ANNUAL REPORT 2020

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. Tang Zhenming

Non-executive Directors

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

Independent non-executive Directors

Mr. Zeng Zhijie
Dr. Lai Guanrong
Professor Mo Lai Lan

REMUNERATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Professor Mo Lai Lan

AUDIT COMMITTEE

Professor Mo Lai Lan *(Chairman)*
Mr. Zeng Zhijie
Dr. Lai Guanrong

NOMINATION COMMITTEE

Dr. Lai Guanrong *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Professor Mo Lai Lan

COMPANY SECRETARY

Ms. Leong Leung Chai Florence

AUTHORISED REPRESENTATIVES

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HSBC Bank (China) Company Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.

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Dear Investors:

After a century of changes and the pandemic of the century, Chinasoft International has experienced multiple tests and demonstrated its tenacious vitality. Only after experiencing hardships, ups and downs, can one show a person's brave and persevering character; only after experiencing difficult and dangerous polishing can it be polished into a tool like a piece of jade, showing extraordinary beauty. During the reporting period, the Group's revenue and profit reached new highs, and it continued to rank top 100 in Gartner's "Market Share: IT Services, Worldwide". 2020 marks not only beginning of the third decade since the founding of the Group, but also the first year of the Group's new strategy. With the strong support of investors, customers, partners, etc., we have taken the Group's strategic plan (SP301) as the beginning of a new blueprint and set the goal of achieving sales revenue of 30 billion in 2023 as we strive to move forward.

The national "14th Five-Year Plan" digital economy is full of color. Digital new infrastructure, "Xinchuang" layout, government and enterprise digital transformation and other fields continued to receive attention. New ecosystems are rising including Huawei Hongmeng and Kunpeng, and the wave of innovation is surging, yielding more digital economic development dividends. In 2020, the Company's business echelon started to build business portfolio development formation with quality, value and significance.

I. CLOUD INTELLIGENT BUSINESS FOCUSED ON "CLOUDIZATION, CLOUD MANAGEMENT, CLOUD NATIVE", DRIVEN BY THE TWO WHEELS OF IP AND ECOSYSTEM, BECOMING CUSTOMER'S DIGITALIZATION PARTNERS

During the reporting period, the Group built cloud service capabilities covering the entire project life cycle, achieved rapid growth in cloud intelligence business revenue, and reached a new height in building a non-linear growth business.

During the reporting period, the Group's cloud intelligence business followed the development path of "cloudization, cloud management, cloud native", vertically increasing the conversion rate, expanding to industries horizontally, and broadening the development channel of "understanding the cloud, knowing the industry, cloud joint innovation". As a "sailing on the same boat" partner of Huawei Cloud, the Group decisively won the first place in cloud ecological performance, achieving a leaping growth of 20 times revenue in four years. Furthermore, the Group launched 15 "Huawei Cloud Competence Centers" nationwide to support the Huawei Cloud business, while building smart cities, smart parks, digital offices, DevOps platforms, hybrid cloud management and other solutions to help the digital transformation of government and enterprise customers. During the reporting period, the Group became the official designated regional authorised service center of Tencent Cloud, and introduced the service capability of the Group as a standard product to Qianfan Middle Platform of Tencent Cloud. Lastly, the Group expand cooperation in the government and education industries with Tencent.

During the reporting period, the Group successfully obtained all licenses related to cloud services, and its proprietary "one-stop" cloud brokerage platform "Huaxia Cloud" (Cloud Broker platform) continued to upgrade. The Group has been ranked TOP3 in IDC China's cloud management service market for two consecutive years, and we continued to expand the market share. During the period, the Group released the SaaS version of the cloud management platform "CloudEasy". The Group's cloud service has gained the IIIA (highest grade possible in China) hospital customers, the top customers in the automotive industry, and has entered into communications, securities, government, retail, transportation, energy and other industries. Lastly, the Group's cloud solutions have achieved rapid growth in various fields such as parks, office, finance, retail, transportation, education, and piloted 5G and AI technologies in multiple solution application scenarios.

During the reporting period, the Group also made breakthroughs in the overseas markets. The Group's commercial ecological cloud platform realised the delivery and acceptance of the first overseas telecommunication customer. The digital office cloud solution has completed its initial launch in overseas markets including Southeast Asia, the Middle East, and North Africa.

During the reporting period, the Group's strategic cooperation with Huawei continued to strengthen, and we successfully obtained the status of Huawei GP (Global Partner). At the "Huawei Connect (HC) Conference 2020", Huawei's rotating chairman gave high praises and recognition to the "sailing on the same boat" strategy between Huawei and us. The Group actively participated in the ecological construction of Huawei HiLink, HiCar, Kunpeng, etc., and became the first partner to sign the "HUAWEI HiLink Ecological Solution Service Cooperation Agreement" with Huawei. The Group also won the "HUAWEI HiLink Excellent Partner in Ecological Enabling Service" award. Lastly, the Group has established a variety of product cooperation models with Huawei around Kunpeng, Gauss, WeLink and smart screens, successfully breaking through key industry customers in government, enterprise, finance, and manufacturing.

II. CONSOLIDATE THE CORNERSTONE BUSINESS, PRODUCTISE SERVICES, AND BUILD LONG-TERM COMPETITIVE ADVANTAGES

The key points for the development of the cornerstone business proposed in the first memo of the Group in 2020 included serving Huawei and major key accounts (KA) to "control risks" and be the main force in the KA's flexible human resource allocation, continuing to build and improve capabilities around the "Supplier Development Plan" (SD), and significantly improving our own performances. During the reporting period, the Group's Huawei business grew against the trend, ranking first in the performance evaluation of Huawei's software and technical service providers, gaining absolute leadership in share, quality and efficiency, and we became one step closer to becoming a strategic supplier of Huawei. At the same time, the Group served other major customers leveraging experiences of what we've learned from the Huawei SD, accelerated the development of KA customers and the cultivation of potential KA customers, and continued to increase its share and position in major customers including BAT, Ping An and China Mobile. The Group has achieved breakthroughs in cooperation with potential industries such as finance, telecommunications, smart terminals, automobiles and state-owned enterprise customers. In terms of knowledge management, software engineering capabilities accumulation, and system support, the Group launched a software factory integrating consulting and diagnosis, process management, IT tools and delivery services, comprehensively upgrading traditional IT services, and opening up a market with higher quality and scale. We truly build a solid foundation and long-term competitive advantage for the "digital iron army." In addition, the Group promoted the construction of process-based organizations, as well as the construction of multiple systems such as MTL and LTC, to continuously improve business quality and efficiency.

III. JOINTFORCE "CLOUD-INTEGRATIVE" POLISHED VERTICAL SCENARIO PRODUCTS AND SERVICES, AND MADE FULL EFFORTS IN THE FIELD OF CUSTOMISED SOFTWARE

During the reporting period, Jointforce continued to deepen its customer service represented by the Government Service Data Administration, made full efforts in the field of customised software, and launched a series of touch products and services around different vertical scenarios. Through the efficient connection of platforms, products and services, Jointforce has built a complete arrival link and closed loop of supply and demand services, and oriented to business scenarios through "platform + ecology" intensive cultivation, accumulating platform digital intelligent products and operational experiences. Jointforce cloud code intelligence launched nationwide, covering 70 key cities, and the coverage rate of first-tier cities reached 89%. At present, Jointforce has signed platform strategic cooperation agreements with 23 city governments, continued to serve 700 government users, delivered 2,800 projects, and completed 2,300 transactions in total. Jointforce has become the best assistant for digital government construction, regional digital economic development, and industrial digital transformation and upgrading, and it has promoted the implementation of Huawei Kunpeng Industrial Cloud in Chongqing in a To G way.

In the face of the epidemic, the Group bravely assumed social responsibility, donated to Wuhan as soon as possible, and cooperated with industry colleagues to provide digital services for epidemic prevention and control. We made positive contributions for the resumption and promotion of work in order to meet customer needs. The Group's Jointforce launched "Project Shenbing (God's Soldiers)" to provide technical assistance to designated hospitals in Wuhan and across the country and launched the "No-Meet Bid Evaluation Model" to solve customer transaction needs and ensured the compliance and safety of review activities. The Group and Huawei WeLink jointly created an information management system for patient admission and treatment in emergency hospitals (for COVID-19), which greatly improved the efficiency of patient admission and treatment information management in emergency hospitals. The Group's data service team provided strong support in the development of digital war (against COVID-19) tools such as "Sucheng Code" and "Yukang Code". The Group's CloudEasy provided free cloud management services and smart park epidemic prevention software, and supported colleges and universities to carry out online teaching, which has been highly praised by the Ministry of Education.

Dear investors, 2021 to 2023 is a critical period for our cloud intelligence transformation. We will strive to continuously increase the proportion of the cloud intelligence business. As the Group's second growth curve, cloud intelligence business will grow in line with the rapid growth of Huawei Cloud. Our goal is to become the world's leading cloud service provider.

The Group will focus on "super integrators" such as telecom operators, and is committed to becoming an ecological marketing and co-creation partner for top customers in their respective fields. That way, we can guarantee the basic business with the success of FFW (For KA, From KA, With KA) strategy. We will also upgrade IT outsourcing services, from traditional IT services to software factories. Furthermore, we will expand cloud intelligent solutions and seize the trend of cloudification, digitization and intelligentization of solutions. Lastly, we will continue our layout in the Xinchuang market, focusing on the development of Huawei's IoT-oriented operating system business to achieve corner overtaking.

On the basis of market focus, we will actively provide excellent consulting services, establish a traction mechanism for digital transformation services, and build the brand image of Chinasoft International as a "digital transformation expert". Through the establishment of a complete process system, technology and knowledge management system, the Group provides customers with comprehensive and scientific digital transformation consulting services and leads outsourcing business capabilities to be output in the form of "software factories" and "digital factories", which are realised through super integrators, forming a new scalable market.

The Group continued to deepen its strategic "sailing on the same boat" partnership with Huawei. In the booming AIoT market, we are positioned as the leader of its full-stack enabling business in the IoT operating system ecosystem. The company built an integrated business design, solutions, experts, and delivery system, and continued to drive one-stop shop style insights, accumulate capabilities, upgrade service catalogs, develop solutions, support business innovation and verify new business designs. Follow Huawei's ecological development strategy, we focused on expanding along the Pearl River Delta and the Yangtze River Delta, and promoted three joint expansion channels (sales team, Huawei joint expansion team, Jointforce and Hongmeng Joint Innovation center) to reach industry customers. The sales team started to make breakthroughs from mid-tail to long-tail customers, and gradually penetrated into the remaining head customers, forming upstream and downstream synergy with Huawei to jointly expand and promote ecological business.

Dear investors, as we implement the key objectives of SP301 in 2021, the second round of strategic planning, SP302, has also started. We believe that when the SP310 objective is carried out, we will then have passed the RMB100 billion revenue mark. Believe in the power of "faith" as we strive to become the world's Chinasoft International. Working hard persevering for a long time, we will surely achieve our goals steadily!

Chen Yuhong
2021 Spring

1. COMPANY'S BUSINESS OVERVIEW

Founded in 2000, the Company is a large-scale comprehensive software and information service provider, providing "end-to-end" IT services to global customers, in cloud computing, artificial intelligence, big data, Internet of Things, blockchain, 5G and other new technologies. With rich experience in consulting, design, implementation and service in digital applications, we are fully assisting customers in their digital transformation. Since its listing in 2003, the Company has always been committed to becoming a world-class information technology service leader. Its business growth continues to lead the domestic software service industry, and it ranks 13th among the "Top 100 Software and Information Technology Service Companies in 2020" by the Ministry of Industry and Information Technology (maintained the software-only industry's first position for several consecutive years). With more than 10 billion service revenues, the Company has successfully ranked Top 100 in Gartner's "Market Share: IT Services, worldwide". The Company and its branches have a total of more than 1,000 software copyrights and patents, serving the head customers of many Fortune 500 companies and many mid-to-long-tail customers with high growth potential. Customers cover finance, Internet, communications, high-tech, government, automobile, public utilities and other industries. Apart from China, the Company's business is also active in Asia-Pacific, North America, Europe, Latin America and other regions.

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

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

  TPG provides software and technical services to customers in the finance, communications, Internet, high-tech and other industries. TPG strives to build a new delivery model upgrade service capability as a software factory, and provides customers with IT application development and maintenance services, IT testing services, infrastructure management services, product development and services, digital consulting and implementation in a comprehensive, systematic and targeted manner. TPG's software and technical services include system integration and services, service outsourcing, etc., in order to meet customers' demands for IT, digitization, and intelligent services, receiving high recognitions from customers.

Business Overview

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

In recent years, TPG has seized the development opportunities of customers' digital transformation and upgrading, made full use of the advantages it has accumulated in the existing industry, and quickly launched digital transformation, accumulated a large amount of practical experience in digital transformation, and gradually created an end-to-end "cloudization, cloud management, cloud native" capabilities, and built its own cloud platforms such as cloud management platform "CloudEasy" and cloud brokerage platform "Huaxia Cloud". Furthermore, the Group's cloud service capabilities began to extend from the mature Microsoft Azure cloud service of Catapult, a subsidiary in North America, and then successfully replicated to multiple mainstream cloud platforms such as Huawei Cloud and Tencent Cloud, providing customers with one-stop cloud services, including cloud consultation, migration, operation and maintenance management, application development and integration. Among them, cloud management services have successfully ranked among the IDC China's third-party cloud management services market TOP3.

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

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

- Products: Cloud management platform, cloud brokerage platform, enterprise cloud disk, cloud shop O2O platform;
- Finance: Smart robots, smart factoring, Internet smart credit, auto insurance pricing system, bond rating system, customer profile system, regulatory reporting platform, regulatory business center;
- Transportation: Rail transit ticket cloud, smart port;
- Retail: Smart Store;
- Park: Smart park, digital office;
- Government: Audit and supervision management, social insurance and welfare management, state-owned assets management, etc.;
- General: Data center, data governance, etc..

Among them, solutions such as payment and clearing systems and bank card systems have ranked first in the IDC banking market for many years, and audit solutions have ranked first in the IDC audit market for many years. In addition, multiple solutions such as the Automatic Clearing Center (ACC) system for rail transit have also ranked first in the market for many years.

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

  IIG aggregated an independent software developer (ISV) ecosystem, using Jointforce as the main vehicle, built a software industry Internet platform. It converges the ISV ecosystem of the cloud software park and integrates the company's "Plan-Z" HR outsourcing capabilities to provide governments and enterprises with digital services, helping government and enterprises achieve digitalization.

  The "Cloud-Integrative" aims at government and enterprise customers. Focusing on the three core competencies of smart procurement (smart code procurement), smart supervision (smart code supervision), and smart management (smart code management), the software industry Internet platform is launched to create a platform-based process software consulting service based on data + intelligence. Among them, smart code procurement is based on the software procurement and outsourcing platform to realise the online transaction of software projects. Smart code supervision improves software value evaluation through the engineering project measurement and evaluation standard system. Lastly, smart code management provides full-cycle delivery management for digital construction through the "online + offline" model.

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

  "Plan Z", Jointforce's human resources outsourcing, in the form of SaaS and shared services, exports the Group's full-process recruitment management and control, human resource management and outsourcing business management capabilities. It uses big data intelligence and knowledge map technology to provide faster, more accurate, and more reliable professional Internet HR outsourcing services for the government-enterprise transformation market.

2. GROUP STRATEGY

In the accelerating wave of digital transformation, facing the unfavorable conditions of increasing uncertainties in the external environment and increasing downward pressure on the economy, the Group will maintain its strategic determination, seize opportunities for transformation and development, improve management and operation, develop key account's long-term development strategy, continue to consolidate the cornerstone business focusing on software technology and professional services, commit to productise the cornerstone business, achieve high-quality expansion, and comprehensively expand the cloud intelligence business, which will lead the Group's second growth curve. The Group will continue its domestic footprint while expanding its layout globally to realise its "(drawing) one blueprint to the end" ideology.

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

  Based on 20 years of software and technical service experience, the Group has accumulated a large number of long-term major customers. It re-examined the definition of key account (KA), used the "Supplier Development Plan" (SD) to manage Huawei, Tencent, China Mobile, Ping An and other key customer businesses to formulate the FFW (For KA, From KA, With KA) key account development strategy. The Group's customer-oriented role is divided into four development stages: supplier, preferred supplier, strategic supplier, and strategic partner. As the long-term development cooperation guide between the Group and KA customers, it aims to provide customers with technical professional services (For KA), consolidate technical capabilities and solutions (From KA), and become a customer's strategic partner (With KA). The Group started with the Tencent Cloud Qianfan Project as the starting point for cooperation and gradually started the journey of "With KA."

- **Productise Cornerstone Business to Achieve High Quality Business Expansion**

  Software and technical services are the Group's cornerstone business. The Group will actively promote the standardised construction of software factories, realise the service productization of cornerstone business through software factories, digital factories and capability outsourcing, upgrade traditional IT services, enhance the Group's service quality and service value, and form a differentiated competitive advantage. Through consultation services as lead, the Group combined software engineering capabilities and management capabilities to not only deepen and expand existing customers, but also penetrate new customers in finance, telecommunication, Internet, Hi-tech, automobiles, and other industries with its software factory model.

- **Focus on “Cloudization, Cloud Management, Cloud Native” Strategy to Create a New Growth for Full-Stack Cloud Intelligent Services**

  In the wave of global digital transformation, the Group further clarified its “cloud first” strategy. With the help of technology accumulation and customer resource advantages, the Group continued to develop cloud business, built end-to-end cloud service capabilities around “cloudization, cloud management, cloud native”, and built platforms and tools based on digital consulting. The Group joined hands with the ecosystem, enriched cloud solutions in the digital world, and promoted the intelligent journey of thousands of industries on the cloud and aspired to become the primary target of customers’ digital transformation and the most reliable co-creation partner. Currently, the Group has successfully built cloud service capabilities covering the full life cycle. The Group helped companies adopt cloud through the cloud brokerage platform “Huaxia Cloud” and its migration capabilities. The Group used the cloud management platform “CloudEasy” to manage cloud environments such as Huawei Cloud and Alibaba Cloud with one click and achieved enterprise multi-cloud management. The Group, through DevOps, micro-services, storage and other native cloud technologies and tools, continued to build cloud native service capabilities, extending to the top of the value chain. In addition, the Group also relied on years of industry experience to provide cloud solutions for customers in banking, insurance, securities, retail, transportation and other industries.

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

  Jointforce has made full efforts in the field of customised software and built an Internet platform for the software industry. Jointforce brought changes to the industry through wide-area connectivity, digital intelligence empowerment, and integrated innovation. Furthermore, it helped sort government data census and data resource catalogue to draw a digital map of the entire city and digital scene of the scenarios. Jointforce has become the best assistant for digital government construction, regional digital economic development, and industrial digital transformation and upgrading in the post-epidemic era. It has promoted Kunpeng and other Huawei ecosystems to take root in various places through ToG and ToB models, becoming a key force in the co-construction of regional integration and innovation ecosystem. It strongly adheres to its ideology of “Use the software industry Internet to support the construction of other industrial Internet and use the software industry ecosystem to promote the prosperity of other industrial ecology.”

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

  Almost all countries along the “Belt and Road” initiative have put forward their own national digital plans to integrate, drive and promote the urbanization process of each country. The digital “Belt and Road” is a huge business opportunity to export comprehensive solutions for “Digital China”. The Group now has long-term large-scale multinational customers including Huawei, HSBC, Microsoft, AIA, etc., has provided information technology services to customers in 32 countries around the world, and has accumulated a lot of experience in serving international customers. With the help of the digital “Belt and Road” tail wind, the Group will continue to expand overseas based on the existing global strategic centers of China, the United States, Japan, India, Singapore, Malaysia and other global strategic centers by combining product cooperation and industry cooperation with Huawei. Lastly, the Group will leverage its cloud-driven digital transformation services to consolidate the global full-service basic layout, and is determined to be the world’s Chinasoft International, establishing Chinese IT influence globally.

3. KEY ACHIEVEMENTS

3.1 Cloud Intelligent Services and Solutions

Cloud Services

During the reporting period, the Group firmly positioned itself as “Cloudization, Cloud Management and Cloud Native”, built a dual-wheel drive business model of service + platform, and strived to become the Top 1 cloud brokerage service provider in China. The Group built a triangle of cloud management, cloud professional services and cloud native business, improved customer conversion rate, enhanced customer loyalty, enabled digital transformation of customers through cloud native technology, to provide customers with one-stop “To Cloud” and “On Cloud” services.

During the reporting period, the Group successfully obtained the status of Huawei GP (Global Partner) and continued to establish more in-depth cooperation with Huawei based on its strategic cooperation of “sailing on the same boat” with Huawei Cloud. Currently, the Group has deployed 15 Huawei Cloud capability centers across the country, to support Huawei Cloud business, but also built smart city, smart parks, digital offices, DevOps platforms, hybrid cloud management and other solutions to help the digital transformation of government and enterprise customers. The Group successfully approached to the strategic opportunity of Tencent Cloud SaaS, and took Tencent Cloud “Qianfan Plan” as the anchor point for the in-depth cooperation between the two sides to expand the cooperation in government affairs, retail, and education industries.

- **Cloud Broker and Cloud Migration Services:** The Group has successfully obtained all related licenses of Cloud service, and the self-developed “one-stop” Cloud Broker platform “HuaXia Cloud” continues to upgrade iteratively. In addition to Cloud resources, “HuaXia Cloud” also adds its own cloud management services and solutions to effectively enhance the efficiency and customer satisfaction of business expansion. In addition, “HuaXia Cloud” provides support for the Group’s industrial cloud operation projects in Nanjing, Xiamen and other cities, which greatly improves service and management efficiency. In terms of overseas layout, the commercial ecological cloud platform was delivered and successfully accepted by the first overseas operator customer. In terms of industry customers, “Huaxia Cloud” broke through the customers of 3A grade hospitals and provided cloud service for business systems of many domestic 3A grade hospitals, to escort the fight against the COVID-19. During the reporting period, the Group became the officially designated regional authorised service center of Tencent Cloud, and introduced the service capability of the Group as a standard product to Qianfan Middle Platform of Tencent Cloud. In the field of government affairs, the Jointforce platform was introduced into Tencent’s government affairs solutions. In the field of education, with the help of online education solutions and cloud services, it cooperated with Tencent Cloud to launch new businesses (such as Dialogue Robot, IM, cloud function, on-demand service, education OMO products, etc.), and successfully expanded the top customers in the education industry. In addition, in the aspect of ability certification, the Group made a breakthrough in Tencent Cloud Technology Engineer, Tencent Cloud audio and video engineer, database CSP certification, and won the Excellence Award in the Tencent Cloud Audio and Video TRTC SDK Developer National Competition. During the reporting period, the Group became the cloud migration partner of China Mobile Suzhou Research Institute, to support the overall migration of multiple core systems, and provide mobile cloud with professional services, such as end-to-end cloud migration consulting, solution design, and cloud integration implementation. In addition, the Group continued to build cloud service capabilities around AWS, Microsoft Azure and Google Cloud (GCP). It has successfully signed a contract with HSBC for core system cloud migration and micro-service transformation project, and assisted HSBC in building a retail cloud platform based on AWS. The Group used self-developed automated tools to help AIA complete the experimental migration. In the future, it will gradually migrate AIA's back-end system, core system and front-end application to Azure.

- **Cloud Management and Cloud Operation Services:** The Group's "CloudEasy" has become the first digital transformation driver to get close to customers. The Group has been ranked TOP 3 in IDC China cloud management service market for two consecutive years, with its market share growing continuously and service competitiveness highlighted. During the reporting period, the Group newly released the SaaS version of the "CloudEasy" cloud management platform, which supports cloud management, cloud operation, cloud maintenance, cloud monitoring, cloud security and enterprise management, user management and other functions, and one-click management of Huawei Cloud and Ali Cloud and other cloud environment, to help customers obtain maximum service management capabilities on the cloud at the lowest cost. Among them, the hybrid cloud version of the multi-cloud management platform broke through the leading customers in the automotive industry. In addition, Huawei Cloud's carefully selected cloud disaster recovery services provided major customers in the communications and securities industries with full life cycle services ranging from disaster recovery consulting, disaster recovery implementation to disaster recovery exercises. During the reporting period, the industrial cloud development of the Group entered a diversified stage, with two new industrial cloud bases expanded from DevCloud Base to Kunpeng Industrial Park, AI Industrial Park, Industrial Internet Innovation Center, etc.. The amount of industrial cloud operation signing and promotion Cloud revenue has achieved rapid growth. During the reporting period, the Group continued to expand Microsoft's cloud business by relying on its US subsidiary Catapult overseas. The revenue of subscription services such as security implementation services Spyglass and Azure management services increased significantly, and the digital office product Fuse was transformed and upgraded to meet the market's demand for remote office, catering to Microsoft's strategy at the same time, jointly launched M365 solution with the partner Valo. The Group has obtained 14 gold competency certifications and three silver competency certifications of Microsoft, and has been selected as Microsoft 2020 Data Analytics Partner of the Year, U.S. Partner of the Year for Azure DevOps and Top Microsoft M365 Partner in the United States. Three areas of Modernization of Web Application to Azure, Windows Server&SQL Server Migration to Azure and Teamwork Deployment were promoted to Advanced Specialization.

- **Cloud Native Service:** The Group actively promoted DevOps expert consulting service, invested in self-developed tool chains, and helped government and enterprise customers build the endogenous capacity of digital transformation. In terms of industry, Cloud Native has continued to break through customers in government, retail, transportation, energy and other industries, completed the project delivery of the software development management platform of Longgang District Government Affairs Service Data Administration Bureau, and jointly completed the release of the overall solution with the customer. Overseas, the Group successfully delivered solutions to HSBC through "Micro Services + Cloud Services" based on its accumulated container and microservice technology capabilities. The Group has also successfully signed the Budweiser Power Platform project in China, breaking through the benchmarking customers in the retail industry, assisting Budweiser in completing the promotion of the global Power Platform and improving the energy efficiency of Budweiser's production. The Group will gradually build Microsoft Power Platform capabilities, complete Power Apps Gold Partner Certification, and incubate solutions for the medical industry and retail industry based on the Power Platform.

Big Data

In the field of Big Data and Artificial Intelligence, the Group introduced industry-leading architecture concepts such as DataOps and Data Hub, explored research and development and upgrades, and was committed to realizing digital transformation of government and enterprises that is tool-based, automated, and intelligent. During the reporting period, the Group broke through the benchmarking customers of digital consulting, completed the closed-loop digital transformation planning from consulting, implementation and construction to continuous operation, deeply engaged in the financial industry, and expanded its layout in strategic and emerging fields such as government affairs, real estate, railways and environmental protection and so on.

During the reporting period, Big Data business of the Group maintained its current position in the financial industry and continued to expand into digital and high-value businesses. In the field of banking, the Group combined Internet financial cloud, real-time computing, data resource directory and other technologies to design and build a data middle platform for customers, including a data service middle platform for a city commercial bank, to achieve data collaboration and improve the efficiency of business applications and decision making. The Group implemented the transformation of the new core data of two large commercial banks, started with data consulting, and gradually improved the service system of the data platform through unified data product catalog, index standard system construction and data asset inventory. The Group Assisted a large local bank to achieve transformation of retail strategy. In addition, the Group built a basic data platform for a provincial Rural Credit Cooperatives based on the Internet financial cloud products, creating a precedent for the implementation of financial cloud products in the financial industry, integrating intra-bank data and consolidating data value applications. In the field of insurance, the Group expanded the businesses of data middle platform, intelligent risk control, intelligent analysis, data display, intelligent operation and maintenance. Based on micro-service technology, the Group built a data middle platform for a property insurance Group, in which the part of data collection platform, realised data sharing for customers through a unified code entry, structure, and data view. The Group developed big data smart auto insurance pricing products, successfully won the bids for two large insurance Group projects, and took the lead to carry out data reporting business in the industry. In the field of securities, the Group maintained its leading position in data platform and system construction, and completed a cloud-based data middle platform planning project for a large securities institution. The Group participated in the research and development of big data platform in the asset management industry, and used open source big data technology to build enterprise-level big data platform. Lastly, the Group maintained close cooperation with Huawei, Transwarp, and Alibaba Cloud to provide solutions for core organizations.

During the reporting period, in terms of government affairs and public industries, the Group deployed a number of key cities in the field of digital government in the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei region, assisting the government big data bureau to promote the construction of a big data industry control platform and continuous operation mechanism, improving the management capabilities of digital government affairs and industry digital innovation, and establishing digital government affairs service innovation models, government data governance and data sharing service capabilities, and a scientific government data management maturity evaluation system. The big data business of the Group continued to develop steadily in the field of public security. In the data resource capability sharing platform project of a public security bureau in eastern China, through the construction of data development analysis center, algorithm service center, data asset center, service management center, operation monitoring center, data resource sharing platform portal, data operation and maintenance services and other functional modules, the Group provided safe, standard, full, and efficient data services for multiple smart police applications, promoted overall data quality improvement, enriched cross-police data sharing mechanisms, and improved emergency response capabilities. In the field of municipal environmental protection, the Group successfully completed the delivery of the management digital planning project of Beijing Enterprises Water Group Limited (BEWG). The Group planned a five-year digital transformation blueprint for its customer through the interpretation of corporate strategy, sorting business capabilities, and combining advanced digital concepts and practical experience at home and abroad, developed implementation roadmaps in terms of digital application, data architecture, data model, data governance, technical architecture, etc., which was highly recognised by the customer, becoming an important partner of Beijing Enterprises Water Group in the field of digital transformation.

During the reporting period, the big data business of the Group continued to expand in the field of large transportation. The Group maintained a leading role in the construction of intelligent data centers for airports, deeply explored the potential of project on the basis of benchmarks for airports and airport group customers, and developed new customer opportunities. The Group successfully won the bid and delivered the data service platform project of China West Airport Group. Through the platform, the data blocking points were opened up, the cost of data use was reduced and the value of data was increased. The Group successfully carried out the construction of the second phase project of the Intelligent Data Center of Beijing Daxing International Airport, and provided customer with normalised data operation services, providing a strong guarantee for the safe and orderly operation of the capital's transportation portal during the epidemic. In addition, the projects of Shanghai Airport Authority Data Center and Wuhan Tianhe International Airport have been operating steadily since their launch. In the field of railway, the Group signed a strategic cooperation agreement with a railway bureau group to use blockchain and big data technology to build a supply chain financial platform and business data center, and continued to carry out the construction of big data application systems in various professional sectors of the railway industry, including big data analysis of public works, electricity and power supply, passenger transportation intelligent decision-making assistance, data asset management and data middle platform, to realise the full integration of internal business data of the customer and promote the digital transformation and business innovation of enterprise.

During the reporting period, the real estate master data program of the Group expanded to the field of industrial park real estate, and successfully signed contracts with Wanda Real Estate data management and data middle platform, master data of UNI-HIKU, master data of Beijing Science Park Development (Group) and other projects. The Group built the master data system, data service platform, data management system, dynamic value management system, and business data related to the business support platform for the leading enterprise Wanda Real Estate. Through the implementation of business system application and the construction of data standard system and data service capabilities, the data of various business sectors can be opened up, and the accurate calculation and precise decision-making of core business index data can be realised.

During the reporting period, the Group successfully developed a number of large government and enterprise customers. The Group fully participated in the construction of basic platforms of China Railway Construction Corporation, including big data platform, cloud management platform, command and control IOC, etc., to help customer improve the overall level of information management and data decision-making capabilities. The Group worked with China National Nuclear Corporation to build an online supervision platform for state-owned assets and state-owned enterprises to promote the digital transformation of the nuclear industry. The platform has completed the index sorting according to the requirements of the State-owned Assets Supervision and Administration Commission of the State Council, and the results will be used as the data basis to build the "China National Nuclear Intelligent Big Data Platform".

Cloud Intelligent Solutions

- **Financial Services and Banking**

  During the reporting period, the financial services and banking business of the Group improved steadily, and 40 new customers including domestic and foreign banks, private banks, non-bank financial institutions and overseas financial institutions were added. Meanwhile, the Group continued to promote technological innovation and provide customers with technology empowerment, model innovation and business upgrading.

During the reporting period, in terms of large state-owned banks and national joint-stock banks, the Group provided a number of customers with professional services for digital transformation, including: localised replacement of operating systems, cloud platforms, databases, and middleware, self-developed technology platforms, operation and maintenance management platform, middle platform construction, as well as automated research and development, agile development, and system upgrade verification. In terms of regional commercial banks, it provided the planning and implementation of system distributed transformation, cloud-based reconstruction, cloud management platform, technology middle platform and business middle platform.

During the reporting period, the Group conducted in-depth cooperation with several technology companies of banks, and achieved fintech output in business innovation, industry cloud research and development, cloud architecture planning, and inter-industry promotion. In terms of large financial groups and non-banking financial institutions, the Group has conducted credit financing project cooperation with financial companies in financial real estate, bio-medicine, home appliance manufacturing, infrastructure construction and other industry groups, and provided services in Huawei cloud platform, cloud architecture design and development, application cloud migration and other aspects.

During the reporting period, the Group continued to invest in research and development on hot market trends, actively carried out business innovation, and completed several application product upgrades and building of technology platform. On the one hand, traditional superior solutions are evolving toward distributed and intelligent evolution in areas such as credit financing, payment settlement, credit cards, risk management, enabling the implementation of artificial intelligence, financial cloud services, big data in application scenarios. Furthermore, in the field of big data, the Group has conducted in-depth cooperation with a number of joint-stock banks, involving model mining, model operation analysis, federal modeling, database localization migration and transformation of data middle platform, marketing and risk control. In the field of intelligent robots, the Group provided SaaS services based on Huawei Cloud and realised cross-industry applications. In addition, based on the Huawei Kunpeng platform and Gauss DB, the Group completed the localised adaptation of products such as intelligent customer service, data asset management, real-time anti-fraud, intelligent real-time risk control, next-generation bill management, and direct-link transactions at the ticket exchange, which have entered the solution product catalog of Huawei. The Group maintained a leading position in the field of integrated supply chain finance solutions and actively seeked cross-industry application of supply chain in the financial field. The enterprise-level integrated supply chain service platform based on block chain has been piloted in large state-owned enterprises. Financial card-based products continue to innovate around the market, upgrading products in areas such as face payment, cross-border payment, payment platform, QR code industry applications, tokenization, sub-account products, receipt platform, UnionPay and foreign card pre-positioning. Lastly, relying on the advantages of financial card-based products and capabilities, it actively participated in the digital currency construction of many state-owned major banks and city commercial banks.

During the reporting period, the Group maintained long-term cooperation with dozens of foreign bank customers in Europe, America, Japan, South Korea, Southeast Asia, Australia, etc., covering more than 90% of the domestic foreign customer market. In addition, the Group also conducted new project cooperation in the fields of TIPS, Electronic Commercial Draft and commercial paper exchange solutions, online payment, bank-enterprise direct connection, credit reporting, regulatory risk control. In terms of overseas customer development, the superior solutions of the Group, such as precision marketing, intelligent risk control and data platform replacement, have been implemented in well-known banks in Malaysia, and the intelligent marketing application products and the overall solution of Huawei's big data platform have been promoted in a number of customers in Southeast Asia.

- **Insurance and Securities**

During the reporting period, the insurance business of the Group grew steadily. While continuing to focus on the leading customers in the industry, it kept up with the pace of industrial structure optimization and intelligent core construction. It developed solutions in the fields of e-sales brain, auto insurance pricing, intelligent security, data middle platform, IFRS17, APaaS, and successfully deployed them in several large insurance institutions.

During the reporting period, the insurance data management and control platform of China Reinsurance Group was successful launched, which provided basic platform support and data management tools for customer data management and control, solved the pain points of non-concentration of metadata, non-standard of data models, and non-uniform data standards in customer's systems, and effectively improved the accuracy, consistency and completeness of data, and set a benchmark in the reinsurance industry. The successful application of intelligent pricing products in projects such as the Auto Insurance Pricing Decision Analysis System of China Insurance and the Auto Insurance Pricing Assistant Decision System of China Life Property & Casualty Insurance further consolidated the capabilities of the Group to solve intelligent auto insurance pricing problems. In addition, the Group set up a financial actuarial team in the field of IFRS17 and established cooperative relationships with well-known consulting firms such as PricewaterhouseCoopers and Accenture to form a number of solutions including data middle platform and IFRS17. At the same time, the Group strengthened the binding with Alibaba Cloud, ZhongAn Technology, and other partners, and launched the 2020 CPIC IFRS17 life insurance actuarial reserve transfer project and the IPS-IFRS supporting project of CPIC Life Insurance, which marked the official implementation of IFRS17 in CPIC and became the vane in the field of IFRS17.

During the reporting period, the Group further made efforts in the field of intelligent insurance. Combined with knowledge base platform and operation platform, the intelligent platform of claim settlement developed by the Group created a solution of fully automated claim settlement based on cost details by means of the rule engine, AI engine, and risk control engine. Furthermore, APaaS-HZY products for all kinds of recruitment scenarios and roles of insurance employees in the mobile innovation have been developed and completed, and officially promoted in the market.

During the reporting period, the Group's securities business maintained a leading edge both in data and core system, extending from traditional and advantageous business to capital market monitoring, controlling and service institutions. In the supervision organization, the subproject of the central database China Securities Regulatory Commission undertaken by the Group is the first landing project based on the industry model and standard of China Securities Regulatory Commission. Based on the needs of data governance, the project realised the merging and standardization of original data according to the business theme by carrying out the construction of the middle layer, eliminated the data ambiguity and confusion, promoted the sharing of cross departmental information resources, and improved the efficiency of data use. It laid the foundation for promoting the analysis work of capital market data to fine direction, service supervision, and supporting the whole process supervision of the capital market and supervision of the cross market. In financial infrastructure customers, the Group continued to maintain the leading position in the construction of data platform and related systems. The Group won the bid of big data supervision technology of Shanghai Futures Exchange, data infrastructure of National Equities Exchange and Quotations, BPM system of National Equities Exchange and Quotations, information service platform of National Equities Exchange and Quotations and more projects; at the same time, the Group won the bid of big data public opinion project of Shanghai Futures Exchange in cooperation with Transwarp, and won the bid of big data platform project of Shanghai Clearing House in cooperation with Alicloud Big Data. In addition, the Group completed the cloud data platform planning of a large securities institution successfully, and smoothly launched the new generation of data warehouse and warehouse market of China Central Depository & Clearing Co., Ltd., and unified portal of National Equities Exchange and Quotations. Meanwhile, the Group actively carried out business innovation and product upgrading, forming the solutions such as big data bond rating system and marketing management platform for asset management industry and cloud deployment.

- **Retail**

  During the reporting period, the Group has made great efforts to develop new retail business. The Group has developed and launched digital solutions such as intelligent stores, business platform and data platform, as well as cloud store O2O platform products based on Huawei AI ModelArts. The products have been successfully marketed in Huawei Cloud Marketplace, including the intelligent shop patrol, cloud POS, passenger flow analysis, commodity identification, virtual shelf, precision marketing and more functional features. It helped retail enterprises to create business models and marketing means and strengthened the advantages of store position. New retail products of the Group were distributed in liquor and spirits, food, supermarket and leading retail enterprises. The Group made the "digital marketing" to be the pushing force and promote the digital transformation of retail enterprises, created "digital products, digital channels, marketing digitalization, and assets data" for Wuliangye and Jinhui liquor, established the business platform for Three Squirrels, supporting the multi-scene front-end applications, and successfully carried out the transformation of intelligent store for Wumart and ChangKeLong and so on.

- **Transportation**

  During the reporting period, the Group's transportation business has formed a business layout step by step, including the rail, airport and port. The Group has made a significant breakthrough in cloud and intelligent solutions. In rail transit, the Group deeply integrated cloud computing, big data, AI and other emerging technologies with industry business. The cloud service stack of fully automatic fare collection that created by the Group has been successfully launched in Changsha, Ji'nan, Luoyang and Jinhua. In rail transit ticketing clearing system, the market share continued to be the first in China, covering customers in Changchun, Ji'nan, Qingdao, Lanzhou, Chongqing, Nanchang, Xiamen, Luoyang, Jinhua, Yiwu, Dongyang and so on. In civil aviation business, in addition to the existing customers of CAAC, airport and aviation department, the Group signed strategic cooperation agreements with CAAC Northwest Regional Administration and Tertiary Northwest Electronics Co., Ltd., expanding new customers related to China Air Transport Association. Taking this opportunity, the Group actively promoted the digital transformation business of air traffic control, landed in CAAC Northwest Regional Administration with the project of intelligent tower. In air traffic control, the Group made breakthrough and completed the full coverage from CAAC, airport and aviation department to air traffic control. The Group promoted intelligent port e-commerce, paperless port, intelligent port logistics, multimodal transport and other solutions, and expanded new customers such as Shandong Port Group and Tianjin Port Group on the basis of cultivating benchmark customers such as Ningbo Zhoushan Port, Beibu Gulf Port and Qingdao Port and so on.

- **Government and Enterprise**

  During the reporting period, the Group further expanded the market share of solutions for intelligent park based on cloud foundation. It is the first provider that developed 5G + intelligent park service jointly with Huawei among the partners. The Group released the intelligent park 6+1 application baseline version. Combined with the Group's digital asset management, multi cloud operation and maintenance service capabilities, micro service framework and software development capabilities, the Group created a comprehensive solution with industry attributes for intelligent park to tackle the industry pain points of exhibition halls, big state-owned enterprises, higher education, manufacturing logistics, real estate and other enterprises of the government. Furthermore, the Group has the experience of delivery successfully in higher education, real estate, manufacturing and distribution, venues, airports and other parks. The baseline application of intelligent park has passed cube integration certification of Huawei Park. In ecology, the Group has cooperated with more than 80 ecological partners in robotics, parking management, catering and access control and so on to develop solutions and has been selected as Huawei's certification and integrated service partner. In addition, the Group comprehensively upgraded the digital office cloud solution for enterprises, continuously enhanced the ability of liberating cloud disk SaaS products, and promoted it in multiple channels at the same time. The Group cooperated with Huawei to build a new brand of "Cloud Speed Cloud Disk". As Huawei's own brand, the amount of contract signing exceed one million within one month after it was marketed. In the deployment of private cloud version, the Group continued to deliver to domestic key customers. In overseas layout, the Group's digital office cloud solutions have been delivered to key operators and bank customers in Southeast Asia, the Middle East, North Africa and other regions.

During the reporting period, the audit business of the Group maintained the leading position in the market. While the audit business is growing in the national market continuously, the Group has been working hard in banking audit and enterprise audit, and successfully transformed into the delivery mode of "platform products + business implementation", opening the strategic cooperation with China Mobile and Ping An. In national audit, the Group successfully signed contracts of audit projects in Shaanxi, Guangdong, Shanghai, Zhanjiang and Shandong, successfully expanded the projects in Chaoyang District and Xicheng District of Beijing, Suqian of Jiangsu Province and so on, and the audit projects undertaken by the Group in Jiangxi, Qinghai and Changde have been successfully checked and accepted. In financial audit, the Group signed contracts of audit projects with Huaxing bank, Taicang Rural Commercial Bank, Ningbo Commercial Bank and so on. In financial risk control, the Group provided market operational risk system and operation and maintenance services for banks and securities companies, successfully signed contracts of projects with Huatai Securities and Huarong Xiangjiang Bank, carried out the operational risk projects for Shanxi Rural Credit and Yunnan Rural Credit, and launched market risk projects for Huatai Securities and Changsha Bank. In enterprise audit, the Group has successfully expanded business with China Railway Construction, successfully signed contracts of audit optimization projects with Huaneng, Dongfeng, BOE Phase II, Hikvision and so on, and also helped China Electronic Technology Group to complete the planning of large regulatory system. In addition, with experience of the project and continuous hardworking in the market, the Group has successfully developed the full coverage system of department budget, audit analysis platform in district and county, bank off-site audit analysis platform, enterprise audit management platform and etc.

During the reporting period, as the integrator and core application developer of the national animal husbandry comprehensive information platform of the Ministry of Agriculture and Rural Affairs, the Group has completed the unified promotion and application work nationwide, including the launch of livestock and poultry production and operation license, pig breeding, cattle breeding, silage feed and animal husbandry and breeding agricultural production; the Group has gained the "product copyright of breeding livestock and poultry business license supervision and big data analysis platform" through the deep research and independent research in the core data field of animal husbandry; the agricultural rural statistical filling platform undertaken by the Group has promoted a cloud version, which has the capability of mobile data collection, achieving the submission, review and summary among 4 levels of county, city, province and country. It realised the logical isolation of submission mode between the national users and provincial users by SaaS tenant framework. Now, the platform has been applied in agricultural plant protection and animal husbandry of the Ministry of Agriculture and Rural Affairs. Lastly, the training of plant protection statistics filling has been completed in Shanxi, Xinjiang, Yunnan, Henan and Jilin, which highly approved by users at all levels.

During the reporting period, the first phase project of Yunnan ecological environment enterprise government service platform undertaken by the Group has been launched. It realised the data archiving, data dynamic management, identity authentication for business systems and the whole process tracking management of government service business, which can be connected to the provincial self-built system and the national unified construction system at the same time. In addition, with the experience of emission permit supervision and fixed pollution source supervision projects in Yunnan, the Group developed the big data analysis platform solution, which winning the "copyright of emission permit supervision and big data analysis platform". The Group also signed the contract of service projects for environmental assessment and emission permit supervision platform service project in Yunnan. It set up a unified "one license" management platform for fixed pollution sources with emission permits as the core. For the fixed pollution sources, it supervised the whole process, coordinated and controlled the multi pollutant from pollution prevention to pollution regulation and emission control.

During the reporting period, the Group's social security business has been advancing steadily. Currently, the Group has completed the access to the remote transfer system platform of the Ministry of Human Resources and Social Security all over the country, docking with the national public service platform, and canceling the paper business processing, realizing the online application business transfer and the electronic transfer of endowment insurance, and promoting the trans-provincial business scope. The national treatment qualification authentication system undertaken by the Group has been upgraded. With the face recognition technology, the project realised the remote assistance authentication. Furthermore, it has connected with overseas authentication system, realizing the qualification authentication business for overseas treatment receivers. The Group collected the external data of public security, medical treatment, travel and justice and made comprehensive data analysis by means of big data analysis technology, reducing pension fraud and pension loss. The Group undertook the construction of the fund supervision system of the financial insurance project, which helped the local governments to verify and investigate a large number of illegal problems, effectively safeguarding the fund security. The development of the second phase of expansion project of the fund supervision system has been completed. It will be piloted in Shanghai, Shandong, Hubei and Guizhou. Lastly, the Group also expanded and undertook the social security information system of large state-owned enterprises like Southwest Railway Group and etc.

3.2 Industrial Internet Platform – Jointforce Platform

During the reporting period, in customised software, Jointforce gave full play to the role and upgraded the software industry internet platform. Focusing on the vertical scenarios and series of contact products and services, it built a complete arrival link, supply and demand service closed loop by the efficient connection between platforms, products and services. The platform has accumulated 474,000 programmers, 63,000 registered suppliers, with a demand amount of RMB 7.68 billion, and 48,000 enterprise accurate portraits have been completed.

During the reporting period, Jointforce Platform was upgraded. The big data platform has collected the depiction information about 300,000 enterprises and industry experts. The enterprises include purchasing units, service providers and so on. The depiction dimensions are increased from 22 to 40. After upgrading the industrial Internet platform, the R&D efficiency was increased by 30%, the accuracy of intelligent matching and recommendation engine was increased by 35%, and the order conversion rate was increased by 10%. After upgrading the business platform, the system iteration efficiency was increased by 35%, and the management efficiency is increased by 30%. Moreover, the staff cost was reduced by 40%, the user activity was increased by 40%, and the website bounce rate was reduced by 50%.

During the reporting period, Jointforce cloud code intelligence launched nationwide, covering 70 cities. The Group has signed platform strategic cooperation agreements with 23 city governments. The business of code intelligence collection was actively carried out in Nanjing, Xi'an, Wuhan, Chengdu, Ji'nan and so on. It set up the national information government procurement knowledge map capability, improved the government procurement performance in the form of big data service; and the business of code intelligence monitoring was promoted in Beijing, Nanjing, Xi'an, Chongqing, Wuhan, Lanzhou and so on, forming a digital supervision management standard system for software engineering. It derived the performance acceptance management, digital supervision service, life cycle management consulting services and other value service systems, constructing a closed-loop service with the procurement service; and as for the business of code intelligence management, the Group cooperated with the big data departments in 17 cities. It provided online project management and control, project delivery management, professional project consulting and so on for the regional digital government construction project by means of the cooperation mode of platform + operation.

During the reporting period, Jointforce Cloud Software Park expanded 4 parks, providing services for software parks in 17 cities in total. It has launched the Wechat Mini Program of cloud software park 2.0, which enables enterprises to match online intelligently and obtain declaration policies, helping enterprises operate declaration process more quickly and accurately, and improving the efficiency and success rate of policy declaration for the enterprises, helping small and medium-sized science and technology enterprises to develop quickly.

During the reporting period, Jointforce "Plan Z" upgraded the product service capacity, set up IT talent knowledge map, so that the talent matching can be more accurate; Jointforce Park achieved the regional layout, covering 14 cities. So far, "Plan Z" has settled in more than 1,000 suppliers and contracted RMB600 million.

During the reporting period, the Group has successfully signed contracts with Huawei Kunpeng for the industrial cloud project relying on the nationwide urban layout of Jointforce, thus set up Kunpeng application system transformation platform and solution incubation platform. Furthermore, Jointforce won the award of "National Government Procurement Innovation Service Cloud Platform", which was jointly issued by the government procurement information daily and government procurement information network, and won "2020 Innovation Cloud Service Platform" issued by China Software Industry Association, and was even shortlisted in "Epidemic Prevention and Control Solution Project" of China Information Technology Industry Federation.

3.3 Digital Operation

During the reporting period, the Group greatly developed digital operation business to face digital transformation enterprises and move forward by technology innovation, including artificial intelligence basic data service, content audit, customer service, business process outsourcing (BPO) and so on. Relying on BPO "digital factory" in Ma'anshan, the Group achieved rapid growth in digital operation, leading to expansion and breakthrough in overseas markets.

During the reporting period, the Group's AI basic data service was supported by AI+RPA, and the intelligent technology was improved both in quality and efficiency. The Group improved the service catalog continuously and achieved business growth rapidly. The service catalog has covered the computer vision, intelligent voice, natural language processing, automatic driving and sub-category of these, and the service of intelligent character recognition (ICR) has launched in the market of Tencent Cloud SaaS. The Group further upgraded the data acquisition and annotation operation system, thus the new knowledge map module and intelligent data preprocessing module were improved further with customised service according to the customer requirements. The Group has expanded in many fields including technology giants, traditional household appliances, intelligent home, and intelligent terminals and so on. Furthermore, the Group continuously expanded the cooperation with Huawei, Baidu, Ali, Tencent, Konka, ArcSoft and so on. The Group became the largest offshore delivery supplier of ArcSoft due to the high-quality delivery. Lastly, the Group launched the overseas version of intelligent voice acquisition module, and won the bid of Microsoft BingMap, multilingual data image collection, Swiss dialect voice acquisition successfully.

During the reporting period, in content audit, the Group insisted on R&D, continuously applied the innovation tool, and promoted the fine production and improved the efficiency. The Group expanded service capabilities including compliance audit, safety audit, manual collection audit, and content quality audit and so on, enhanced the delivery capacity in many regions like Dalian, Ma'anshan, Chengdu and so on. The Group has built an audit system and online training and examination system, which integrated task operation, quality control and quality inspection, automatic verification, process management and more functions, helping the business team to improve team operation ability. During the reporting period, the Group has also cooperated with Tencent Focus, Meituan, Kugou Music and more enterprises. And according to the compliance audit of Meituan, SLA ranking has been in the first among the suppliers. Lastly, the Group has expanded the customer service business, covering Meituan take-out telephone sales, outbound quality inspection and audit, live streaming of online customer service and so on.

During the reporting period, the Group continuously expanded the business of intelligent business process outsourcing (BPO) in Japan. It created new business value, maintained the market competitiveness, and ensured the sustainable development of BPO business in Japan by digital technology like ICR, RPA and so on. In intelligent BPO business, the Group has the intelligent financial audit, automatic login, audit and supervision and so on. The Group constantly expanded the application of ICR technology in various businesses while achieving innovative breakthroughs by means of ICR+RPA, continuously upgrading the existing underlying construction and identification algorithm of ICR. Furthermore, the Group has successfully expanded Kansai Electric Power in the field of energy public utilities and ZIP in the field of circulation, realised Multi-industry layout of BPO in Japan, including finance and insurance, commodity manufacturing, commodity circulation, education and publishing, energy and public utilities, construction, communication and IT information, and expanded the business layout in Hokkaido, Okayama and so on.

3.4 Software and Technology Service

During the reporting period, the Group integrated the professional service ability and management ability accumulated through long-term cooperation with Huawei, HSBC and other major customers, built a software factory integrating consulting and diagnosis, process management, IT tools and delivery services, comprehensively upgraded traditional IT services, and provided software and technical services including design, development, testing, operation and maintenance for customers. Based on the in-depth expansion of existing vertical customers in finance, telecommunications, Internet, high technology and other industries, the Group successfully expanded customers in the automobile industry.

Finance

During the reporting period, in the face of severe challenges in the global economic situation, the Group's business in HSBC grew against the trend. The Group continued to export technical solutions and high-quality services to help HSBC Group cope with the compliance requirements in China, completed the layout of GBA, and quickly responded to the needs and changes caused by the epidemic. During the reporting period, the Group undertook the construction project of China's domestic transaction data center of HSBC to realise the localised storage of China's regional transaction data; the Group established BBDM, GBA and E-commence teams to help the business layout of HSBC in GBA; completed the construction of data cloud and data service platform of HSBC, enhanced the ability of HSBC business to respond to the epidemic quickly and realised the goal of risk management data control business grew significantly. In Hong Kong, the Group assisted HSBC to successfully launch HK Mobile x 3.0 and upgrade HSBC personal bank to version 3.0; in Macao, the Group assisted HSBC to launch mobile app to help HSBC become the first bank to realise mobile payment and QR code payment in Macao; in Malaysia, the Group assisted HSBC to launch payment installment function of Malaysia personal bank and completed the migration of old systems.

During the reporting period, the Group continued to assist the digital transformation of Hang Seng Bank. The successful launch of Hang Seng New Commercial Bank's remote account opening project greatly shortened the account opening time of enterprise customers; the successful launch of cash payout project supported the "cash distribution plan" of the Hong Kong government, making the coverage rate of digital channels such as mobile banking and online banking reach 90%.

During the reporting period, the Group's Ping An Series business grew rapidly, making full efforts in banking, ONE CONNECT, insurance and other fields, opening up 9 new customers. In the field of retail banking, the Group has built a platform based on the customer Open Bank's "capability opening" goal, and has access to hundreds of API interfaces, covering the product capabilities of accounts, financial management, payment and margin. The Group comprehensively promoted smart operation 3.0 under the intelligent OMO service system, and assisted Ping An in building a high-quality operation system. In the field of ONE CONNECT business, the Group has won many projects, such as smart economic division, phase II of smart decision-making platform, optimization of project management platform, optimization of financial profit and loss system, and mobile terminal of man hour reporting. Among them, the Group gave solutions based on smart economic division projects to provide important support for subsequent market expansion. In the field of insurance, the Group successfully delivered Ping An Property Insurance Project and signed the "Safety Liability Insurance" solution agreement with Ping An Property Insurance, laying the foundation for expanding business output in the same industry. The Group successfully implemented the standard projects in the fields of medical insurance technology, smart medical care, smart education, smart law, and smart enterprise. Lastly, the Group signed a cooperation agreement with Ping An medical group, realizing the Group's breakthrough from 0 to 1 in the field of medical insurance technology.

Telecom

During the reporting period, the Group deeply cultivated telecom operators, main equipment suppliers, pan equipment suppliers, ODM manufacturers and other customers, provided them with wireless, network, end side, data communication, enterprise equipment business technical services, built core capabilities, realised technical capability cooperation and upgrading, and became ecological partners with them to achieve win-win cooperation. Among them, the Group has achieved steady and high-quality growth in the business with two major customers, China Mobile and China Telecom, maintained the advantages of core suppliers, and constantly explored the types of project cooperation to expand the business share.

During the reporting period, the Group's business scale with China Mobile grew rapidly with the two growth drivers of government enterprise business and new business. In terms of government enterprise business, the Group continued to expand its bid winning share in China Mobile cloud capability center, multiple industry research institutes, government enterprise branches, Internet of things, etc. The Group successfully became the first batch of suppliers in the cloud migration cooperation field of China Mobile cloud capability center, and was shortlisted in the cooperation framework; the Group won the number one share in Shanghai Industry Research Institute, and became its TOP 1 supplier; the Group won the China Mobile smart construction site project, realizing the business breakthrough of government enterprise solutions; at the same time, the Group undertook China Mobile's industrial Internet, safety supervision cloud, regional industrial cloud and other projects to establish the delivery capacity in the field of industrial Internet. In terms of new business, with Migu Group as the core, the Group continued to improve customer satisfaction and business share. In addition to winning the first bid, it added Migu Running and other operation support projects, and became the TOP 1 supplier of Migu Mutual Entertainment. During the reporting period, the Group's business scale with China Telecom grew steadily, and the Group's business share in Tianyi E-commerce, China Telecom cloud computing, China Telecom electronic channel center, China Telecom integration, Gansu Wanwei continued to expand; it won the first share in the Telecom terminal Group, and won several projects in China Telecom Hongxin, Tianyi Internet of things, etc. The Group maintained its advantages as the largest supplier in Tianyi E-commerce, China Telecom Integration and China Telecom Electronic Channel Center, and has signed a strategic cooperation agreement with Jiangsu Telecom. In addition, the Group's business with FiberHome, Dingqiao Communication, Datang and other customers grew steadily, and a number of key customers continued to maintain the first advantage in share and completed the business layout of a number of important customers around the 5G equipment industry chain. Among them, the Group deeply participated in the research and development of a number of heavyweight new products of Dingqiao communication in 5G + AloT, and became a comprehensive partner of Dingqiao ecology; furthermore, the Group provided technical services for the 5G business of the operator won by FiberHome, the intelligent network vehicle road collaboration project and the operator 5G base station business won by Datang which made new breakthroughs in the 5G business field.

Internet

During the reporting period, the Group continued to deeply cultivate the Internet industry, accelerated the penetration of Tencent, Alibaba, Baidu and other important customers, while maintaining the leading position, continuously expanded the well-known Internet enterprise customers such as Bytedance, Netease, Meituan and JD, deeply explored customer business scenarios, accumulated excellent practices such as digital operation services, and committed to long-term ecological cooperation with customers, promoted the business upgrading and operation mode reform of Internet enterprises.

During the reporting period, the Group continued to strengthen the depth and breadth of cooperation with Tencent, strived to expand its leading edge, continuously improved its service ability, innovate value with customers, and upgraded its strategic cooperation mode. The Group continued to maintain the top 1 supplier share in Tencent Interactive Entertainment Group (IEG), and has become a dedicated supplier for its art design positions. The Group and Tencent Platform and Content Business Group (PCG) added a new cooperation mode to improve management efficiency.

During the reporting period, the Group's business with Alibaba and Baidu continued to grow steadily, and won the first place in the comprehensive evaluation of suppliers in both Alibaba ITO and BPO business areas, and opened up cooperation opportunities in emerging areas such as Alibaba cloud GTS finance and Amap; the Group's business with Baidu upgraded to A-level supplier during the reporting period, and successfully entered the short list of Baidu and iQIYI BPO suppliers.

During the reporting period, the Group successfully expanded the business with Bytedance, JD and Netease, and achieved rapid growth. The Group has signed a full category game business cooperation with the 101 studio of Bytedance, and reached three major business sectors (Toutiao, Mutual Entertainment and new business sectors) throughout the year. It has successfully entered the ranks of core suppliers, covering all the needs of existing sectors in Greater China, laying a solid foundation for the doubling growth of business scale in 2021. In JD, the Group has fully opened business cooperation in four major sectors, including JD retail, JD logistics, JD digital technology and JD cloud, and has successively reached a number of cooperation projects, such as cloud migration service and APP construction; the Group's business with Netease covers Netease games, Netease Research Institute, etc. In terms of regional layout, the above businesses covered Beijing, Shanghai, Shenzhen, Guangzhou and other key cities.

Hi-Technology

During the reporting period, the Group's business with Microsoft grew steadily, and new opportunities for cooperation with Microsoft's gaming business and basic data business were realised. Through high-quality automated testing and localised delivery, the Group has reached a cooperation with Microsoft gaming business and won the signing of FY21 project of Microsoft Minecraft game business; through the ability of copying Group's Internet data annotation business, the Group has broken through the cooperation with Microsoft data acquisition annotation project for the first time. In addition, in the cloud business of Microsoft, the Group has won the bid for the strategic R&D project of Microsoft Azure Spring Cloud platform and implemented the Azure India operation project.

During the reporting period, the Group helped manufacturing enterprises improve their process automation capabilities through RPA solutions, successfully signed TCL electronic process automation project, provided customers with planning and implementation services of RPA centers of excellence, promoted process automation within customers, broadened customers' overseas channels, and greatly improved the work efficiency of the financial department.

During the reporting period, the Group made further breakthroughs in the field of intelligent terminal business, and deeply cooperated with Haier, iFLYTEK, OPPO, Xiaomi and Wingtec. The Group has successfully become one of Haier's top ten preferred suppliers and ranked second in iFLYTEK's supplier assessment. The Group also expanded new business areas such as Internet, COO system and Andes system in OPPO, and its business scale has increased rapidly. In addition, it has signed a strategic cooperation agreement with Wingtec, a leading ODM manufacturer.

During the reporting period, the Group's business in the field of logistics developed steadily. The Group's business covered more than 20 SF companies in the field of express, cold chain, intra city and international logistics, including SF Intra City, Shunlu Express and Fengtu Technology, realizing multi regional delivery in Shenzhen, Wuhan and Chongqing. In addition to SF, the Group has also successfully expanded new customers in many logistics fields, such as Jusda, Fengtu Technology, 4PX Express, JD Logistics, etc.

During the reporting period, the Group's business made a breakthrough in central enterprise technology Group, successfully won the bid of CNPC's operation and maintenance and development testing technical service project and became the exclusive supplier of operation and development project of MCC Architectural Research Institute.

During the reporting period, the Group's business in the real estate industry continued to make breakthroughs. In the field of real estate ERP customization and implementation, the Group is the leading service provider of Mingyuan cloud business, and has reached a strategic cooperation with Kingdee to become its gold medal partner of Cloud Sky Ecology; in the field of intelligent real estate, the Group has successfully won the bidding for Mingcheng Green Valley, Sunshine Health and many other homestead operation projects; in the field of architectural design, the Group continued to deepen the cooperation with ECADI to develop CHIDI and SIDRI. Lastly, the Group has also successfully expanded Wanda, Poly Real estate, MCC Construction Research Institute and other leading industry customers.

During the reporting period, the Group made a breakthrough in the field of education. The Group has completed the preliminary construction of the national teacher criminal record query platform, and the online teacher title evaluation has expanded to 10 provinces in China, helping the education authorities to realise the reform of "run at most once" in advance.

Automobile

During the reporting period, the Group began to lay out its auto business. The Group and FAW officially signed a strategic cooperation agreement. The two sides carried out strategic cooperation in six aspects: digital transformation consultation, digital business scene innovation, government enterprise market product promotion cooperation, software engineering management system empowerment, human resource service guarantee, and cultivation of innovative and compound talents in the field of intelligent networked automobile. The Group cooperated with FAW Hongqi, FAW Volkswagen, FAW Jiefang, FAW Pentium, FAW holdings and other FAW Group subsidiaries to carry out software R&D business. In addition, the Group has successfully reached cooperation with Qiming Information Technology Co., Ltd., a subsidiary of FAW Group, to provide the industry-leading "software factory" management consulting services in terms of quality management system design, process management system design, integrated product development process architecture and development mainstream process design, product development team and outsourcing management system design to help FAW Group realise digital R&D management.

3.5 Huawei

During the reporting period, the Group's business with Huawei continued to grow steadily, helping Huawei's innovation ecology, such as HiLink and HiCar, to contribute to the prosperity of ecology. In 2020, the Group became the first partner to sign "HiLink Ecological Solution Service Cooperation Agreement" with Huawei and won Huawei HiLink "Excellent Partner Ecological Enabling Service" Award. The Group's self-developed HiLink access module helped dozens of manufacturers in smart home, sports health and other fields to access HiLink ecology. In the future, it will strive to become a full range of ecological enabling service providers.

During the reporting period, the Group ranked first in the performance evaluation of Huawei's R&D outsourcing suppliers, taking the absolute lead in share, quality and efficiency, and further becoming Huawei's strategic supplier. The Group has also established a variety of product cooperation modes around Kunpeng, Gauss, WeLink, Smart Screen, etc., successfully breaking through and delivering a number of projects in key industries such as government and enterprise, finance and manufacturing. At the same time, the Group's Co-sell business achieved the signing and delivery of new projects of Malaysia Telecom despite the overseas market were greatly affected by the epidemic.

During the reporting period, the Group rapidly promoted the standardization construction of software factory in terms of knowledge management, software engineering capability consolidated and systematic support, optimised and improved the Group's production efficiency through the efficient and high-quality delivery of software workshop mode, and formed the differentiated competitive advantage of Huawei's traditional business. In addition, through the guidance of software engineering capabilities and product consulting services, the Group effectively promoted the software workshop model in Huawei and other key account like Huawei, realised rapid horizontal replication of capabilities, comprehensively quantified construction achievements, and strived to build a solid foundation for the digital "Iron Army."

During the reporting period, the Group completed the first acceptance certification of SD2.0, which was recognised by customer experts. The Group also assisted Huawei and the National Information Security Center to jointly issue the implementation guide of ISO 2.0 compliance, and the passing rate of the trusted examination was 100%.

In 2020, the Group's businesses achieved a contrarian growths. The Group's revenue, service revenue, profit, profit attributable to the owners of the Company and basic EPS increased by 17.1%, 18.3%, 25.3%, 26.5% and 23.3% YoY respectively.

	2020 RMB'000	2019 RMB'000	% Increase (decrease) over the same period last year
Revenue	**14,101,239**	12,041,895	17.1%
Service revenue	**13,762,185**	11,636,730	18.3%
Profit for the year	**948,113**	756,686	25.3%
Profit for the year attributable to owners of the Company	**954,928**	754,888	26.5%
Basic earnings per share (cents)	**37.86**	30.71	23.3%

KEY OPERATING DATA

	2020 RMB'000	2019 RMB'000	% Increase (decrease) over the same period last year
Revenue	**14,101,239**	12,041,895	17.1%
Service revenue	**13,762,185**	11,636,730	18.3%
Cost of sales and services	**(9,982,755)**	(8,458,802)	18.0%
Gross profit	**4,118,484**	3,583,093	14.9%
Other income	**312,821**	177,811	75.9%
Loss from derecognition of financial assets measured at amortised cost	**(1,201)**	(4,544)	(73.6%)
Impairment losses, under expected credit loss model, net of reversal	**(161,384)**	(74,812)	115.7%
Impairment loss on goodwill	**(21,857)**	(35,760)	(38.9%)
Impairment loss on investment accounted for using the equity method	**(15,878)**	–	N/A
Other gains or losses	**(14,902)**	849	(1,855.2%)
Selling and distribution costs	**(729,409)**	(617,554)	18.1%
Administrative expenses	**(1,301,981)**	(1,195,874)	8.9%
Research and development costs	**(930,169)**	(808,949)	15.0%
Other expenses	**(43,786)**	(58,929)	(25.7%)
Finance costs	**(151,458)**	(166,045)	(8.8%)
Share of results of investments accounted for using the equity method	**(24,435)**	(328)	7,349.7%
Profit before taxation	**1,034,845**	798,958	29.5%
Income tax expense	**(86,732)**	(42,272)	105.2%
Profit for the year	**948,113**	756,686	25.3%
Profit for the year attributable to owners of the Company	**954,928**	754,888	26.5%
Basic earnings per share (cents)	**37.86**	30.71	23.3%

GENERAL OVERVIEW

The year 2020 was an extraordinary year. In the face of the severe impact of the new Coronavirus disease (COVID-19) and the complex and severe external environmental challenges, the Group maintained its confidence firmly, adhered to epidemic prevention, operated healthily, and maintained its strategic determination. Seizing the opportunity of digital transformation, the Group achieved sustained and stable business development, and its revenue and profit hit a new high since listing. The Group formulated a long-term development strategy for large customers, continued to consolidate the cornerstone business focusing on technical professional services and solutions, and committed to productizing the cornerstone business and achieving high-quality expansion. Furthermore, the Group expanded its cloud intelligence business comprehensively, leading the Group's second growth curve. The Group firmly believes its "one blueprint to the end" vision and will continue to establish its domestic presence while expanding its layout globally. Lastly, the Group continues to rank among Gartner's top 100 global IT service market shares, demonstrating the value and responsibility of China's leading IT service provider.

During the reporting period, the Group is firmly committed to the positioning of "cloudization, cloud management, and cloud native", built a dual-wheel driven business form of "service + platform", and strived to become the top 1 cloud service provider in China. The Group has successfully obtained all cloud service-related licenses and upgraded its proprietary "one-stop" cloud brokerage platform, the "Huaxia Cloud Network" (Cloud Broker platform). The Group successfully captured the strategic opportunity of Tencent Cloud SaaS and introduced the Group's implementation service capabilities as a standard product to the Tencent Cloud Qianfan Zhongtai. The Group has been ranked TOP3 in the IDC China cloud management service market for two consecutive years, and its market share has continued to grow. During the period, the Group released the SaaS version of the "CloudEasy" cloud management platform, which managed the multiple cloud environment with one click. Furthermore, the Group vigorously promoted its DevOps expert consulting services. Its cloud-native services continued to expand into the domestic and overseas markets, and achieved breakthroughs for customers in the government, retail, transportation, energy and other industries. In the field of big data and artificial intelligence, the Group introduced industry-leading architecture concepts such as DataOps and Data Hub, continued to upgrade the R&D of products and services, and is committed to realizing tool-based, automated, and intelligent digital transformation of government and enterprises. Lastly, the Group achieved breakthroughs for digital consulting benchmark customers and continued to cultivate its leading industries including financial, government, public services, big transportation, while expanding its layout in real estate, government, enterprises, and environmental protection industries.

During the reporting period, the Group's cloud intelligent solution business achieved rapid growth in financial, retail, transportation, government, enterprises and other industries. The Group's finance and banking businesses have steadily improved, and the Group acquired 40 new customers including domestic and foreign banks, private banks, non-bank financial institutions, and overseas financial institutions, providing customers with technological empowerment, model innovation and business upgrades. The Group's insurance business grew steadily. While continuing to cultivate leading customers in the industry, the Group kept up with industrial structure optimization and intelligent core construction, and developed solutions in the fields of e-sales brain, auto insurance pricing, intelligent security, data middle stations, IFRS17, APaaS, etc. The Group successfully deployed these in several large insurance institutions. The Group's securities business maintained its leading positions in data and core systems and leveraged its traditional advantages to extend to capital market testing, monitoring and service institutions. The Group actively developed its new retail business. Based on Huawei AI ModelArts, it developed and launched digital solutions including smart stores, business middle stations, and data middle stations to help retail companies innovate business models, marketing methods, and strengthen physical store positions. The Group's transportation business has gradually formed a three-line business layout of rails, airports, and ports, and has made major breakthroughs in cloudification and intelligent solutions. Lastly, the Group's cloud-based smart park solution business further expanded its market share. It was the first Huawei partner to jointly develop a 5G+ smart park service solution with Huawei, during the reporting period, the Group released smart park applications and completed multiple project deliveries across the country.

During the reporting period, the Jointforce software industry Internet platform upgraded around vertical scenarios and form a complete closed loop of supply and demand services. The platform has accumulated 474,000 registered programmers, 63,000 registered suppliers, and RMB7.68 billion in jobs posted. Furthermore, the platformed has completed the precision digital profiling of 48,000 companies. The Jointforce “Cloud Integrative Market” now covers 70 cities and has signed platform strategic cooperation agreements with accumulative 23 city governments. The Jointforce Software Park has newly expanded 4 parks, serving the software parks in accumulative 17 cities. Jointforce “Plan Z” upgraded its business and product service capabilities, accumulatively signed on more than 1,000 suppliers, and issued a total of RMB600 million in contracts. Jointforce has become the best assistant for digital government construction, regional digital economic development, and industrial digital transformation and upgrading in the post-epidemic era. It has promoted Kunpeng and other Huawei ecosystems to take root in various regions through ToG and ToB capacity and has become a key force in the co-construction of regional integration and innovation ecology.

During the reporting period, the Group actively developed digital operations including basic artificial intelligence data services, content review, customer service, and business process outsourcing (BPO). Relying on the BPO “digital factory” in Maanshan, the digital operation business has achieved rapid growth and achieved expansion and breakthroughs in overseas markets. The Group’s artificial intelligence basic data service supported AI+RPA intelligent technology to improve quality and efficiency, and penetrated multiple fields including traditional home appliances, smart homes, and smart terminals. In the field of content review, the Group has achieved cooperation with Tencent Kandian, Meituan, Kugou Music and other companies. Among them, Meituan’s compliance review business SLA continues to rank first among suppliers.

During the reporting period, the Group integrated the professional service capabilities and management capabilities accumulated through long-term cooperation with major customers such as Huawei and HSBC to build a software factory integrating consulting and diagnosis, process management, IT tools and delivery services, and comprehensively upgrade its traditional IT services. The Group has provided customers with software and technical services including design, development, testing, operation, and maintenance, and expanded in depth on existing industry customers such as finance, telecommunications, Internet, and high-tech, and successfully penetrated customers in the automotive industry.

During the reporting period, the Group’s Huawei business continued to grow, helping Huawei with its HiLink, HiCar and other innovative ecosystems. The Group became the first partner to sign the “HiLink Eco-Solution Service Cooperation Agreement” with Huawei and won the HUAWEI HiLink “Excellent Partner Eco-Enable Service” award. During the reporting period, the Group ranked first in the performance evaluation of Huawei’s R&D outsourcing suppliers, achieving absolute leadership in market share, quality, and efficiency. Furthermore, the Group has established a variety of product cooperation models around Kunpeng, Goss, WeLink, Smart Screen, etc., and successfully broke through and delivered multiple projects in key industries such as government, enterprise, finance, and manufacturing. Lastly, the Group completed the first acceptance certification of SD2.0 and was recognised by customer experts.

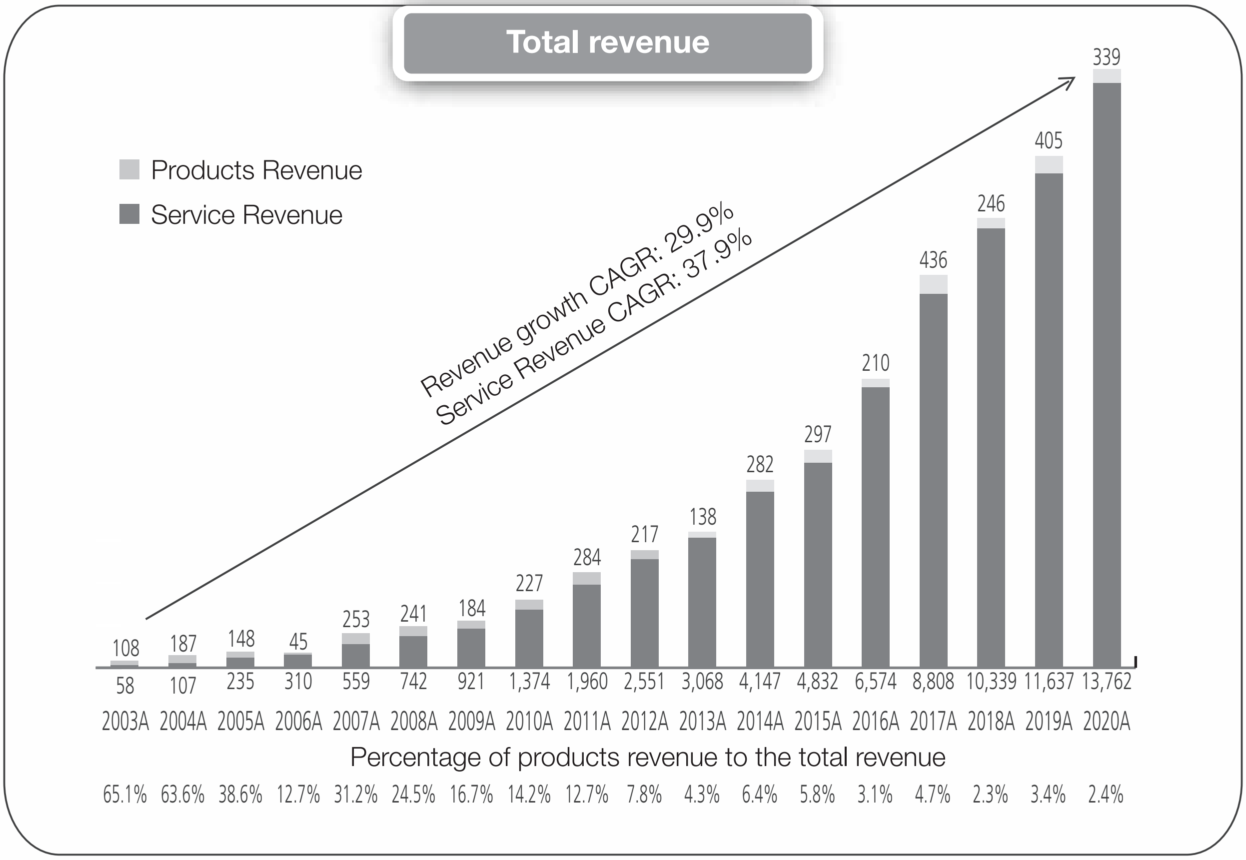
During the reporting period, the Group’s HSBC business achieved contrarian growth. The Group undertook the construction project of HSBC’s China domestic transaction data center to realise the localised storage of China’s regional transaction data. Furthermore, The Group established BBDM, GBA, and E-commence teams to help HSBC’s business layout in the Greater Bay Area. The Group completed the construction of HSBC Bank’s data cloud and data service platform, realizing substantial growth in risk control data business. During the reporting period, the Group’s Ping An business grew rapidly, actively penetrating in banking, Fintech, insurance, etc., and opening up 9 new customers. In the field of retail banking, the Group built a platform based on the client’s Open Bank’s goal of “capability opening”, and has access to hundreds of API interfaces, covering account management, wealth management, payment, margin and other product capabilities. In the OneConnect business, the Group won the bid for a series of major projects. In the field of insurance and medical insurance technology, the Group successfully delivered Ping An property insurance projects and signed a cooperation agreement with Ping An Medical Group to realise the company’s breakthrough in the field of medical insurance technology from 0 to 1.

During the reporting period, the Group achieved steady and high-quality growth in its two major customer's businesses, China Mobile and China Telecom. The Group became the first batch of suppliers in the cloud migration cooperation field of China Mobile Cloud Competence Center, won the bid for the first share of China Mobile Shanghai Industrial Research Institute, and became the TOP1 supplier of Migu Interactive Entertainment. The Group won the bid for the Tianyi e-commerce series of major projects, ranked first among manufacturers, and completed several important customer business layouts around the 5G equipment industry chain. During the reporting period, the Group continued to deepen its efforts in the Internet industry and promoted the business upgrade of Internet companies and the transformation of operating models. The Group continued to strengthen the depth and breadth of cooperation with Tencent, improves service capabilities, and upgrade the strategic cooperation model. The Group's business in Alibaba and Baidu continued to grow steadily, and it won the first place in comprehensive supplier evaluation in both Alibaba's ITO and BPO business areas. The Group was upgraded to Baidu's A-level supplier and successfully entered the short list of Baidu and iQiyi BPO suppliers. Lastly, the Group successfully expanded the business of ByteDance, JD.com, and NetEase, and achieved rapid growth.

During the reporting period, the Group's Microsoft business grew steadily, and it newly expanded cooperation opportunities with Microsoft's gaming business and basic data business, and successfully won the bid for the strategic research and development project of Microsoft Azure Spring Cloud platform and landed the Azure India operation project. In the field of smart terminals, the Group has in-depth cooperation with Haier, iFLYTEK, OPPO, Xiaomi, and Wingtech, and has become one of Haier's top ten preferred suppliers. During the reporting period, the Group began its layout in the automotive business. The company and China FAW formally signed a strategic cooperation agreement. The two parties entered into strategic cooperation in six fields including digital transformation consulting, digital business scenario innovation, government-enterprise market product promotion cooperation, software engineering management system empowerment, human resource service guarantee, and training of talents in the field of intelligent networked vehicles. Lastly, the Group cooperated with FAW Group subsidiaries to carry out software R&D business, provided industry-leading "software factory" management consulting services, and helped FAW Group realise the digitalization of R&D management.

In the post-epidemic era, challenges will coexist alongside with opportunities. In the face of 2021, the Group will continue to work hard to fully promote the Xibaipo spirit of "dare to fight and dare to win". The Group will advance side by side with great flag bearers like Huawei on the long march of technological innovation, upholding the establishment of a quality, valuable and meaningful business portfolio development formation, upgrading the cornerstone business with the software factory model, and building a new growth curve around businesses such as cloud intelligence. The Group will continue its goal of becoming "Chinasoft International of the world".

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growths, recording a CAGR of 29.9% and 37.9% from 2003-2020. For details, please see the figure below:



CUSTOMERS

The Group's customers are located all over the world, not only in the Greater China region, but also Asia Pacific, North America, Europe, Latin America and other regions. In the Greater China market, the Group holds a large market share in telecommunication, banking, financial, government, Internet, high technology, and other mainstream industries. In 2020, the Group's top five and top ten customers accounted for 74.4% and 79.0% of the Group's service revenue.

In 2020, the Group has 2,013 active customers. Among them, the Group has 129 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

MARKET

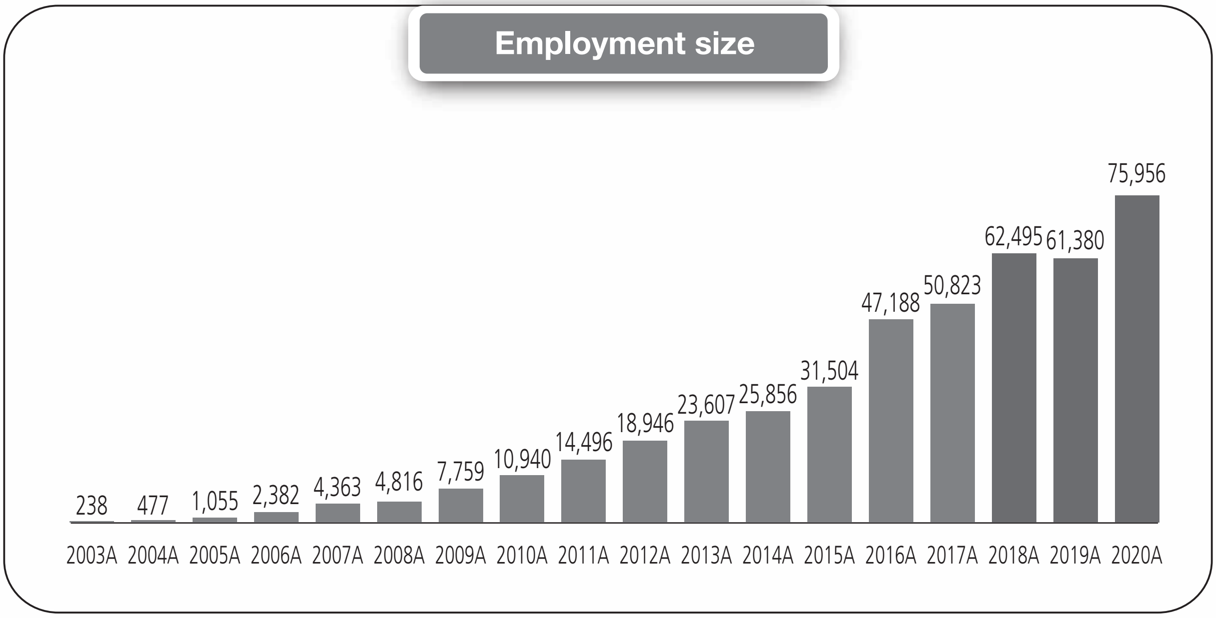
During the reporting period, the Group's core businesses were concentrated in Greater China. The huge market potential in the Greater China continues to bring growth opportunities for the Group. The Group provides ITS to customers from 32 countries and a number of Top 500 companies in the world, including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

HUMAN RESOURCES

As of the end of 2020, the Group employs a total of 75,956 employees, representing a YoY increase of 23.7% (2019: 61,380). The Group employs an average of 68,668 employees, representing a YoY increase of 10.9% (2019: 61,938).

As of the end of 2020, the Group has 72,506 technical personnel, accounting for 95.5% of the total number of employees of the Group. Of which 23,855 were project managers, consultants and senior engineers, accounting for 32.9% of the total number of technical personnel of the Group.

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



OPERATING RESULTS

The following is the Group's consolidated comprehensive income statement for 2019 and 2020:

	2020 RMB'000	% of revenue	% of service revenue	2019 RMB'000	% of revenue	% of service revenue
Revenue	14,101,239	N/A	N/A	12,041,895	N/A	N/A
Service revenue	13,762,185	N/A	N/A	11,636,730	N/A	N/A
Cost of sales and services	(9,982,755)	(70.8%)	(72.5%)	(8,458,802)	(70.2%)	(72.7%)
Gross Profit	4,118,484	29.2%	29.9%	3,583,093	29.8%	30.8%
Other income	312,821	2.2%	2.3%	177,811	1.5%	1.5%
Loss from derecognition of financial assets measured at amortised cost	(1,201)	(0.0%)	(0.0%)	(4,544)	(0.0%)	(0.0%)
Impairment losses, under expected credit loss model, net of reversal	(161,384)	(1.1%)	(1.2%)	(74,812)	(0.6%)	(0.6%)
Impairment loss on goodwill	(21,857)	(0.2%)	(0.2%)	(35,760)	(0.3%)	(0.3%)
Impairment loss on investment accounted for using the equity method	(15,878)	(0.1%)	(0.1%)	–	0.0%	0.0%
Other gains or losses	(14,902)	(0.1%)	(0.1%)	849	0.0%	0.0%
Selling and distribution costs	(729,409)	(5.2%)	(5.3%)	(617,554)	(5.1%)	(5.3%)
Administrative expenses	(1,301,981)	(9.2%)	(9.5%)	(1,195,874)	(9.9%)	(10.3%)
Research and development costs	(930,169)	(6.6%)	(6.8%)	(808,949)	(6.7%)	(7.0%)
Other expenses	(43,786)	(0.3%)	(0.3%)	(58,929)	(0.5%)	(0.5%)
Finance costs	(151,458)	(1.1%)	(1.1%)	(166,045)	(1.4%)	(1.4%)
Share of results of investments accounted for using the equity method	(24,435)	(0.2%)	(0.2%)	(328)	(0.0%)	(0.0%)
Profit before taxation	1,034,845	7.3%	7.5%	798,958	6.6%	6.9%
Income tax expense	(86,732)	(0.6%)	(0.6%)	(42,272)	(0.4%)	(0.4%)
Profit for the year	948,113	6.7%	6.9%	756,686	6.3%	6.5%
Profit for the year attributable to the Owners of the Company	954,928	6.8%	6.9%	754,888	6.3%	6.5%

REVENUE

In 2020, the Group's revenue was RMB14,101.239 million, representing a YoY growth of 17.1% (2019: RMB12,041.895 million). The Group's service revenue was RMB13,762.185 million, representing a YoY growth of 18.3% (2019: RMB11,636.730 million). The growth was mainly driven by the rapid growth of cloud intelligence business and the steady growth of the core large customer businesses.

TPG and IIG's revenue and proportion of total revenue in 2020 are as follow:

	2020 RMB'000	Weight	2019 RMB'000	Weight	Growth rate
TPG	**12,396,429**	**87.9%**	10,458,258	86.8%	18.5%
IIG	**1,704,810**	**12.1%**	1,583,637	13.2%	7.7%
Total	**14,101,239**	**100%**	12,041,895	100%	17.1%

COST OF SALES AND SERVICES

In 2020, the Group's cost of sales and services was RMB9,982.755 million, representing a YoY increase of 18.0% (2019: RMB8,458.802 million). In 2020, the Group's cost of sales and services was 70.8% of the Group's total revenue, representing a YoY increase of 0.6% (2019: 70.2%).

GROSS PROFIT

In 2020, the Group's gross profit was RMB4,118.484 million, representing a YoY growth of 14.9%（2019: RMB3,583.093 million). The Group's gross margin was 29.2%, representing a YoY decrease of 0.6% (2019: 29.8%). The Group's gross margin (to service revenue) was 29.9%, representing a YoY decrease of 0.9% (2019: 30.8%). The decrease in gross profit margin was mainly due to the impact of the COVID-19 pandemic. After the full resumption of work and production, the Group tried its best to eliminate the short-term impact in the first half of the year and recovered as much as it can the losses caused by the epidemic, but the overall gross profit margin for the whole year still fell slightly.

In the future, the Group will continue to adopt the following measures to increase its gross profit margin:

1. Build a software factory integrating consulting and diagnosis, process management, IT tools and delivery services, comprehensively upgrade traditional IT services, continuously improve service quality and service value, promote the productization of cornerstone business services, and develop more quality and scale markets space.

2. Continue to increase business with high gross profit and high per capita output, increase R&D investment in cloud management services, cloud products and solutions, cloud services, etc., precipitate IP, integrate ecosystems, and accelerate the construction of full-stack cloud intelligent services to increase the proportion of its intelligent cloud business revenue and continue to upgrade its business model.

3. Make every effort to establish the Group's process organization, strengthen the organizational performance management system, and improve management efficiency.

OTHER INCOME

In 2020, the Group's other income was RMB312.821 million, representing a YoY increase of 75.9% (2019: RMB177.811 million). The increase of other income during the reporting period is mainly due to the increase of government subsidies and interest income compared with the same period of last year.

OTHER GAINS OR LOSSES

In 2020, the Group's other losses were RMB14.902 million (2019: gain of RMB0.849 million). This line item reflects increase in donations to the government and schools during the epidemic.

OPERATING EXPENSES

In 2020, the Group's selling and distribution expenses were RMB729.409 million, representing a YoY increase of 18.1% (2019: RMB617.554 million). The Group's selling and distribution expenses accounted for 5.2% of the total revenue, representing a YoY increase of 0.1% (2019: 5.1%).

In 2020, the Group's administrative expenses were RMB1,301.981 million, representing a YoY increase of 8.9% (2019: RMB1,195.874 million). The Group's administrative expenses accounted for 9.2% of the total revenue, representing a YoY decrease of 0.7% (2019: 9.9%). This is because on one hand, during the reporting period, due to the impact of the COVID-19 epidemic, travel expenses and entertainment expenses decreased compared with the same period last year; on the other hand, it also reflected the improvement of the Group's administrative management efficiency.

In 2020, the Group's R&D expenses were RMB930.169 million, representing a YoY increase of 15.0% (2019: RMB808.949 million). The main reason for the increase was because during the reporting period, the Group continued to increase its R&D investment in cloud intelligence services and industrial Internet platforms, which further increased the total R&D expenses. In 2020, the R&D expenses accounted for 6.6% of the total revenue, representing a YoY decrease of 0.1% (2019: 6.7%).

FINANCE COSTS AND INCOME TAX

In 2020, the Group's finance costs were RMB151.458 million, representing a YoY decrease of 8.8% (2019: RMB166.045 million). The Group's finance costs accounted for 1.1% of the total revenue, representing a YoY decrease of 0.3% (2019: 1.4%). The decrease in finance costs was mainly due to the Group's loan replacement during the reporting period, which optimised the loan structure and reduced loan costs.

In 2020, the loss from derecognition of financial assets measured at amortised cost was RMB1.201 million, representing a YoY decrease of 73.6% (2019: RMB4.544 million).

In 2020, the Group's income tax was RMB86.732 million, representing a YoY increase of 105.2% (2019: RMB42.272 million). The Group's effective income tax rate was 8.4%, representing a YoY increase of 3.1% (2019: 5.3%). The increase in income tax was mainly due to the decrease in tax incentives for some entities during the reporting period.

OTHER NON-CASH EXPENSES

In 2020, the Group's other expenses were RMB43.786 million, representing a YoY decrease of 25.7% (2019: RMB58.929 million). The Group's other expenses accounted for 0.3% of the total revenue, representing a YoY decrease of 0.2% (2019: 0.5%).

In 2020, the Group's impairment losses under the expected credit model, net reversal was RMB161.384 million, representing a YoY increase of 115.7% (2019: 74.812 million). This was mainly due to the increased uncertainty triggered by the COVID-19 epidemic during the reporting period, the Group has further increased the provision for excepted credit losses in accordance with the principle of appropriately assessing the credit risk of customers.

In 2020, the Group's impairment loss of goodwill was RMB21.857 million (2019: RMB35.760 million). The Group's additional goodwill impairment is mainly attributable to the performance of its subsidiary Catapult was affected by COVID-19 in North America.

In 2020, the Group's impairment loss for investment accounted for using the equity method was RMB15.878 million mainly due to the impairment of investments in the education business.

WORKING CAPITAL, FINANCIAL AND CAPITAL RESOURCE

In 2020, the Group's total available cash balance (the sum of bank balances and cash and pledged deposits) was RMB3,815.703 million (2019: RMB2,538.602 million).

In 2020, the Group's net current assets were RMB7,675.755 million (2019: RMB5,048.563 million). In 2020, the current ratio (current assets divided by current liabilities) was 3.8, an increase from 2.6 in 2019.

In 2020, the Group's borrowings were RMB1,789.515 million, and there were no convertible loan notes (2019 borrowings: RMB1,723.187 million, convertible loan notes: RMB751.501 million). Gearing ratio is calculated by dividing the net borrowing amount (borrowing and convertible loan notes minus available cash (bank balance and the sum of cash and pledged deposits)) by total equity. The Group's available cash balances in 2020 and 2019 were both higher than the sum of borrowings and convertible loan notes, which resulted into a negative gearing ratio.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE (EPS)

In 2020, the Group's profit was RMB948.113 million, representing a YoY growth of 25.3% (2019: RMB756.686 million). The Group's profit accounted for 6.7% of the total revenue, representing a YoY increase of 0.4% (2019: 6.3%). The Group's profit accounted for 6.9% of the service revenue, representing a YoY increase of 0.4% (2019: 6.5%).

In 2020, the Group's profit attributable to the owners of the Company was RMB954.928 million, representing a YoY growth of 26.5% (2019: RMB754.888 million).

Based on the profit attributable to the owners of the Company, the Group's EPS was RMB37.86 cents in 2020, representing a YoY increase of 23.3% (2019: RMB30.71 cents).

SEGMENT REVENUE AND RESULTS

In 2020, the segment's growth of revenue and results are as follow:

	Revenue			Result		
	2020 RMB'000	2019 RMB'000	Growth Rate	**2020 RMB'000**	2019 RMB'000	Growth Rate
TPG	**12,396,429**	10,458,258	18.5%	**1,162,191**	891,035	30.4%
IIG	**1,704,810**	1,583,637	7.7%	**124,114**	97,645	27.1%
Total	**14,101,239**	12,041,895	17.1%	**1,286,305**	988,680	30.1%

In terms of segment revenue, TPG's revenue achieved a YoY growth of 18.5%, mainly due to the growth of core customer businesses such as Huawei, Tencent, Alibaba, and Ping An Group. IIG's revenue achieved a YoY growth of 7.7%, mainly due to the growth of the Jointforce software industry Internet platform business.

In terms of segment results, TPG's results achieved a YoY growth of 30.4%, higher than that of its revenue growth. The main reason was that as the management efficiency of the Group continued to improve, the expense ratio during the year has been further reduced. Furthermore, government subsidies increased substantially while interest expenses were saved. IIG's results achieved a YoY growth of 27.1%, mainly from the improvement of business gross profit margin.

The Group believes that as the Group's cloud intelligence business, which has been deployed for many years, has entered a stage of rapid development, it will continue to drive the Group's future performance growth and profit margin improvement.

FUNDRAISING ACTIVITIES

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

On 18 April 2017 and 18 May 2017, the Group entered into the Subscription Agreement and Supplemental Agreement respectively with Dan Capital Management Ltd. (the "Dan Capital") pursuant to which the Company has conditionally agreed to issue, and Dan Capital has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK$900,000,000 due in 2022 ("2017 CN").

The 2017 CN was issued on 3 July 2017 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2016. The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 31 December 2020 for the intended use	Expected time of utilisation (Note)
Approximately HK$600 million	For mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services	(i) Approximately HK$43 million were used to upgrade new technological capability; (ii) Approximately HK$165 million were used for merger and acquisitions and establishing an M & A fund to invest in proprietary and reliable business, cloud computing, big data, artificial intelligent, and related industries and associate companies;	Approximately HK$392 million to be used for merger and acquisitions and establishing an M & A fund to invest in proprietary and reliable business, cloud computing, big data, artificial intelligent, and related industries and associate companies.	Before 31 December 2021
Approximately HK$100 million	For upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	Approximately HK$100 million were used for upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	–	–
Approximately HK$200 million	For replenishing the Company’s working capital and repaying certain bank loans with relatively higher interest rates	Approximately HK$200 million were used for replenishing the Company’s working capital and repaying certain bank loans with relatively higher interest rates	–	–

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

During the reporting period of 2020, a number of 180,000,000 ordinary shares were allotted and issued upon full conversion of 2017 CN.

A. CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2020 to 31 December 2020, except for the following deviations as explained:

(i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

(ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 22 June 2020 in Hong Kong (the "2019 AGM") (deviated from code provision E.1.2 of the CG Code) due to the quarantine restrictions against COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2019 AGM.

(iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2019 AGM, due to the quarantine restrictions against COVID-19 outbreak. Other Board member who attended the 2019 AGM was available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

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. Tang Zhenming

Non-executive directors:

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

Independent non-executive directors:

Mr. Zeng Zhijie
Dr. Lai Guanrong
Professor Mo Lai Lan

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

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

2. Meetings and Board Practices

Pursuant to the code provision A.1.1 of the CG Code, at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2020, the Board held 4 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. Tang Zhenming	4/4	0/1
Non-executive Directors		
Dr. Zhang Yaqin	4/4	0/1
Mr. Gao Liangyu	4/4	0/1
Mrs. Gavirella Schuster	4/4	0/1
Independent Non-executive Directors		
Mr. Zeng Zhijie	4/4	0/1
Dr. Lai Guanrong	4/4	0/1
Professor Mo Lai Lan	4/4	1/1

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*

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

Mr. Zeng Zhijie was appointed on 21 April 2003 and has served as an independent non-executive Director for more than nine years. Pursuant to code provision A.4.3 of the CG Code, having served the Company for more than nine years could be relevant to the determination of an independent non-executive director's independence. Mr. Zeng Zhijie have not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Board considers Mr. Zeng Zhijie to be independent under the Listing Rules despite the fact that they have served the Company for more than nine years.

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

5. *Chairman and Chief Executive Officer*

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

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

6. *Terms of Appointment of Non-executive Directors*

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

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

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

Prior to the convening of the annual general meeting of the company in May 2021, the board of Directors resolved that Mrs. Gavriella Schuster, Professor Mo Lai Lan and Dr. Lai Guanrong 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 six male directors and two female directors. Out of the eight board members, one of whom is non-Chinese and the remaining seven directors are Chinese. They have expertise in IT, asset management, finance, accounting and auditing.

9. *Directors' Training*

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company encourages all Directors to attend relevant training courses and continuously updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2020, all Directors namely Dr. Chen Yuhong, Dr. Tang Zhenming, Dr. Zhang Yaqin, Mr. Gao Liangyu, Mrs. Gavriella Schuster, Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan have participated in continuous professional development, including attending seminars or training sessions and reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.. The Company also encouraged all Directors to participate relevant courses which enable them to develop and refresh their knowledge and skills for better fulfillment of the directors' duties.

10. *Indemnity of Directors*

The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company.

11. *Company Secretary*

The Company Secretary 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, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the year ended 31 December 2020.

D. BOARD COMMITTEES

1. Remuneration Committee

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

During the period from 1 January 2020 to 31 December 2020, the Remuneration Committee comprised four Directors namely Dr. Lai Guanrong as the Chairman of the Remuneration Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie and Professor Mo Lai Lan as the members of the Remuneration Committee. Dr. Chen Yuhong is an executive Director, and the remaining three members are independent non-executive Directors.

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

Name of Director	**Number of attendance**
Dr. Lai Guanrong *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	1/1
Professor Mo Lai Lan	1/1

The board of Directors considered that the existing terms of appointment and levels of remuneration of the Directors and senior management of the Company are fair and reasonable, and resolved that a review be carried out again in the year ending 31 December 2021.

The Company adopted a new share option scheme on 20 May 2013 to replace the original share option scheme adopted on 2 June 2003, and adopted a share award scheme on 10 December 2018 which is valid and effective for a period of 10 years commencing on 10 December 2018. These schemes serve as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme and share award scheme are set out in note 41 to the financial statements. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 11 to the financial statements.

2. ***Audit Committee***

The Company established an audit committee (the "Audit Committee") on 2 June 2003 and amended its written terms of reference on 28 March 2012, 31 December 2015 and 9 January 2019 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group's financial reporting and internal control system. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2020.

During the period from 1 January 2020 to 31 December 2020, the Audit Committee comprised three independent non-executive Directors namely Professor Mo Lai Lan as the Chairman of the Audit Committee and Mr. Zeng Zhijie and Dr. Lai Guanrong as the members of the Audit Committee.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2020 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, three 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)*	3/3
Mr. Zeng Zhijie	3/3
Dr. Lai Guanrong	3/3

3. *Nomination Committee*

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

During the period from 1 January 2020 to 31 December 2020, the Nomination Committee comprised four Directors namely Dr. Lai Guanrong as the Chairman of the Nomination Committee and Dr. Chen Yuhong, Mr. Zeng Zhijie and Professor Mo Lai Lan as the members of the Nomination Committee. Dr. Chen Yuhong as an executive Director, and the remaining three members are independent non-executive Directors.

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

Name of Director	Number of attendance
Dr. Lai Guanrong *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	1/1
Professor Mo Lai Lan	1/1

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

4. Corporate Governance Functions

The Board was responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. During the year, the Board has reviewed the Company's policies and practice on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

E. ACCOUNTABILITY AND AUDIT

1. Director's Responsibility for the Consolidated Financial Statements

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

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

2. Internal Control

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

3. Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group was required to pay an aggregate of approximately RMB8,760,000 to the external auditor for their audit services.

F. RISK MANAGEMENT AND INTERNAL MONITORING

1. Accountability

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

2. Structure of Risk Management and Internal Monitoring 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.

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

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

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

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

Business divisions and functional operations department are responsible, in accordance with their duties, for identifying, assessing and responding to the risks relevant to their individual departments', and carrying out risk management procedures and internal control measures within the scope of their respective business and functional operations areas.

3. ***Risk Management***

3.1 *Risk Management Objectives*

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

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

3.2 *Major Processes of Risk Management*

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

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

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

Risks mitigation: the responsible department of the identified risks formulates a risk response plan by properly applying methods such as risk avoidance, risk reduction, risk sharing and risk retention, with consideration of the Group's level of risk tolerance. This allows the Group to properly allocate resources for risk mitigation or improvements on risk mitigation 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 2020. The following lists the significant risks of the Group and its major affiliates, the changes in the nature and level of these risks, and the relevant plans and monitoring measures to mitigate these significant risks.

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Policies and Regulatory Risk	**Risk relating to violation of policies, regulations and regulatory requirements** With the development of the Company's business scale and the continued expansion of its overseas business, and under the complex and changing external environment, the accurate interpretation and compliance of domestic and foreign markets' regulatory policies, laws and regulations and industrial practices have become a major challenge for the Company. Failing to respond to external regulatory and environmental changes and timely review its compliance with policies will restrict the long-term business development of the Company.	Through continuous resource investment and the guidance of compliance policy, the Company constantly strengthens the construction of the compliance management system, enhances the professional capabilities of compliance management and has established an independent compliance management organizational structure. The Company timely monitors the policies, laws and regulations and regulatory requirements in respect of corporate survival, business development, personnel employment, finance and taxation, and thoroughly studied and fully understood the specific requirements of overseas investment in market access, trade control, national security review, industry regulation, foreign exchange management, anti-monopoly, anti-money laundering, etc. Based on applicable laws and regulations in different business scenarios, it identifies and evaluates risks and sets compliance goals, breaking down the external regulations and incorporating them into its business activities to realise compliance management and supervision of every part of its business operations and provide strong support for its overseas investment and operation. The Company constantly establishes out active communication and cooperation with major customers, business partners and other stakeholders to discuss compliance concepts and practices and enhance mutual trust in compliance and collaborative governance.	No change

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk in Market Competition	**Risk relating to intensifying market competition** With the development of new technologies and new forms of business such as cloud technology, big data and digitalization, as well as the continuous entry of competitors and the iterative upgrade of technology, our customers' expectation of our products and services quality will continue to rise. An enterprise that is lacking innovation capability, unable to fully understand and grasp leading-edge knowledge, timely optimise business structure, and upgrade products and services to meet market demands, will not be well recognised by the society.	While putting emphasis on technological innovations as well as improvements and upgrades of products, the Company also focuses on key industries and hot topics, and pays attention to customer experience. While striving to provide high quality products and services to its customers, it constantly innovates and improves. It advocates a spirit of innovation and fosters a culture of creativity by setting up a special operation group known as Zero Distance Innovation. It introduces coaching on the Design Thinking (DT) method, and applies the concept of Zero Distance Innovation down to the business divisions with a commitment to achieving rapid upgrading of products and services cycles, leading to a win-win situation for the Company and the customers.	Increasing

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
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 inevitably that a certain degree of dependence or a high degree of synergy will be established between the Company and its major customers and business partners. In the event of calamities such as natural disasters, public health emergency and social security issues in the regions in which the Company or businesses with its major customers and business partners operate, the Company's operations may be partially or completely disrupted, which may have a significant adverse impact on the Company.	The Company has established the BCM organization structure with top-down distributed management structure. Under the guidance of the BCM Management Committee, the system is continuously optimised, with clear definition of the responsibilities and functional mechanisms of all departments. BCM mechanisms and special contingency plans are formulated and implemented in respect of high-risk scenarios, which are effectively identified through risk assessment. Emergency and business recovery plans under significant risk scenarios such as acute infectious diseases, fire, earthquake and IT interruption are timely updated, with clearly defined handling procedures for key emergencies, with complete information of organization, event level, process, disposal measures and emergency protection, so as to improve the company's abilities in risk mitigation and continuous operation, and ensure the continuity of key businesses and services. The Company continues to strengthen the business continuity management and coordination with major customers to improve the ability to jointly respond to emergencies. It also constantly carries out investigation, analysis and assessment of business continuity risks of supply chain partners and has formulated targeted emergency plans.	Reducing

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk Relating to Social Responsibility	**Risk relating to inadequate implementation of corporate social responsibility** Corporate social responsibility is subject to the constant attention of investors, regulatory authorities and public opinions. A deficiency in corporate social responsibility will not only affect the brand reputation of the enterprise, but also severely restrict the sustainable development of the enterprise.	The Company adheres to the SA8000 Standards and is committed to strengthening the construction of its key CSR modules. Further steps are taken to advance its system of social responsibility at a deeper level in terms of cultural values, ideology and labour systems, creating sustained momentum for the long-term development and international competitiveness of the Company. In daily operation, the Company fulfills a green and innovative environmental protection concept, reduces energy consumption, actively promotes and practices outstanding corporate citizenship, pays attention to the demands and expectations of stakeholders, and 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 such as recruitment and retaining of key talents. All these present a bigger challenge to the construction of the human resources management and system.	The Company constantly explores and optimises its systems of value creation, value assessment and value distribution, so as to promote the employees' sense of responsibility and mission, with respect, trust, opportunities, honors and rewards. The organization's vitality is maintained through attracting talented personnel and retaining key talents. The Company is committed to achieve the common development of the Company and the employees, through the creation of a human resources performance management system that promotes fair, open and energetic competition among the employees.	No change

Risk Type	Risk Item (Key Risks)	Response Mitigation Plan	Risk Trend
Risk Relating to Network and Information Security	**Risk of improper maintenance of information security** The Company values the protection of its own and the customers' privacy information and trade secrets, as it understands that the leakage, loss or theft of its own or customers' sensitive information will have a major impact on itself and its customers.	The Company puts a lot of focus on key customer businesses and major risks. Risks pertaining to Information security, network security and privacy protection are identified with compliance as bottom line. Control measures are put in place to ensure solutions or contingency plans are formulated with 100% coverage. The awareness in information security, network security and privacy is continuously strengthened, ensuring 100% coverage of all staff.	No change

4. *Internal Control*

4.1 *Internal Control Objectives*

The Board acknowledges its responsibility to supervise the effectiveness of the Company's internal control system, and a sound and effective internal control system is achieved through a management structure with explicit authorization and internal monitoring 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. During the year ended 31 December 2020, the Group completed risk-oriented internal assessments on day-to-day fund management, financial reporting management, procurement and inventory, asset management, and business and debt collection procedures, and periodically followed-up with the rectifications of the problems identified by internal audit. 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 2020, the Group had carried out internal control's "plan, review, report and follow-up" processes of the close-loop management system, that the Group's risk management and internal control systems were effective and adequate, that the Company's procedures on financial reporting and the compliance of the provisions under the Listing Rules were effective and adequate and that no significant areas of concern that might affect the Group's financial control, operations control, compliance control and risk management functions had been uncovered.

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

4.3 *Inside information*

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

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

G. INVESTORS AND SHAREHOLDERS RELATIONS

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

H. SHAREHOLDER'S RIGHTS

1. *How shareholders can convene an extraordinary general meeting*

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

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

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

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

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

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2020.

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 2020 are set out in the consolidated statement of comprehensive income on page 105.

The Directors have recommended the payment of a final dividend of HK$0.029 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2020. 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, 18 May 2021 at 3:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Tuesday, 15 June 2021 to shareholders whose names shall appear on the register of members of the Company on Monday, 31 May 2021.

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 Thursday, 13 May 2021 to Tuesday, 18 May 2021, 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 Wednesday, 12 May 2021.

(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 Wednesday, 26 May 2021 to Monday, 31 May 2021, 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 Tuesday, 25 May 2021.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2020 are RMB3,191,952,000 approximately.

SHARE CAPITAL

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

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.

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 214. 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 2020 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 6 and pages 31 to 42 respectively of this annual report.

(ii) Principal Risks and Uncertainties

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

(1) Financial Risk

Capital risk

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

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

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

Interest rate risk

Because of the fluctuations of calculating the interest rate of financial assets and liabilities, the Group bears interest rate risks. Interest bearing financial assets are mainly bank deposits (mainly of a short term nature); and interest bearing financial liabilities are mainly bank loans which are on a floating rate basis. The Group is exposed to fair value interest rate risk in relation to convertible loan notes, borrowing with fixed interest rates and amounts due to related companies. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings and short-term bank deposits which are concentrated on the fluctuation of prevailing interest rate announced by the People's Bank of China in respect of an unsecured bank loan and Hong Kong Interbank Offered Rate.

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

Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, trade and other payables arising from purchases denominated in foreign currencies and borrowing, which expose the Group to foreign currency risk. The Group's principal operating subsidiaries are located in the PRC, the United States and Japan, and the Group's principal businesses are conducted in Renminbi. The Group is mainly exposed to United States Dollar, Hong Kong Dollar and Japanese Yen. Other than the bank borrowings denominated in Hong Kong Dollar with a higher foreign exchange exposure, the impact of other foreign exchange exposure is minimal, and the management has kept on monitoring the movement of all foreign currency exposure.

Credit risk

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

(2) Business Risk

Market risk

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

Operational risk

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

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

The significant events which happened after the reporting date of 31 December 2020 affecting the Group are set out in the note 47 to the financial statements.

(iv) Future development of the Group

An indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 6 and pages 31 to 42 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 2020, 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. 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 2020, the Group had a headcount of 75,956 employees (31 December 2019: 61,380). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

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

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

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 December 2020.

DIRECTORS

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

Executive Directors:	Non-executive Directors:	Independent non-executive Directors:
Dr. Chen Yuhong	Dr. Zhang Yaqin	Mr. Zeng Zhijie
Dr. Tang Zhenming	Mr. Gao Liangyu	Dr. Lai Guanrong
	Mrs. Gavriella Schuster	Professor Mo Lai Lan

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

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

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

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong has entered into a service agreement with the Company. Particulars of the contract, except as indicated, are in all material respects identical and are set out below:

(i) the service contract is of two years duration commencing on 20 June 2003. The service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice not to be given before the expiry of the initial term of two years;

(ii) the monthly salary for Dr. Chen Yuhong is to be reviewed annually by the board of Directors. For the period from the expiry of the first year of appointment, the salary of Dr. Chen Yuhong shall be determined by the board of Directors but shall not be more than 120 percent of his annual salary for the preceding year;

(iii) Dr. Chen Yuhong is entitled to management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year (the "Net Profits") as the Board may approve, provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 5 percent of the Net Profits; and

(iv) Dr. Chen Yuhong shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount of management bonus payable to himself.

Dr. Tang Zhenming has not entered into service agreements with the Company as an executive Director.

Dr. Zhang Yaqin and Mr. Gao Liangyu have entered into service agreements as non-executive Directors with the Company for a term of three years from 1 October 2014 and 3 July 2017 respectively. Mrs. Gavriella Schuster has entered into a letter of appointment with the Company as a non-executive Director for a term of three years from 20 September 2018. The appointment of the non-executive directors have continued since expiry of such term.

Mr. Zeng Zhijie and Professor Mo Lai Lan were appointed as independent non-executive Directors pursuant to letter of appointment for a term of two years from 20 June 2003 and 15 August 2018 respectively, and their appointments have continued since expiry of such term. Dr. Lai Guanrong has not entered into any service agreement as an independent non-executive Director with the Company.

Details of the Directors' remuneration are set out in note 11 to the financial statements. Save as disclosed in note 11 to the financial statements, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors which are required to be disclosed under the Listing Rules, or section 383 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) or the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 662G, Laws of Hong Kong). Save as disclosed above, none of the Directors has a service contract with the Company of 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 2020, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors.

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

Name	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Total number of shares	Total approximate % of the issued share capital as at 31 December 2020
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	282,792,861 *(Note 1)*	–	462,792,861	15.93%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	180,000,000 *(Note 2)*			
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 *(Note 3)*	–	19,027,765	0.66%
Gavriella Schuster	Beneficial owner	–	2,000,000 *(Note 4)*	2,000,000	0.07%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 *(Note 4)*	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 *(Note 4)*	1,000,000	0.03%
Zeng Zhijie	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%
Lai Guanrong	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%
Mo Lai Lan	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%

Notes:

(1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award shares will be vested by period based on future performance.

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

(3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award shares will be vested by period based on future performance.

(4) The interests in underlying shares of the Company represent interests in options granted to the directors.

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2020	No. of share options exercised during the year	No. of share options granted during the year	No. of share options outstanding as at 31 December 2020	Percentage of total issued ordinary share of the Company as at 31 December 2020	Total No. of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 31 December 2020	*Note*
Gavriella Schuster	5.22	1,000,000	–	–	1,000,000	0.03%	2,000,000	0.07%	(i)
	5.65	–	–	1,000,000	1,000,000	0.03%			(ii)
Zhang Yaqin	5.65	–	–	1,000,000	1,000,000	0.03%	1,000,000	0.03%	(ii)
Gao Liangyu	5.65	–	–	1,000,000	1,000,000	0.03%	1,000,000	0.03%	(ii)
Zeng Zhijie	5.65	–	–	800,000	800,000	0.03%	800,000	0.03%	(ii)
Lai Guanrong	5.65	–	–	800,000	800,000	0.03%	800,000	0.03%	(ii)
Mo Lai Lan	5.65	–	–	800,000	800,000	0.03%	800,000	0.03%	(ii)

Notes:

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

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

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

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

Save as disclosed above and so far as was known to the Directors, as at 31 December 2020, 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 2020, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2020 (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 2020, 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 2020, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2020, 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 2020, 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 2020.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was originally adopted by the Company for a period of 10 years pursuant to a written resolution of all the shareholders of the Company on 2 June 2003. Such Share Option Scheme was subsequently terminated on 20 May 2013 and a new share option scheme (the "New Share Option Scheme") with substantively similar terms to the Share Option Scheme was adopted on the same day at the AGM of the Company for a further 10 years. As at 31 December 2020, no more share options granted to certain directors and employees of the Group pursuant to the Share Option Scheme were outstanding and 91,000,000 Shares (2019: 185,960,000 Shares) granted to certain directors, employees and suppliers of the Group pursuant to the New Share Option Scheme were outstanding, representing 3.13% (2019: 7.31%) of the total issued ordinary share capital of the Company as at 31 December 2020. The terms on the exercise of such share options granted 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, an aggregate of 90,000,000 share options were granted at an exercise price of HK$5.65 per share pursuant to the New Share Option Scheme, an aggregate of 180,400,000 share options were exercised and an aggregate of 4,560,000 share options were lapsed.

Save as disclosed above, no share options have been granted, exercised or have lapsed pursuant to the Share Option Scheme and the New Share Option Scheme as at 31 December 2020.

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018 and note 41 to the financial statements.

During the year ended 31 December 2020, a total consideration of approximately HK$153,178,000 (2019: HK$441,308,000) has been used to acquire 28,846,000 shares (2019: 123,932,000 shares) of the Company from open market by the independent trustee of the Company.

The Company had granted a total of 152,000,000 awarded shares under the Share Award Scheme, of which 23,800,000 awarded shares were granted to the directors of the Company and will be vested by period based on the future performance, details of which are as follows:

Name of Director	As at 1 January 2020	Granted during the year	Vested during the year	As at 31 December 2020
Chen Yuhong	–	16,600,000	–	16,600,000
Tang Zhenming	–	7,200,000	–	7,200,000

As at 31 December 2020, 174,856,000 shares (2019: 146,010,000 shares) of the Company were held by the independent trustee of the Company, representing 6.02% (2019: 5.74%) of the total issued ordinary share capital of the Company as at 31 December 2020.

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 2020.

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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year, the Company had not entered into any transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the Listing Rules. Related party transactions set out in note 44 to the financial statements are not required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 72.67% of the Group's total turnover and the Group's largest customer accounted for approximately 57.13% of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 34.97% of the Group's total purchases and the Group's largest supplier accounted for approximately 10.92% of the Group's total purchases.

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

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2020, 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 total number of Shares	Approximate percentage of total issued ordinary share of the Company
HSBC International Trustee Limited *(Note 1)*	Interest of controlled corporations	196,800,000	462,992,861	15.94%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	266,192,861		
UBS Group AG *(Note 2)*	Interest of controlled corporations	274,785,754	274,785,754	9.46%
Bank of Communications Trustee Limited *(Note 3)*	Trustee	174,856,000	174,856,000	6.02%

Notes:

(1) Pursuant to the subscription of convertible notes with a total principal amount of HK$900,000,000 (the "Dan Capital CB") issued by the Company on 3 July 2017 to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership (collectively known as the "Dan Capital CB holders"), 50,800,000 and 129,200,000 ordinary shares were allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership on 14 December 2020 respectively upon conversion of the Dan Capital CB. A concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017, as such, Dan Capital CB holders were deemed to be interested in 266,192,861 underlying shares of the Company held by Dr. Chen for the purposes of section 317 of the SFO. Dan Capital CB holders are the wholly owned subsidiaries of HSBC International Trustee Limited. Please refer to Form 2 – Corporate Substantial Shareholder Notice date 14 December 2020 for details of the shareholding structure.

(2) UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Asset Management Trust Company, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Shanghai) Limited, UBS Switzerland AG, UBS Asset Management (Japan) Ltd., UBS Asset management (Deutschland) GmbH, UBS Asset Management Switzerland AG and UBS Financial Services Inc. are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 274,785,754 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 14 December 2020 for further details of the shareholding structure.

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

Save as disclosed above, as at 31 December 2020, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the open market a total of 28,846,000 shares of the Company at a total consideration of approximately HK$153,178,000.

EMOLUMENT POLICY

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

The Company has adopted a share option scheme and share award scheme as an incentive to the Directors and eligible employees, details of the scheme is set out in note 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 employed (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 2020.

COMPETING INTERESTS

As at 31 December 2020, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Chen Yuhong
Chairman & Chief Executive Officer

Beijing, 29 March 2021

Since its establishment, with the vision of "becoming the world's best IT service provider" and the mission of "serving to promote advancement by informatization", the Group is always committed to the core values of "keeping true heart of kindness, determination and perseverance, striving for success, sharing and growing with customers". The Group proactively assumes corporate social responsibility and helps promote sustainable development.

The Group has been continuously improving its environmental, social and governance management system and enhancing the performance of the Board in respect of the environment, society and governance. The Board assumes the overall responsibility of the Group for its environmental, social and governance aspects. To further implement the environmental, social and governance work, the Environmental, Social and Governance Working Group, which reports to the Board, has been established. It is responsible for implementing the Board's strategies and policies and coordinating with all business departments to address environmental, social and governance issues pursuant to their respective functions. During the preparation of the report, the Board reviewed the material issues disclosed in the report and the reporting strategies. This report has also been reviewed by the Board before its publication. The Group has summarised its environmental, social and governance issues, and compiled this report in accordance with the requirements of Appendix 27 to the Listing Rules of the Stock Exchange of Hong Kong (the "Environmental, Social and Governance Reporting Guide") with reference to the Global Reporting Initiative (GRI) standards. The governance affairs of the Group are set out in the Corporate Governance Report section of this annual report. This report covers the period from 1 January 2020 to 31 December 2020 (the "Reporting Period") and covers the headquarters and affiliated companies of Chinasoft International Group (hereinafter referred to as "the Group").

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

The Group has always been committed to establishing its multiple channels of communication with stakeholders, effectively protecting the interests of all stakeholders and performing its corporate social responsibility. The Group has always maintained communication and liaison with key stakeholders and established its environmental, social and governance priorities by understanding the needs of stakeholders. The Group's key stakeholders include:

Stakeholders	Communication channels	Expectations
Government and regulatory bodies	Study on policies and guidance documents; Participate in meetings and trainings organised by relevant authorities and associations; Work closely together with relevant authorities during review and inspections; Telephone, email and face-to face communication; Work closely together with relevant authorities to carry out epidemic investigation and prevention	– Compliance with laws and regulations and the Listing Rules – Integrity in the business – Payment of taxes according to the law – Assured product safety – To drive forward the technological progress – Compliance with epidemic prevention and control requirements
Shareholders and investors	Convene shareholders' and investors' meetings; Publish financial reports, announcements and other information; Publish news and information via company's websites; Telephone, email and face-to-face communication with investors	– Continuous improvement of business performance – Compliance operations – Sound corporate governance – Timely and full disclosure of information – Considerable investment return
Customers	Carry out surveys on customers' requirements; Carry out customer service satisfaction questionnaire; Telephone, email and face-to-face communication with customers	– To assure product and service quality – To ensure delivery on schedule and to perform product responsibility – To ensure the security of customer information – To meet the diverse needs of customers
Employees	Conduct questionnaire surveys on organizational ambiance; Organise regular meetings and employee discussion forums; Organise parties and interactive activities for employees and their families; Establish online communication and Q&A platforms; Telephone, email and face-to-face communication with employees Measures to protect employees' health during the epidemic	– To protect the interests of employees – Caring for occupational health of employees – To ensure workplace safety – To provide training and development opportunities – To offer fair and reasonable remuneration packages
Suppliers	Conduct assessments and interviews through on-site visits; Telephone, email and face-to-face communication with suppliers	– Open, equitable and fair procurement – Fulfillment of contracts, creation of mutual benefits and win-win situations – Stable demand and common development
Community	Maintain networking and dialogue with the community; Participate in community activities; Make charitable donations	– To protect the social environment – To support community development – Equal opportunity employment and protection of human rights
Public and Media	Publish financial reports, announcements and other information; Publish news and information via company's websites and social media; Establish communication channels such as telephone, email and Internet communication platform	– Full and transparent disclosure of information – Timely feedback to external inquiries – Sustainable business development

DETERMINATION OF MATERIAL ISSUES

To identify corporate environmental, social and governance priorities and key areas of information disclosure and improve the focus and responsiveness of the report, the Environmental, Social and Governance Working Group, through adequate communications with stakeholders, summarises environmental, social and governance issues and identifies material issues of stakeholders' concerns, in accordance with the requirements of the "Environmental, Social and Governance Reporting Guide" and the "Environmental, Social and Governance Reporting Guidelines" of the Hong Kong Stock Exchange and the GRI standards. The Group determines the level of materiality of the issues and develops a materiality matrix of Chinasoft International as the basis for the management and disclosure of environmental, social and governance information. The relevant information on the Group's operational management is disclosed as comprehensively as possible.

Scope of the "Environmental, Social and Governance Reporting Guide"		Material Environmental, Social and Governance Issues of the Group
A.	**Environment**	
A1	Emissions	Carbon emissions and waste management
A2	Use of resources	Green operations and reduction of energy consumption
A3	The environment and natural resources	Green travel and green services
A4	Climate change	Energy saving and emission reduction
B.	**Social**	
B1	Employment	Equality and diversity in employment; caring for employees
B2	Health and safety	Occupational health and staff safety
B3	Development and training	Staff training and development
B4	Labor standards	Prohibition of child labor and forced labor
B5	Supply chain management	Open and fair procurement; supplier risk assessment
B6	Product responsibility	Technology innovation, product quality and customer information security
B7	Anti-corruption	Fighting against corruption and promoting integrity
B8	Community investment	Community welfare and support to epidemic control

A ENVIRONMENT

With "promoting energy saving and emission reduction, building environmentally friendly smart cities and providing green solutions" as its environmental responsibility, the Group contributes to environmental protection, climate change mitigation and carbon neutrality by promoting the establishment of environmentally friendly smart cities and providing green solutions. The Group strictly complies with the "Environmental Protection Law" and the "Law on Prevention and Control of Air Pollution", focuses on reducing its own emissions and improving the efficiency of resource use, integrating the philosophy of green office and energy conservation into its daily production and operations. 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.

A1. Emissions

The Group is principally engaged in software and information technology services and its production activities have minimal impact on the environment. Emissions are mainly from greenhouse gases generated by its energy consumption, non-hazardous waste such as domestic sewage and domestic waste, and hazardous waste including waste computers, monitors and other electronic components.

The Group proactively responds to the government's call to strictly implement the approval system for the use of vehicles for business purposes to minimise the use of vehicles. It also promotes waste classification to reduce domestic waste and white waste pollution generated in office operations. Reusable cutlery and a wide variety of packaged meals are available in the canteens to reduce the use of plastic bags. Employees are also encouraged to bring their own packaging tableware.

The Group performs evaluation of waste electronic components (e.g. memory module, keyboard, mouse and power cord), reusing those that can continue to be used and recycling those that cannot be reused. During the Reporting Period, the Group re-examined the qualifications of waste treatment companies and updated the list of partners, identifying professional recycling enterprises for the disposal of end-of-life assets to reduce waste of resources and pollution.

Disclosure of Emission Information

Indicators	Data for 2018	Data for 2019	Data for 2020
Greenhouse gas emissions from direct sources (tons CO_2 equivalent)	72	60	54
Greenhouse gas emissions from indirect sources (tons CO_2 equivalent)	13,757	14,605	15,538
Greenhouse gas emissions due to employees' business trips (tons CO_2 equivalent)	5,872	6,197	2,871
Total greenhouse gas emissions (tons CO_2 equivalent)	19,701	20,862	18,463
Greenhouse gas emission per million dollars operating income (tons CO_2 equivalent/$million)	1.86	1.73	1.31
Total emission of domestic waste water (tons)	200,539	209,496	195,297
Total domestic waste from office operations (tons)	4,500	4,821	6,099

Note: 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 exclude the data from the overseas offices. The significant decrease in greenhouse gas emissions due to employees' business trips was mainly due to the fact that with the launch of Welink during the pandemic, some offline meetings were moved online to reduce the frequency of business trips. In 2020, the operating income of the Group amounted to RMB14,101.239 million.

A2. *Use of Resources*

Adhering to the concept of "strict conservation", the Group formulates a series of rules and regulations for the use of resources and energy, and strives to reduce resource consumption in office operations and improve resource use efficiency.

- In office areas, employees are required to turn off their computers before leaving their workstations, and turn off lights, water dispensers, refrigerators, microwave ovens and air conditioners when not in use. Electrical facilities are shut down at different times according to the employees' overtime work schedule to reduce power consumption.

- In the printing area, a paper recycling basket is placed and employees are required to use recycled paper for ordinary printing. The advertising materials of the administration, personnel, information security, regional and other departments use electronic advertising displays instead of paper materials.

- In washrooms, paper and water saving signs are posted. The faucets have also been changed into water-saving ones by replacing the existing conventional faucets with time delay faucets.

Disclosure of Resources Utilization Data

Indicators	Data for 2018	Data for 2019	Data for 2020
Consumption of gasoline (liters)	33,178	27,266	24,852
Electricity consumption (10,000 kWh)	2,223	2,369	2,636
Consolidated electricity consumption per million dollars operating income (10,000 kWh/$million)	0.21	0.20	0.19
Consolidated energy consumption (tons standard coal)	2,770	2,941	3,266
Consolidated energy consumption per million dollars operating income (tons standard coal/$million)	0.26	0.24	0.23
Water consumption (tons)	235,928	246,466	229,761
Consolidated water consumption per million dollars operating income (tons/$million)	22.29	20.47	16.29

Note: The statistical scope of the Company's resource utilization 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.

A3. The Environment and Natural Resources

The Group continues to innovate and invest in environmental protection, research and development of energy-efficient products, and is committed to helping society reduce carbon emissions. The Group has purchased video conferencing equipment and launched the Welink conference system to move meetings online as much as possible. A total of approximately 130,000 Welink online conferences were organised throughout the year, with a meeting duration of nearly 7,000,000 minutes. Charging points for electric vehicles have been installed in the parks. The Group has also increased the numbers of public bicycles in the Group's surrounding areas and encouraged employees to choose public transportation or electric vehicles for travelling.

At the same time, leveraging its own advantages and expertise, the Group helps its partners and downstream companies improve their management capabilities and efficiency in environmental protection and promotes the development of "Digital Environment".

"Cloud Computing Development for Digital Environment"

During the Reporting Period, the Group vigorously promoted cloud computing products in various industries such as finance, power, government, education and manufacturing, and helped companies adopt virtualization technology in constructing cloud computing infrastructure platforms. High technologies such as information, network, automatic control and communication are applied to environmental protection at all levels. The Group aims to achieve the digitalization of corporate environmental protection efforts through data collection, information processing, decision support, information sharing and other services.

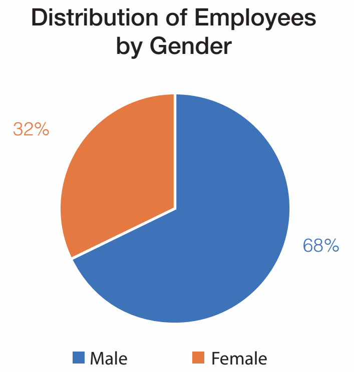
B. SOCIETY

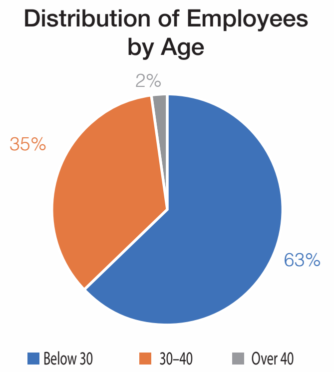
As one of the leading global software and information technology service providers in the industry, with the concept of "talent is the core competitiveness", the Group actively performs its corporate social responsibility by taking great care of its employees and their development, establishing a supplier lifecycle management system, improving product quality and participating in charity activities.

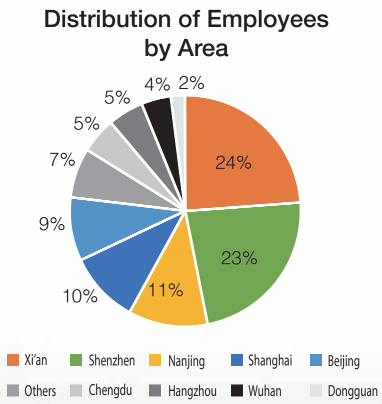
B1 Employment

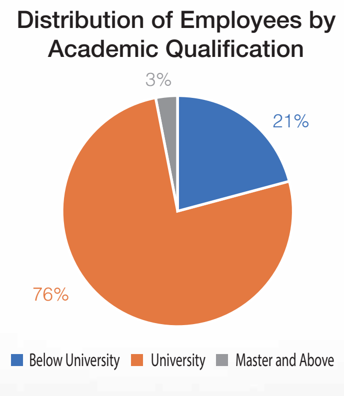
The Group strictly adheres to labor laws and regulations such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", and the "Regulation on Work-Related Injury Insurances". The Group issued a new version of the "Employee Handbook", effectively protecting employees' legal rights and interests.

The Group attaches great importance to the diversity management of employees in areas including gender, ethnicity, age and academic qualifications, recruits talents through various channels including on-campus and off-campus recruitments, and provides both full-time and part-time positions, thereby promoting diversity in the composition of our employees. As of 31 December 2020, the Group had a total of 75,956 employees across the nation and in various countries around the world. Among them, full-time employees accounted for 99.88% of total number of employees and part-time employees accounted for 0.12% of total number of employees. There were 3,557 ethnic minorities including Hui, Tujia, Manchu and Zhuang, accounting for about 4.68% of total number of employees. There were also 237 employees with disabilities, accounting for about 0.31% of total number of employees. During the year, 1,880 fresh graduates were recruited. In 2020, the turnover rate of the Group's male employees was 31% and that of female employees was 27%.









The Group continues to optimise its human resources system. During the year, the Group established and optimised the position and rank system, position evaluation system, remuneration framework and organizational performance management system. It also formulated policies on the long-term and short-term incentive systems to enhance remuneration competitiveness and unleash the development potential of employees.

Furthermore, the Group promotes the employee-care concept of “Partners, Ecology, and Celebrate Success Together” to continuously increase the happiness of employees. During the year, the Group launched a series of activities including storytelling activity for anti-epidemic heroes, festival-themed activities and poetry competition moral values and designed customised greeting cards and birthday cards for events such as festivals and employees’ work anniversaries to extend its care to employees and improve employee cohesion and sense of belonging.

During the reporting period, focusing on staff development and corporate culture building, the Group has organised several large-scale interactive events in different parts of the country, for the purpose of enriching employees’ lives, satisfying employees’ needs and enhancing the organizational atmosphere. These events include but not limited to the following:

“Getting together and passing on dreams” — the Chinasoft International Carnival

During the reporting period, the Chinasoft International Carnival was held, opening in 10 cities nationwide. The purpose of the event was to recognise and reward outstanding individuals and teams, and the children of employees were also invited to join. During the event, the employees shared precious family time and enhanced their sense of honor and mission.

"Sailing Forward, braving the wind and waves" — Xiao i always with you

In order to enhance employees' feelings of being valued and their sense of belonging, during the year, the Group launched an employee care service project, "Xiao i Always With You", which was an employee care and service project integrating activities such as "communication meeting/training/salon/team-building/on-site service/personnel administrative service Q&A" mainly for employees on the client side. The management, HRBP and personnel administration services department of the Company will approach the employees on the client side to provide dedicated, customised and thoughtful communication, care and services to employees in different workplaces across the country. Six months after its establishment, Xiao i has travelled to nearly ten cities and organised more than a dozen events, delivering heartfelt services to all employees.

"An art troupe of Chinasoft International" — the Red Stars Club

In order to enhance the interaction between employees and provide them with more opportunities for showcasing their talents and sharing their interests, the Group established the "Red Stars Club" during the year. As the art troupe and publicity team of the Group, the Red Stars Club gathers the wisdom and skills of employees and provides a platform for employees to demonstrate their talents, creating a family-like atmosphere and enriching employees' lives.

B2 Health & Safety

The Group always puts the physical and mental health and safety of employees as the first priority, focuses on production safety, continuously improves the working environment of employees and strengthens the safety management of office premises to create a safe and comfortable working environment for our employees. During the Reporting Period, the Group issued the "Notice Regarding the Further Implementation of Workplace Safety Management of the Company" to explicitly define the responsibility of workplace safety management, enhance the promotion of safety awareness in workplace and improve the quality of workplace safety management.

During the Reporting Period, the Group has carried out beautification and transformation works at principal offices in major cities across the country, and multiple safety prevention and control measures were added during the epidemic, including:

- expanding the rest area for staff and increasing the storage space for staff to improve the rest environment of staff.

- purchasing air purifiers for new office premises, and improving indoor air quality by increasing the coverage and replacement frequency of green plants.

- constantly disinfecting the workplaces across the country during the epidemic, and deploying infrared temperature measurement equipment. During the period of supply shortages, protection materials such as masks were provided for employees free of charge.

- establishing new personnel administration services lobby across major cities that are equipped with facilities such as queuing machines to improve working efficiency and massively facilitate our employees.

- conducting anti-slip improvement work on the basement garage of Xi'an base to continuously provide a safe working environment for employees.

- adding new drills on rainstorm, typhoon, as well as water and power outages on top of the routine fire drills.

The Group always values the health and safety of employees by adhering to the principle of "taking prevention as the major approach and prioritise precautions over contingencies", providing employees with effective medical insurance. During the Reporting Period, the Group has organised medical examinations for employees, provided supplementary commercial insurance benefits for employees who have worked for the Company for over 3 years, including supplementary medical, maternity, critical illness, accidental injury and life insurance coverages, paying a total of more than RMB5.51 million for the employees and benefiting 19,542 employees. For employees with service period less than three years, the Group provides the means to purchase supplementary commercial insurances at prices much lower than the market price, benefiting 2,673 employees. In order to prevent occupational disease, the Group provides free occupational health check-up for staff under special post to timely prevent and treat occupational disease. A mental health e-magazine Yixin is created to publish related promotional materials on physical health and mental health, raising the health and safety awareness of employees and cultivating health and safety habits of employees. The Group has launched the third edition of EHS training camp to nurture the ability and awareness of management personnel to pay attention to the occupational health of employees through learning and training in the form of scenario simulation. The Group has started the EAP employee psychological assistance project to establish a round-the-clock psychological hotline. Through psychological evaluation, one-to-one psychological counseling and other professional services, the mental health of employees are safeguarded. A series of emergency assistance training and first-aid certification training are also carried out.

B3 *Development and Training*

The Group pays close attention to the development and cultivation of employees, stimulates the full potential of employee and builds a system for cultivating employees to enhance the employee's own ability. During the Reporting Period, the Group launched orientation for new recruits, training for project managers, training for fresh graduates, TC&TSE and SE&MDE trainings, corporate culture building and empowerment training and various other programs and trainings, as well as conducted internal leadership, post qualification evaluation and other trainings for the management. During the Reporting Period, a total of 191,321 persons participated in various kinds of trainings of the Group throughout the year, with a satisfaction rate of over 96%.

Disclosure of Employee Training Data

Indicators	Data for 2020
Total training hours of employees (hour)	3,965
Average training hours of employees (hour/person)	0.05
Total training hours of male employees (hour)	2,643
Average training hours of male employees (hour/person)	0.05
Total training hours of female employees (hour)	1,322
Average training hours of female employees (hour/person)	0.05
Average training hours completed by senior management (hour/person)	0.05
Average training hours completed by intermediate management (hour/person)	0.05

"Internal Auditor Training and Certification on the SA8000 Standards"

In order to promote the development of the Group's CSR system, improve the management standard of social responsibility system and protect the sustainable development of business, the Group continuously organised internal auditor training and certification on the SA8000 standards during the Reporting Period, and trained with reference to the SA8000 benchmark, further strengthening the construction of each key CSR module. Internal auditors who have undergone professional training and certification actively participate in the Group's internal auditing and conduct internal audits, on-site and in different regions, by means of site visits, document reviews and interviews, reaffirming the effectiveness of the implemented objectives stipulated in the CSR system, and effectively promoting the application and implementation of the CSR system.

"General Meeting of Project Managers"

During the Reporting Period, the 8th Chinasoft International General Meeting of Project Managers integrated online and offline conferences into one meeting. A new online project manager community was dedicated to creating a never-ending project managers meeting, providing support and services to develop the capability of the Company's project managers on a regular basis.

B4 *Labor Standards*

The Group strictly adheres to the relevant standards and management policies in the countries and locations where our operations are located, such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", and the "Regulation on Work-Related Injury Insurances", and strictly abides by the management policies established in accordance with the international policies for the prevention of child labor and forced labor, as well as the relevant policies and regulations established by the countries and locations where our operations are located. The Group insisted on standardizing its employment according to law by optimizing the overtime and work shift systems and encouraging employees to make proper arrangement of their leaves. During the Reporting Period, the Group had no violations of international or domestic standards, rules and regulations in relation to child and forced labor, or those of the countries and locations where our operations are located.

B5 *Supply Chain Management*

The Group complied with the "Bidding Law of the People's Republic of China", formulated and implemented the internal "Administrative Measures on Procurement and Tendering of the Company", followed the principle of "standardised bidding (invitation) and sunlight procurement", ensuring open, fair and equitable procurement. The Group has formulated strict supplier admittance system that selects qualified suppliers by conducting integrated considerations and evaluations on multiple aspects such as enterprise qualification, business reputation, quality assurance and performance capability. The Group also strengthens the supplier assessment, which evaluates suppliers in terms of quality, delivery schedule, pricing and service, and adopts an elimination mechanism for suppliers with low quality scores and add them into the supplier backlist.

The Group strengthens the assessment on suppliers' environmental and social risk, entering into "Anti-corruption Agreement" with suppliers and performing sustainable development performance evaluation on suppliers every year. Suppliers that pass the assessment will be listed in the "Qualified Supplier List" of the Company.

During the Reporting Period, the Group was not aware of any significant actual or negative impact from its major suppliers on business ethics, environmental protection, human rights and labor practices.

B6 Product Responsibility

With the ultimate goal of "improving customer satisfaction", the Group continuously improves key shortcomings, timely discovers and solves risks, safeguarding the supply quality of products and services. It drives the digital transformation of real economy through developing IT services and intelligent cloud business, so to ensure the implementation of new infrastructure project. It reinforces the protection of intellectual property rights, formulates information security, internet security and privacy protection systems to ensure the data security of customers and the Company and strive to become a reliable partner for its customers. During the Reporting Period, the Group passed the SA8000 certification and was once again included in the Gartner TOP 100 Vendors in IT. Honours and awards won include but not limited to the following:

Awards Won	2020 Leading Brand in Digital New Infrastructure and Cloud Services Market in China
	2020 Award for Outstanding Contribution to the Advancement of China's Digital Economy
	"Golden Hong Kong Shares" – Best TMT, Best IR and Best IR Team
	2020 Top 100 Software and IT Services Competitive Enterprises of the Year
	New Fortune "Best IR HK Listed Company"
	Huawei 2020 Outstanding Global Government Partner
	HUAWEI HiLink "Excellent Ecosystem enabling Service Partner" Award

"Enabling the Construction of Infrastructure"

The Group actively responds to the national strategy and participates in the construction of major national strategic infrastructure. During the Reporting Period, it has signed "Strategic Cooperation Agreement for Construction of Intelligent Green Port" with Shandong Port Group, commencing cooperation that centers on intelligent green port construction and port digital transformation and upgrading. It assists the city of Zhangjiagang to launch the digital platform of intelligent city and construction of "city brain", utilizing IoT, big data and other technology to consolidate the operating data of city in all domains, realizing the intelligent display of the operation of key areas such as economic innovation and government services and building a new generation of intelligent city command center. The joint announcement of the rail transportation ticketing cloud service products based on Kunpeng cloud as the infrastructure with Huawei, on one hand, will provide plans and recommendations for passengers for their ease of travel, and on the other hand, provide digital rail transport operating analysis for urban rail operators, supporting the streamlined operation of urban rail.

"Promoting the Development of Intelligent Cloud Business"

The Group actively promoted the development of intelligent cloud business and improved all scenario digital transformation products and professional technology capability, providing customers with one-stop cloud services and helping enterprises to achieve digital transformation. During the Reporting Period, the Group focused on the construction of the industry cloud ecosystem, leveraged its advantages and capabilities in software development service and integrated the distinctive online and offline sustainable operations of industry cloud, so as to create a new ecosystem of digital transformation by working together with Huawei Cloud.

"Fully constructing process-oriented organization"

The Group continuously drives the construction of process-oriented organization. Focusing on customer transformation and centered around supplier development SD ability model, it establishes the framework of all processes and organises the business flow and logical relationships between core business processes, specifying the relationship between processes and the scope of responsibilities, continuously improving self-management capabilities.

"Optimizing Business Continuity Management (BCM)"

The Group is committed in protecting business continuity and improving internal management efficiency. During the Reporting Period, the Group established a facilitation and protection team for BCM process enforcement on the foundation of existing management system and structure. Based on existing processes, it launched coaching, risk identification and self-inspection to constantly update the emergency and business recovery contingency plan for new acute infectious disease, fire, IT service unavailable and other material risk scenarios.

During the epidemic, the Group established an independent epidemic prevention and control auditing and monitoring group on Company and customers' premises, aiming to carry out self-inspection on the implementation of epidemic prevention and handle any problems once discovered. Meanwhile, mini programs such as health check-in, same city enquiry, journey investigation, whitelist management and registration tracking were launched to make epidemic prevention more convenient and effective.

"Strengthening the protection of intellectual property"

The Group complies with the regulations of "Copyright Law", "Patent Law" and "Trademark Law", strictly implements the relevant intellectual property provisions in "Chinasoft International Confidentiality System", focuses on improving the construction of intellectual property management system and strengthens the protection of intellectual property. During the Reporting Period, the Group drafted the application and approval process of the Company's internal intellectual property protection and enterprise qualification certification, specifying the responsibility and review scope of all departments in the process and deploying professional personnel responsible for the application, filing and certification processes of intellectual property protection and enterprise qualification certification, timely protecting the research results of its employees. Meanwhile, the existing and commonly used enterprise qualifications, introduction of intellectual property, application and maintenance process will be explained to the employees. During the Reporting Period, a total of 268 copyright certificates were received by the Group for computer software from the National Copyright Administration of China and 14 patents were in progress of application, which spanned over 13 business divisions of the Company. 18 new enterprise qualification certificates have been added, continuously maintained the effective operation of 66 qualifications, which effectively safeguarded the hard work contributed by the employees.

"Focus on privacy and information security"

In the process of providing products and services to customers, the Group strictly adheres to the provisions in relation to customer privacy protection in "Chinasoft International Confidentiality System" and develops information security, network security and privacy protection systems for the whole Company, so to establish security and privacy protection in business activities, supporting the Group to become a reliable partner for its customers. During the Reporting Period, the Group continued to improve the processes of information security, network security and privacy protection in terms of information assets, personnel, environment and operation. On the basis of maintaining the ISO27001 Information Security Management in effect, it introduced the ISO27701 Personal Privacy Protection Certification. Meanwhile, special data security project was launched and information security campaign incorporating business process was formed to achieve the effective identification and protection on key information assets, key activity nodes and key personnel. During the Reporting Period, the Company was not imposed of any penalty by regulators as a result of breaching of the laws and regulations related to personal data and privacy protection and did not have any significant event in relation to information security leaks and network security.

"Valuing customer feedback"

In order to share emotions with customers and establish highly trusting relationship, the Group stresses on connecting with customers and deeply inquires their business pain points and offers solutions, improving the maturity of quality management. Customer satisfaction survey is also continuously launched to actively obtain customer opinions at different levels, of which the results from the customer satisfaction questionnaire will be analysed and gap analysis will be performed. Improvement proposal is formulated based on customer feedback and the improvement progress of which is continuously tracked.

B7 Anti-corruption

The Group has been adhering to running business with integrity, strictly preventing the occurrence of corruption, bribery and other illegal acts. Pursuant to the requirements of the "Criminal Code" and the "Law against Unfair Competition", it regulates the penalties for giving and receiving briberies in the Employee Handbook, and requires employees to sign the "Code of Business Conduct" (BCG), "Integrity Agreement" and "Integrity Undertakings" when joining the Group. The Group has "zero tolerance" towards corruption, and any such acts will be strictly investigated and properly handled once discovered. Code of ethics is emphasised in the daily operation to enhance the anti-corruption supervision and inspection, while management personnel is required to sign anti-corruption undertakings. An anti-corruption reporting mail box has been set up to collect and handle various kinds of reports of any violation of the Group's compliance requirements. Furthermore, the Group has reviewed and regulated on all suppliers and partners and a good faith clause and penalties for the breach of contract are added to the procurement contract in order to prevent bribery or any illegal acts from happening during procurement or business cooperation. During the Reporting Period, the Group was not aware of any significant violations by employees of relevant laws and regulations, and had not been subject to any case of fraud, litigation against the Group's products or material fines.

B8 Community Welfare

The Group has cooperated with industrial peers and various sectors of the society to join hands in fighting the epidemic, providing digitalization services for epidemic prevention and management. During the Reporting Period, the Group donated RMB10 million to support the city of Wuhan in fighting against the epidemic. The Group provided volunteer IT operation and maintenance services for Huoshenshan Hospital, Leishenshan Hospital and other designated hospitals, improving the efficiency of Fangcang Hospital in patient information registration by providing technical support. It provided free programming courses for enrolling students from Wuhan, giving opportunities for safe education. JointForce formed a Shenhuo Team to provide free research and development services for fighting the epidemic, deploying over ten thousand engineers to provide research and development services of emergency tools and essential system freewares for epidemic scenarios for the society. It opened the access of CloudEasy cloud management services and intelligent epidemic prevention software free of charge to help the healthy system operation of enterprise and business units as well as education businesses, facilitating work resumption and school resumption. It also donated more than 20 thousand masks to Japan and other neighbouring countries to aid its overseas friends to get through these difficult times.

At the same time, the Group actively participated in welfare activities, cared the underprivileged in the society, encouraged employees to contribute to the society, organised the management and employee to be a part of the society, taking care of war veterans' families in need and widowed elderly and visiting local normal schools to show care for students and conduct culture exchanges.

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 58, is the Chairman and the Chief Executive Officer of the Company and is responsible for the overall business development of the Group. He has over 20 years of practicing experience in software information industry. Dr. Chen holds a doctorate degree in optics from Beijing Institute of Technology (北京理工大學) in 1991. Prior to joining the Company on 25 April 2000, Dr. Chen worked at China National Computer Software & Technology Service Corporation ("CS&S") from October 1996 to April 2000, subsequently was appointed as vice president in June 1999 and as senior vice president of CNTC (中軟網絡信息技術有限公司) in December 2003. He has also been appointed a director of Chinasoft Resources Information Technology Services Limited. He was also a director of CS&S Cyber Resources Software Technology (Tianjin) Co., Ltd., an associate company of CS&S from 1999 to March 2002. From June 1991 to October 1996, he was the deputy general manager of China Great Wall Computer Software Co., Ltd. (中國長城電腦軟體公司).

Dr. Tang Zhenming (唐振明), aged 58, is the senior vice president of the Company. He is responsible for the Group's training business. Dr. Tang obtained a doctorate degree in motor electronic control from Beijing Institute of Technology (北京理工大學) in 1994. Prior to joining the Company on 25 April 2000, Dr. Tang was employed by Beijing Institute of Technology Industrial Company (北京理工大學產業總公司) as deputy general manager from May 1995 to July 1998 and by Chinasoft Cyber Information Technology Co., Ltd (Beijing) as deputy general manager from August 1998 to March 2003. Dr. Tang was also employed by American W&P Company, Beijing Office (美國W&P公司北京辦事處) as officer from December 1993 to March 1995.

Non-executive Directors

Dr. Zhang Yaqin (張亞勤), aged 55, was appointed on 31 December 2008. Dr. Zhang Ya-Qin is chair professor and dean of the Institute for AI Industry Research at Tsinghua University. Dr. Zhang Ya-Qin was the President of Baidu, Inc. (listed on NASDAQ, NASDAQ: BIDU) from September 2014 to October 2019, in charge of autonomous and intelligent cloud emerging business and basic technology system and etc., and also the Chairman of Baidu R&D Centre in U.S. Prior to joining Baidu, Dr. Zhang served various positions at Microsoft Corporation (listed on NASDAQ, NASDAQ: MSFT) from January 1999 to September 2014, including: the corporate vice president of Microsoft Corporation, the chairman of Microsoft Asia-Pacific Research & Development Group responsible for driving Microsoft's overall research and development efforts in China and the Asia-Pacific region, the managing director and the chief scientist as well as an original founder of Microsoft Research Asia where he was in charge of Microsoft's mobile and embedded division in Microsoft's headquarters. Dr. Zhang is also a member of Committee 100, a group of leading Chinese- Americans to promote the political, science, social and economic exchanges between the US and China. Dr. Zhang honored academician of the American Academy of Arts and Science in 2019. Dr. Zhang was awarded a fellow of the Australian Academy of Technology and Engineering in December 2017, and he has also been a fellow of the Institute of Electrical and Electronics Engineers since March 1997. Dr. Zhang obtained his bachelor's degree in radio electronics and master's degree in telecommunication and electrical systems from the University of Science and Technology of China (中國科技大學) in July 1983 and January 1986 respectively. In February 1990, Dr. Zhang obtained his Ph.D. degree in electrical engineering from George Washington University, Washington D.C. Dr. Zhang has been an independent non-executive director of a number of companies, including AsiaInfo Technologies Limited (listed on the Stock Exchange, stock code: 1675) since August 2018 and Dr. Zhang has been an independent non-executive director of Fortescue Metals Group (ASX: FMG) since October 2019. He has been an independent non-executive director of WPP (NASDAQ: WPPGY).

Mr. Gao Liangyu (高良玉), aged 55, is the chairman of the board of Gao Zheng Asset Management Limited (高正資產管理有限公司) since July 2017. Mr. Gao was served as the chairman of the board of CSOP Asset Management Limited (南方東英資產管理有限公司) since March 2013, engaging in asset management business. Prior to joining CSOP Asset Management Limited, Mr. Gao was previously the deputy general manager at China Southern Fund Management Co., Ltd. (南方基金管理有限公司) in March 1998 and became the general manager of the same company from September 1998 to March 2013, responsible for the management and operation. Mr. Gao acted as the deputy division chief of the Public Offering Supervision Department of the China Securities Regulatory Commission (中國證券監督管理委員會) from March 1993 to March 1998, the section chief of the Finance Management Department of the People's Bank of China (中國人民銀行) from February 1991 to March 1993, studied in the Postgraduate Department of Financial Research Institute of the People's Bank of China from September 1988 to February 1991, and an officer of the Audits Department of Nanjing Agriculture University (南京農業大學) from July 1986 to August 1988. He served as an independent non-executive director of Jutal Offshore Oil Services Limited (巨濤海洋石油服務有限公司), a company listed on the Stock Exchange (stock code: 3303), from 2009 to 2015. Mr. Gao obtained his bachelor's degree in agricultural economics from Nanjing Agricultural University in July 1986.

Mrs. Gavriella Schuster, aged 55, has over the past 24 years managing and deploying a number of programs and products as well as licensing, pricing and go-to-market initiatives for Microsoft Corporation ("Microsoft"). She has consistently delivered high business growth through Microsoft's commercial segments, ranging from small business to global enterprise, leading sales and marketing teams across its Server and Cloud business, Windows Client Commercial business, Enterprise Services, licensing sales and marketing, field business development, training initiative development, segment marketing, worldwide partner marketing and training strategies, and worldwide operations. Mrs. Schuster has been the corporate vice president of Microsoft One Commercial Partner since June 2016. From May 2011 to May 2014, Mrs. Schuster was the general manager of US Cloud & Enterprise commercial business at Microsoft. From August 2006 to May 2011, Mrs. Schuster was the general manager of global product management of Windows Commercial business at Microsoft. From March 2001 to August 2006, Mrs. Schuster was a senior director of US enterprise licensing sales & marketing at Microsoft. From July 1999 to March 2001, Mrs. Schuster was a director of global Microsoft Enterprise Services at Microsoft. From February 1997 to July 1999, Mrs. Schuster was the group manager of global customer segment marketing at Microsoft. From May 1996 to February 1997, Mrs. Schuster was the group manager of global solution provider and training program for partners at Microsoft. From November 1995 to May 1996, Mrs. Schuster was the operations manager of Microsoft Partner Programs at Microsoft. Mrs. Schuster earned her bachelor's degree in Social Psychology from the University of Michigan in 1988.

Independent Non-executive Directors

Mr. Zeng Zhijie (曾之杰), aged 53, was appointed on 21 April 2003. Mr. Zeng is currently the Managing Partner of Oriza-Rivertown Capital (元禾厚望成長基金). He has been active in the venture capital industry for twenty years. At present, Mr. Zeng serves as independent director and director for two listed companies: the independent director of Chinasoft International Limited (SEHK) and the director of CTS International Logistics Corp Ltd. (Shanghai Stock Exchange). Mr. Zeng obtained a bachelor's degree in economics from the University of Nagasaki, Japan, and a master of science degree in management from Stanford University.

Dr. Lai Guanrong (賴觀榮), aged 58, was appointed on 2 June 2015. Dr. Lai is currently the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司) since 2013. Dr Lai is also the independent director of Xin Yuan Enterprises Group Limited (信源企業集團有限公司) and is the chief economist of Shenzhen CMAF Management Co., Ltd (深圳市遠致富海投資管理有限公司) since 2018. Dr. Lai graduated from the School of Economics of Xiamen University in 1983 with a bachelor's degree, specialising in finance. He was awarded a master's degree by research by the Graduate School of the People's Bank of China (now known as the PBC School of Finance of Tsinghua University) in 1986. He was awarded a doctor's degree by research by the School of Economics of Xiamen University in 2001. He also took part in the 8-month special topic training "Dialogue between financial capital and technological innovation" organised by Tsinghua University in 2014. Dr. Lai was the secretary and deputy head of the office of the Fujian Province branch of the People's Bank of China. He led the establishment of the first securities company in Fujian and one of the first batch of securities companies in China, Minfa Securities Company Limited (閩發證券有限公司), and acted as the deputy general manager leading its work after the establishment of the company. He has led and successfully planned the merger and acquisition of listed companies, namely the merger of Xuji Electric (許繼電氣) (stock code: 000400SZ) with another listed company, Tianyu Electric (天宇電氣). In 1993, Dr. Lai led and successfully planned the listing of the earliest listed Fujian company, Fuyao Glass (福耀玻璃) (stock code: 600660SH); he also participated in the acquisition of Shenzhen Puruikang Biotechnology Co., Ltd (深圳市普瑞康生物技術有限公司). In 1996, Dr. Lai acted as the general manager of Fujian Min Qiao Trust Investment Company Limited (福建閩僑信託投資有限公司) and took over its management. After one year, Min Qiao Trust, which had been on the brink of bankruptcy, became the trust company with the highest gross profit and return on net assets ratio in the province. He has also been the president of Huafu Securities Company (華福證券公司), a provincial owned enterprise. When Dr. Lai was involved in the setting up of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司) and acted as its legal representative and president, he and the shareholders successfully introduced the Agricultural Bank of China as a controlling shareholder of Jiahe Life Insurance, together leading Jiahe Life Insurance into a new stage of development. In addition, since 2015, Dr. Lai has served as supervisor of Beijing Zhongguancun Science City Construction Co., Ltd. and director of Zhongke Industrial Group Co., Ltd..

Professor Mo Lai Lan (巫麗蘭), aged 62, obtained her bachelor and Ph.D degrees in Accountancy from the Chinese University of Hong Kong and M.B.A. degree from Birmingham University in U.K.. She is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Professor Mo joined City University of Hong Kong in 2011 as Professor of Accountancy and served as the Ph.D Program Coordinator for the Department of Accountancy during 2013-2015, and as Internship Coordinator from 2015 to 2017. She is now the Associate Director of the Research Centre for Sustainable Hong Kong (CSHK), a strategic applied research center established at City University of Hong Kong which aims at conducting impactful research in response to real-life sustainability challenges in Hong Kong and the Region. Previously, Professor Mo served as Professor and Head of the Department of Accountancy at Lingnan University from 2006 to 2011. She also had teaching and research experiences with other prominent research universities. Prior to joining the academia, Professor Mo worked at an international leading CPA firm as a professional auditor and a listed company as an internal auditor. Professor Mo was a member of the Auditing & Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA) from 2012 to 2017, and a member of Board of Review (Inland Revenue Ordinance, Hong Kong) from 2015 to 2020. Currently, she is a member of the Financial Reporting Council Review Committee, and a member of the Greater Bay Area Committee of the HKICPA and a Specialist of Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ). Professor Mo's research focuses on audit quality, tax compliance and corporate governance. Many of her papers represent pioneer works on Accounting research published in leading international research journals. She also co-authored a book entitled "A Dream of the Red Chambers and Corporate Governance of Family Businesses"（紅樓夢與家族企業管治）and co-edited a book entitled "Transcending the Bottleneck – The Hong Kong Accountancy Profession"（突破瓶頸－香港會計業）. Professor Mo is currently an Associate Editor of the *Accounting and Business Research* (founded by the Institute of Chartered Accountants in England and Wales), *Asia-Pacific Journal of Accounting and Economics* (founded by City University of Hong Kong). She is also a member of the Editorial Board of *AUDITING: A Journal of Practice & Theory and Journal of International Accounting Research* which are leading research journals in Auditing and International Accounting respectively (published by American Accounting Association).

SENIOR MANAGEMENT

Mr. Simon Chung (鍾鎮銘), aged 60, 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 41, is the chief financial officer of the Company. He is responsible for the corporate finance, operations, internal control, and risk management work. He joined the Group in May 2016 and was appointed on 5 November 2018 as vice president and general manager of the financial management department and on 16 April 2020 as deputy chief financial officer. Prior to joining the Company, Mr. Liao had variously been the head of finance of the Ukraine Representative Office of Huawei Technologies Company Limited, Xi'an Huawei, and the finance and quality operations department of a subsidiary from October 2007 to April 2016, and was a senior financial expert. Mr. Liao have also been the finance manager of the Pakistan subsidiary and the senior finance manager of the Asia-Pacific region of the TIENS Group, Tianjin, from April 2003 to July 2007. From September 1997 to August 2001, Mr. Liao worked in the accounting department of Xinfeng County Sub-branch of China Construction Bank. He holds a Master of Business Administration degree from Hunan University and is an associate of the Association of International Accountants (AAIA).

Ms. Leong Leung Chai (梁良齊), Florence, aged 41, is the company secretary and authorised representative of the Company and was appointed as the deputy chief financial officer of the Company in May 2017. She joined the Company in November 2005 to serve as the Financial Controller of the Group, and became the Company Secretary of the Company and an authorised representative since August 2013. Ms. Leong performs the duties of company secretary, and is responsible for the Group's regulatory compliance and financial reporting. Before joining the Company, Ms. Leong worked in an international audit firm for over 5 years where she was mainly responsible for financial auditing and internal control reporting. She has over 15 years' experience in financial auditing, listing compliance and corporate governance. Ms. Leong is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree (Hons) in Accountancy.

COMPANY SECRETARY

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

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Chinasoft International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 105 to 213, which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS – CONTINUED

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We have identified goodwill impairment assessment as a key audit matter because determining the recoverable amount of relevant cash-generating units (or groups of cash-generating units) requires a significant degree of management judgement and may be subject to management bias. The determination of whether the carrying amount of goodwill is recoverable requires management to make significant estimates such as the discount rates, forecasts of future revenue growth rates and gross margins based on management's view of future business prospects. Details of goodwill and the corresponding key estimation uncertainty on its impairment assessment are disclosed in notes 17 and 4 to the consolidated financial statements, respectively.	Our procedures in relation to goodwill impairment assessment, performed on a sample basis, included: • Assessing the valuation methodology; • Challenging the appropriateness of the assumptions used, including specifically the revenue growth rates and gross margins used in the impairment testing model based on our knowledge on the business and industry; • Comparing the actual results with prior year's forecasts; • Performing an independent assessment of the discount rates used in the impairment testing model, including developing a range of independent estimates and comparing those to the discount rates selected by management, with the assistance of our fair value specialists; and • Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

KEY AUDIT MATTERS – CONTINUED

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from project-based development contracts	
We have identified revenue recognition from project-based development contracts as a key audit matter because it is recognised over time based on the stage of completion which requires a significant degree of management judgement and may be subject to management bias. The stage of completion requires management to make significant estimates of the expected costs to complete the relevant performance obligations based on the budgets prepared for the contracts. Details of revenue from project-based development contracts and corresponding key estimation uncertainty on recognition are disclosed in notes 5 and 4 to the consolidated financial statements, respectively.	Our procedures in relation to revenue recognition from project-based development contracts, performed on a sample basis, included: • Challenging the appropriateness of the assumptions used in the estimation of total expected costs to complete the relevant performance obligations; • Assessing the reasonableness of changes if any on the expected future costs to complete the relevant performance obligations; • Assessing the stage of completion through obtaining management's calculations and agreeing the inputs of the costs to supporting evidence; • Testing the mathematical accuracy of management's calculation of revenue recognised over time; • Comparing the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers; • Performing a gross profit analysis; and • Inspecting the completion reports or other evidence for projects completed in the current year.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor’s report is Chiu Sze Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2021

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	**14,101,239**	12,041,895
Cost of sales and services		**(9,982,755)**	(8,458,802)
Gross profit		**4,118,484**	3,583,093
Other income	6	**312,821**	177,811
Loss from derecognition of financial assets measured at amortised cost		**(1,201)**	(4,544)
Impairment losses under expected credit loss model, net of reversal	7	**(161,384)**	(74,812)
Impairment loss on goodwill	17	**(21,857)**	(35,760)
Impairment loss on investment accounted for using the equity method	18	**(15,878)**	–
Other gains or losses		**(14,902)**	849
Selling and distribution costs		**(729,409)**	(617,554)
Administrative expenses		**(1,301,981)**	(1,195,874)
Research and development costs		**(930,169)**	(808,949)
Other expenses		**(43,786)**	(58,929)
Finance costs	8	**(151,458)**	(166,045)
Share of results of investments accounted for using the equity method		**(24,435)**	(328)
Profit before taxation		**1,034,845**	798,958
Income tax expense	9	**(86,732)**	(42,272)
Profit for the year	10	**948,113**	756,686

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTE	2020 RMB'000	2019 RMB'000
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		**4,921**	(5,875)
Other comprehensive income (expense) for the year, net of tax		**4,921**	(5,875)
Total comprehensive income for the year		**953,034**	750,811
Profit for the year attributable to:			
Owners of the Company		**954,928**	754,888
Non-controlling interests		**(6,815)**	1,798
		948,113	756,686
Total comprehensive income attributable to:			
Owners of the Company		**959,849**	749,013
Non-controlling interests		**(6,815)**	1,798
		953,034	750,811
Earnings per share	13		
Basic		**RMB0.3786**	RMB0.3071
Diluted		**RMB0.3569**	RMB0.3005

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**858,028**	802,423
Right-of-use assets	15	**333,744**	278,646
Intangible assets	16	**144,913**	127,382
Goodwill	17	**941,215**	973,856
Investments accounted for using the equity method	18	**247,154**	227,607
Equity instruments at fair value	19	**61,825**	62,901
Other receivables	21	**87,455**	66,180
Pledged deposits	26, 32	**12,792**	–
Deferred tax assets	30	**5,753**	8,075
		2,692,879	2,547,070
Current assets			
Inventories	20	**51,192**	54,421
Trade and other receivables	21	**4,580,163**	3,297,240
Bills receivable	23	**15,851**	4,443
Contract assets	24	**1,904,185**	2,228,494
Amounts due from related companies	25	**39,776**	75,126
Pledged deposits	26	**16,134**	12,861
Bank balances and cash	26	**3,786,777**	2,525,741
		10,394,078	8,198,326
Current liabilities			
Trade and other payables	27	**1,752,965**	1,229,223
Bills payable	23	**33,446**	22,051
Lease liabilities	28	**142,318**	125,668
Contract liabilities	29	**329,240**	138,815
Amounts due to related companies	25	**8,771**	3,101
Dividend payable		**81**	81
Taxation payable		**83,372**	83,808
Convertible loan notes	31	**–**	23,829
Borrowings	32	**368,130**	1,523,187
		2,718,323	3,149,763
Net current assets		**7,675,755**	5,048,563
Total assets less current liabilities		**10,368,634**	7,595,633

Consolidated Statement of Financial Position

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Deferred tax liabilities	30	**10,896**	10,287
Convertible loan notes	31	**–**	727,672
Lease liabilities	28	**159,942**	123,734
Borrowings	32	**1,421,385**	200,000
		1,592,223	1,061,693
		8,776,411	6,533,940
Capital and reserves			
Share capital	33	**131,956**	116,325
Share premium	34	**4,734,754**	3,145,241
Treasury shares	41	**(605,387)**	(470,752)
Reserves	34	**4,491,765**	3,676,796
Equity attributable to owners of the Company		**8,753,088**	6,467,610
Non-controlling interests		**23,323**	66,330
Total equity		**8,776,411**	6,533,940

The consolidated financial statements on pages 105 to 213 were approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

Dr. Chen Yuhong
DIRECTOR

Dr. Tang Zhenming
DIRECTOR

	Attributable to the owners of the Company														
	Share capital RMB'000	Share premium RMB'000 (note 34)	Treasury shares RMB'000	Other reserves RMB'000 (note 34)	Fair value through other comprehensive income reserve RMB'000	Translation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000 (note 34)	Statutory enterprise expansion fund RMB'000 (note 34)	Statutory surplus reserve fund RMB'000 (note 34)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	112,994	2,982,319	(76,451)	(122,769)	(13,834)	(12,091)	235,105	118,288	15,793	26,749	180,969	2,507,424	5,954,496	64,532	6,019,028
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	754,888	754,888	1,798	756,686
Other comprehensive expense for the year	–	–	–	–	–	(5,875)	–	–	–	–	–	–	(5,875)	–	(5,875)
Total comprehensive (expense) income for the year	–	–	–	–	–	(5,875)	–	–	–	–	–	754,888	749,013	1,798	750,811
Recognition of share-based payment expenses	–	–	–	–	–	–	9,807	–	–	–	–	–	9,807	–	9,807
Expiry of share-based payments	–	–	–	–	–	–	(48,025)	–	–	–	–	48,025	–	–	–
Conversion of convertible loan notes	3,331	211,043	–	–	–	–	–	(17,658)	–	–	–	–	196,716	–	196,716
Appropriations	–	–	–	–	–	–	–	–	–	–	50,487	(50,487)	–	–	–
Dividends paid to ordinary shareholders	–	(48,121)	–	–	–	–	–	–	–	–	–	–	(48,121)	–	(48,121)
Purchase of shares under share award scheme	–	–	(394,301)	–	–	–	–	–	–	–	–	–	(394,301)	–	(394,301)
At 31 December 2019	116,325	3,145,241	(470,752)	(122,769)	(13,834)	(17,966)	196,887	100,630	15,793	26,749	231,456	3,259,850	6,467,610	66,330	6,533,940
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	954,928	954,928	(6,815)	948,113
Other comprehensive income for the year	–	–	–	–	–	4,921	–	–	–	–	–	–	4,921	–	4,921
Total comprehensive income (expense) for the year	–	–	–	–	–	4,921	–	–	–	–	–	954,928	959,849	(6,815)	953,034
Issue of ordinary shares upon exercise of share-based payments	8,057	787,810	–	–	–	–	(188,587)	–	–	–	–	–	607,280	–	607,280
Recognition of share-based payment expenses	–	–	–	–	–	–	144,337	–	–	–	–	–	144,337	–	144,337
Expiry of share-based payments	–	–	–	–	–	–	(4,164)	–	–	–	–	4,164	–	–	–
Conversion of convertible loan notes	7,574	853,511	–	–	–	–	–	(100,630)	–	–	–	–	760,455	–	760,455
Appropriations	–	–	–	–	–	–	–	–	–	–	26,063	(26,063)	–	–	–
Dividends paid to ordinary shareholders	–	(51,808)	–	–	–	–	–	–	–	–	–	–	(51,808)	–	(51,808)
Purchase of shares under share award scheme	–	–	(134,635)	–	–	–	–	–	–	–	–	–	(134,635)	–	(134,635)
Capital contribution from non-controlling interest owners	–	–	–	–	–	–	–	–	–	–	–	–	–	2,270	2,270
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(38,462)	(38,462)
At 31 December 2020	131,956	4,734,754	(605,387)	(122,769)	(13,834)	(13,045)	148,473	–	15,793	26,749	257,519	4,192,879	8,753,088	23,323	8,776,411

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Operating activities		
Profit before taxation	1,034,845	798,958
Adjustments for:		
Depreciation of property, plant and equipment	126,623	138,470
Depreciation of right-of-use assets	158,790	105,624
Amortisation of intangible assets	43,786	58,929
Finance costs	151,458	166,045
Loss from derecognition of financial assets measured at amortised cost	1,201	4,544
Impairment losses under expected credit loss model, net of reversal	161,384	74,812
Impairment loss on goodwill	21,857	35,760
Impairment loss on investments accounted for using the equity method	15,878	–
Share-based payment expenses	144,337	9,807
(Gain) loss on fair value change of financial assets	(1,847)	4,711
Interest income	(75,586)	(28,893)
Share of results of investments accounted for using the equity method	24,435	328
Gain on deemed/partial disposal of investments accounted for using equity method	(8,792)	–
Gain on disposal of a subsidiary	(7,822)	–
Loss on disposal of property, plant and equipment	2,189	1,105
Gain on disposal of right-of-use assets	(931)	–
Dividends from equity investment	–	(6,882)
Exchange gains	(22,986)	(9,186)
Operating cash flows before movements in working capital	1,768,819	1,354,132
Increase in trade and other receivables	(1,439,873)	(803,271)
Decrease in contract assets	158,149	547,042
Increase (decrease) in trade and other payables	555,849	(231,411)
Increase (decrease) in contract liabilities	192,106	(27,263)
(Increase) decrease in bills receivable	(11,408)	17,769
(Increase) decrease in inventories	(1,812)	9,277
Decrease (increase) in amounts due from related companies	2,508	(4,816)
Increase (decrease) in bills payable	11,395	(23,229)
Cash generated from operations	1,235,733	838,230
Income taxes paid	(130,263)	(128,154)
Income taxes refunded	47,070	44,393
Net cash generated from operating activities	1,152,540	754,469

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Investing activities			
Purchases of property, plant and equipment		(159,338)	(104,691)
Placement of pledged deposits		(16,285)	(3,835)
Withdrawal of pledged deposits		220	10,400
Development costs paid		(60,215)	(37,573)
Purchase of other intangible assets		(1,100)	(566)
Purchase of investments accounted for using the equity method		(54,945)	(84,655)
Purchase of equity instrument at fair value		–	(15,000)
Repayment from related companies		29,784	5,009
Proceeds from disposal of subsidiaries	38	35,416	4,186
Interest received		62,550	27,442
Proceeds from disposal of property, plant and equipment		4,492	1,685
Dividend received from investments accounted for using equity method		1,341	1,000
Dividend received from equity instruments at fair value		–	6,882
Advance to related parties		(317)	(7,507)
Prepayment for purchase of an equity investment		–	(2,464)
Payments for deposits of acquisition of an office building		(16,385)	(16,320)
Payment for right-of-use assets		(2,383)	(1,725)
Payment for rental deposits		(19,367)	(6,486)
Withdraw of rental deposits		4,838	–
Net cash used in investing activities		(191,694)	(224,218)
Financing activities			
Dividend paid	43	(51,808)	(48,121)
New borrowings raised, net of expenses	43	3,806,342	2,916,584
Proceeds from exercise of share options		607,280	–
Purchases of shares under share award scheme		(134,635)	(394,301)
Capital contribution from non-controlling interest owners		2,270	–
Advance from related companies		7,877	2,056
Repayment to related companies	43	(2,160)	(17,187)
Repayment of borrowings	43	(3,589,024)	(2,864,948)
Repayments of lease liabilities	43	(165,859)	(117,935)
Interest paid on convertible loan notes	43	(34,507)	(16,329)
Other interest paid	43	(83,955)	(109,440)
Net cash generated from (used in) financing activities		361,821	(649,621)
Net increase (decrease) in cash and cash equivalents		1,322,667	(119,370)
Cash and cash equivalents at beginning of the year		2,525,741	2,646,375
Effect of foreign exchange rate changes		(61,631)	(1,264)
Cash and cash equivalents at end of the year, represented by bank balances and cash		3,786,777	2,525,741

1. GENERAL INFORMATION OF THE COMPANY

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

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

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

2. APPLICATION OF 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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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

2.1 Impacts on early application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated profits at 1 January 2020. The amount of which the Group recognised changes in lease payments that resulted from rent concessions in the profit for the current year was not material to the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

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

New and amendments to HKFRSs in issue but not yet effective – continued

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

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") bank loans which may be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interest in subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity, and attributed to owners of the Company.

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

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations

Acquisitions of businesses other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain of loss being recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Goodwill

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

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

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

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

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Investments in associates – continued

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

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

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

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

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

Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Recognition of revenue from specific major source of revenue

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

(a) Project-based development services

The provision of solutions on project-based development services includes a comprehensive set of activities in the contract, such as project design, implementation, installation, trial launch and/or acceptance, which are highly interdependent and interrelated. The directors of the Company have assessed that the Group's performance (i) creates and enhances an asset that the customers control as the Group performs and/or (ii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Therefore, the directors of the Company have satisfied that there is only one single performance obligation and the services are satisfied over time. Accordingly, revenue from provision of solutions on project-based development contracts is recognised based on the stage of completion of the contracts which is determined as the proportion of the costs incurred for the work (i.e. subcontracting costs, material costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services, to the extent that the amount can be measured reliably and its recovery is considered probable.

(b) Outsourcing services

The provision of outsourcing services is billed based on the IT service hours provided and fixed hourly rates. The Group has a right to invoice in an amount that corresponds directly with the value of the Group's performance completed to date. The directors of the Company have assessed that outsourcing services represent one single performance obligation and the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time.

Revenue from the provision of outsourcing services is recognised in an amount to which the Group has a right to invoice.

(c) Other services

Other services include corporate training, management, support and consulting services. The directors of the Company have assessed that other services represent one single performance obligation and the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the services are satisfied over time.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Recognition of revenue from specific major source of revenue – continued

(d) Sales of goods

Revenue from sales of third-party software and hardware products is recognised at a point in time when the customer obtains control of the products.

Government grants

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

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

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee

Allocation of consideration to components of a contract
Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

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

Right-of-use assets
The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

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

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

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

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Taxation – continued

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

Buildings under construction for future owner-occupied purpose

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Intangible assets – continued

Internally-generated intangible assets – research and development expenditure – continued

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued
Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets as at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

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

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

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

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

(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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

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

(i) Significant increase in credit risk – 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.

(iii) Credit-impaired financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

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

(iii) Credit-impaired financial assets – continued

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

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

(v) Measurement and recognition of ECL – continued

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Convertible loan notes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible loan notes – continued

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

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

Derecognition of financial liabilities

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Foreign currencies – continued

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Employee benefits

Retirement benefits costs

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

Short-term employee benefits

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

A liability is recognised for benefits accruing to employee (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options and share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration of all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – continued

Equity-settled share-based payment transactions – continued

Share options and share awards granted to employees – continued

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

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

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

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical judgements in applying accounting policies

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

Determination on lease term of contracts with renewal options

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

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

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

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

- the extent of leasehold improvements undertaken by Group;

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

Judgements in determining the performance obligations

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

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

Critical judgements in applying accounting policies – continued

Judgements in determining the performance obligations – continued

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs (or groups of CGUs) to which goodwill has been allocated, and such estimation of the recoverable amount requires management to make significant estimates such as the discount rates, forecasts of revenue growth rates and gross margins based on management's view of future business prospects. The recoverable amount determination of the CGUs (or groups of CGUs) as at 31 December 2020 is based on the present value calculation which requires the Group to estimate the future cash flows expected to arise from the CGUs (or groups of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve, especially potential disruptions of the relevant CGU's operations in the United States of America. During the year ended 31 December 2020, an impairment loss of RMB21,857,000 was recognised by the Group (2019: RMB35,760,000). As at 31 December 2020, the carrying amount of goodwill is RMB941,215,000 (2019: RMB973,856,000). Details of the recoverable amount calculation are disclosed in note 17.

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

Key sources of estimation uncertainty – continued

Project-based development contracts

Revenue from project-based development contracts is recognised based on the stage of completion of the contract using input method which requires estimations made by management. Management estimates the expected total costs to complete the relevant performance obligations based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of such expected costs in the budget prepared for each contract as the contract progresses. Any revisions to estimates of the expected costs would affect contract revenue recognition.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually that it assesses collectively using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates and taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has considered if there is objective evidence in respect of higher expected loss rates because a higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL, the Group's trade receivables and contract assets are disclosed in notes 36, 21 and 24 respectively.

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

Key sources of estimation uncertainty – continued

Estimated impairment on investments accounted for using the equity method

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

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

As at 31 December 2020, the carrying amount of investments accounted for using the equity method amounts to RMB247,154,000 (2019: RMB227,607,000), after taking into account the impairment of RMB15,878,000 (2019: nil) recognised in profit or loss during the year.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2020 RMB'000	2019 RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**2,121,617**	3,934,208
Outsourcing services	**11,484,175**	7,682,924
Others	**156,393**	19,598
	13,762,185	11,636,730
Sales of software and hardware products	**339,054**	405,165
	14,101,239	12,041,895

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Disaggregation of revenue from contracts with customers – continued

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
Over time	**13,762,185**	11,636,730
At a point in time	**339,054**	405,165
	14,101,239	12,041,895

Performance obligations of rendering project-based development services, outsourcing services and other services are satisfied over time. Performance obligations of sales of goods are satisfied at a point in time. Further information about the revenue recognition basis of the Group's goods and services is set out in note 3.

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

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

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

In respect of contracts for project-based development services, the transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied in relation to the contract liabilities amounts to RMB329,240,000 as at 31 December 2020 (31 December 2019: RMB138,815,000). Such transaction price allocated is expected to be recognised as revenue during 2021.

In respect of contracts for outsourcing services, other services and sales of goods, the Group applies the practical expedients under HKFRS 15 and does not disclose information about the transaction prices allocated to the remaining performance obligations. The practice expedients cover circumstances where the original expected duration of the contracts is one year or less, and circumstances where the Group has a right to invoice in an amount that corresponds directly with the value of the Group's performance completed to date.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results

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

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

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

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

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

	Segment revenue		Segment results	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
TPG	**12,396,429**	10,458,258	**1,162,191**	891,035
IIG	**1,704,810**	1,583,637	**124,114**	97,645
	14,101,239	12,041,895	**1,286,305**	988,680

Segment revenue reported above represents revenue generated from external customers after eliminating inter-segment services revenue of RMB670,351,000 in 2020 (2019: RMB460,285,000).

Inter-segment services are charged at a cost plus margin basis.

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

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

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

Reconciliation of segment results to profit before taxation:

	2020 RMB'000	2019 RMB'000
Segment results	**1,286,305**	988,680
Other income, gains and losses unallocated	**53,747**	11,438
Gain on deemed/partial disposal of Investments accounted for using the equity method	**8,792**	–
Gain on disposal of a subsidiary	**7,822**	–
Impairment loss on goodwill	**(21,857)**	(35,760)
Impairment loss on investment accounted for using the equity method	**(15,878)**	–
Interest on convertible loan notes and borrowings	**(84,167)**	(46,342)
Corporate expenses	**(55,582)**	(109,251)
Share-based payment expenses	**(144,337)**	(9,807)
Profit before taxation	**1,034,845**	798,958

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purposes of resource allocation and assessment of segment performance. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

The Group's operations are mainly located in its country of domicile, the People's Republic of China ("PRC"), and to a lesser extent, the United States of America ("USA"), Japan, Malaysia, India and other countries.

The Group's revenues from external customers (based on location of the operations) by geographical location are detailed below:

	Revenue from external customers	
	2020	2019
	RMB'000	RMB'000
PRC	**13,477,522**	11,451,930
USA	**430,887**	449,620
Japan	**100,236**	85,756
Malaysia	**61,950**	26,813
India	**29,680**	27,464
Others	**964**	312
	14,101,239	12,041,895

Information about products and services

	2020	2019
	RMB'000	RMB'000
Sales of software and hardware products	**339,054**	405,165
Provision of services		
TPG	**12,286,075**	10,274,776
IIG	**1,476,110**	1,361,954
	13,762,185	11,636,730
	14,101,239	12,041,895

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A	8,056,113	6,576,013

No other single customers contributed 10% or more to the Group's revenue for either 2020 or 2019.

Other segment information

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

2019	IIG RMB'000	TPG RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	99,715	201,688	1,620	303,023
Loss from derecognition of financial assets measured at amortised cost	–	4,544	–	4,544
Finance costs	19,081	100,573	46,391	166,045
Impairment losses, under expected credit loss model, net of reversal	61,662	12,003	1,147	74,812
Interest income	2,201	25,776	916	28,893
Share of loss of investments accounted for using the equity method	24	304	–	328
Loss on disposal of property, plant and equipment	597	508	–	1,105

6. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income	75,586	28,893
Dividend income from an equity investment	–	6,882
Gain on deemed/partial disposal of investments accounted for using the equity method	8,792	–
Gain on disposal of a subsidiary	7,822	–
Government grants	130,532	73,420
Additional value added tax super credit	63,208	35,226
Value added tax refund	1,129	506
Others	25,752	32,884
	312,821	177,811

The government grants were mainly incentives provided by local government authorities in the PRC. There were no unfulfilled conditions or contingencies relating to these government grants as at 31 December 2020 and 2019.

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

	2020 RMB'000	2019 RMB'000
Impairment losses recognised (reversed) on:		
– Trade receivables	43,780	15,785
– Contract assets	123,246	43,581
– Others	(5,642)	15,446
	161,384	74,812

Details of impairment assessment are set out in note 36.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on borrowings	93,366	105,345
Interest on lease liabilities	14,631	14,358
Effective interest on convertible loan notes	43,461	46,342
	151,458	166,045

9. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	79,368	55,102
– under (over) provision in prior years	207	(15,217)
	79,575	39,885
Others	5,013	2,510
	84,588	42,395
Deferred tax (note 30)	2,144	(123)
	86,732	42,272

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.

According to the Notice of the Ministry of Industry and Information Technology, the Ministry of Finance, the State Taxation Administration and National Development Reform Commission on Relevant Issues Concerning the Preferential Policies on Enterprise Income Tax of Software and Integrated Circuit Industry ("Cai Shui 2016 No. 49"), Chinasoft International Information Technology Limited ("Chinasoft Beijing"), Chinasoft International Shanghai Huateng Software Systems Co., Ltd ("Shanghai Huateng") and Chinasoft International Technology Services (Nanjing) Limited ("CSITS NJ") are qualified as key software enterprises and were entitled to a preferential income tax rate of 10% for the years ended 31 December 2020 and 2019.

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 2020 and 2019.

According to the policies promulgated by the Ministry of Finance and the State Taxation Administration for the Integrated Circuit Design and Software Enterprises in 2011, all eligible software enterprises that were profit-making up to the year ended 31 December 2017 were subsequently entitled to two-year income tax exemptions followed by three years' 50% reduction of the statutory income tax rates, starting from their subsequent first profit making year. Chinasoft International Technology Services (Shenzhen) Limited ("CSITS SZ") is qualified as a software enterprise and was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2018. As a result, CSITS SZ was entitled to tax exemptions for the year ended 31 December 2019. According to Caishui 2016 No.49, CSITS SZ is qualified as a key software enterprise and was entitled to a preferential income tax rate of 10% for the year ended 31 December 2020.

9. INCOME TAX EXPENSE – CONTINUED

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:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**1,034,845**	798,958
Tax at PRC Enterprise Income Tax rate of 25% (2019: 25%)	**258,711**	199,740
Tax effect of share of results of interests in entities measured under the equity method	**6,109**	82
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(158,470)**	(163,356)
Tax effect of 175% (2019: 175%) deduction rate on certain research and development expenses	**(105,695)**	(62,187)
Tax effect of expenses not deductible for tax purpose	**33,169**	32,486
Tax effect of income not taxable for tax purpose	**(6,250)**	–
Under (over) provision in prior years	**207**	(15,217)
Tax effect of utilisation of tax losses previously not recognised	**(4,032)**	(720)
Tax effect of tax losses not recognised	**10,009**	12,803
Effect of different tax rates of subsidiaries	**52,974**	38,641
Income tax expense for the year	**86,732**	42,272

10. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 11)	55,192	31,024
Retirement benefits costs (excluding those for directors)	223,794	455,072
Share-based payment expenses (excluding those for directors)	99,846	9,304
Other employee benefits expenses	10,931,637	9,139,039
Total employee benefits expenses*	11,310,469	9,634,439
Less: Amounts capitalised as development costs	(60,217)	(37,573)
	11,250,252	9,596,866
Depreciation of property, plant and equipment	126,623	138,470
Depreciation of right-of-use assets	158,790	105,624
Amortisation of intangible assets	43,786	58,929
	329,199	303,023
Covid-19-related rent concessions (note 15)	2,054	–
Auditor's remuneration	8,760	7,780
Cost of inventories recognised as an expense	324,304	321,531
Net foreign exchange gain (included in other gains or losses)	(22,986)	(9,186)
Fair value (gain) loss on equity investment (included in other gains or losses)	(1,847)	4,711
Loss on disposal of property, plant and equipment (included in other gains or losses)	2,189	1,105

* Total employee benefits expenses presented above included the relevant research and development costs expensed. Comparative information has been reclassified to conform with the current year presentation.

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 2020 are as follows:

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acted as the chief executive officer of the Company.

	Zhang Yaqin RMB'000	Gao Liangyu RMB'000	Gavriella Schuster RMB'000	Total RMB'000
B) NON-EXECUTIVE DIRECTORS				
Other emoluments:				
Salaries and other benefits	274	274	354	902
Share-based payment expenses	313	313	313	939
Sub-total	587	587	667	1,841

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

Directors' and chief executive's emoluments – continued

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

		Zeng Zhijie	Lai Guanrong	Mo Lai Lan	Total
		RMB'000	RMB'000	RMB'000	RMB'000
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS				
	Fees	107	291	267	665
	Share-based payment expenses	251	251	251	753
	Sub-total	358	542	518	1,418

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

	RMB'000
Total emoluments for 2020	55,192

Details of emoluments to the directors and the chief executive for the year ended 31 December 2019 are as follows:

		Chen Yuhong	Tang Zhenming	Total
		RMB'000	RMB'000	RMB'000
A)	EXECUTIVE DIRECTORS			
	Other emoluments:			
	Salaries and other benefits	16,726	12,350	29,076
	Retirement benefits costs	50	50	100
	Sub-total	16,776	12,400	29,176

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. Chen Yuhong also acted as the chief executive officer of the Company.

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

Directors' and chief executive's emoluments – continued

	Zhang Yaqin	Gao Liangyu	Gavriella Schuster	Total
	RMB'000	RMB'000	RMB'000	RMB'000
B) NON-EXECUTIVE DIRECTORS				
Other emoluments:				
Salaries and other benefits	264	264	183	711
Share-based payment expenses	–	–	503	503
Sub-total	264	264	686	1,214

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

	Zeng Zhijie	Lai Guanrong	Mo Lai Lan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	106	264	264	634
Sub-total	106	264	264	634

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

	RMB'000
Total emoluments for 2019	31,024

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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors of the Company whose emoluments were included above. The emoluments of the three (2019: three) highest paid individuals were as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	5,987	50,273
Retirement benefits costs	116	149
Share-based payment expenses	39,689	1,138
	45,792	51,560

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	
	2020	2019
Hong Kong Dollar ("HK$") HK$12,000,001 to HK$12,500,000	1	–
HK$14,500,001 to HK$15,000,000	–	1
HK$17,500,001 to HK$18,000,000	1	–
HK$18,500,001 to HK$19,000,000	–	1
HK$19,500,001 to HK$20,000,000	1	–
HK$25,000,001 to HK$25,500,000	–	1
	3	3

During either year, no emoluments were paid by the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

None of the directors waived any emoluments during either year.

12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends for ordinary shares of the Company recognised as distribution during the year:		
2019 Final – HK2.19 cents (2018: HK2.15 cents) per share	51,808	48,121

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK2.90 cents (2019: HK2.19 cents) per ordinary shares has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	954,928	754,888
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	43,461	46,342
Earnings for the purpose of diluted earnings per share	998,389	801,230

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,522,327	2,458,500
Effect of dilutive potential ordinary shares:		
Share options	14,740	14,149
Convertible loan notes	171,148	193,676
Share awards (see note 41)	88,874	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,797,089	2,666,325

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme (see note 41).

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the exercise of the Company's share options granted on 28 September 2018 and 21 September 2017 since the exercise prices of those share options were higher than the average market price of shares of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST						
At 1 January 2019	613,964	442,594	14,073	8,298	271,320	1,350,249
Exchange adjustments	3	443	–	(1)	62	507
Additions	9,668	37,621	179	16,501	41,845	105,814
Transfers	3,065	22	–	(16,461)	13,374	–
Disposals	–	(28,357)	(61)	–	–	(28,418)
At 31 December 2019	626,700	452,323	14,191	8,337	326,601	1,428,152
Exchange adjustments	(8)	(2,008)	–	–	(367)	(2,383)
Additions	–	146,865	652	38,267	13,283	199,067
Transfers	2,508	162	–	(40,705)	38,035	–
Disposals	–	(85,246)	(733)	–	(88)	(86,067)
Disposal of a subsidiary	(9,346)	(10,949)	(1,006)	–	(14,438)	(35,739)
At 31 December 2020	619,854	501,147	13,104	5,899	363,026	1,503,030
DEPRECIATION						
At 1 January 2019	33,958	275,037	10,290	–	193,330	512,615
Exchange adjustments	1	359	–	–	38	398
Provided for the year	15,405	60,628	722	–	61,715	138,470
Eliminated on disposals	–	(25,693)	(61)	–	–	(25,754)
At 31 December 2019	49,364	310,331	10,951	–	255,083	625,729
Exchange adjustments	(4)	(1,565)	–	–	(263)	(1,832)
Provided for the year	13,986	56,092	70	–	56,475	126,623
Eliminated on disposals	–	(79,849)	(552)	–	(88)	(80,489)
Eliminated on disposal of a subsidiary	(2,709)	(9,329)	(891)	–	(12,100)	(25,029)
At 31 December 2020	60,637	275,680	9,578	–	299,107	645,002
CARRYING VALUE						
At 31 December 2020	559,217	225,467	3,526	5,899	63,919	858,028
At 31 December 2019	577,336	141,992	3,240	8,337	71,518	802,423

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% – 3$^1/_3$%
Furniture, fixtures and equipment	9% – 33$^1/_3$%
Motor vehicles	9% – 20%
Leasehold improvements	Over the relevant lease terms or 19% – 33$^1/_3$%, whichever is the lower

At 31 December 2020, the Group is in the process of obtaining the property certificate for the buildings with a carrying amount of RMB548,915,000 (2019: RMB562,634,000) which are located in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019	37,863	222,567	260,430
Exchange adjustments	–	461	461
Additions	–	127,485	127,485
Depreciation charge	(860)	(104,764)	(105,624)
Disposal	–	(4,106)	(4,106)
As at 31 December 2019	37,003	241,643	278,646
Exchange adjustments	–	(862)	(862)
Additions	–	251,706	251,706
Depreciation charge	(860)	(157,930)	(158,790)
Disposal	–	(33,361)	(33,361)
Disposal of a subsidiary	–	(3,595)	(3,595)
As at 31 December 2020	36,143	297,601	333,744

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases	31,823	52,016
Total cash outflow for leases	214,594	178,162

15. RIGHT-OF-USE ASSETS – CONTINUED

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 month to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices for its operations. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Group has obtained the land use right certificate for the leasehold land which is located in the PRC. The leasehold land is depreciated on a straight line basis over a lease term of 50 years.

Rent concessions

During the year ended 31 December 2020, lessors of various offices provided rent concessions to the Group through rent reductions ranging from 1.92% to 24.66% over 7 days to 3 months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB2,054,000 were recognised as negative variable lease payments.

16. INTANGIBLE ASSETS

	Development costs	Technical knowhow	Software	Contract-based customer-related intangibles	Technical expertise	Customer relationship	Patent	Trade name	Technology	Non-compete agreements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note i)		(Note i)	(Note i)	(Note ii)		(Note i)	(Note i)	(Note i)	
COST											
At 1 January 2019	428,442	17,367	27,153	19,704	12,494	243,924	13,764	1,010	23,344	12,239	799,441
Additions	37,573	–	566	–	–	–	–	–	–	–	38,139
At 31 December 2019	466,015	17,367	27,719	19,704	12,494	243,924	13,764	1,010	23,344	12,239	837,580
Additions	60,217	–	1,100	–	–	–	–	–	–	–	61,317
At 31 December 2020	526,232	17,367	28,819	19,704	12,494	243,924	13,764	1,010	23,344	12,239	898,897
AMORTISATION/IMPAIRMENT											
At 1 January 2019	307,759	17,367	27,153	19,704	12,494	218,943	11,266	1,000	23,344	12,239	651,269
Provided for the year	47,745	–	37	–	–	9,832	1,305	10	–	–	58,929
At 31 December 2019	355,504	17,367	27,190	19,704	12,494	228,775	12,571	1,010	23,344	12,239	710,198
Provided for the year	38,366	–	441	–	–	3,786	1,193	–	–	–	43,786
At 31 December 2020	393,870	17,367	27,631	19,704	12,494	232,561	13,764	1,010	23,344	12,239	753,984
CARRYING VALUE											
At 31 December 2020	132,362	–	1,188	–	–	11,363	–	–	–	–	144,913
At 31 December 2019	110,511	–	529	–	–	15,149	1,193	–	–	–	127,382

Development costs are internally generated. All other intangible assets were acquired from third parties.

Notes:

i. Technical knowhow, contract-based customer-related intangibles, technical expertise, patent, trade name, technology and non-compete agreements are fully amortised intangible assets and still in use by the Group.

ii. Part of the customer relationship is fully amortised while the customer relationship still exists.

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 2019	1,202,415
Exchange adjustments	3,279
At 31 December 2019	1,205,694
Exchange adjustments	(10,016)
At 31 December 2020	1,195,678
IMPAIRMENT	
At 1 January 2019	196,078
Impairment loss recognised in the year	35,760
At 31 December 2019	231,838
Exchange adjustments	768
Impairment loss recognised in the year	21,857
At 31 December 2020	254,463
CARRYING VALUE	
At 31 December 2020	941,215
At 31 December 2019	973,856

17. GOODWILL – CONTINUED

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2020 and 2019 has been allocated to the following CGUs and groups of CGUs:

	2020 RMB'000	2019 RMB'000
Chinasoft Beijing	66,500	66,500
Shanghai Huateng	134,188	134,188
CSITS and related business	605,628	605,628
Catapult Systems, LLC ("Catapult")	134,899	166,710
Computer Training Center of CS&S ("Training Center")	–	830
	941,215	973,856

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGUs and groups of CGUs for the purpose of impairment assessment.

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

CGUs/groups of CGUs	Pre-tax discount rate		Growth rate	
	2020	2019	2020	2019
Chinasoft Beijing	15%	15%	3%	3%
Shanghai Huateng	14%	14%	3%	3%
CSITS and related business	17%	16%	3%	3%
Catapult	16%	17%	3%	3%
Training Center	17%	17%	3%	3%

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these CGUs/groups of CGUs, other than Catapult and Training Center, to exceed their aggregate recoverable amounts.

17. GOODWILL – CONTINUED

Impairment loss recognised

Catapult runs a business operation in the USA engaged in the provision of IT services. The CGU is in the process of transformation to the cloud related services offerings and enhanced customer base which has taken longer time than expected. In 2019, an impairment loss on goodwill amounting to RMB35,760,000 was recognised under the unsatisfactory financial performance and outlook. In 2020, Covid-19 pandemic heightened the uncertainty in the transformation process and also adversely impacted the CGU's operations in general, resulting in an additional impairment loss on goodwill of RMB21,027,000. No other write-down of the assets of the CGU is considered necessary.

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

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2020	2019
	RMB'000	RMB'000
Cost of unlisted investments	**237,690**	180,281
Share of post-acquisition profits, net of dividend received	**25,342**	47,326
Impairment loss on unlisted investments	**(15,878)**	–
	247,154	227,607

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

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

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – CONTINUED

In the opinion of the directors of the Company, none of the individual investments accounted for using the equity method materially affected the results or net assets of the Group.

Aggregate information of investments accounted for using the equity method that are not individually material:

	2020 RMB'000	2019 RMB'000
The Group's share of loss and total comprehensive loss for the year	**24,435**	328
Aggregate carrying amount of the Group's interests in these investments	**247,154**	227,607

19. EQUITY INSTRUMENTS AT FAIR VALUE

	2020 RMB'000	2019 RMB'000
Unlisted equity investments	**61,825**	62,901

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 2020, the capital contributions made by the Group in PointGuard Ventures amounted to US$10,000,000 (2019: US$10,000,000) which represents a 13.29% (2019: 13.29%) share of interest.

In 2019, the Group entered into a partnership agreement with other eight co-investment partners to establish Nanjing Turing Ventures I, L.P. ("Turing Ventures"). Under the partnership agreement, as amended by a supplemental agreement on 6 March 2019, the Group agreed to make a total amount of capital contributions of RMB20,000,000 to Turing Ventures, which represents a 7.47% share of interest. Turing Ventures was established on 13 March 2019 as a PRC limited partnership engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on artificial intelligence companies. Pursuant to the partnership agreement, the general partner of Turing Ventures has the sole and exclusive right to manage, control, and conduct the affairs of Turing Ventures and to do any and all acts on behalf of it. The directors of the Company consider that the Group cannot exercise control nor significant influence on Turing Ventures. As at 31 December 2020, the capital contributions made by the Group in Turing Ventures amounted to RMB15,000,000 (2019: RMB15,000,000).

20. INVENTORIES

	2020 RMB'000	2019 RMB'000
Computer hardware, equipment and software products	**51,192**	54,421

21. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables, net of allowance	**4,279,847**	2,978,781
Advances to suppliers	**129,736**	145,319
Deposits, prepayments and other receivables, net of allowance	**258,035**	239,320
	4,667,618	3,363,420
Analysed for reporting purposes as:		
Non-current assets	**87,455**	66,180
Current assets	**4,580,163**	3,297,240
	4,667,618	3,363,420

Included in the non-current assets are rental deposits of RMB24,815,000 and other receivables of RMB62,640,000 representing deposits made in connection with an acquisition of an office building located in the PRC.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

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

	2020 RMB'000	2019 RMB'000
Within 90 days	3,893,261	2,381,748
Between 91 – 180 days	233,695	190,179
Between 181 – 365 days	82,027	296,889
Between 1 – 2 years	70,864	109,965
	4,279,847	2,978,781

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in note 36.

22. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2020, no trade receivables (2019: RMB386,742,000) were factored to independent third parties without recourse. The Group has derecognised these trade receivables in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these trade receivables to the counter parties. Losses related to derecognition of the trade receivables was RMB1,201,000 (2019: RMB4,544,000) which was charged to profit or loss.

23. BILLS RECEIVABLE AND PAYABLE

An aged analysis of bills receivable is as follows:

	2020	2019
	RMB'000	RMB'000
Within 90 days	**15,851**	4,443

An aged analysis of bills payable is as follows:

	2020	2019
	RMB'000	RMB'000
Within 180 days	**33,446**	22,051

24. CONTRACT ASSETS

	2020	2019
	RMB'000	RMB'000
Contract assets	**1,904,185**	2,228,494

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

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates. All contract assets reported at the end of 2020 are current.

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

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2020 and 2019, the amounts due from related companies mainly represent dividend 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 2020 and 2019, the amounts due to related companies principally represent an advance from an associate of the Group, which is unsecured, interest-free and repayable on demand.

26. PLEDGED DEPOSITS/BANK BALANCES

Pledged deposits

The amount represents deposits pledged to certain banks to secure short-term trade and instalment loan facilities granted to the Group and is therefore classified as current and non-current asset. The deposits carry interest at the prevailing market interest rate. The weighted average interest rate at the end of the reporting period was 0.16% (2019: 0.76%) per annum. The pledged deposits will be released upon the settlement of relevant liabilities under the trade and loan facilities.

Bank balances

The amounts carry at the weighted average interest rate at 0.26% (2019: 0.29%) per annum as at 31 December 2020.

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

	2020	2019
	RMB'000	RMB'000
Hong Kong Dollar	**598,240**	108,441
United States Dollar	**58,187**	23,534
Japanese Yen	**59,959**	962

In 2020 and 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

27. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**569,163**	423,757
Payroll payables	**928,813**	678,044
Other tax payables	**94,155**	64,931
Other payables	**160,834**	62,491
	1,752,965	1,229,223

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

	2020 RMB'000	2019 RMB'000
Within 90 days	**536,205**	341,337
Between 91 – 180 days	**898**	2,252
Between 181 – 365 days	**3,833**	7,591
Between 1 – 2 years	**5,868**	33,003
Over 2 years	**22,359**	39,574
	569,163	423,757

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

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**142,318**	125,668
Within a period of more than one year but not more than two years	**93,541**	76,205
Within a period of more than two years but not more than five years	**58,690**	40,240
Within a period of more than five years	**7,711**	7,289
	302,260	249,402
Less: Amount due for settlement with 12 months shown under current liabilities	**(142,318)**	(125,668)
Amount due for settlement after 12 months shown under non-current liabilities	**159,942**	123,734

The weighted average incremental borrowing rates applied to lease liabilities range from 1.57% to 6.42% (2019: from 2.41% to 11.34%).

29. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Contract liabilities	**329,240**	138,815

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers. All contract liabilities reported at the end of 2020 are current.

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

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**80,287**	101,595

30. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised by the Group and movement thereon during the current and prior year:

	Customer relationship	Patent	Tax losses	Accrued charges	Difference between carrying amount and tax basis of interests in an associate	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	(1,963)	(627)	2,746	4,159	(7,677)	975	(2,387)
Exchange adjustments	–	–	46	–	–	6	52
Credit to profit or loss	431	326	286	(669)	–	(251)	123
At 31 December 2019	(1,532)	(301)	3,078	3,490	(7,677)	730	(2,212)
Exchange adjustments	–	–	(131)	–	–	(157)	(288)
Credit to profit or loss	394	298	(1,275)	–	–	(1,561)	(2,144)
Disposal of a subsidiary	–	–	–	(499)	–	–	(499)
At 31 December 2020	(1,138)	(3)	1,672	2,991	(7,677)	(988)	(5,143)

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

	2020	2019
	RMB'000	RMB'000
Deferred tax assets	5,753	8,075
Deferred tax liabilities	(10,896)	(10,287)
	(5,143)	(2,212)

30. DEFERRED TAXATION – CONTINUED

At the end of the reporting period, the Group had unused tax losses of approximately RMB437,743,000 (2019: RMB488,337,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB7,962,000 (2019: RMB14,657,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB429,781,000 (2019: RMB473,680,000) tax losses due to the unpredictability of future profit streams and these tax losses will expire in various years before 2025 (2019: 2024).

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 2020 amounting to RMB5,691,711,000 (2019: RMB3,874,717,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. CONVERTIBLE LOAN NOTES

Convertible loan notes issued in 2017

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

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

31. CONVERTIBLE LOAN NOTES – CONTINUED

Convertible loan notes issued in 2017 – continued

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

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

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

Convertible loan notes issued in 2016

The Company entered into a subscription agreement in February 2016 with Huarong International Asset Management Growth Fund L.P. (the "Noteholder"), the subscriber, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, a RMB denominated US$ settled convertible loan notes which would be settled by an aggregate principal amount of US$70,000,000 (translated to RMB458,649,000 at the prevailing market exchange rate of the date of the agreement of RMB6.5521 to US$1, or the RMB Equivalent Principal Amount for 2016 Notes). The convertible loan notes were issued in two tranches. The first and second tranche convertible loan notes amount to US$30,000,000 and US$40,000,000, and have been issued on 15 February 2016 and 10 March 2016, respectively. The maturity dates of the first and second tranche convertible loan notes are 15 February 2019 and 10 March 2019, respectively.

31. CONVERTIBLE LOAN NOTES – CONTINUED

Convertible loan notes issued in 2016 – continued

The convertible loan notes entitle the holders to convert them into 181,987,612 ordinary shares of the Company (unless previously redeemed, converted or cancelled) at any time on or prior to the maturity dates at a conversion price (subject to adjustment for among other things, consolidation or subdivision of shares, capitalisation issue and capital distribution) of HK$3 per share, translated to RMB2.52 per share at a fixed exchange rate. Interest of 4.5% per annum will be paid semi-annually with the first interest payment dates fell on 15 August 2016 and 9 September 2016 for the first and second tranche convertible loan notes, respectively. Unless previously converted, repaid or cancelled, the convertible loan notes will be redeemed by the Company at the maturity dates in US$ in an amount equivalent to the RMB Equivalent Principal Amount for 2016 Notes outstanding together with accrued interest, calculated at the prevailing market rate for the US$ to RMB on the maturity dates.

The Company has no right to require early cancellation or redemption of any of the convertible loan notes prior to the maturity dates. The note holder may request immediate redemption of the convertible loan notes in US$ in an amount equivalent to the RMB Equivalent Principal Amount for 2016 Notes then outstanding upon occurrence of certain events of defaults. Further details of the issue of convertible loan notes were set out in the announcement made by the Company on 3 February 2016.

At initial recognition, the conversion option component of the convertible loan notes that may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity was separated from the liability component. The conversion option component upon initial recognition is presented in equity under the heading of convertible loan notes reserve. The effective interest rates of the liability component for the first tranches and second tranches are 8.36% and 8.08% per annum, respectively. Conversions of a portion of the convertible loan notes were made during 2016 and 2018 into 77,994,692 ordinary shares and 25,998,230 ordinary shares, respectively.

As announced by the Company on 6 March 2019, the Company has received a formal request from the Noteholder of the Company, to transfer the remaining principal amount of US$30 million of the notes to Mr. Zhong (the "New Noteholder"), who is the ultimate beneficial owner of one of the Noteholder's limited partners. The Company has registered the transfer of the convertible loan notes. Conversion of the convertible notes was subsequently made on the same day into 77,994,692 ordinary shares.

31. CONVERTIBLE LOAN NOTES – CONTINUED

Convertible loan notes issued in 2016 – continued

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

	2020 RMB'000	2019 RMB'000
Carrying amount at the beginning of the year	751,501	918,204
Converted by the notes holders	(760,455)	(196,716)
Interest charge (note 8)	43,461	46,342
Interest paid	(34,507)	(16,329)
Carrying amount at the end of the year	–	751,501

Analysed for reporting purposes as:

	2020 RMB'000	2019 RMB'000
Current liabilities	–	23,829
Non-current liabilities	–	727,672
Carrying amount at the end of the year	–	751,501

32. BORROWINGS

	2020 RMB'000	2019 RMB'000
Unsecured bank loans (Note (i))	290,818	1,723,187
Secured bank loans (Note (ii))	1,498,697	–
	1,789,515	1,723,187

32. BORROWINGS – CONTINUED

	2020 RMB'000	2019 RMB'000
Carrying amount repayable:		
Within one year	368,130	1,523,187
Within a period of more than one year but not more than two years	369,805	200,000
Within a period of more than two years but not more than five years	1,051,580	–
	1,789,515	1,723,187
Less: Amounts due within one year shown under current liabilities	(368,130)	(1,523,187)
Amounts shown under non-current liabilities	1,421,385	200,000

	2020 RMB'000	2019 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility (Note (ii))	1,498,697	–
At floating interest rates – others (Note (iii))	130,000	600,000
At fixed interest rates – others (Note (iv))	160,818	1,123,187
	1,789,515	1,723,187

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

Notes:

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

(ii) During 2020, the Company has raised loans of HK$1,800 million in two tranches from its loan facility with a group of financial institutions. The loans represent the full amount of commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in July 2021, January 2022, July 2022, and January 2023. The contracted interest rate is the applicable HIBOR plus 1.9% per annum, and the effective interest rates range from 2.90%-2.96% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company.

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

(iii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 3.61% (2019: 4.53%) per annum.

(iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 3.50% to 4.35% (2019: 3.92% to 5.22%) per annum.

33. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2019, 31 December 2019 and 2020	4,000,000,000	200,000

	Number of shares	Amount HK$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2019	2,466,312,666	123,315,634	112,994
Conversion of convertible loan notes (Note i)	77,994,692	3,899,735	3,331
At 31 December 2019	2,544,307,358	127,215,369	116,325
Exercise of share-based payments (Note ii)	180,400,000	9,020,000	8,057
Conversion of convertible loan notes (Note iii)	180,000,000	9,000,000	7,574
At 31 December 2020	2,904,707,358	145,235,369	131,956

Notes:

(i) During the year ended 31 December 2019, convertible loan notes issued in 2016 with the principal amount of US$30,000,000 (translated to RMB196,563,000 at a fixed exchange rate) were converted into 77,994,692 ordinary shares of HK$0.05 each at a conversion price of HK$3.00 (translated to RMB2.52 at a fixed exchange rate) per share (see note 31). These shares rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31 December 2020, share options to subscribe for 180,400,000 ordinary shares of HK$0.05 each were exercised from HK$3.67 to HK$4.50 per share (see note 41). These shares rank pari passu with other shares in issue in all respects.

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

34. SHARE PREMIUM AND RESERVES

Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

Other reserves

When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Other reserves mainly represent the differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received after taking account the effect of reallocation of certain other reserves of the subsidiaries.

General reserve fund and statutory enterprise expansion fund

As stipulated by the relevant laws and regulations in the PRC, foreign invested enterprises are required to provide for the general reserve fund and the statutory enterprise expansion fund. Appropriations to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC and the amount and allocation basis are decided by their respective boards of directors annually. The general reserve fund can be used to make up prior year losses of these subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory enterprise expansion fund is used for expanding the capital base of these subsidiaries by means of capitalisation issue.

Statutory surplus reserve fund

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries other than foreign invested enterprises are required to provide for the statutory surplus reserve fund. Appropriations to such funds are made out of 10% of the net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 32, convertible loan notes 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.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020	2019
	RMB'000	RMB'000
Financial assets		
Equity instruments at fair value	**61,825**	62,901
Financial assets at amortised cost	**8,390,404**	5,828,179
Financial liabilities		
Amortised cost	**2,419,102**	2,942,503

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, amounts due from/to related companies, pledged deposits, bank balances and cash, equity investments at fair value, trade and other payables, dividend payable, borrowings, bills payable and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, and trade and other payables arising from purchases dominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 0.6% (2019: 0.5%) 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**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar	**600,131**	108,684	**1,500,801**	4,465
United States Dollar	**120,524**	95,725	**6,278**	7,720
Japanese Yen	**77,115**	14,984	**1,330**	1,196
Others	**12,202**	9,595	**887**	24

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise currency risk. The Group's principal businesses are conducted in Renminbi. Since the impact of foreign exchange exposure, other than that of the foreign currency loans (note 32), is minimal, no hedging against foreign currency exposure has been carried out by the management. However, the management has kept on monitoring the movement of all foreign currency exposure including that of the foreign currency loans, and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to Hong Kong Dollar, United States Dollar and Japanese Yen.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit where Renminbi strengthens 5% against the relevant currencies. For a 5% weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the result.

	Hong Kong Dollar Impact (Note a)		**United States Dollar Impact** (Note b)		**Japanese Yen Impact** (Note c)	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**33,775**	(3,908)	**(4,284)**	(3,300)	**(2,842)**	(517)

Notes:

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

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

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

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(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 2020, except for an amount of RMB1,628,697,000 (2019: RMB600,000,000) of bank borrowings at floating rates, all remaining bank borrowings of the Group are at fixed rate.

The Group is exposed to fair value interest rate risk in relation to convertible loan notes (see note 31), borrowings with fixed interest rates (see note 32) and lease liabilities (see note 28). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings (see note 32) and bank deposits (see note 26) which are mainly concentrated on the fluctuation of prevailing interest rate announced by the Peoples' Bank of China in respect of unsecured bank loans. The Group kept certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk as at 31 December 2020 and 2019. The directors of the Company will consider hedging significant interest rate risk should the need arise.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. As listed in note 32, the Group's HIBOR loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings (see note 32). A 50 basis points (2019: 50 basis points) increase or decrease is used for borrowings when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

In respect of the floating rate borrowings, if interest rates had been 50 basis points (2019: 50 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by RMB6,087,000 (2019: RMB1,869,000).

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, pledged bank deposits, bank balances, amounts due from related companies and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performed impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. Trade receivables reported by the Group's operating entities in the PRC accounted for 97.5% (2019: 95.3%) of the total trade receivables as at 31 December 2020. The Group has concentration of credit risk as 49.3% (2019: 46.9%) and 62.5% (2019: 62.4%) of the total trade receivable was due from the Group's largest customer and the five largest customers respectively. In addition, there is concentration of credit risk on liquid funds which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

For the purposes of impairment assessment, other receivables, amounts due from related parties and non-current other receivables are not considered to have a high credit risk as the counterparties to these financial assets have a fair credit rating.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings in the PRC and Hong Kong.

As part of Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed collectively based on provision matrix within lifetime ECL (not credit-impaired) as at 31 December 2020 and 2019.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Provision matrix:

Internal credit rating	Loss rates	2020 Gross carrying amount		2019 Gross carrying amount	
		Trade receivables	Contract assets	Trade receivables	Contract assets
	%	RMB'000	RMB'000	RMB'000	RMB'000
Category-1: Low risk	0.10%-0.95%	367,394	272,230	267,483	124,069
Category-2 to 3: Medium to high risk	2.01%-29.61%	394,374	325,516	301,392	348,854
Category-4 to 5: Very high risk to extremely high risk	40.31%-100.00%	65,252	41,559	110,047	8,699

Credit impaired debtors and certain debtors with significant outstanding balances of a total gross carrying amount of RMB3,678,342,000 (2019: RMB2,483,336,000) and certain contract assets with significant outstanding balances of a gross carrying amount of RMB1,525,418,000 (2019: RMB1,844,171,000) as at 31 December 2020 are assessed individually.

During the year ended 31 December 2020, the Group provided RMB11,124,000 (2019: RMB26,945,000) and RMB36,964,000 (2019: RMB17,300,000) impairment allowance for trade receivables and contract assets, respectively, based on provision matrix. Impairment loss of RMB34,189,000 (2019: RMB4,674,000) and RMB121,737,000 (2019: RMB48,368,000) for trade receivables and contract assets, respectively, were made during the year ended 31 December 2020 based on individual assessment of credit impaired debtors and certain debtors and contract assets with significant outstanding balances. Such allowance is measured at an amount equal to lifetime ECL in accordance with simplified approach.

The estimated loss rates are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The following table shows the impairment losses recognised in 2020 and 2019 described above and other movements in the loss allowance for trade receivables and contract assets.

	RMB'000
At 31 December 2018	261,388
Exchange adjustments	22
Recognised on trade receivables	31,619
Reversed on trade receivables	(15,834)
Recognised on contract assets	65,668
Reversed on contract assets	(22,087)
At 31 December 2019	320,776
Exchange adjustments	(101)
Recognised on trade receivables	45,313
Reversed on trade receivables	(1,533)
Disposal of a subsidiary – trade receivables	(1,641)
Recognised on contract assets	158,701
Reversed on contract assets	(35,455)
Disposal of a subsidiary – contract assets	(7)
At 31 December 2020	486,053

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 2020, the Group has available unutilised general borrowing facilities of approximately RMB1,846,942,000 (2019: RMB3,371,505,000).

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. It has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

36. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables

	Weighted average interest rate %	On demand or less than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2020 RMB'000
2020							
Non derivative financial liabilities							
Trade and other payables		587,289	–	–	–	587,289	587,289
Bills payable		33,446	–	–	–	33,446	33,446
Amounts due to related companies		8,771	–	–	–	8,771	8,771
Dividend payable		81	–	–	–	81	81
Borrowings	3.61	105,506	262,974	402,546	1,060,416	1,831,442	1,789,515
Leases liabilities	6.07	90,475	80,210	105,119	66,845	342,649	302,260
		825,568	343,184	507,665	1,127,261	2,803,678	2,721,362

	Weighted average interest rate %	On demand or less than 6 months RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2019 RMB'000
2019							
Non derivative financial liabilities							
Trade and other payables		442,582	–	–	–	442,582	442,582
Bills payable		22,051	–	–	–	22,051	22,051
Amounts due to related companies		3,101	–	–	–	3,101	3,101
Dividend payable		81	–	–	–	81	81
Borrowings	4.53	956,536	613,032	202,688	–	1,772,256	1,723,187
Leases liabilities	4.78	79,616	50,039	84,579	63,846	278,080	249,402
Convertible loan notes	6.11	11,980	11,850	23,764	704,424	752,018	751,501
		1,515,947	674,921	311,031	768,270	3,270,169	3,191,905

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2020

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

Fair value hierarchy as at 31 December 2019

	Level 3
	RMB'000
Financial assets	
Equity instruments at fair value	62,901

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

(ii) Reconciliation of level 3 fair value measurements:

	Equity instruments at fair value
	RMB'000
At 1 January 2019	51,508
Exchange adjustments	1,104
Purchases	15,000
Changes in fair value	(4,711)
Balance at 31 December 2019	62,901
Exchange adjustments	(2,923)
Changes in fair value	1,847
Balance at 31 December 2020	61,825

38. DISPOSAL OF A SUBSIDIARY

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

Consideration received:	RMB'000
Cash received	48,415
Total consideration received	48,415
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	12,999
Other assets and liabilities	66,056
Net assets disposed of	(79,055)
Gain on disposal of a subsidiary:	
Cash received	48,415
Net assets disposed of	(79,055)
Non-controlling interests	38,462
Gain on disposal (included in other income)	7,822
Net cash inflow arising on disposal:	
Cash consideration	48,415
Less: bank balances and cash disposed of	(12,999)
	35,416

39. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of 2020 and 2019, the Group pledged certain bank deposits to secure trade and instalment loan facilities granted to the Group (see note 26).

In addition, lease liabilities of RMB302,260,000 (2019: RMB249,402,000) are recognised with related right-of-use assets of RMB333,744,000 (2019: RMB278,646,000) as at 31 December 2020. 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.

40. CAPITAL COMMITMENTS

	2020	2019
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	**16,583**	6,671
	16,583	6,671

In addition, as at 31 December 2020, the Group was committed to contributions of further capital amounting to RMB28,740,000 (2019: RMB83,685,000) under the relevant agreements for its investments in entities accounted for using the equity method or using 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 Schemes and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

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 2020 are as follows:

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share-based payment Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2020
Non-executive directors:									
Gavriella Schuster	28.9.2018	HK$5.22	Nil	28.9.2018 – 27.9.2021	300,000	–	–	–	300,000
			28.9.2018 – 27.9.2019	28.9.2019 – 27.9.2021	300,000	–	–	–	300,000
			28.9.2018 – 27.9.2020	28.9.2020 – 27.9.2021	400,000	–	–	–	400,000
	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	400,000	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	300,000	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	300,000	–	–	300,000
Zhang Yaqin	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	400,000	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	300,000	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	300,000	–	–	300,000
Gao Liangyu	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	400,000	–	–	400,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	300,000	–	–	300,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	300,000	–	–	300,000
					1,000,000	3,000,000	–	–	4,000,000

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 2020 are as follows: – continued

					Number of share-based payment				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2020
Independent non-executive directors:									
Zeng Zhijie	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	320,000	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	240,000	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	240,000	–	–	240,000
Lai Guanrong	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	320,000	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	240,000	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	240,000	–	–	240,000
Mo Lai Lan	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2024	–	320,000	–	–	320,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2024	–	240,000	–	–	240,000
			27.8.2020 – 26.8.2023	27.8.2023 – 26.8.2024	–	240,000	–	–	240,000
					–	2,400,000	–	–	2,400,000
Employees:	11.10.2016	HK$3.69	11.10.2016 – 10.10.2017	11.10.2017 – 10.10.2020	40,000,000	–	(40,000,000)	–	–
			11.10.2016 – 10.10.2018	11.10.2018 – 10.10.2020	24,000,000	–	(24,000,000)	–	–
			11.10.2016 – 10.10.2019	11.10.2019 – 10.10.2020	16,000,000	–	(16,000,000)	–	–
	16.1.2017	HK$3.67	Nil	16.1.2017 – 15.1.2020	25,460,000	–	(24,260,000)	(1,200,000)	–
			16.1.2017 – 16.1.2018	16.1.2018 – 15.1.2020	25,500,000	–	(24,060,000)	(1,440,000)	–
			16.1.2017 – 16.1.2019	16.1.2019 – 15.1.2020	34,000,000	–	(32,080,000)	(1,920,000)	–
	27.8.2020	HK$5.65	27.08.2020 – 26.08.2021	27.8.2021 – 26.8.2024	–	13,840,000	–	–	13,840,000
			27.08.2020 – 26.08.2022	27.8.2022 – 26.8.2024	–	10,380,000	–	–	10,380,000
			27.08.2020 – 26.08.2023	27.8.2023 – 26.8.2024	–	10,380,000	–	–	10,380,000
					164,960,000	34,600,000	(160,400,000)	(4,560,000)	34,600,000

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 2020 are as follows – continued:

					Number of share-based payment				
Type of option holders	**Date of grant**	**Exercise price**	**Vesting period**	**Exercise period**	**Outstanding at 1.1.2020**	**Granted during the year**	**Exercised during the year**	**Expired during the year**	**Outstanding at 31.12.2020**
Suppliers:	21.9.2017	HK$4.50	Nil	21.9.2017 – 20.9.2020	6,000,000	–	(6,000,000)	–	–
			21.9.2017 – 20.9.2018	21.9.2018 – 20.9.2020	6,000,000	–	(6,000,000)	–	–
			21.9.2017 – 20.9.2019	21.9.2019 – 20.9.2020	8,000,000	–	(8,000,000)	–	–
	27.8.2020	HK$5.65	27.8.2020 – 26.8.2021	27.8.2021 – 26.8.2023	–	25,000,000	–	–	25,000,000
			27.8.2020 – 26.8.2022	27.8.2022 – 26.8.2023	–	25,000,000	–	–	25,000,000
					20,000,000	50,000,000	(20,000,000)	–	50,000,000
Total					185,960,000	90,000,000	(180,400,000)	(4,560,000)	91,000,000
Exercisable at the end of the year									91,000,000
Weighted average exercise price					HK$3.77	HK$5.65	HK$3.77	HK$3.67	HK$5.65

The movements of the share options granted to the directors, other employees and suppliers of the Group during the year ended 31 December 2019 are as follows:

					Number of share-based payment				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2019	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2019
Non-executive director:									
Gavriella Schuster	28.9.2018	HK$5.22	Nil	28.9.2018 – 27.9.2021	300,000	–	–	–	300,000
			28.9.2018 – 27.9.2019	28.9.2019 – 27.9.2021	300,000	–	–	–	300,000
			28.9.2018 – 27.9.2020	28.9.2020 – 27.9.2021	400,000	–	–	–	400,000
					1,000,000	–	–	–	1,000,000

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 2019 are as follows: – continued

					Number of share-based payment				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2019	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31.12.2019
Employees:	11.10.2016	HK$3.69	11.10.2016 – 10.10.2017	11.10.2017 – 10.10.2020	40,000,000	–	–	–	40,000,000
			11.10.2016 – 10.10.2018	11.10.2018 – 10.10.2020	24,000,000	–	–	–	24,000,000
			11.10.2016 – 10.10.2019	11.10.2019 – 10.10.2020	16,000,000	–	–	–	16,000,000
	17.11.2016	HK$3.69	Nil	17.11.2016 – 16.11.2019	15,000,000	–	–	(15,000,000)	–
			17.11.2016 – 16.11.2017	17.11.2017 – 16.11.2019	15,000,000	–	–	(15,000,000)	–
			17.11.2016 – 16.11.2018	17.11.2018 – 16.11.2019	20,000,000	–	–	(20,000,000)	–
	16.1.2017	HK$3.67	Nil	16.1.2017 – 15.1.2020	25,460,000	–	–	–	25,460,000
			16.1.2017 – 16.1.2018	16.1.2018 – 15.1.2020	25,500,000	–	–	–	25,500,000
			16.1.2017 – 16.1.2019	16.1.2019 – 15.1.2020	34,000,000	–	–	–	34,000,000
					214,960,000	–	–	(50,000,000)	164,960,000
Suppliers:	21.9.2017	HK$4.50	Nil	21.9.2017 – 20.9.2020	6,000,000	–	–	–	6,000,000
			21.9.2017 – 20.9.2018	21.9.2018 – 20.9.2020	6,000,000	–	–	–	6,000,000
			21.9.2017 – 20.9.2019	21.9.2019 – 20.9.2020	8,000,000	–	–	–	8,000,000
					20,000,000	–	–	–	20,000,000
Total					235,960,000	–	–	(50,000,000)	185,960,000
Exercisable at the end of the year									185,960,000
Weighted average exercise price					HK$3.83			HK$3.69	HK$3.77

41. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

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

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

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

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

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

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

41. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

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

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

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

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

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

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

41. SHARE–BASED PAYMENTS – CONTINUED

Share option schemes – continued

The estimated fair value of the share options granted to certain suppliers on 27 August 2020 was HK$1.44 to HK$1.71 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

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

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

The Group recognised a total expense of RMB29,121,000 for the year ended 31 December 2020 (2019: RMB9,807,000) in relation to share options granted by the Company.

Share award scheme

Pursuant to a resolution passed on 10 December 2018 by the board of directors of the Company, a share award scheme ("Share Award Scheme") was adopted. The board of directors of the Company may, at its absolute discretion, select any employee to participate in the Share Award Scheme and grant shares to the employee at no consideration. The purpose of the Share Award Scheme is to recognise the contributions by certain qualifying employees of the Group and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The directors of the Company have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Subject to any early termination as may be determined by the board of directors of the Company pursuant to the Share Award Scheme rules, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the adoption date.

41. SHARE-BASED PAYMENTS – CONTINUED

Share award scheme – continued

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

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

During 2020, the Company contributed RMB134,635,000 (2019: RMB394,301,000) for financing purchases of 28,846,000 (2019: 123,932,000) shares of the Company, which are currently held under the Share Award Scheme and such amount is deducted from equity as treasury shares. As at 31 December 2020, accumulated number of the share purchased is 174,856,000 (2019: 146,010,000) shares.

On 1 June 2020, the Company issued to certain directors and employees awards to subscribe for 152,000,000 shares in the Company at no further consideration upon vesting. These share awards will vest over 2 to 7 years provided that the relevant performance targets and service conditions are met. The Group determined that the grant date fair value of each share award is HK$3.98.

No share awards were vested or forfeited during the year ended 31 December 2020, and all of the 152,000,000 shares of the awards remained outstanding as at 31 December 2020.

The Group recognised a total expense of RMB115,216,000 for the year ended 31 December 2020 (2019: nil) 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 year, the total cost of retirement benefits contributions charged to profit or loss RMB223,872,000 (2019: RMB455,172,000) 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	Convertible loan notes	Lease liabilities	Amounts due to related companies	Dividend payable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	1,675,646	918,204	231,672	18,185	81
New borrowings raised	2,916,584	–	–	–	–
Repayment of borrowings	(2,864,948)	–	–	–	–
New leases entered/lease modified	–	–	121,307	–	–
Repayments of lease liabilities	–	–	(117,935)	–	–
Conversion of convertible loan notes	–	(196,716)	–	–	–
Interest expenses	105,345	46,342	14,358	–	–
Advance from related companies	–	–	–	2,056	–
Repayment to related companies	–	–	–	(17,187)	–
Interest paid	(109,440)	(16,329)	–	–	–
Dividend declared	–	–	–	–	48,121
Dividend paid	–	–	–	–	(48,121)
As at 31 December 2019	1,723,187	751,501	249,402	3,054	81
Exchange adjustments	(124,701)	–	(1,523)	–	–
New borrowings raised, net of expenses	3,806,342	–	–	–	–
Repayment of borrowings	(3,589,024)	–	–	–	–
New leases entered/lease modified	–	–	213,462	–	–
Repayments of lease liabilities	–	–	(165,859)	–	–
Conversion of convertible loan notes	–	(760,455)	–	–	–
Interest expenses	93,366	43,461	14,631	–	–
Advance from related companies	–	–	–	7,877	–
Repayment to related companies	–	–	–	(2,160)	–
Interest paid	(83,955)	(34,507)	–	–	–
Dividend declared	–	–	–	–	51,808
Dividend paid	–	–	–	–	(51,808)
Disposal of a subsidiary	(35,700)	–	(5,799)	–	–
Rent concessions	–	–	(2,054)	–	–
As at 31 December 2020	1,789,515	–	302,260	8,771	81

As at 31 December 2020 and 2019, the interests accrued on borrowings of the Group are included in the carrying amounts of the corresponding financial liabilities.

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:

	2020 RMB'000	2019 RMB'000
Provision of IT outsourcing services by the Group	623	329

	2020 RMB'000	2019 RMB'000
Provision of IT solution services by the Group	977	3,661

	2020 RMB'000	2019 RMB'000
Provision of other services by the Group	552	598

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	32,412	32,472
Retirement benefits costs	187	232
Share-based payment expenses	28,087	1,138
	60,686	33,842

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

(i) The Group entered into new or modified lease arrangements for the use of leased properties during the year, and on the lease commencement, the Group recognised a net increase in right-of-use assets of RMB214,392,000 (2019: RMB121,307,000) and lease liabilities of RMB213,462,000 (2019: RMB121,307,000).

(ii) During 2020 and 2021, convertible loan notes were converted into ordinary shares, details of which are set out in note 33(iii) and note 33(i).

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		
			2020 %	2019 %	2020 %	2019 %	
Chinasoft International (Hong Kong) Limited	Hong Kong	HK$100	–	–	100	100	Investment holding and trading of standalone software products
中軟國際科技服務(香港)有限公司 Chinasoft International Technology Service (Hong Kong) Limited	Hong Kong	HK$100,000	–	–	100	100	Provision of IT outsourcing services
Chinasoft Interfusion Inc.	USA	US$0.01	–	–	100	100	Provision of IT outsourcing services
北京中軟國際信息技術有限公司 Chinasoft Beijing	PRC	RMB200,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services, software development and trading of standalone software and hardware products
中軟總公司計算器培訓中心 Training Center (Note i)	PRC	RMB500,000	–	–	100	100	Provision of IT training services
厦門中軟海晟信息技術有限公司 CSIHS	PRC	RMB80,000,000	–	–	-	51	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	2020 %	2019 %	
上海中軟華騰軟件系統有限公司 Shanghai Huateng	PRC	US$8,000,000	–	–	100	100	Development and provision of IT system
中軟國際科技服務有限公司 CSITS	PRC	RMB100,000,000	–	–	100	100	Provision of IT outsourcing services
中軟國際(上海)科技服務有限公司 Chinasoft International Technology Service (Shanghai) Ltd.	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
北京中軟國際科技服務有限公司 CSITS BJ	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
中軟國際科技服務(大連)有限公司	PRC	RMB10,000,000	–	–	100	100	Provision of IT outsourcing services
Catapult	USA	US$4,792,248	–	–	100	100	Provision of Microsoft product and technology consultancy 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
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

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – CONTINUED

Except for convertible loan notes issued by the Company, none of the subsidiaries had any debt securities outstanding at 31 December 2020 or at any time during the year.

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

Note ii: All the PRC established entities, except for the entity mentioned in Note i, are registered as limited liability companies.

In the opinion of the directors of the Company, none of the individual subsidiary has non-controlling interests that are material to the Group.

47. EVENTS AFTER THE REPORTING PERIOD

The Company announced that, on 25 January 2021, the board of directors of the Company has approved a preliminary proposal for a possible issue of Chinese Depositary Receipts (the “CDRs”) and the listing of the CDRs on an exchange platform in the People’s Republic of China (the “Proposed Domestic Issue”). After deducting the issuance expenses, the proceeds of the Proposed Domestic Issue are preliminarily intended to be used for the cloud and other principal businesses of the Group.

48. 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:

	2020 RMB'000	2019 RMB'000
Non-current assets		
Interests in subsidiaries	2,152,671	2,152,671
Pledged deposits	12,792	–
	2,165,463	2,152,671
Current assets		
Other receivables	2,479	2,590
Amounts due from subsidiaries	1,692,452	316,145
Bank balances and cash	507,597	11,453
	2,202,528	330,188
Current liabilities		
Other payables	2,101	1,927
Amounts due to related companies	118	118
Dividend payable	81	81
Convertible loan notes	–	23,829
Borrowings	77,312	–
	79,612	25,955
Net current assets	2,122,916	304,233
Total assets less current liabilities	4,288,379	2,456,904
Non-current liabilities		
Convertible loan notes	–	727,672
Borrowings	1,421,385	–
	1,421,385	727,672
	2,866,994	1,729,232
Capital and reserves		
Share capital	131,956	116,325
Share premium	4,734,754	3,145,241
Treasury shares	(605,387)	(470,752)
Reserves (Note)	(1,394,329)	(1,061,582)
Total equity	2,866,994	1,729,232

48. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Equity-settled share-based payment reserve RMB'000	Convertible loan notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	235,105	118,288	(1,249,167)	(895,774)
Loss and total comprehensive expenses for the year	–	–	(157,957)	(157,957)
Recognition of share-based payment expenses	9,807	–	–	9,807
Expiry of share-based payments	(48,025)	–	48,025	–
Conversion of convertible loan notes	–	(17,658)	–	(17,658)
At 31 December 2019	196,887	100,630	(1,359,099)	(1,061,582)
Loss and total comprehensive expenses for the year	–	–	(187,867)	(187,867)
Issue of ordinary shares upon exercise of share-based payments	(188,587)	–	–	(188,587)
Recognition of share-based payment expenses	144,337	–	–	144,337
Expiry of share-based payments	(4,164)	–	4,164	–
Conversion of convertible loan notes	–	(100,630)	–	(100,630)
At 31 December 2020	148,473	–	(1,542,802)	(1,394,329)

Financial Summary

RESULTS

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	6,783,367	9,243,684	10,585,013	12,041,895	**14,101,239**
Profit before taxation	524,587	632,769	760,454	798,958	**1,034,845**
Income tax expense	(114,754)	(71,462)	(44,283)	(42,272)	**(86,732)**
Profit for the year	409,833	561,307	716,171	756,686	**948,113**
Attributable to:					
Owners of the Company	442,081	565,567	715,803	754,888	**954,928**
Non-controlling interests	(32,248)	(4,260)	368	1,798	**(6,815)**
	409,833	561,307	716,171	756,686	**948,113**
	HKD (cents)	HKD (cents)	HKD (cents)	HKD (cents)	**HKD (cents)**
Dividend	1.2	1.8	2.15	2.19	**2.90**

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	7,229,303	8,751,533	10,488,244	10,745,396	**13,086,957**
Total liabilities	(2,896,664)	(3,521,567)	(4,456,721)	(4,211,456)	**(4,310,546)**
	4,332,639	5,229,966	6,031,523	6,533,940	**8,776,441**