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中软国际

CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Results for the first half of 2021	For the six months ended 30 June		% Change
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	
Income statement highlights			
Revenue	8,340,938	6,059,391	37.7%
Service revenue	8,258,599	5,970,217	38.3%
Profit for the period	516,998	397,107	30.2%
Profit attributable to Owners of the Company	517,724	401,380	29.0%
Basic EPS (RMB cents)	18.92	16.22	16.6%
<ul style="list-style-type: none">• The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021.• No closure for the Register of Members of the Company.			

MANAGEMENT DISCUSSION AND ANALYSIS

KEY OPERATING DATA

During the first half of 2021, the Group's businesses achieved steady growths. The Group's revenue, service revenue, profit for the period, profit attributable to the owners of the Company, and EPS increased by 37.7%, 38.3%, 30.2%, 29.0%, and 16.6% respectively.

	Six Months Ended 30 June		% Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	8,340,938	6,059,391	37.7%
Service Revenue	8,258,599	5,970,217	38.3%
Profit for the period	516,998	397,107	30.2%
Profit attributable to Owners of the Company	517,724	401,380	29.0%
Basic EPS (RMB cents)	18.92	16.22	16.6%

The key operating data (unaudited) for the six months ended 30 June 2021 are as follow:

	Six Months Ended 30 June		% Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	8,340,938	6,059,391	37.7%
Service revenue	8,258,599	5,970,217	38.3%
Cost of sales and services	(6,047,180)	(4,410,391)	37.1%
Gross Profit	2,293,758	1,649,000	39.1%
Other income	214,194	125,986	70.0%
Other losses	(6,532)	(6,540)	(0.1%)
Selling and distribution costs	(451,136)	(294,361)	53.3%
Other expenses	(23,199)	(22,319)	3.9%
Administrative expenses	(1,381,478)	(896,475)	54.1%
Finance costs	(44,955)	(90,176)	(50.1%)
Impairment losses under expected credit loss model, net of reversal	(15,096)	(14,976)	0.8%
Share of results of investments accounted for using the equity method	(8,860)	(7,149)	23.9%
Loss from derecognition of financial assets measured at amortised cost	(553)	(777)	(28.8%)
Profit before taxation	576,143	442,213	30.3%
Income tax expense	(59,145)	(45,106)	31.1%
Profit for the period	516,998	397,107	30.2%

GENERAL OVERVIEW

The year 2021 is the implementation year of the Group's SP301 strategic plan, marking a new beginning for the Group's "one blueprint to the end". It is also a year for the Group to tackle difficult problems. In the post-epidemic era and the face of new opportunities in the digital economy, the Group stood united, calm, and honest, and achieved sustained and stable business development. The Group's interim net profit increased by more than 30%, a new high since its listing. The Group's technical service and solution business is progressing steadily, the cloud intelligence business is developing rapidly, Harmony and other new businesses are ready for growths. Moving towards the third ten-year development plan, the Group is determined to persevere, continue to surpass, and consolidate its foundational forces to press forward!

During the reporting period, the Group's cloud intelligence business accelerated its business development. The Group is firmly committed to the strategic positioning of "cloudization, cloud management, and cloud native; understand the cloud, understand the industry, understand cloud joint ecosystems", and launched the multi-cloud management platform CloudEasy, built cloud intelligent service capabilities covering the full life cycle, and provided customers with cloud consultation, cloud brokerage, cloud migration, cloud management, industrial cloud operation and maintenance and cloud native services. The customer base has covered multiple value industries including biomedicine, manufacturing, education, and Internet. During the reporting period, IDC, a world-renowned information industry research institution, released "Insights into China's Cloud Professional Services Market, 2020H2", and the Group ranked 4th in the report. In the cloud professional services market, the Group ranked first in the two sub-markets of "Cloud Migration Service" and "Cloud Development Service". Furthermore, the Group's cloud products and cloud solution businesses have achieved rapid growth in many areas such as parks, finance, telecommunications, retail, transportation, and education.

During the reporting period, Jointforce acquired 100% equity of Beijing Zhongbiao Intelligent Technology Co., Ltd. to build software industry knowledge graph capabilities and an industry digital dictionary. The Group already has formed the largest domestic software industry knowledge map, upgraded to build a complete product matrix and service catalog of "digital intelligence codes". The Jointforce's GTV (Gross Transaction Value) reached RMB1.95 billion and the cumulative number of projects completed through the platform reached 16,899. On the demand side, the number of registered government users reached 2,956, and the number of active government users was 318, a YoY increase of 52.2%. On the supply side, the platform accumulated a total of 65,000 registered suppliers, and 3,251 active suppliers. In terms of data assets, 37,894 projects and solutions have been aggregated. Furthermore, Jointforce has penetrated into industry application scenarios, actively promoted the application of Kunpeng computing in key industries such as finance, transportation, medical care, and intelligent manufacturing, and provided one-stop services for enterprises with the help of Jointforce City Station. In addition, Jointforce also reached a strategic cooperation with China Saibao Laboratory.

During the reporting period, the Group continued to deepen and cultivate its government big data business. For digital government, the Group continued to cooperate with the government big data bureaus of many key cities in the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei regions to promote government data census, data governance, data fusion and data application, the Group leveraged data to help governments improve governance capabilities. Furthermore, the Group's big data business has deepened its expansion in the field of transportation. The Group worked with important industries and customers to create integrative data solutions, and continuously improved the overall solution capabilities of key industries.

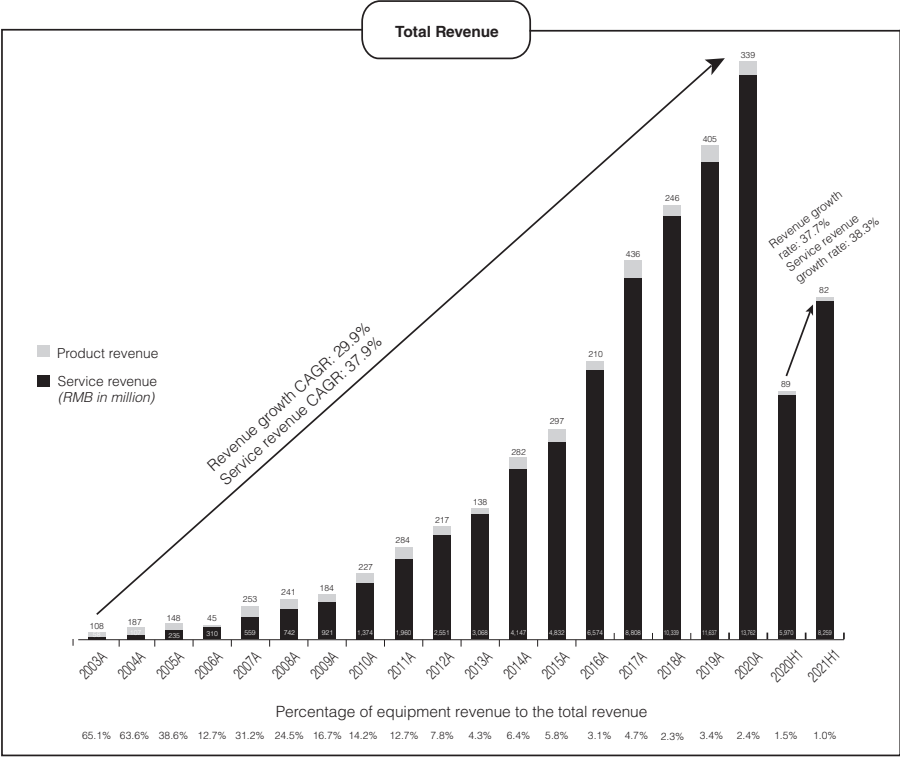
During the reporting period, the Group's Intelligent IoT business grew rapidly. During the reporting period, the Group provided full-stack solutions from bottom-level chips, operating systems, solution boards to upper-level applications, and was committed to becoming a leading Harmony ecological full-stack solution provider. During the reporting period, the Group has launched a number of modules, development boards and solution boards of its own intellectual property rights, which helped many device manufacturers to join HarmonyOS ecology. The Group's listed a number of proprietary modules, development products on the market. During the reporting period, the Group has become one of the co-organizers of Open Harmony, a platinum director of the Openatom Funderation Fund, and the first members of the Harmony Ecological Co-construction and the Harmony Working Committee. In the future, it will continue to contribute source code to Open Harmony and expand its influences.

During the reporting period, the Group continued to maintain its leading position in the telecommunications field. During the reporting period, the Group continued to deepen and cultivate two major customers, China Telecom and China Mobile, and made great efforts to increase its market share in telecom industry customers such as Fiberhome Telecom and TD Tech. At the same time, based on the accumulation of years of cooperation with the top ICT (information and communication technology) infrastructure and smart terminal providers in the industry, the Group continued to strengthen its cooperation in the field of software and technical services. During the reporting period, the Group actively participated in Harmony OS Connect, Huawei Cloud and other ecosystems, making continuous contributions to flourishing ecosystems. The Group won 18 awards in Huawei cloud Ecological Conference 2021, and exclusively won the "Huawei Cloud 'Skyrocketing' Award". The Group was the first enterprise to become a part of the customer developer alliance ecosystem. The Group signed a CLA (Contributor License Agreement), formally joined the OpenGauss open source community, and empowered community construction with the self-developed cluster management tool, OpenGauss Housekeeper. Lastly, the Group became an AI+RPA ecosystem partner for a top-level customer, and is committed to expanding the industry application of RPA.

During the reporting period, HSBC's business grew steadily. The Group assisted HSBC Assets.com's corporate digital banking innovation and upgrade, launched the Malaysian personal bank payment installment function, and assisted HSBC Hong Kong in building the TT Customer Channel international trade digital transformation system solution and platform. During the reporting period, Tencent's business continued to develop. The Group added WeChat business, Tencent Medical, Tencent Finance and other businesses, and achieved full coverage of Tencent's nearshore services. The number of delivery cities for Ali's business has increased to more than 50 cities, covering delivery in major regions across the country, and the Group has been successfully selected as a framework supplier sequence for Ant Financial Cloud. In terms of Baidu's business, the Group's Baidu Cloud ACG (Intelligent Cloud Business Group) business market share continued to rank first. Ping An's business has grown rapidly, with full force in insurance, banking, OneConnect and other fields. Microsoft's business has grown steadily, with new projects landing in both the gaming business and AI basic data, and breakthroughs have been achieved in the direction of artificial intelligence-natural language processing business. At the same time, the Group continued to expand the well-known Internet enterprise customers such as ByteDance, Meituan, and JD.com, deeply explored customer business scenarios, accumulated excellent practices such as digital operation services, and promoted Internet enterprise business upgrades and operating model changes.

China's economy has stabilized and recovered, and the focus of economic development has shifted from "stabilizing growth" to "adjusting structure" and "improving quality", which has promoted the digital economy to show strong resilience and vitality in the post-epidemic era, bringing new opportunities. In the second half of the "fighting" year, the Group will be firm, resolute, and insistent on being an excellent member of the "New Long March of Innovative Technology" team, continue to cultivate internal skills, and build a quality, valuable and meaningful business portfolio development formation. The Group will use the software factory model to upgrade its cornerstone business, build a new growth curve around cloud intelligence, Harmony and other businesses, and make a strong stride towards the goal of "achieve one tenth revenue of the world" technology-based software and service company and become "Global Chinasoft International".

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 the first half of 2021, the revenue and service revenue achieved a YoY growth of 37.7% and 38.3%. The details are as follow:



Customer

The Group’s customers include large enterprises with headquarters in the Greater China, Europe, United States, and Japan. In the Greater China market, the Group holds a large market share in telecommunication, banking, financial, government, Internet, high technology, and other mainstream industries. In the first half of 2021, the Group’s top five and top ten customers accounted for 72.4% and 78.7% of the Group’s service revenue.

As of 30 June, 2021, the Group has 152 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

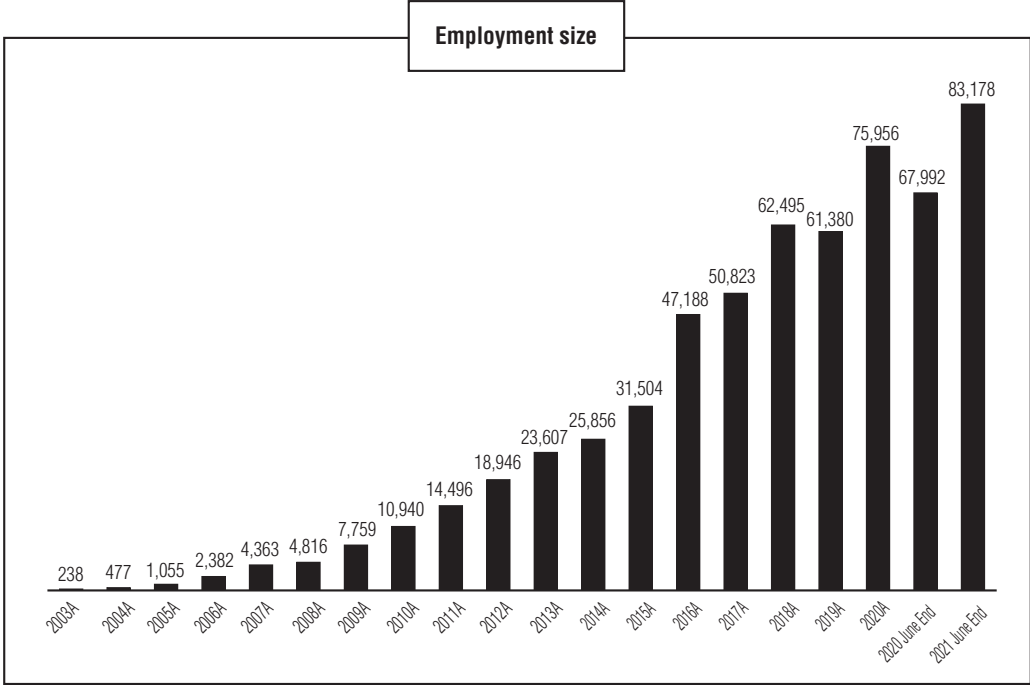
Market

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 HSBC, Tencent, Ping-An, Alibaba, China Mobile, Microsoft, Baidu, Bank of Communications, and other top ICT infrastructure and smart terminal providers in the industry, accumulating experiences in servicing international customers. Going along 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 utilize 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 Resource

As of 30 June, 2021, the Group employs a total of 83,178 employees, representing a YoY increase of 22.3% (2020H1: 67,992).

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



Operating Results

The following is the Group's consolidated comprehensive income statement for the first half of 2020 and 2021 (unaudited):

	2021			2020		
	For the First half RMB'000	% of Revenue	% of Service Revenue	For the First half RMB'000	% of Revenue	% of Service Revenue
Revenue	8,340,938	N/A	N/A	6,059,391	N/A	N/A
Service revenue	8,258,599	N/A	N/A	5,970,217	N/A	N/A
Cost of sales and services	(6,047,180)	(72.5%)	(73.2%)	(4,410,391)	(72.8%)	(73.9%)
Gross profit	2,293,758	27.5%	27.8%	1,649,000	27.2%	27.6%
Other income	214,194	2.6%	2.6%	125,986	2.1%	2.1%
Other losses	(6,532)	(0.1%)	(0.1%)	(6,540)	(0.1%)	(0.1%)
Selling and distribution costs	(451,136)	(5.4%)	(5.5%)	(294,361)	(4.9%)	(4.9%)
Other expenses	(23,199)	(0.3%)	(0.3%)	(22,319)	(0.4%)	(0.4%)
Administrative expenses	(1,381,478)	(16.6%)	(16.7%)	(896,475)	(14.8%)	(15.0%)
Finance costs	(44,955)	(0.5%)	(0.5%)	(90,176)	(1.5%)	(1.5%)
Impairment losses under expected credit loss model, net of reversal	(15,096)	(0.2%)	(0.2%)	(14,976)	(0.2%)	(0.3%)
Share of results of investments accounted for using the equity method	(8,860)	(0.1%)	(0.1%)	(7,149)	(0.1%)	(0.1%)
Loss from derecognition of financial assets measured at amortised cost	(553)	(0.0%)	(0.0%)	(777)	(0.0%)	(0.0%)
Profit before taxation	576,143	6.9%	7.0%	442,213	7.3%	7.4%
Income tax expense	(59,145)	(0.7%)	(0.7%)	(45,106)	(0.7%)	(0.8%)
Profit for the period	516,998	6.2%	6.3%	397,107	6.6%	6.7%
Profit for the period attributable to owners of the Company	517,724	6.2%	6.3%	401,380	6.6%	6.7%

Revenue

For the first half of 2021, the Group's revenue was RMB8,340.938 million, representing a YoY growth of 37.7% (2020H1: RMB6,059.391 million). The Group's service revenue was RMB8,258.599 million, representing a YoY growth of 38.3% (2020H1: RMB5,970.217 million). The growth was mainly driven by the rapid growth of cloud intelligence business and the steady growth of the core large customer businesses.

For the first half of 2021, the segment's revenue to total revenue and growth are as follow:

	Sixth Months Ended 30 June 2021 RMB'000	% of Total	Sixth Months Ended 30 June 2020 RMB'000	% of Total	Growth Rate
TPG	7,374,486	88.4%	5,185,926	85.6%	42.2%
IIG	966,452	11.6%	873,465	14.4%	10.6%
Total	8,340,938	100%	6,059,391	100%	37.7%

Cost of Sales and Services

For the first half of 2021, the Group's cost of sales and services was RMB6,047.180 million, representing a YoY increase of 37.1% (2020H1: RMB4,410.391 million). The Group's cost of sales and services was 72.5% of the Group's total revenue, representing a YoY decrease of 0.3% (2020H1: 72.8%).

Gross Profit

For the first half of 2021, the Group's gross profit was RMB2,293.758 million, representing a YoY growth of 39.1% (2020H1: RMB1,649.000 million). The Group's gross margin was 27.5%, representing a YoY increase of 0.3% (2020H1: 27.2%) The Group's gross margin (to service revenue) was 27.8% representing a YoY increase of 0.2% (2020H1: 27.6%). The increase in gross margin was mainly due to the impact of the COVID-19 during the same period last year. It caused the delay in the resumption of business, the delay in the acceptance of some projects and the delay in the collection of revenue, resulting in a lower-than-normal gross margin for the same period last year.

Other Income

For the first half of 2021, the Group's other income was RMB214.194 million, representing a YoY increase of 70.0% (2020H1: RMB125.986 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 Losses

For the first half of 2021, the Group's other losses were RMB6.532 million, similar to that of the same period last year. (2020H1: RMB6.540 million).

Operating Expenses

For the first half of 2021, the Group's selling and distribution expenses were RMB451.136 million, representing a YoY increase of 53.3% (2020H1: RMB294.361 million). The Group's selling and distribution expenses accounted for 5.4% of the total revenue, representing a YoY increase of 0.5% (2020H1: 4.9%). It was mainly caused by the increase of labour cost.

For the first half of 2021, the Group's administrative expense was RMB1,381.478 million, representing a YoY increase of 54.1% (2020H1: RMB896.475 million). The Group's administrative expense accounted for 16.6% of the total revenue, representing a YoY increase of 1.8% (2020H1: 14.8%). The increase was mainly because during the reporting period the share-based payments increased. Furthermore, the Group continued to increase its R&D investment in cloud intelligence business and Harmony business, resulting in increase for cost of research and development.

Finance Costs and Income Tax

For the first half of 2021, the Group's finance costs were RMB44.955 million, representing a YoY decrease of 50.1% (2020H1: RMB90.176 million). The Group's finance costs accounted for 0.5% of the total revenue, representing a YoY decrease of 1.0%. The main reason for the decrease was that the conversion of convertible loan notes to shares was completed in the second half of 2020, and there was no need to pay interest on convertible loan notes in 2021. Furthermore, the interest rate of syndicated loans was lower than that of domestic borrowings.

For the first half of 2021, the loss from derecognition of financial assets measured at amortized cost was RMB0.553 million, representing a YoY decrease of 28.8% (2020H1: RMB0.777 million).

For the first half of 2021, the Group's income tax was RMB59.145 million, representing a YoY increase of 31.1% (2020H1: RMB45.106 million). The Group's effective income tax rate was 10.3%, representing a YoY increase of 0.1% (2020H1: 10.2%).

Other Non-Cash Expenses

For the first half of 2021, the Group's other expenses was RMB23.199 million, representing a YoY increase of 3.9% (2020H1: RMB22.319 million). The Group's other expenses accounted for 0.3% of the total revenue, representing a YoY decrease of 0.1% (2020H1: 0.4%).

For the first half of 2021, the Group's impairment losses under the expected credit loss model, net reversal was RMB15.096 million, representing a YoY increase of 0.8% (2020H1: 14.976 million). The Group's impairment losses under the expected credit loss model, net reversal accounted for 0.2% of the total revenue, the same as that of the last reporting period.

Working Capital, Financial and Capital Resources

For the first half of 2021, the Group's total amount of cash and bank balance was RMB3,598.819 million (2020: RMB3,786.777 million).

For the first half of 2021, the Group's net current assets were RMB7,716.334 million (2020: RMB7,675.755 million). For the first half of 2021, the current ratio (current assets divided by current liabilities) was 3.1, a decrease from 3.8 in 2020.

For the first half of 2021, the Group's borrowings were RMB2,531.044 million (2020: RMB1,789.515 million). The net loan ratio is calculated by dividing the net borrowing amount (borrowing minus available cash (bank balance and the sum of cash and pledged deposits)) by total equity. The total amount of available cash balances is greater than the total amount of bank loans, resulting in a negative net loan ratio.

Profit for the Period and Earnings Per Share (EPS)

For the first half of 2021, the Group's profit was RMB516.998 million, representing a YoY growth of 30.2% (2020H1: RMB397.107 million). The Group's profit accounted for 6.2% of the total revenue, representing a YoY decrease of 0.4% (2020H1: 6.6%). The Group's profit accounted for 6.3% of the service revenue, representing a YoY decrease of 0.4% (2020H1: 6.7%).

For the first half of 2021, the Group's profit attributable to the owners of the Company was RMB517.724 million, representing a YoY growth of 29.0% (2020H1: RMB401.380 million).

Based on the profit attributable to the owners of the Company, the Group's EPS was RMB18.92 cents for the first half of 2021, representing a YoY increase of 16.6% (2020H1: RMB16.22 cents).

Segment Revenue and Results

For the first half of 2021, the segment's growth of revenue, service revenue and results are as follow:

	Revenue			Service Revenue			Results		
	Six Months Ended 30 June 2021	Six Months Ended 30 June 2020	Growth Rate	Six Months Ended 30 June 2021	Six Months Ended 30 June 2020	Growth Rate	Six Months Ended 30 June 2021	Six Months Ended 30 June 2020	Growth Rate
	RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000	
TPG	7,374,486	5,185,926	42.4%	7,308,234	5,129,694	42.5%	632,155	437,114	44.6%
IIG	966,452	873,465	10.6%	950,365	840,523	13.1%	118,292	94,438	25.3%
Total	8,340,938	6,059,391	37.7%	8,258,599	5,970,217	38.3%	750,447	531,552	41.2%

In terms of segment revenue, TPG's revenue and service revenue achieved a YoY growth of 42.4% and 42.5%. The growth came mainly from the increase of revenue from core large customers. IIG's revenue and service revenue achieved a YoY growth of 10.6% and 13.1%. The growth came mainly from the Jointforce software industry's Internet platform business.

In terms of segment results, TPG's result achieved a YoY growth of 44.6%, slightly higher than the revenue and service revenue growths. This is mainly due to the increase in business gross profit margin, and the increase in government subsidies during the reporting period and savings in interest expenses. IIG's results achieved a YoY growth of 25.3%. The increase is 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, enters a stage of rapid expansion, it will become the driver for the Group's revenue growth and increase in the Group's profit margin.

FUNDRAISING ACTIVITIES

During the current and last reporting period, no fund raising activities had been conducted by the Group. The details of the fund raising activity which had been conducted by the Group with unused proceeds is 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 30 June 2021 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\$225 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\$332 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.

INTERIM RESULTS

The board of Directors (the “Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
Revenue	3	8,340,938	6,059,391
Cost of sales and services		(6,047,180)	(4,410,391)
Gross profit		2,293,758	1,649,000
Other income		214,194	125,986
Other losses		(6,532)	(6,540)
Selling and distribution costs		(451,136)	(294,361)
Other expenses		(23,199)	(22,319)
Administrative expenses		(1,381,478)	(896,475)
Finance costs	4	(44,955)	(90,176)
Impairment losses under expected credit loss model, net of reversal		(15,096)	(14,976)
Share of results of investments accounted for using the equity method		(8,860)	(7,149)
Loss from derecognition of financial assets measured at amortised cost		(553)	(777)
Profit before taxation		576,143	442,213
Income tax expense	5	(59,145)	(45,106)
Profit for the period		516,998	397,107
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		3,366	19,967
Total comprehensive income for the period		520,364	417,074
Profit for the period attributable to:			
Owners of the Company		517,724	401,380
Non-controlling interests		(726)	(4,273)
		516,998	397,107

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income attributable to:			
Owners of the Company		521,090	421,347
Non-controlling interests		(726)	(4,273)
		<u>520,364</u>	<u>417,074</u>
Earnings per share			
– Basic (cents)	7	<u>18.92</u>	<u>16.22</u>
– Diluted (cents)		<u>17.77</u>	<u>15.73</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2021 <i>RMB'000</i>	(Audited) 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		895,361	858,028
Right-of-use assets		501,551	333,744
Intangible assets		167,957	144,913
Goodwill		982,747	941,215
Investments accounted for using the equity method		258,441	247,154
Equity instrument at fair value		63,825	61,825
Other receivable		87,181	87,455
Pledged deposits		12,648	12,792
Deferred tax assets		5,704	5,753
		2,975,415	2,692,879
Current assets			
Inventories		154,122	51,192
Trade and other receivables	8	5,473,176	4,580,163
Bills receivable		15,549	15,851
Contract assets		2,035,429	1,904,185
Amount due from related companies		35,288	39,776
Pledged deposits		8,009	16,134
Bank balances and cash		3,598,819	3,786,777
		11,320,392	10,394,078
Current liabilities			
Trade and other payables	9	1,251,635	1,752,965
Bills payable		2,927	33,446
Lease liabilities		188,946	142,318
Contract liabilities		567,778	329,240
Amounts due to related companies		7,801	8,771
Dividend payable		81	81
Taxation payable		96,378	83,372
Borrowings	10	1,488,512	368,130
		3,604,058	2,718,323
Net current assets		7,716,334	7,675,755
Total assets less current liabilities		10,691,749	10,368,634

		(Unaudited) 30 June 2021 <i>RMB'000</i>	(Audited) 31 December 2020 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities		14,420	10,896
Lease liabilities		278,798	159,942
Borrowings	10	<u>1,042,532</u>	<u>1,421,385</u>
		<u>1,335,750</u>	<u>1,592,223</u>
		<u>9,355,999</u>	<u>8,776,411</u>
Capital and reserves			
Share capital	11	131,999	131,956
Share premium		4,674,475	4,734,754
Treasury shares		(530,427)	(605,387)
Reserves		<u>5,057,861</u>	<u>4,491,765</u>
Equity attributable to owners of the Company		<u>9,333,908</u>	8,753,088
Non-controlling interests		<u>22,091</u>	<u>23,323</u>
Total equity		<u>9,355,999</u>	<u>8,776,411</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Attributable to the owners of the Company

	Share capital	Share premium	Treasury shares	Fair value through other comprehensive income reserves	Translation reserve	Equity-settled share-based payment reserve	Convertible loan notes reserve	General reserve	Statutory enterprise expansion fund	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total	
															RMB'000
At 1 January 2020	116,325	3,145,241	(470,752)	(122,769)	(13,834)	(17,966)	196,887	100,630	15,793	26,749	231,456	3,259,850	6,467,610	66,330	6,533,940
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	401,380	401,380	(4,273)	397,107
Other comprehensive (expenses) income for the period	-	-	-	-	19,967	-	-	-	-	-	-	-	19,967	-	19,967
Total comprehensive income (expenses) for the period	-	-	-	-	19,967	-	-	-	-	-	-	401,380	421,347	(4,273)	417,074
Issue of ordinary shares upon exercise of share-based payments	3,562	333,451	-	-	-	(75,897)	-	-	-	-	-	-	261,116	-	261,116
Recognition of share-based payments expenses	-	-	-	-	-	14,185	-	-	-	-	-	-	14,185	-	14,185
Expiry of share-based payments	-	-	-	-	-	(3,942)	-	-	-	-	3,942	-	-	-	-
Purchase of shares under share award scheme	-	-	(22,237)	-	-	-	-	-	-	-	-	-	(22,237)	-	(22,237)
At 30 June 2020	119,887	3,478,692	(492,989)	(122,769)	(13,834)	2,001	131,233	100,630	15,793	26,749	231,456	3,665,172	7,142,021	62,057	7,204,078
At 1 January 2021	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	517,724	517,724	(726)	516,998
Other comprehensive (expenses) income for the period	-	-	-	-	3,366	-	-	-	-	-	-	-	3,366	-	3,366
Total comprehensive income (expenses) for the period	-	-	-	-	3,366	-	-	-	-	-	-	517,724	521,090	(726)	520,364
Issue of ordinary shares upon exercise of share-based payments	43	5,521	-	-	-	(1,152)	-	-	-	-	-	-	4,412	-	4,412
Recognition of share-based payments expenses	-	-	-	-	-	125,435	-	-	-	-	-	-	125,435	-	125,435
Awarded shares vested under share award scheme	-	4,317	74,960	-	-	(79,277)	-	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-	-	508	(508)	-	-	-
Dividends paid to ordinary shareholders	-	(70,117)	-	-	-	-	-	-	-	-	-	-	(70,117)	-	(70,117)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(506)	(506)
At 30 June 2021	131,999	4,674,475	(530,427)	(122,769)	(13,834)	(9,679)	193,479	-	15,793	26,749	258,027	4,710,095	9,333,908	22,091	9,355,999

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(526,769)	(337,107)
Net cash used in investing activities	(196,125)	(109,079)
Net cash generated from financial activities	553,290	606,364
Net decrease (increase) in cash and cash equivalents	(169,604)	160,178
Effect of foreign exchange rate changes	(18,354)	14,734
Cash and cash equivalents at the beginning of the period	3,786,777	2,525,741
Cash and cash equivalents at the end of the period	3,598,819	2,700,653

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as at 1 January 2021.

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

Amendments to HKFRS 9,
HKAS 39 and HKFRS 7

Interest Rate Benchmark Reform – Phase 2

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of goods and services		
Provision of services		
Project-based development services	1,169,991	1,266,040
Outsourcing services	7,054,728	4,699,274
Others	33,880	4,903
	<u>8,258,599</u>	<u>5,970,217</u>
Sales of software and hardware products	82,339	89,174
	<u>8,340,938</u>	<u>6,059,391</u>

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition		
Over time	8,258,599	5,970,217
At a point in time	82,339	89,174
	<u>8,340,938</u>	<u>6,059,391</u>

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

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

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

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

Information regarding the above segments is reported as below.

Segment revenue and results

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

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Technical Professional Services				
Group (TPG)	7,374,486	5,185,926	632,155	437,114
Internet IT Services Group (IIG)	966,452	873,465	118,292	94,438
	8,340,938	6,059,391	750,447	531,552

During the six months ended 30 June 2021, the segment revenue is reported after eliminating inter-segment services revenue of RMB260,782,000 (2020: RMB296,607,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Segment results	750,447	531,552
Other income, gains and losses unallocated	6,533	(5,827)
Interest on convertible loan notes and borrowings	(16,205)	(43,568)
Corporate expenses	(39,197)	(25,759)
Share-based payment expenses	(125,435)	(14,185)
Profit before taxation	576,143	442,213

Segment revenue by products and services:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software and hardware products	<u>82,339</u>	<u>89,174</u>
Technical Professional Services Group (TPG)	7,308,234	5,129,694
Internet IT Services Group (IIG)	<u>950,365</u>	<u>840,523</u>
	<u>8,258,599</u>	<u>5,970,217</u>
	<u>8,340,938</u>	<u>6,059,391</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	36,052	60,574
Interest of lease liabilities	8,903	7,049
Effective interest on convertible loan notes	<u>–</u>	<u>22,553</u>
	<u>44,955</u>	<u>90,176</u>

5. TAXATION

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax	55,793	44,017
Others	<u>3,352</u>	<u>1,089</u>
	<u>59,145</u>	<u>45,106</u>

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

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

6. DIVIDEND

During the six months ended 30 June 2021, 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 (2019: HK\$0.0219) was declared to the owners of the Company and paid on 15 June 2021. The aggregate amount of the final dividend declared during the six months ended 30 June 2021 amounted to HK\$84,265,513 (2020: HK\$57,481,091).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

7. EARNINGS PER SHARE

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

	For the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	
Earnings for the purposes of calculating basic earnings per share	517,724	401,380	
Effect of dilutive potential profit attributable to owners of the Company:			
Interest on convertible loan notes	—	22,553	
Earnings for the purpose of diluted earnings per share	<u>517,724</u>	<u>423,933</u>	
		Number of shares	
		2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,736,299,877</u>	<u>2,474,543,644</u>	
Effect of dilutive potential ordinary shares:			
Share options	30,881,229	14,932,687	
Convertible loan notes	—	180,000,000	
Share award scheme	<u>146,065,293</u>	<u>25,054,945</u>	
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,913,246,399</u>	<u>2,694,531,276</u>	

The computation of diluted earnings per share for the period ended 30 June 2021 assume the exercise of all of the Company's share options granted since the exercise prices of all these share options were lower than the average market price of shares of the Company.

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

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Trade receivables, net of allowance	5,082,531	4,279,847
Advances to suppliers	188,387	129,736
Deposits, prepayments and other receivables, net of allowance	289,439	258,035
	<u>5,560,357</u>	<u>4,667,618</u>
Analysed for reporting purposes as:		
Non-current assets	87,181	87,455
Current assets	5,473,176	4,580,163
	<u>5,560,357</u>	<u>4,667,618</u>

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

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

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Within 90 days	4,225,526	3,893,261
Between 91 – 180 days	424,561	233,695
Between 181 – 365 days	373,553	82,027
Between 1 – 2 years	58,891	70,864
	<u>5,082,531</u>	<u>4,279,847</u>

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

9. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Trade payables	486,890	569,163
Other payables	764,745	1,183,802
	<u>1,251,635</u>	<u>1,752,965</u>

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

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Within 90 days	426,654	536,205
Between 91-180 days	19,739	898
Between 181-365 days	9,953	3,833
Between 1-2 years	2,650	5,868
Over 2 years	27,894	22,359
	<u>486,890</u>	<u>569,163</u>

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

The fair value of the Group's trade and other payables at 30 June 2021 was approximately equal to the corresponding carrying amount.

10. BORROWINGS

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Unsecured bank loans (<i>Note (i)</i>)	1,345,433	290,818
Secured bank loans (<i>Note (ii)</i>)	<u>1,185,611</u>	<u>1,498,697</u>
	<u>2,531,044</u>	<u>1,789,515</u>
	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Carrying amount repayable:		
Within one year	1,488,512	368,130
Within a period of more than one year but not more than two years	1,042,532	369,805
Within a period of more than two year but not more than five years	<u>–</u>	<u>1,051,580</u>
	2,531,044	1,789,515
Less: Amounts due within one year shown under current liabilities	<u>(1,488,512)</u>	<u>(368,130)</u>
Amounts shown under non-current liabilities	<u>1,042,532</u>	<u>1,421,385</u>
	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility (<i>Note (ii)</i>)	1,035,600	1,498,697
At floating interest rates – others (<i>Note (iii)</i>)	130,000	130,000
At fixed interest rates – others (<i>Note (iv)</i>)	<u>1,365,444</u>	<u>160,818</u>
	<u>2,531,044</u>	<u>1,789,515</u>

10. BORROWINGS (CONTINUED)

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. As of June 30, 2021, the actual cumulative repayment was 30%. 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 RMB12,648,000 and is classified as non-current as at 30 June 2021. 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.

Trade receivables with a net book value of approximately RMB150,011,000 (2020: RMB nil) have been pledged as guarantees for certain bank loans granted to the Group.

- (iii) Interests on borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the first half year of 2021 is 3.65% (2020: 3.61%) per annum.
- (iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 3.10% to 4.35% (2020: 3.50% to 4.35%) per annum.

11. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:

	Number of shares	Nominal amount HK\$
Authorised		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	4,000,000,000	200,000,000

	Number of shares	Nominal amount HK\$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2020	2,544,307,358	127,215,369	116,325
Exercise of share-based payments	<u>80,400,000</u>	<u>4,020,000</u>	<u>3,562</u>
At 30 June 2020	<u>2,624,707,358</u>	<u>131,235,369</u>	<u>119,887</u>
At 31 December 2020 and 1 January 2021	2,904,707,358	145,235,369	131,956
Exercise of share-based payments	<u>1,000,000</u>	<u>50,000</u>	<u>43</u>
At 30 June 2021	<u>2,905,707,358</u>	<u>145,285,369</u>	<u>131,999</u>

12. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	<u>4,342</u>	<u>16,583</u>
	<u>4,342</u>	<u>16,583</u>

In addition, as at 30 June 2021, the Group is committed to contributions of further capital amounting to RMB81,140,000 (2020: RMB28,740,000) under the relevant agreements for its investments in entities accounted for using equity method and using fair value.

13. RELATED PARTY TRANSACTIONS

During the relevant periods in 2020 and 2021, the Group had the following transactions with the following related parties:

	For the six month ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Provision of IT solution services by the Group	198	1,125
Provision of other services by the Group	3,413	306

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

14. EMPLOYEE AND OTHER INFORMATION

The total employee benefits expenses of the Group amounted to approximately RMB7,078,528,000 including the directors' emoluments of approximately RMB24,082,000 during the six months ended 30 June 2021 (2020: approximately RMB4,844,011,000, including the directors' emoluments of approximately RMB23,543,000). The increase in employee remuneration resulted from the increase in the number of employees from 67,992 to 83,178.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2021 of the Group amounted to approximately RMB23,199,000 (2020: RMB22,319,000) and approximately RMB181,941,000 (2020: RMB128,053,000), respectively.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2021, the board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2021 to 30 June 2021, 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 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.
- (ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2021 in Hong Kong (the “2020 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the quarantine COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2020 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 2020 AGM, due to the restrictions against COVID-19 outbreak. Other Board members who attended the 2020 AGM were available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rule relating to dealings in securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 30 June 2021.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2021, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers.

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

Name	Capacity	Number of issued ordinary shares held	Number of underlying shares held under equity derivatives	Total number of shares	Approximate % of total issued ordinary share as at 30 June 2021
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	282,792,861 (Note 1)	–	377,492,861	12.99%
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 (Note 3)	–	19,027,765	0.65%
Gavriella Schuster	Beneficial owner	–	1,000,000 (Note 4)	1,000,000	0.03%
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 Lailan	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 on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested during the reporting period and the remaining awarded 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 (the “Tangkula”) and Dan Capital Kunlun Limited Partnership (the “Kunlun”) (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 Tangkula upon the conversion, and 129,200,000 ordinary shares of the Company were issued to Kunlun upon the conversion. As at 30 June 2021, 25,830,000 and 68,870,000 ordinary shares of the Company were held by Tangkula and Kunlun respectively.
- (3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested during the reporting period and the remaining awarded shares will be vested by period based on future performance.
- (4) The interests in underlying shares of the Company represent interests in options granted to the director.

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2021	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2021	Percentage of total issued ordinary share of the Company as at 30 June 2021	No of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 30 June 2021	Note
					as at 30 June 2021	as at 30 June 2021		
Gavriella Schuster	5.22	1,000,000	1,000,000	–	–	1,000,000	0.03%	(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 Lailan	5.65	800,000	–	800,000	0.03%	800,000	0.03%	(ii)

Note:

- (i) These share options were offered on 28 September 2018 under the new 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		Number of share options exercisable
Commencing	Ending	
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 new 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		Number of share options exercisable
Commencing	Exercise Period Ending	
27/08/2021	26/08/2024	40% of the total number of share options granted
27/08/2022	26/08/2024	30% of the total number of share options granted
27/08/2023	26/08/2024	30% of the total number of share options granted

Save as disclosed above and so far as was known to the Directors, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests or shorts in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be Company and the Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2021, pursuant to the new share option scheme approved by the shareholders at the AGM held on 20 May 2013 (the “New Share Option Scheme”), the share options to subscribe for an aggregate of 90,000,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding representing 3.10% of the total issued ordinary share capital of the Company as at 30 June 2021. The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under the New Share Option Scheme shall not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme (“Scheme Mandate Limit”). The Scheme Mandate Limit was refreshed and approved by the Shareholders at the AGM of the Company held on 18 May 2021 and a total of 290,570,735 shares were issuable under Scheme Mandate Limit as at 30 June 2021, representing approximately 10% of the total issued ordinary share of the Company as at the date of 2021 Interim Report.

During the six months ended 30 June 2021, no share options were granted under the New Share Option Scheme. An aggregate of 1,000,000 share options were exercised and no share options were lapsed.

SHARE AWARD SCHEME

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

During the period ended 30 June 2021, no consideration was paid as no shares of the Company were acquired from open market by the independent trustee of the Company. During the same period of 2020, a total consideration of approximately HK\$24,120,000 has been used to acquire 6,276,000 shares of the Company.

As at 30 June 2021, 153,205,000 shares (2020 same period: 152,286,000 shares) of the Company were held by the independent trustee of the Company, representing 5.27% (2020 same period: 5.24%) of the total issued ordinary share capital of the Company as at 30 June 2021.

Selected Employee	Granted but not vested as at 1 January 2021	Granted during the period	Vested during the period	Grant but not vested as at 30 June 2021
Chen Yuhong (Director)	16,600,000	–	5,600,000	11,000,000
Tang Zhenming (Director)	7,200,000	–	1,440,000	5,760,000
Employee	128,200,000	–	14,611,000	113,589,000
	<u>152,000,000</u>	<u>–</u>	<u>21,651,000</u>	<u>130,349,000</u>

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2021 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2021 none of the Directors had any rights to acquire shares in the Company.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2021, the Company had adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules relating to dealings in securities. Having made specific enquiry with all the Directors, the Directors had complied with the Model Code regarding securities transactions during the six months ended 30 June 2021.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had interests or short position in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions/short positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate % of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	377,492,861 (L)	12.99%
Dan Capital Kunlun Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	377,492,861 (L)	12.99%
UBS Group AG (Note 2)	Interest of controlled corporations	306,506,198 (L)	10.55%
Bank of Communications Trustee Limited (Note 3)	Trustee	153,205,000 (L)	5.27%

Abbreviations: “L” stands for long position

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 (the “Tangkula”) and Dan Capital Kunlun Limited Partnership (the “Kunlun”) (collectively known as the “Dan Capital CB holders”), 50,800,000 and 129,200,000 ordinary shares were allotted and issued to Tangkula and Kunlun respectively on 14 December 2020 upon conversion of the Dan Capital CB. As at 30 June 2021, 25,830,000 and 68,870,000 ordinary shares of the Company were held by Tangkula and Kunlun respectively. A concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017, as such, Dan Capital CB holders were deemed to be interested in 282,792,861 underlying shares of the Company held by Dr. Chen for the purposes of section 317 of the SFO. Please refer to Form 2 - Corporate Substantial Shareholder Notice dated 15 June 2021 for further 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, UBS Fund Management (Switzerland) AG and UBS Asset Management (UK) Limited are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 292,694,199 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 24 June 2021 for further details of the shareholding structure.
- (3) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and administer the Share Award Scheme of the Company. Details of the Share Award Scheme are set out in the section headed “Other Information” of this report.

Save as disclosed above, as at 30 June 2021, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 30 June 2021, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s interim result for the six months ended 30 June 2021 in compliance with Rule 3.21 of the Listing Rules, and the relevant code provisions of the CG Code of the Listing Rules and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the interim result for the six months ended 30 June 2021 have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

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

During the period ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2021.

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

23 August 2021, Hong Kong

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

* *For identification purposes only*