

INTERIM REPORT 2 0 2 1



Chinasoft International Limited
中軟國際有限公司*

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

* for identification purpose only

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2 HIGHLIGHTS

Results for the first half of 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.			

Dear Investors:

In 2021, the digital economy grew against the common trend. The process of industrial digitization continued to accelerate, and the open source ecosystem was further developed in depth, deriving a broader market space for scale. As a pioneer in China's technology-based software and service companies, the Group has always adhered to the will of "being honest and determined to have perseverance". We are firmly persisting, keeping close to the pulse of the times, grasping industrial opportunities, climbing the peak and reaching the top, and continuously tackling tough problems.

During the reporting period, the Group's revenue and profit both achieved high growth of more than 30%. Furthermore, for third consecutive years, we have been ranked as Gartner's "Market Share: IT Services, Worldwide" TOP100, and our ranking has risen by 8 places to 87 places from last year. As we continue to expand the market and achieve iterative breakthroughs in business models in our cornerstone business, cloud intelligence business, Harmony business, etc., the Group is simultaneously focused on system construction in order to strategize and rapidly improve organizational capabilities, support business essence, and achieve high-quality growth.

In the face of the recent epidemic, floods and other challenges, the Group always puts employees' life safety and physical health in the first place. We quickly activated emergency response mechanisms, carried out various prevention and control measures in an orderly manner, realized normalized responses, and ensured business continuity and sustainable and stable development.

I. Consulting Driven Ecological Collaboration to Promote the Intelligent Journey of Thousands of Industries on the Cloud

During the reporting period, the Group built cloud service capabilities covering the entire life cycle and achieved rapid growth in cloud intelligence business revenue, creating a non-linear growth pole and reaching a new height in the Group's history. The cloud intelligent business is developing fruitfully, and the Group adhered to the strategic positioning of "cloudization, cloud management, and cloud native; understand the cloud, understand the industry, understand cloud joint ecosystems". We are committed to becoming the largest independent third-party cloud service provider and digital transformation expert in China.

The Group already has a strong multi-cloud Cloud MSP capability and maintains a leading position in the fields of cloud migration, cloud consulting, and cloud development. With an absolute advantage, we have won the first place in a public cloud ecosystem performance. The cooperation with Tianyi Cloud has been initially deployed in Beijing and Shanghai. The cloud brokerage platform, "Huaxia Cloud", is currently the only platform for cloud transactions in China. It supports multi-tenancy and SaaS, develops cloud transactions and cloud services in an industrial Internet mode. It continued to expand cooperation with Huawei Cloud and is actively developing cooperation with other public clouds. As a self-developed multi-cloud management platform, CloudEasy has the ability to support leading cloud service providers such as Huawei Cloud, AWS, Azure, etc., and provides customers with one-stop, full-lifecycle cloud services. Cloud-native industry solutions continued to receive upgrades in areas such as government affairs, hospitals, industrial parks, and corporate knowledge maps, data services and other tracks. The solutions are becoming more mature and maintained rapid growths in areas such as smart cities and smart parks. The Group seized the opportunity of PaaS co-creation with Huawei Cloud Industry Services, and has been actively exploring feasible modes of SaaS industry services. Lastly, the Group continued to optimize its overseas business layout, and the Group became the first SaaS business partner of Huawei Cloud in the Middle East, and worked together to expand the local market.

The Group has also gathered more than 1,000 ISVs, covering mainstream industries such as government, finance, healthcare, education, transportation, real estate, logistics, manufacturing, and retail, and has established partner competence centers in many cities across the country, with products and services covering multiple countries and regions. The Group is oriented towards cloud native empowerment to transform ISVs into CSV, and has been promoting the development of CSV cloud ecology through aggregate empowerment, APaaS, joint sales, and etc.

Driven by digital transformation consulting, the Group strengthened its consulting service capabilities, explored cooperation models with operators and other super-integrators, focused on key industries, and provided customers with personal digital transformation services. In the field of pan-government and enterprise, the Group has been deeply involved in the audit and social security industries. With the industry's leading industry know-how, the Group provided customers with professional solutions, continued to expand to district and county-level customers in depth, and consolidated its leading position in the industry. In smart city, transportation, new retail, agriculture, ecological environment supervision and other industries, the Group continued to invest in research and development, adhered to new architecture, new technology, and new model to empower customers for digital transformation, and established several industry benchmark projects. In the pan-financial field, the Group closely followed the national "technology + policy" driving footprint, embraced new opportunities for Fintech development, and relied on technological innovations such as cloud computing, big data, artificial intelligence, and blockchain to continuously improve its own financial products and business models to serve bank, insurance, securities and other financial customers to solve core pain points. The Group facilitated the technological transformation of traditional financial services and shared with customers the digital economy dividends brought about by the upgrade of the industrial chain.

II. The Cornerstone Business Bootstrapped Lean Operations, and the FFW Strategy Promotes High-Quality Expansion and Advanced Specialization

The Group continued to consolidate the advantage of "a new generation of software engineering management leader", and used the practice of "software factory" and "digital factory" to form market brand consensus and achieve absolute market share leadership. The Group's "software factory" successfully implemented a number of model projects in the fields of pan-financial, Internet and telecommunications, helping customers improve the level of refined outsourcing and maximized the value of outsourcing investment. The Group's "digital factory" was delivered in Dalian, Ma'anshan and other cities, helping digital operation business achieve rapid growth.

The Group's outsourcing business continued to rank first in the performance evaluation of a top client's software and technical service provider, and we actively engaged in strategic opportunities such as cloud, smart car, Harmony, and pan-ERP to deepen cooperation in key technology fields such as the Gauss database. The Group undertook the FFW (For KA, From KA, With KA) strategy as the guidance to promote the advancement of the cornerstone business, emphasize the traction role of KA's key customers, and used it as a joint creation partner to accelerate the development and demand guidance of other KA key customers. The Group's business market share and position in customers such as BAT, Ping An, and China Mobile have continued to increase, and breakthroughs have been achieved in cooperation with customers in industries such as finance, telecommunications, smart terminals, automobiles, and state-owned enterprises. At the same time, we continued to expand the proportion of project-based services and actively explored professional services such as EAS.

III. Continue to Consolidate the Digital and Intelligent Operation Capabilities of the Software Industrial Internet Platform, Jointforce, and Devote Time and Efforts Into Key Cities

Jointforce serves the government and enterprise markets in the form of an industrial Internet platform, devoting time and effort in key cities along the Yangtze River Delta and Pearl River Delta. It deeply focuses on the government's "project management and data management" scene, and we will relentlessly around this goal. Jointforce has polished and built a complete government digital transformation product and service matrix, and accelerated its landing verification in key cities. The Group expanded the ecosystem of strategic partners through activities such as Huawei Cloud Market, Jointforce Select Picks, and circle marketing, and penetrated key industries such as finance, transportation, medical care, and smart manufacturing to create high-quality solutions and industry benchmarks. We are actively promoting the development of the Kunpeng computing industry, and at the same time assisting the main Jointforce business.

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".

IV. Participate Deeply in the Harmony Ecological Construction, and Strive to Become the Leader of Harmony Ecological Full-Stack Solutions

During the reporting period, the Group deeply participated in the ecological construction of HarmonyOS Connect (Hongmeng Zhilian), building a full-stack solution from the underlying chip, operating system, solution board to the upstream application. The Group has listed a number of Harmony OS products with its own intellectual property rights, helping many terminal equipment manufacturers to join the Harmony ecosystem. In addition, the Group has reached strategic cooperation with a number of chip manufacturers, leading smart home manufacturers and other upstream and downstream industries in the industry chain, achieving in-depth cooperation in product adaptation and product joint creation. Relying on the Group's long-term operation and brand accumulation in the industry market, the Group realized breakthroughs in government, financial and other industries. Lastly, the Group enabled Harmony's ecological expansion, formed upstream and downstream synergy in key industries to jointly prosper ecological business.

During the reporting period, the Group has become one of the co-organizers of Open Harmony, the platinum director of the Openatom Foundation Fund and the first members of the Harmony Ecological Co-construction and the Harmony Working Committee, and continued to contribute source code to Open Harmony and expand the influence of Harmony.

The Group actively assumed social responsibility and carried out the “Digital Gardener” program, calling on all employees to use their professional knowledge and wisdom to “water and fertilize” the digital development of their hometown. Dianjiang County, the first batch of national digital rural pilot areas, has launched the “Digital Gardener” project, providing solutions and paths that meet Dianjiang’s industrial characteristics and industrial goals, boosting the digital transformation of small, medium and micro enterprises, and promoting universal global data convergence to achieve full coverage of the digital economy. In addition, the Group donated RMB three million to the China Youth Development Foundation to participate in the future seed public welfare program to help campus education.

Dear investors, 2021 is a tough year for the us to tackle difficult problems. In order to ensure the Group’s business are healthy, sustained and have effective growth, the Group will focus on being a super integrators to deploy key markets, fight the battle of digital transformation, comprehensively improve basic management, and continue to consolidate our leading software service market share.

Through our five-year plan of continuous tackling difficult problems, we plan to grow bigger and stronger, continuously optimize our business structure, build a new brand infrastructure, and work with industry ecosystem partners to develop capabilities in digital transformation, next-generation software engineering, and other key technologies to become “China’s No. 1 IT Service Brand”. We will achieve higher quality, more valuable and meaningful development.

“The strong pass of the enemy is like a wall of iron, yet with firm strides, we are conquering its summit.” Adhering to our company-level strategy, SP301, Chinasoft International will build a higher quality, more valuable and meaningful business portfolio development formation: consolidate the positioning of the cornerstone business as the first growth curve, devoting to the cloud intelligence business as the second growth curve, and develop the Harmony Ecosystem and Jointforce as the third growth curve. All the employees will work hard to practice their internal strengths and we will achieve the goal of “achieve one tenth revenue of the world” technology-based software and service company!

Chen Yuhong

2021 Summer

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Cloud Intelligence

The Group's cloud intelligence upholds the strategic positioning of “cloudization, cloud management, and cloud native; understand the cloud, understand the industry, understand joint ecosystems”, and continues to provide leading cloud solutions and cloud services for government and enterprises, assisting in digital transformation for customers. The Group's cloud intelligence adheres to the ecological strategy of “openness, cooperation and win-win”, build partnership around the cloud and forms an ecosystem covering “consulting + technology + channel” featured consulting, APP development, integration and delivery, Huawei Cloud elite service providers, cloud market partners and channel partners.

During the reporting period, the Group continued to deepen its strategic cooperation with Huawei Cloud based on the idea of “Sailing in the same boat” and received numerous awards at the China ECO 2021. In addition to heavyweight cloud service providers such as Huawei Cloud, Microsoft Cloud, AWS, Tencent Cloud, and Tianyi Cloud, the Group's partners also cover government, finance, healthcare, education, transportation, real estate, logistics, manufacturing, retail, and other industries. The Group has established partner capability centers in many cities across China. Together with ecological partners, it provides cloud intelligence services for government and enterprise customers and empowers digital transformation.

1. Cloud Services

During the reporting period, the Group has built a full lifecycle cloud management service capability by launching CloudEasy cloud management platform, providing customers with cloud consulting, cloud brokerage, cloud migration, cloud management, cloud native and cloud operation services and helping enterprises access, use and manage cloud well. During the reporting period, IDC, a leading global information industry researcher, released “China Cloud Professional Services Market Insights, 2020H2”, in which the Group ranked No. 4 among other competitors. Moreover, the Group ranked No. 1 in both “Cloud Migration Services” and “Cloud Development Services” segments of the cloud professional services market.

- **Cloud Brokerage:** The Group's cloud brokerage is growing rapidly and with great success. During the reporting period, the Group's own one-stop cloud brokerage platform “Huaxia Cloud” continued to iterate and upgrade. Docking with Huawei Cloud, it's carrying out cooperation plans with other public clouds. The number of channel partners and customers of “Huaxia Cloud” is steadily growing, and the online rate of standard transactions is climbing, with customer base covering many high-value industries such as biomedicine, manufacturing, education, and pan-Internet. In terms of platform commercialization, the Group has built an integrated cloud operation platform “Business Eco-system Cloud Platform (BECP)” for government and enterprise customers, and the platform has been launched in market. For global market, the Group continued to advance its first overseas operator project. It has completed Phase I project delivery with high quality. Now it is implementing Phase II. At the same time, it further expands cooperation to provide software development and operation consulting services to customers. During the reporting period, the Group reached strategic cooperation with

Tiany Cloud. It has cooperated with 8 provincial branches of China Telecom to jointly incubate solutions. Now the Group has initially laid out Beijing and Shanghai, and set up a telemarketing team in Langfang. The Group's self-developed cloud brokerage platform "Huaxia Cloud" and cloud management platform "CloudEasy" have started the process for entering "Tiany Cloud Selection Mall". During the reporting period, the Group, as an officially designated regional authorized service center of Tencent Cloud, experienced steady growth in Tencent Cloud agency business. In terms of Tencent Cloud's capability certification, the Group's technical team has obtained qualification certification of Tencent Cloud TCP Architect, TCA Operations and Maintenance Engineer, Cloud Practitioner and Tencent Cloud TDSQL; in terms of qualification certification, the Group has become a "Tencent Cloud Live Audio and Video VOD Service Partner", "Tencent Cloud Platinum Agent Partner" and "Tencent Cloud Regional Authorized Service Center". It has also obtained certification for e-commerce platform solutions, Tencent Cloud database TDSQL MySQL, TDSQL ISV solution partner, and passed the defense of CSP database.

- **Cloud Migration:** The "China Cloud Professional Services Market Insights, 2020H2", released by research firm IDC, the Group ranks No. 1 in the "cloud migration services" segment. The Group, based on three major public cloud vendors, Huawei Cloud, Azure and AWS, provides comprehensive cloud services from the underlying infrastructure to the upper layer applications. During the reporting period, in terms of Huawei cloud migration, the Group has migrated more than 3,000 servers, 400 databases and middleware, 200 containers and microservices to the cloud for government and enterprise customers, laying the foundation of effective digital transformation for customers. In terms of Azure cloud migration, the Group has helped AIA achieve 6 large application migrations and more than 20,000 storage process migrations, and most of the processes have been automated, and will further assist AIA to achieve the Azure migration of more than 200 systems. In terms of AWS Infra cloud migration, the Group has signed a IP product R&D project cloud migration for a large consulting Group in Japan, and has worked with the customer to establish an IP product development process. Based on this process, the Group has promoted the construction of cloud migration automation infrastructure and CICD rapid deployment platform. Through IaC (Infrastructure as Code), the Group quickly realizes the build and configuration of multiple cloud environments based on AWS, greatly reducing the delivery time of cloud migration projects and cutting the cost of environment construction. The Group also helped Standard Chartered Bank to complete the construction of the CIBITO-CH-Channels Tech-GBA project, building API and migrating the current single application to AWS (Kubernetes). Moreover, the Group also set up AWS Infra cloud delivery team in Japan to efficiently cooperate with Offshore team and accelerate digital transformation, helping customer's business expansion.

- **Cloud management:** The Group's "CloudEasy" cloud management platform has docked Huawei Cloud, Ali Cloud, Tencent Cloud, Huawei OpenStack and VMware and other multiple clouds. Its built-in 2000+ ready-to-use performance indicators, convenient for customers to monitor resources and analyze costs from a variety of perspectives, have significantly improved customers' efficiency in cloud uploading and management. During the reporting period, the hybrid version of CloudEasy cloud management platform achieved breakthroughs in serving Guangzhou Toyota and Zhongye Baosteel, both major customers in the automotive and the manufacturing industries respectively. CloudEasy cloud management service also released a new version of Service Catalog 2.0, which builds full-stack services from four aspects: migration, disaster tolerance, management operations maintenance, and integration delivery. CloudEasy cloud management platform won the Top Cloud Connect Awards-Outstanding Solution of the Year of the 9th International Conference on Cloud Computing. The China Academy of Information and Communications Technology (CAICT) has strictly evaluated the CloudEasy cloud management platform and rated it as Excellence Level, the highest level as stipulated in Trusted Cloud-Multi-Cloud Management Solution Evaluation Methodology. The Group's cloud management platform and service capabilities are highly recognized by the industry.
- **Cloud Native:** During the reporting period, the Group invested in the construction of Cloud Native self-research tool chain, and completed the MVP version (MVP, Minimum Viable Product), which internally empowers the DevOps transformation of the Group's internal R&D department and externally promotes the trial to the energy, finance, and manufacturing sectors. The Group's DevOps expert team has empowered local government service data management bureaus to implement cloud-native application management and DevOps projects. In the meantime, the DevOps R&D team has started the evaluation of DevOps Level 3 certification of CAICT. The Group held a digital government construction forum "Leading Future with Digital Governance Upgrade" driven by cloud-native technology in Longgang District, Shenzhen, inviting experts in the field of digital government from CAICT and other industry leader. They jointly discussed the new infrastructure of digital government, integrated operation, application innovation and upgrade with Smart Longgang as a model. The Group is dedicated to further promote the digital transformation of government affairs and digital government reform, which has attracted significant attention in the industry. Besides, based on the built Microsoft Power Platform capabilities, the Group has successfully signed Microsoft China CPOR (Claiming Partner of Record) and ELCHK (Evangelical Lutheran Church of Hong Kong Lutheran) after the Group successfully signed the Budweiser China Power Platform project and helped Budweiser complete its supply chain manufacturing management solution.

- **Industrial cloud operation:** During the reporting period, the Group successfully signed the operation project of Nantong Industrial Internet Base and continued to operate industrial cloud bases in Nanjing, Xiamen, Yangzhou, Longyan, and Nantong. At the 6th national SaaS application conference in 2021, the Group's industrial cloud operation won the "Cloud Leader Award" and the "Most Innovative SaaS Service Provider 2020-2021". Fujian Kunpeng Eco-Innovation Center operated by the Group won the "2020 Benchmark Kunpeng Ecological Innovation Center" and "Best Ecological Construction" awards.

2. Cloud Solutions

During the reporting period, the baseline version of the Group's smart park added 2 functions of information release and smart metrics on top of 6+1. Focusing on creating comprehensive solutions for smart parks oriented in hospital parks, technology industrial parks, colleges and universities, commercial & residential properties, exhibition venues, manufacturing parks, etc, the Group has developed more than eco-partners of 270 smart parks and 128 hospitals. The Group built a smart area for Guangdong Second People's Hospital, which is the first full-scene smart hospital in China. The project's full-scene smart hospital construction plan and the preliminary results paper were published online in Nature Medicine (CAS journal, Latest Impact Factor 36.13), a sub-journal of Nature, the world's top medical journal. The Group delivered the Poly South China Smart Community, which was awarded as one of the only three "Smart Property Community Pilot" projects by the Guangdong Provincial Property Association. Besides, the Group also created a number of benchmark cases such as Chengdu Wenjiang Smart Industrial Park, Xi'an Olympic Stadium Smart Venue, TCL Huizhou Smart Manufacturing Park, Fujian Party School Smart Campus, etc. In the meantime, more than 20 smart park projects are being delivered. The Group has joined hands with our top customer to create smart park and lightweight campus solutions, of which the smart park baseline application has passed the integration certification of customer's park cube. The Group also participated in the 2021 Smart Park Integration Solution Partners Evaluation. It was selected as a top customer's Certified Level Integration Service Partner, and was awarded the General Integration Project Practitioner, Outstanding Smart Park Partner, Healthcare Industry Outstanding Contributor, and Major Project Contributor (Healthcare sector) at the 2021 Eco Conference. In terms of solution capability improvement, the Group's self-developed smart park platform has obtained 18 software copyrights, and 46 people have been certified as smart park development engineers and 6 people have been certified as delivery engineers. In addition, the Group was awarded the 2020 China Software Industry Outstanding Solution-Smart City Digital Platform and City Brain issued by China Software Industry Association (CSIA).

During the reporting period, the Group increased the expansion of benchmark customers in the area of digital office and won benchmark projects such as GAC Group Passenger Vehicle, Yunnan Pu'er City Brain, China Earthquake Bureau, Zhuzhou Public Security Bureau and China Merchants Bank Phase VI. The Group continued to advance its business in the field of data storage and machine vision, joins hands with customers to build a data asset management system, and collaborates on the integration and validation functions of centralized storage OfficeNas. The Group is also working with customers at the project level

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on products such as FusionAccess Desktop Cloud and IdeaHub Smart Screen. Moreover, the Group established a closer ecological partnership with Huawei Cloud, cooperating around WeLink products through digital office light application development and third-party software integration. It has reached strategic cooperation with Huawei Cloud in areas such as cloud desktop and cloud disk, becoming the first SaaS business partner of Huawei Cloud in the Middle East.

During the reporting period, Catapult, the Group's U.S. subsidiary, continued to provide services and solutions for customers along with Microsoft's new technology capabilities, including Azure machine learning, Power Platform low-code applications, and M365 digital office solutions. Catapult also offered subscription-based services for Microsoft Dynamics environments tailored for government and operations management. Catapult received 15 Gold and 2 Silver competency certifications from Microsoft, as well as three special awards of Adoption & Change Management, Calling for Microsoft Teams, and Meetings and Meeting Rooms for Microsoft Teams. Catapult also became one of the top partners for Azure Data Avengers and Guardians of Productivity.

IoT – Harmony

The intelligent Internet of Things business provides pan smart terminal operating system technologies and products for the consumer and industry markets, promotes the development of intelligent hardware technology, creates new intelligent IoT scenarios, and achieve independent control of industry equipment, with the goal of becoming the main force and the most trusted ecosystem of the Harmony Ecosystem Partners .

During the reporting period, the Group provides full-stack solutions from the underlying chip, operating system, solution board to the upper layer applications, and is committed to become the HarmonyOS ecological full-stack solution leader. In the consumer market, the Group, as the earliest enabling service provider of HUAWEI HiLink ecology, continued to build the capability of software and hardware solutions, and gets ready to provide HarmonyOS Connect enabling service capability for southbound ecological device manufacturers. 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 photosynthesis sleep-aid purifier, a joined creation of the Group and the top intelligent furniture maker SINOMAX was officially launched in “Shenzhen International Furniture Fair”. The Group's self-developed module and development board products are on the market.

During the reporting period, the Group has become one of the co-organizers of Open Harmony and a platinum director of the Openatom Foundation Fund and the first members the Harmony Ecological Co-construction and the Harmony Working Committee. In the future, it will continue to contribute source code to OpenHarmony and expand the influence of Harmony.

Industrial Internet Platform - Jointforce

2021 is a key year for Jointforce to consolidate the digital intelligence operation capability of the software industry Internet platform, improve the product matrix and service catalog, deepen the model formation and closed-loop service in key cities, and co-build an integrated software innovation supply-demand ecology. During the reporting period, Jointforce acquired 100% stock equity of Beijing Zhongbiao Intelligent Technology Co., Ltd. and fully integrated its advantageous capabilities in industrial knowledge graph and AI applications, accelerating the upgrade of the platform to digitalization and intelligentization and building a complete product matrix and service catalog of “Digital Intelligence Code Gathering”.

During the reporting period, the GTV (Gross Transaction Value) of Jointforce platform has reached RMB1.95 billion, corresponding to 1,441 projects providing digital companion services for government and enterprises, and the cumulative number of projects served by the platform has reached 16,899. On the demand side, the number of registered government users is 2,956 and the number of active government users is 318, up 52.2% year-on-year; on the supply side, 65,000 registered suppliers and 3,251 active suppliers have been gathered; in terms of data assets, a total of 37,894 cases and solutions have been accumulated.

During the reporting period, Jointforce has built software industry knowledge graph capability and industry digital dictionary through the acquisition of Zhongbiao, and has formed the largest scale of domestic knowledge graph in the software sector. On the basis of its own industrial accumulation, the main platform of Jointforce has been upgraded to a digital transformation platform, Jointforce (Digital Intelligence Edition). It also establishes a platform business operation system around the operation system of city stations and a data operation system on the platform’s digital intelligence capability. Jointforce software whole-process consulting services have completed pilot validation of several projects in Nanjing and achieved unanimous praise from customers. Based on data intelligence and soft engineering capabilities, Jointforce is jointly innovating with government and enterprise customers and ecological partners in the field of software customization and development, creating industry standards and service specifications in all links of the software supply chain, and providing customers with standardized, platform-based and intelligent delivery management capabilities.

During the reporting period, Jointforce polished and landed products for government digital transformation scenarios. Jointforce Smart Management is being upgraded to version 2.0, with four new modules planned on the basis of 1.0: basic framework, pre-implementation, implementation, and post-implementation. It can escort the construction of smart cities completely and deeply from three dimensions: management of projects, assets, and services. It has now completed delivery and verification in three important provincial capitals and municipalities. Jointforce has launched the Digital Dictionary and Knowledge Products and applied it in Suzhou and Shenzhen government service data management bureaus. Its digital products have been promoted and applied in Shanghai and Ningbo. The Intelligent Gathering and Intelligent Monitor have been upgraded and landed in Nanjing and Guizhou respectively for verification. Jointforce also formally released the Intelligent Gathering 2.0 “Government Digital Transformation Top Museum”, integrating the standard product system of Joint Source, Intelligent

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Gathering, Intelligent Monitor, and Intelligent Management. For the demand survey service of Joint Source, the service scenario validation has been completed in Suzhou.

During the reporting period, for big data bureaus, Jointforce provides scenarios for managing projects and data, and has fully covered big data bureaus in 53 cities across 19 provinces. The “Intelligent Management” has won the bids of Suzhou Big Data Bureau, Wuhan Municipal Government Services and Big Data Administration Bureau, Guizhou-Cloud Big Data, and Yixing Bureau of Industry and Information Technology, etc. During the reporting period, Jointforce was oriented toward government procurement and newly developed customers such as Hengyang Municipal People’s Government, Suzhou High-speed Railway New City Management Committee, and Suzhou High-tech Zone Management Committee. In the pre-gathering, Jointforce provided Joint Source services for 19 projects of various commissions and bureaus in Suzhou and Nanjing; in the mid-gathering, Jointforce provided Intelligent Gathering platform services for 203 budgetary institutions in Nanjing, Jinan, Xi’an, Liuzhou, and Guilin; in the post-gathering, Jointforce provided Intelligent Monitor and Management services for Nanjing Jiangbei New Area, Changsha, Yixing, Zhengzhou, Wuhan, and other commissions and bureaus.

During the reporting period, Jointforce has actively expanded its strategic partner ecology to improve partner rights and interests through Huawei Cloud Market, Jointforce Preference, circle marketing, project information matching, promoting the development of Kunpeng industry while helping Jointforce’s main business. Jointforce delved into industry application scenarios and actively promoted the application of Kunpeng computing in key industry sectors such as finance, transportation, healthcare, and intelligent manufacturing, providing one-stop services for enterprises with the help of Jointforce city stations. During the reporting period, Jointforce Honglian Joint Innovative Business advanced at a high speed. It built the Wuzhen Global Exhibition Center, Suzhou Telematics Center, Zhengzhou Harmony Innovation Center, promoted projects in Zhuhai, Zhongshan, and Chengdu-Chongqing region, and implemented regional IoT market operation projects in Jiaxing (Wuzhen), Zhengzhou, Suzhou, Hangzhou, and Ningbo. Jointforce also continued to polish ISV ecological products, converged software industry data resources through the Intelligent Data Cloud 2.0 platform, completed the planning and capacity building of Labeling System 1.0 and Intelligent Data Cloud 2.0, and conducted pilot runs in cities and key parks. In terms of external cooperation, Jointforce has joined hands with China Telecom Shandong Branch to hold a digital development cooperation conference for small and medium-sized enterprises in Shandong Province, empowering the digital transformation of Yixing cable industry, and assisting in Hubei Province’s ecological and environmental administrative penalties. Jointforce has also reached strategic cooperation with China Electronic Product Reliability and Environmental Testing Research Institute (CEPREI).

Pan Finance

1. Solutions

During the reporting period, the Group's finance and banking business steadily improved, adding more than 20 new customers, including domestic and foreign banks, private banks, non-bank financial institutions and overseas financial institutions, among which the market coverage for domestic foreign customers exceeded 90%. The Group continued to invest in R&D in cloud computing, big data, AI and other fields, innovated in business, realized application product upgrade and technology platform creation. It also cooperated with four major international consulting firms to provide customers with financial enterprise consulting and digital transformation implementation services.

The Group maintained a leading position in the field of integrated supply chain finance solutions and actively sought cross-industry applications in the supply chain in the financial sector. During the reporting period, the blockchain-based enterprise-level supply chain integrated service platform was successfully launched and operated in large state-owned enterprises. The solution for multi-level flow of electronic debt documents in the segment of enterprise-level supply chain was implemented in a number of commercial banks, helping commercial banks to provide better financial services around core companies and their upstream and downstream micro and small enterprises.

During the reporting period, the Shanghai Commercial Paper Exchange (SHCPE) launched system integration and market-wide promotion of fixed-rate notes. Based on more than ten years of experience in note products and service for hundreds of financial institution customers, the Group started R&D work and business innovation around SHCPE at the first time, seizing the first opportunity in the new round of note system upgrade and transformation and is expected to gain a larger market share. Moreover, the Group has participated in the digital currency construction of many large state-owned banks and city commercial banks by virtue of its product and capability advantages in financial card base. Solutions such as RMB cross-border payment settlement and e-commerce services have been successfully implemented in two large state-owned banks successively.

During the reporting period, the Group's insurance business grew steadily. It participated in the IT construction planning process of customers and deepened its technical capabilities in life insurance, property and casualty insurance, marketing channels, business intelligence, risk management, etc. While retaining the share of the industry's top customers, it newly expanded important customers such as China Insurance, Huatai Insurance, China Taiping, and NCI.

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During the reporting period, the Group added more than forty new projects, including winning the bids for CPIC insurance system, Internet platform, IFRS17 life insurance actuarial DCS model consulting, and data center manager (DCM). It also won the bids for NCI's DCM and Taiping's new generation data warehouse together with Ali.

During the reporting period, the Group continued to invest in R&D in the insurance intelligence+, solution optimization and upgrading, while continuously enriching its product tools. The Group implements the transformation of the tag-imaging system based on the customer tagging system solution, extending its application areas by adding agents, subjects (auto insurance), products and other objects, and reconstructing the application side, service side, and model side of the original solution to create a universal tag-imaging platform, which is now officially put into commercial use. The Group researched its own data validation system and intelligent extraction system of insurance clause information. The former provides data validation for system automation testing, supports data error log management capability of distributed system, and adopts AI architecture technology to realize the improvement of multi-data sources and multi-dimensional data verification capability. The latter is based on natural language processing technology to automatically extract key information of insurance terms and conditions for application in insurance competition analysis system.

During the reporting period, the Group's securities business continued to maintain a leading position in the direction of data, monitoring, and other related systems. In terms of financial infrastructure customer business, the Shanghai Securities Exchange system acceptance test project, system integration test project (regulatory data), big data platform maintenance, and securities and futures trading monitoring system maintenance, and other projects under construction are progressing successfully. Besides, the Group won the bid for the 2.0 platform project of the Dalian Commodity Exchange, assisting the customer to migrate the data warehouse from IBM Netezza to Transwarp Big Data platform and setting a benchmark case of localized migration on the key path of digital transformation for the customer.

2. Software and Technology Services

Against the backdrop of the COVID-19 and the downward global economy, the Group's HSBC business as a whole maintained a steady and positive trend with effective business growth. During the reporting period, for HSBC Global, the Group has helped and supported the innovative upgrade of HSBCnet's corporate digital banking. Through online banking, mobile APP and WeChat, the Group helped to realize mobile treasury management across all platforms, allowing users to access and manage their assets more conveniently and efficiently. Solutions include building a corporate WeChat service number for HSBC and setting up an exclusive team in the Greater Bay Area to build HSBC's WeChat payment functions. For HSBC China, the Group has launched account services for customers who can reserve domestically and open account overseas, which can better serve individual customers while helping international students to enjoy HSBC service during the peak school year. For HSBC Asia Pacific, the Group helped HSBC to launch the Malaysia Personal Banking Payment Installment function, which for the first time integrated the installment of various bill types and simplified the installment application operation for HSBC customers. It also improved the efficiency of the installment business through component-based technology, which is already operational in Malaysia, India, Singapore, UAE, UK and Hong Kong. In terms of HSBC HK, UK, and Hang Seng customer base, the Group assisted HSBC in promoting the construction of TT Customer Channel international trade digital transformation system solution and platform, and achieved breakthroughs in various aspects such as the number of enterprise-level customers, go-live geographies and deliverables. In addition, the Group also assisted HSBC in implementing the new version of HSBC Trade Software, which has enhanced product capabilities in trade loans, guarantee and document tracking (import and export collections with financing capability), supply chain, and asset allocation, significantly improving the efficiency and accuracy of document processing for international trade.

For implementation of the Group's FFW (For, From, With) global management strategy for large customers, the Group's Ping An business grew rapidly. It continued to expand its market share, maintained its competitive advantage, and made comprehensive efforts in the pan-finance and technology ecology. During the reporting period, in terms of banking, the Group helped Ping An Bank advance to the Open Bank 2.0 era, with product capabilities covering accounts, wealth management, payments, margin, membership, loans and other business areas, enhancing customer digital service capabilities and helping Ping An Bank's digital transformation. In terms of the insurance, the Group won several project bids, such as the online customer center/online channel platform team service operation group project, Ping An General Insurance joint operation command platform (Phase II), government insurance information management platform and financial migration. It built new business capabilities and precipitate solutions, laying a good foundation for deep cooperation with the customers' business. In terms of financial technology, the Group won the bid of "Accounting Engine of Management Mechanism Optimization", "Research and Development Fee-Enterprise API Interface Optimization" and build a financial ecosystem with customers and jointly develop Ping An's internal and external financial technology markets.

During the reporting period, the Group made great efforts to expand the insurance industry and third-party institutional customers to improve the business layout of the financial segment. The Group's business with AIA continued to grow in double digits. It has helped AIA to launch the Halley project, which plans to replace the original IFRS9 with IFRS17 standard, fundamentally changing the accounting treatment and reflecting the insurance Group's policy value more truly. The Group also successfully assisted AIA to launch the e-benefit mobile project, expanding the channel of insurance information from the website to the cell phone, taking advantage of the mobile Internet to significantly improve the convenience of insurance information for users. During the reporting period, the Group expanded its market share in Taikang Insurance Group and continued to maintain a leading position in Taikang's traditional businesses such as Taikang Group, Taikang Pension and Taikang Life, while continuing to deepen cooperation in Taikang's emerging business areas such as Taikang Wuhan Future, Taikang Online, Taikang Construction and Investment, and Taikang Assets. In addition, the Group continued to deepen its business in Dajia Insurance and Sunshine Insurance, and has started cooperation with China International Capital. The Group has also entered into a strategic cooperation with Datang Wealth, a third-party financial institution specializing data warehousing and automated testing, and helped customers build big data platforms.

Pan - Government and Enterprise

1. Big Data Business

Big data business is an important grip to drive the Group's digital transformation. The Group has been committed to building tool products, process, and knowledge systems for data development, data analysis, and data governance, following important industries and customers to create integrated data solutions, and continuously improving the overall solution capability for key industries.

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, establish government data schedule management mechanism and government data management maturity evaluation system, guarantee the continuous and long-term improvement of government data quality, and help the government improve its governance ability, improve industrial development, and benefit people's livelihood with data. In addition, the Group's data census, data governance, and big data platform projects under construction are being successfully implemented. For public security, the Group has been steadily promoting the police brain and data resource capability sharing platform project for a city public security bureau in East China. On the basis of this benchmark project, the Group has precipitated the platform building ability and understanding of the police data industry, and actively promoted the realization of police big data projects in other cities.

During the reporting period, the Group's big data business expanded deeply in the field of transportation. In the airport sector, the Group continued to enhance its leadership position in the construction of intelligent data centers at airports, and explores project potential and opportunities for new customer expansion in depth from benchmark airports and airport group customers. The Group continued to deliver the data center, data sharing service platform, and passenger service platform projects for the China Western Airport Group. Through the platform, it opened up data blockage, reduced data usage costs, and actively improved the customer's capabilities in production operation, safety management, passenger service, and operation analysis. The aviation revenue settlement system built by the Group has been put into use and promoted in airports nationwide, in which active interaction within the industry were organized. In addition, the Group continued to provide data operation services for projects such as the intelligent data center of Beijing Daxing International Airport. In the railroad sector, the Group continued to carry out the construction work of a railroad bureau's data center, big data analysis of electric supply, and big data-aided decision analysis project for passenger transportation, empowering all departments of railroad operation with data for efficiency, cost reduction, and revenue increase, and optimizing passenger transportation product design and post-evaluation by establishing data models to provide a strong data basis for scientific planning of products, ticketing strategies, and other businesses. In the bus and rail transit sector, the Group cooperated with the bus and rail transit group of an important city in western China to carry out the construction of the group's safety control big data platform, taking safety control as the grip to drive the business improvement of the group's safe production and operation, equipment maintenance, and safety learning. This project has completed the demand planning and design and entered the system development stage.

2. Solutions

During the reporting period, the Group's new retail business has executed a product-oriented strategy, developing software products and solutions for digital marketing, smart cloud stores, and smart physical stores. Among which the "Smart Cloud Store" SaaS platform of the Group joined Huawei Cloud's "SaaS Starlight Program" and went online, promoting the SaaS model to the majority of brands owners and retailers. The Group's new retail business continued to focus on the liquor and food industries to create industry benchmarks. The Group has been building a smart cloud store for Wuliangye for one year, serving 1,600 stores. The Group is also involved in building the Wuliangye smart store system. The Group built an integrated digital marketing system for Jinhui Wine, digitalizing four aspects: products, channels, marketing, and sales, and helping customers to become the first-tier wine companies. The Group introduced wine experts and is committed to increasing its penetration in the digital solution market of the liquor industry, while capturing business opportunities in the industry and the medium-and-long-tailed markets through the SaaS model to accelerate market expansion.

During the reporting period, the Group made a breakthrough in the field of smart city by undertaking the “Huitian Brain” project in Changping District, Beijing. Through a set of infrastructure, a data base, and the linkage of three screens, the Group builds nine applications in three major areas, namely, grassroots governance, community management, traffic and transportation, to achieve clear territory, population, organization, industry and affairs. This project takes street and community grassroots government agencies as service targets, and serves as a prototype of the Group’s solution for building smart towns and streets, which can be marketed and provided to other potential customers in the future.

During the reporting period, the Group maintained its industry-leading position in the auditing industry, and as the only Group with all-field auditing capabilities, it expanded vertically into pan-regulatory business at the district and county levels while expanding horizontally into cross-industry and cross-field client groups such as banks, enterprises, hospitals, colleges and universities, state-owned assets supervisors, social security fund supervisors, and health insurance to combat insurance fraud. For national audit, the Change Intelligent Audit project implemented by the Group was completed with acceptance and the online enterprise supervision project in Yancheng SASAC was expanded and launched. At the same time, the Group expanded more than 10 districts and counties to carry out district data analysis and platform audit services and combated fraud in health insurance funds through multi-dimensional cooperation. For financial auditing, the Group cooperated with long-term strategic partners, such as Postal Savings Bank of China and Huaxia Bank, in the field of audit and audit-derived technology and business in depth. In order to rapidly expand its horizontal client base and strengthen its sales capacity in the financial audit and corporate audit, the Group expanded a number of new audit projects for urban commercial banks during the reporting period.

During the reporting period, the social security fund supervision of Ministry of Human Resources and Social Security undertaken by the Group is in the process of preliminary acceptance and national promotion, and provincial pilot promotions are also in preparation. The Group planned to localize the fund supervision system to further solve the problem of usability and practicality of the multi-level refinement needs of fund supervision business in provinces/cities/counties, so as to lay a solid foundation for national promotion. Currently the localization adaptations have started to communicate with Henan Province and Zhejiang Province to form construction ideas and construction plans.

During the reporting period, the Group, as the general integrator and core application developer of the national comprehensive information platform for animal husbandry of the Ministry of Agriculture and Rural Affairs, designed and developed the “Three Agriculture” data collection platform, which provides wizard-like and self-service services, to facilitate the management of grassroots information collectors and realize the information collectors’ self-registration and data collection, providing multiple control on timeliness and quality. At the same time, in the protection and genetic improvement of livestock and poultry resources, the Group promoted the genetic improvement and scientific innovation for local breeds of pigs, cattle and sheep in Gansu, and achieved the digitalization of livestock and poultry resources gene pool, as well as the electronization of breeds specimens.

During the reporting period, the Group laid out the ecological and environmental supervision market, and successively undertook the service and construction of the supervision system for the ecological and environmental departments of Fujian and Hubei provinces, gradually promoting the application of new technologies and equipment such as AI and big data in ecological and environmental law enforcement, and forming various types of complete solutions for users, such as environmental law enforcement bureaus at ministerial, provincial, municipal, district, and county levels. The Group has conducted in-depth research in environmental intelligent supervision system and has independently developed two primary supervision products applied to administrative punishment cases, law enforcement training, and other scenarios. It has obtained copyrights of “intelligent ecological park safety and environmental protection integration platform, enterprise environmental credit evaluation system, ecological environment big data business center system, pollution source discharge permit ‘one certificate’ management system, pollution source online monitoring system, hazardous solid waste management system, pollution source one-enterprise-one-file management system, water environment integrated management decision system, soil environment integrated management decision system, emergency command system for sudden environmental events”, and etc.

During the reporting period, the Group’s transportation business progressed steadily. In rail transit, the Group has established a national laboratory for rail transit with Changsha Metro, CRRC, and one of the Group’s top customers to jointly study the business form of rail transit, demonstrate the core technology, and explore the business model. The research results will be promoted to the national rail transit market. In addition, the Luoyang Metro rail transit ticket sorting system built and implemented by the Group has been successfully launched with an average daily passenger flow of 150,000. The counterpart system for Jinhua-Yiwu-Dongyang undertaken by the Group is also progressing smoothly and will be delivered in the second half of the year. The Group continued to cultivate the civil aviation big data, winning the Ezhou Airport Intelligent Data Center and the Civil Aviation Macroeconomic Big Data of CAST (China Academy of Civil Aviation Science and Technology), further consolidating its advantages in the field of civil aviation big data, while further exploring customer needs in existing clients such as Western Airport Group and Beijing Daxing International Airport, and expanded the phase II and phase III projects. Besides, the Group’s cooperation with the Northwest Regional Administration, the phase I of Smart Tower, has been recognized by the leadership of the CAAC (Civil Aviation Administration of China). The Group planned to carry out the phase II construction of the Smart Tower. In ports area, the Group has launched the Shandong Port Group Cloud Architecture Design Project to form a multi-port, multi-cloud, multi-application pilot scenario based on the characteristics of Shandong Port Group.

Software Factory

During the reporting period, the Group promoted the standardized construction of “software factory” from the software and technical service capabilities precipitated from large customers. It accumulated large-scale, high-quality, high-efficiency, end-to-end IT service engineering delivery capabilities, and streamlined, systemized and instrumentalized talent management and project management experience, aiming to build a lean and smart software factory for customers in the process of digital transformation. The Group provided customers with product development and related integrated IT service solutions, and developed a more qualitative and large-scale market space through the realization of super integrators.

During the reporting period, the “software factory” successfully implemented a number of model projects in the financial, Internet and telecommunications industries, helping customers improve the level of refined management in the sub-outsourcing field, and realizing the maximum value of outsourcing investment. In the financial sector, the Group provided lean outsourcing management consulting and implementation services for a number of state-owned banks. Supported by outsourcing management strategy, outsourcing metrics system, and outsourcing management platform, the Group optimized the operational efficiency and refine management level of outsourcing management, and helped clients realize the demand for autonomous and controllable outsourcing management. Meanwhile, the Group has provided system clouded, database migration, application system localization, and security management services for many large state-owned banks and joint-stock banks in localized information technology application innovation. For Ping An business, the Group continued to consolidate its resource supply base business, increased investment in R&D, promoted software factory solutions, strengthened cooperation with Ping An unicorn companies, revitalized the technology ecology, and gradually transformed to high value-added business while maintaining stable growth. In Ping An Smart City, the Group promoted the construction of Xi’an ODC (Offshore Delivery Center) and the implementation of Ping An HRX outsourcing project, deployed software factory integrated outsourcing service solutions, and built a lean outsourcing management demonstration area. In Ping An Smart Enterprise and Health Insurance Technology, the Group carried out quality capability consulting projects and national delivery center construction, relying on its advantages in software engineering capabilities and resources of the Jointforce ecological platform to help customers sort out project management quality systems, reduce costs, increase efficiency, and project outsourcing transformation.

Communications

During the reporting period, the company continued to maintain an industry-leading position in communications, covering upstream communications equipment vendors and downstream telecom operators, and working with industry leaders to achieve technological innovation and digital transformation.

Based on years of cooperation experience with a top ICT (information and communication technology) infrastructure and smart terminal provider, the Group continues to strengthen its cooperation in software and technical services, and also actively participates in customer's database, AI/RPA, system, cloud and other new technology ecological partnership construction. During the reporting period, the Group signed the CLA (Contributor License Agreement) about GaussDB, top customer's Gauss database, and officially joined the OpenGauss open source community. The Group empowered the community building and prospered Gauss ecology with its self-developed cluster management tool, OpenGauss Housekeeper. The Group has also joined AI+RPA eco-partners and will work to expand the industry applications of RPA in the future. During the reporting period, the Group created great value for the customer and achieved highly recognised. The Group actively participation in HarmonyOS Connect, Huawei Cloud and other ecologies, making continuous contributions to prosperous ecology. During the reporting period, the Group won 18 awards in Huawei Cloud Ecological Conference 2021, and exclusively won the "Huawei Cloud 'Skyrocketing' Award". Furthermore, as one of the first companies to join the customer's Developer alliance eco-market, the Group was honored as a premium partner in the customer's terminal eco-market.

During the reporting period, the Group continued to develop business with two major customers, China Telecom and China Mobile, and made great efforts to increase its market share in communications devices providers such as Fiberhome Telecom and TD Tech. The Group's business with China Mobile has been steadily advancing. With continuous expansion in its market share in China Mobile's government and enterprise business, it has successfully delivered the MSP operation of CMCC's Cloud Capability Center, as well as penetrated into MIGU, adding a custom development software project for MIGU mutual entertainment cloud game service platform engineering in addition to MIGU Run and MIGU Mutual Entertainment. The Group's business with China Telecom business has been growing steadily. On the basis of the continuous expansion of the business shares of Telecom Hongxin, Smart Home, Tianyi IoT, Tianyi E-commerce (Orange Finance), China Telecom Cloud Computing Group, China Telecom Electronic Channel Center, China Telecom Integration Group and Gansu Wanwei, the Group has further opened up the market of China Telecom's tertiary-industry system and realized cooperation with Shanghai Ideal. In addition, the Group achieved rapid growth in Fiberhome business and signed the first contract for Fiberhome's home gateway project with FP (Fixed-Price) delivery model. The Group is also deeply involved in TD Tech's 5G+AIoT business, including 5G intelligent AI gateway, 5G edge computing gateway, 5G recorder and other projects, and helped TD Tech's business layout in 5G industry innovation.

Internet and High Technology

1. Digital Operations

During the reporting period, driven by technological innovation, the Group developed digital operation including AI basic data service, digital content standardization audit, security audit, customer service, business process outsourcing (BPO) for digital transformation of enterprises. Relying on the BPO “digital factory” in Dalian and Ma'anshan, the digitalized operation business has doubled in size, along with the further cultivation of overseas markets.

During the reporting period, the Group's AI basic data services continued to improve quality and efficiency, with further growth in business scale. The Group provides full guarantee for data services in major categories such as computer vision, intelligent speech, and natural language processing through its professional digital factory. At the same time, the Group has been deeply engaged in segmented business such as autonomous driving and industry knowledge graph. The Group has signed a new round of cooperation agreements with major customers such as Ping An, and its autonomous driving data service business has grown 400%. The Group built an intelligent BPO data service platform and put online intelligent qualification audit operation system and voice data picking system. The platform system applies advanced technologies such as text recognition, voice detection and segmentation, RPA to significantly improve operation efficiency. The Group further expanded business with partners and realized cooperation with new customers such as ByteDance, Meituan, Kuaisou, and Xiaohongshu.

During the reporting period, the Group independently developed qualification auditing systems for the content auditing, so that the SLA (Service Level Agreement) of each business maintained good performance. For which, it has been regularly ranked as No.1 supplier for the Tencent video auditing and Tencent video standardized auditing SLA. The Group has signed contracts with many new customers such as Meituan, CCTV, Jingdong, Kugou, and Xiaohongshu, realizing full coverage of auditing service types. Moreover, the Group's customer service business expanded its cooperation with Jingdong customer service.

During the reporting period, the Group's intelligent business process outsourcing (BPO) in Japan continued to grow with new models incorporating ICR/RPA digital technologies to fundamentally transform BPO with the goal of simplification, miniaturization, and automation. The Group's ICR application method and recognition technology continued to innovate. The current underlying construction and recognition algorithm of ICR have improved efficiency by 55% after upgrade and transformation. ICR coverage continued to expand, realizing the recognition function of Japanese handwriting on residence address, with recognition accuracy increased from 33% to more than 47%. The Group has also achieved a breakthrough in non-template recognition applied in the printing font and proposed an innovative application method of overall recognition. By using multiple versions of ICR in combination, the introduced ICR project has achieved an overall 30% cost reduction for the year. Meanwhile, the Group signed cooperation with NEO audit and supervision, as well as with Hitachi for final accounting business.

2. Software and Technology Services

During the reporting period, the Group continued to cultivate the Internet industry, accelerating the penetration of large customers such as Tencent, Ali, Baidu, etc. While maintaining its leading position, the Group continued to develop its customers such as ByteDance, Meituan, Jingdong and other well-known Internet enterprises, deeply exploring the business scenarios of customers, accumulating excellent practices such as digital operation services, and committing to long-term ecological cooperation with customers to promote business upgrading and operational model changes of Internet enterprises.

During the reporting period, the Group's business with Ali and Baidu grew at a high rate. The Group's business delivery with Ali has increased to more than 50 cities, covering major regions across the country, and was successfully shortlisted as a framework provider for Ant Financial Cloud. It's business with Baidu Cloud ACG (Intelligent Cloud Business Group) continued to be ranked No.1 and it has continued to deepen cooperation with Baidu Maps and Baidu Crowd Task. The Group is included in the Baidu BPO cooperation framework. The Group's business with Tencent continued to grow steadily and expanded its leading position constantly. The Group added cooperation with WeChat such as WeChat Pay, Enterprise WeChat and WeChat Live, as well as Tencent Medical and Tencent Finance. It has achieved full coverage of Tencent's nearshore services.

During the reporting period, the Group continued to make breakthroughs in its cooperation with ByteDance, Jingdong, and Meituan. The Group signed a framework cooperation agreement with ByteDance in 2021, adding the cooperation of school business-operation and data advertising test, covering all the needs of the established business segments in Greater China as a core supplier, laying a solid foundation for the rapid growth of business scale in 2021. The Group also signed a framework cooperation agreement with Jingdong in 2021, opening up deep cooperation of 7 business departments including Jingdong Retail, Jingdong Logistics, CHO system, Jingdong Intelligent Industry Development Division. It has successively reached cooperation with Jingdong Shopify project, established customer ODC customer service center, and achieved exclusive cooperation with Jingdong Technology Digital Technology Group. The Group continued its top-3 position in the business with Meituan and expanded financial services platform.

During the reporting period, the Group made further breakthroughs in intelligent terminals, achieving in-depth cooperation with Wingtech and successfully signed contracts with Xiaomi, Transsion, and Lenovo Group. The Group signed a strategic cooperation agreement with Wingtech, a top ODM vendor, and built an exclusive ODC site to achieve the replication of the whole machine development experience in the same field. The Group's Realme smart business has successfully entered the business transformation period, and achieved a breakthrough in product delivery capability. The Group has effectively contributed to Realme's dual-driven development strategy of "cell phone + AIoT". The Group signed a contract with Xiaomi and started cooperation with Xiaomi's cell phone division, its largest business unit, the information technology division, and Xiaomi's overseas business.

During the reporting period, the Group continued to expand its business layout in the home appliance industry and continued to improve its industry solution capabilities. The Group signed a contract with Gree, a leading home appliance Group, and was successfully selected as one of the top 10 preferred suppliers of Haier Group. The Group's business with TCL business also achieved a 4-fold growth in core business personnel. The Group has accumulated experience in Haier business such as warehousing, overseas trade, and other solutions in the manufacturing industry. It has successfully opened up the offshore delivery model for the home appliance industry, and established an agile delivery model to provide implementation cases for other projects.

During the reporting period, the Group continued to make breakthroughs in its business in the real estate industry. The Group had steady growth in Mingyuan R&D ODC business and newly expanded business in Wuhan area; in intelligent real estate, the sunshine health project was delivered with high quality and the Mingcheng-Lv Gu Intelligent Park was also launched successfully; in architectural design, it continued to deepen cooperation with ECADI (East China Architectural Design & Research Institute) and successfully renewed projects, such as Xiong'an power grid operation and maintenance, test platform, intelligent mine project phase II, and etc; it has newly landed rail transportation and highway engineering management platform; cooperation with AISA (Arcplus Institute of Shanghai Architectural Design & Research) has landed a project in Xiong'an - technical consulting services for the measurement and evaluation of the EPRI (Electric Power Research Institute). In addition, the Group successfully expanded its cooperation with Country Garden and won the bid for renovation database heterogeneous migration of the property management system.

During the reporting period, the Group escalated its cooperation with other companies in logistics. The Group's business with SF Express has expanded to a number of its subsidiaries, including Yijiayi Technology, Shanghai Shunru Fenglai Technology, SKunkWorks, and GOODEAR Development Limited. The Group has become the exclusive supplier of Yijiayi and Fengyi Technology. In the meantime, the Group continued to expand cooperation types, such as cooperating with SFMap Technology to expand new business such as data collection, pre-sales and after-sales integrated services. The Group won the bid of project framework cooperation, upgraded the ODC cooperation model, and achieved the cooperation in the form of project turnkey. It also won the bid for the mini-program live e-commerce of Shanghai Shunru Fenglai Technology, and the turnkey project Phase 1 and Phase 2 of the official website of HK GOODEAR Development Limited.

During the reporting period, the Group's business with large central enterprise technology Group steadily progressed. It was ranked the No.2 supplier of PetroChina, expanding cooperation region from Beijing to Chengdu and overseas. The Group won the bid of Chengdu Regional Oil Financial Sharing Big Data Analysis Application and achieved high efficiency delivery. It also won the bid of KunLunShuZhi Overseas Manpower Dispatching.

During the reporting period, the Group continued to make progress in its auto business. The Group joined Geely Group as a cooperative supplier for the first time. It will continue to make efforts in building a digital marketing platform for automobiles and selling cars online.

During the reporting period, the Group continued to make breakthroughs in the education sector. The Group helped Hunan and Guangxi provinces to create recruitment platforms and received online registration, written tests, interviews, and admissions from more than 100,000 teachers. The Group realized the online selection of outstanding teachers, educators, and principals for Hangzhou Municipal Education Bureau, and expanded business with education authorities in Chongqing, Fujian, Yunnan, and other provinces and municipalities.

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 RMB'000	2020 RMB'000	
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 RMB'000	2020 RMB'000	
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.

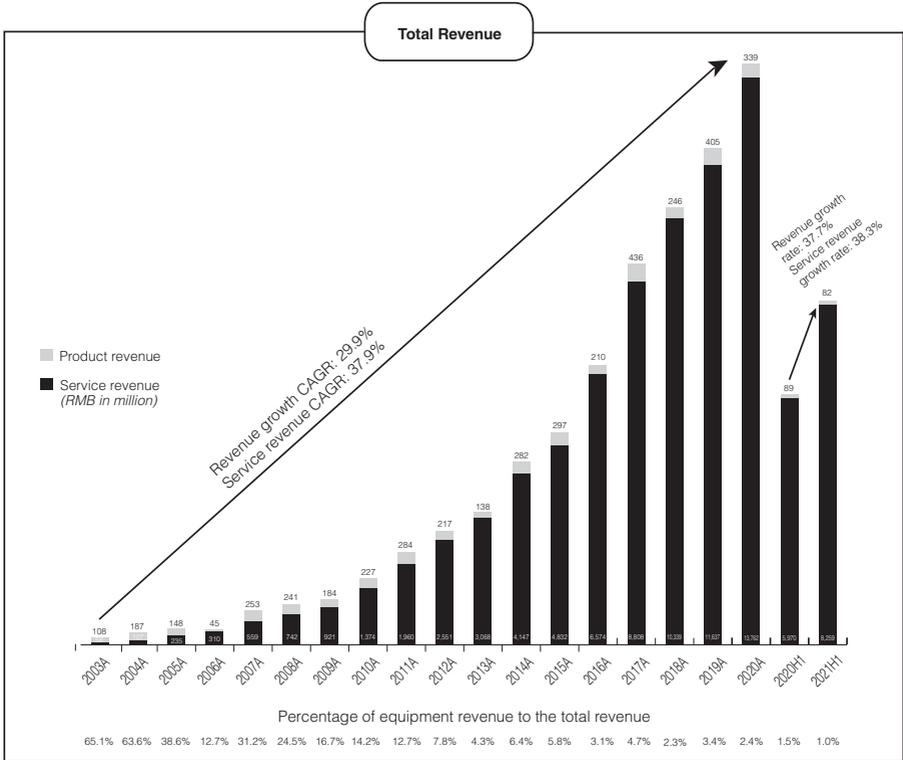
During the reporting period, the Group's Intelligent IoT business grew rapidly. During the reporting period, the Group provided full-stack solutions from bottom-level chips, operating systems, solution boards to upper-level applications, and was committed to becoming a leading Harmony ecological full-stack 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

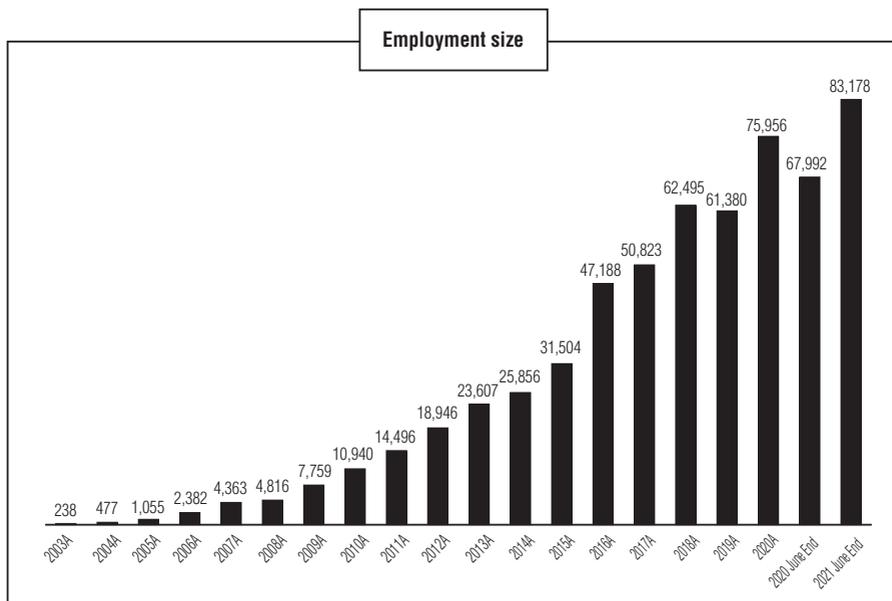
During the reporting period, the Group's core businesses were concentrated in Greater China. The huge market potential in the Greater China continues to bring growth opportunities for the Group. The Group provides ITS to customers from 32 countries and a number of Top 500 companies in the world, including 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).

34 MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	Six Months Ended 30 June 2020 RMB'000	Growth Rate	Six Months Ended 30 June 2021 RMB'000	Six Months Ended 30 June 2020 RMB'000	Growth Rate	Six Months Ended 30 June 2021 RMB'000	Six Months Ended 30 June 2020 RMB'000	Growth Rate
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").

40 MANAGEMENT DISCUSSION AND ANALYSIS

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)

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

42 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
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 RMB'000	(Audited) 31 December 2020 RMB'000
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>	<u>8,753,088</u>
Non-controlling interests		<u>22,091</u>	<u>23,323</u>
Total equity		<u>9,355,999</u>	<u>8,776,411</u>

44 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the owners of the Company											Total RMB'000			
	State capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Fair value through other comprehensive income RMB'000	Transition reserve RMB'000	Equity- settled share-based payment reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000	Statutory enterprise expansion fund RMB'000	Statutory surplus reserve fund RMB'000		Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000
At 1 January 2020	116,325	3,145,241	(470,752)	(122,769)	(13,634)	(17,996)	19,687	10,063	15,793	26,749	231,456	3,259,650	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	3,362	333,451	-	-	-	-	(76,897)	-	-	-	-	-	261,116	-	261,116
Recognition of share-based payments expenses	-	-	-	-	-	-	141,185	-	-	-	-	-	141,185	-	141,185
Expiry of share-based payments	-	-	-	-	-	-	(9,942)	-	-	-	3,942	-	(22,237)	-	(22,237)
Purchase of shares under share award scheme	-	-	(22,237)	-	-	-	-	-	-	-	-	-	-	-	(22,237)
At 30 June 2020	119,687	3,478,692	(492,989)	(122,769)	(13,634)	2,001	131,233	10,063	15,793	26,749	231,456	3,665,172	7,142,021	62,057	7,204,078
At 1 January 2021	131,966	4,734,754	(665,387)	(122,769)	(13,634)	(13,045)	148,473	-	15,793	26,749	257,519	4,192,679	8,753,088	28,323	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	5,321	-	-	-	-	(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)	-	-	-	588	(938)	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	(70,117)	-	-	-	-	-	-	-	-	-	-	(70,117)	-	(70,117)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(506)	(506)
At 30 June 2021	131,969	4,674,415	(530,427)	(122,769)	(13,634)	(9,679)	193,479	-	15,793	26,749	238,027	4,710,965	9,333,908	22,091	9,355,999

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
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

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.

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 RMB'000	2020 RMB'000	2021 RMB'000	2020 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 RMB'000	2020 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 RMB'000	2020 RMB'000
Sales of software and hardware products	82,339	89,174
Technical Professional Services Group (TPG)	7,308,234	5,129,694
Internet IT Services Group (IIG)	950,365	840,523
	8,258,599	5,970,217
	8,340,938	6,059,391

4. FINANCE COSTS

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

5. TAXATION

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	55,793	44,017
Others	3,352	1,089
	<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	2020
	RMB'000	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	517,724	423,933
	Number of shares	
	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,736,299,877	2,474,543,644
Effect of dilutive potential ordinary shares:		
Share options	30,881,229	14,932,687
Convertible loan notes	–	180,000,000
Share award scheme	146,065,293	25,054,945
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,913,246,399	2,694,531,276

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 years but not more than five years	–	1,051,580
	<u>2,531,044</u>	<u>1,789,515</u>
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	80,400,000	4,020,000	3,562
At 30 June 2020	2,624,707,358	131,235,369	119,887
At 31 December 2020 and 1 January 2021	2,904,707,358	145,235,369	131,956
Exercise of share-based payments	1,000,000	50,000	43
At 30 June 2021	2,905,707,358	145,285,369	131,999

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	4,342	16,583
	4,342	16,583

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 RMB'000	2020 RMB'000
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	282,792,861 (Note 1)	-	377,492,861	12.99%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	94,700,000 (Note 2)			
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 Guangrong	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	No of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at	Note
					30 June 2021		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 Guangrong	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 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 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 Commencing	Exercise Period Ending	Number of share options exercisable
27/08/2021	26/08/2024	40% of the total number of share options granted
27/08/2022	26/08/2024	30% of the total number of share options granted
27/08/2023	26/08/2024	30% of the total number of share options granted

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

	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
Selected Employee				
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