zhenming, two non-executive Directors, namely Dr. Zhang Yaqin and Mr. Gao Liangyu, and three independent non-executive Directors, namely Dr. Lai Guanrong, Professor Mo Lai Lan and Mr. Yeung Tak Bun J.P..*

\* *For identification purposes only*