

INTERIM REPORT

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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

	PAGE
Highlights	2
Chairman's Report	3
Recent Business Development	9
Management Discussion and Analysis	27
Interim Results	
– Consolidated Statement of Comprehensive Income (Unaudited)	39
– Consolidated Statement of Financial Position (Unaudited)	40
– Consolidated Statement of Changes in Equity (Unaudited)	42
– Consolidated Statement of Cash Flows (Unaudited)	43
– Notes to the Unaudited Consolidated Financial Statements	44
Other Information	55

2 HIGHLIGHTS

Results for the first half of 2020	For the six months ended 30 June		% Change
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	
Income statement highlights			
Revenue	6,059,391	5,538,248	9.4%
Service revenue	5,970,217	5,493,458	8.7%
Profit for the period	397,107	358,967	10.6%
Profit attributable to Owners of the Company	401,380	362,695	10.7%
Basic EPS (RMB cents)	16.22	14.64	10.8%
<ul style="list-style-type: none">• The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.• No closure for the Register of Members of the Company.			

Dear Investors:

We are halfway through the extraordinary year of Gengzi (every 60 years). Adhering to the theme of "Fighting 2020", the Group actively responded as if we had one heart and one mind to the impact of coronavirus. In early April this year, we have already fully resumed work and production, and have taken various measures to remedy the delay of revenue caused by the impact of the coronavirus. Through our relentless efforts, the Group achieved business revenue of more than RMB6 billion in the first half of the year, a year-on-year increase of 9.4%, of which the cloud intelligence business achieved revenue of more than RMB1.2 billion, a year-on-year increase of over 34%. While we continue to innovate, optimize the business structure, and consolidate our core business, we are confident that we will absorb the adverse effects of the coronavirus throughout the year and ensure the orderly development of our business in our strategically established direction.

Due to the epidemic, the Group delayed its annual executive meeting and kick off conference in Xiangshan until May. Right before the conference, Gartner, the world's authoritative research and consulting agency, released its global IT services market share data in 2019. The Group was ranked in the global IT services TOP 100 for the second consecutive year, further improving its ranking from that of last year. We are fortunate to join China Telecom, Alibaba, Huawei and China Mobile on that shortlist. This is a confirmation of the Group's history of struggle over the past two decades and encouragement to the Group's future development. Different from previous years, at this Xiangshan meeting, the Group also kicked off the company-level strategic planning and development strategy to execution (DSTE) from 2021 to 2025. We set a long term goal for the Group to become "one of the top ten" global ITS provider and asked our executives and core talents to develop a deep insight into the market, identify innovation opportunities, carefully design business around it, seize the development opportunities, set clear goals for the next three to five years, invest sufficiently, maintain firm stride towards the goal, and form our long-term rapid development cycle. At the conference, we once again emphasized the need to uphold the work spirit of "concentration and integrity", adhered to the development business of "conscientious work and long-term success", and continued to advocate our "one blueprint to the end" philosophy.

4 CHAIRMAN'S REPORT

During the reporting period, the Group's business followed through with its established strategic direction. The main progress is as follows:

1. CONTINUE TO DEVELOP CLOUD INTELLIGENCE, INCREASE DIGITAL TRANSFORMATION SERVICES, AND FORM CONSULTING LED, IP AND PLATFORM ENABLED, AND ECOLOGICAL SUPPORTED NON-LINEAR GROWTH

During the reporting period, the coronavirus became a “test ground” for the application of ICT technology. The application of cloud and intelligence, big data, IoT, 5G and other technologies in epidemic prevention and control has been widely recognized by the whole society, especially in China. The Group's cloud intelligence business also demonstrated its skills in the fight against the epidemic. It has successively supported the free upgrade of epidemic prevention software packages, cloud management services and WeLink applications, a working remote software, for software parks. Furthermore, it launched the epidemic information collection application on the Jointforce platform and launched multiple features including “Epidemic Optimization During War”, “God's fire”, and “God's thunder.” ICT's explosive growth in applications due to the coronavirus and the implementation of the “new infrastructure” national strategy has promoted the acceleration of the quality of digital transformation from all walks of life in China, and has brought new opportunities for leap-forward development of cloud intelligent services. The Group is seizing this opportunity to continue to accelerate the construction of its full-stack service capabilities and strive to achieve the revenue target announced at the annual general meeting last year.

We have truly felt the digital transformation opportunities brought about by the epidemic. From the past discussions on whether or not to adopt cloud, to today's discussion on how to adopt cloud, there has been a new wave of digital transformation in China. Because of this, the Group has strengthened its “Digital-First” digital transformation consulting service capabilities to enhance the Group's overall cloud intelligence and solution value and provide customers with personal digital transformation services. Currently, the Group's consulting services focused on corporate digital transformation consulting, data consulting and innovation consulting, and have achieved breakthroughs with model clients including Zhengzhou and Guangxi Airport Group, Beijing North Water Supply Co. LTD, and Shenzhen Stock Exchange. The strong driving force for the cloud intelligent business is becoming apparent.

In the fast lane of cloud management and professional services, the Group's positioning on “cloudization, cloud management, and cloud native” has become clearer. “CloudEasy” is Chinasoft's own brand, its service capabilities have covered public cloud, private cloud, multi-cloud, and hybrid cloud scenarios, providing cloud resources and cloud service aggregation, distribution, planning consulting, migration, implementation, operation and maintenance, value-added development, industrial cloud operation and other services. The Group has been ranked TOP 3 in IDC China's cloud management service market for two consecutive years, and its market share has continued to grow, which has been recognized

by customers and the market. “CloudEasy”'s one-stop cloud brokerage platform, Cloud Broker, upgraded from a single cloud resource to integrate with self-developed products, services, and ecological SaaS partners to truly realize sales for the long-tail customers and streamline for online services and management, forming a unique platform and ecological advantages. The Group helped government, transportation, energy and other government and enterprise customers to build cloud-native capabilities. Through DevOps expert consulting services, the Group has achieved a leap from “cloudization” to “on the cloud” and has entered a sound development track.

In the field of cloud-based industry solutions, the Group continued to leverage its experience and advantages in existing industries, using “Digital-First” consulting as lead to unite ecological partners. Furthermore, the Group provided customers with digital transformation services as ISV and SI, and has implemented AI application scenarios in multiple solutions, especially in advantageous industries such as finance, government, new retail, and transportation. Self-owned solutions continued to accumulate and become cloud-based, standardization and replication capabilities continued to improve, and services have moved from a single model to multiple service combinations such as product sales, usage authorization, annual service fees, and value-added customized services. In the overseas market, the Group's enterprise cloud disk has completed the deployment of overseas public cloud environments and successfully expanded into projects worth tens of millions. The Group is working hard to achieve overseas export of premium solutions, forming a dual cycle of focusing on the domestic market and promoting overseas markets.

As a partner (“sailing on the same boat”) of Huawei Cloud, the Group continued to deepen cooperation with Huawei in various areas and regions including Huawei Cloud, Kunpeng, Industrial Cloud, and Hongmeng. As the first-tier distributor of Huawei Cloud in 14 provinces and cities, the Group has always ranked first in cloud sales, far ahead of other ecological sales partners. At the same time, the Group's self-developed products and solutions continued to enter “Huawei Cloud Marketplace”, and it has also successfully obtained Huawei's GP (Global Partner) status to continue to build the Group's future growth momentum and long-term profitability. As the first group of Huawei Kunpeng Cloud's strategic-level partners, in addition to continuing the in-depth cooperation of Kunpeng migration expert services, Kunpeng joint laboratory, and Kunpeng talent training, the Group actively invests in cooperation with Huawei in the field of industrial cloud. The two parties jointly explored the advanced business models of software development cloud operations in Nanjing and Xiamen, and assisted Kunpeng Industrial Cloud's implementation, operation and model innovation in Chongqing, Fujian and other regions. In addition, the Group further expanded its cooperation with Huawei and actively participated in the ecological construction of Huawei Hongmeng. During the reporting period, the Group became a partner of Huawei's HiLink ecosystem and will help the prosperity of the HiLink ecosystem by providing leading solutions to develop and serve Huawei's HiLink ecosystem partners.

6 CHAIRMAN'S REPORT

During the reporting period, the Group further strengthened its strategic position in the big data business. From data governance to data center, it continued to increase investment in its own product research and development and service capabilities, helping government affairs, smart cities, police, big transportation, manufacturing, Financial and other industries to build a comprehensive digital and intelligent support and operation system, capturing the dividends of the digital economy.

2. STRENGTHEN MANAGEMENT, IMPROVE EFFICIENCY, INCREASE VALUE, AND CONTINUE TO INNOVATE AND OPTIMIZE THE CORNERSTONE BUSINESS

Scale, quality, and value are the development direction of the Group's cornerstone business. The Group's business revenue has exceeded RMB10 billion for two consecutive years, and the number of employees has exceeded 60,000. Note to mention, in 2020 we are looking at a good growth as well. As the scale of our enterprise grows, the risks are accumulating at the same time. Thanks to Huawei's Supplier Development (SD) plan, we have learned about business continuity management (BCM). Reality tells us that this is a magical weapon for us to manage risks and manage a large-scale business. Through the SD plan, our management efficiency has improved, risk control awareness enhanced, and business continuity assurance capabilities improved as well, allowing us to calmly respond to the epidemic. In the post-epidemic era, we will adhere to the concept of "only when you are strong, you can be immune to poisons", and continue to promote SD ideas and methods to other core large customers. Lastly, we will continue to invest in strengthening management and build a process organization.

During the reporting period, the Group continued to invest in various innovations, optimize the business structure, and drove the cornerstone business from general outsourcing, to capacity outsourcing and efficiency outsourcing, providing customers with more value. We are currently increasing investment in software engineering methods, project management, and many professional technical service capabilities (large share represented by testing). Through accumulating know-hows and tools to form a professional service system, the Group has transformed from a "People+Project" model to a "Practice" model, which improves business quality, efficiency and profit internally, and enhances professionalism and reputation externally. This is the basis for ensuring reasonable growth in scale, highlighting our quality and value.

3. JOINTFORCE BECOMES THE INDUSTRIAL INTERNET IN THE FIELD OF SOFTWARE CUSTOMIZATION, ACHIEVING SERVICE UPGRADE AND REGIONAL REPLICATION

2020 is year zero for Jointforce as an industrial Internet platform in the field of customized software services. During the reporting period, Jointforce's "Yunji (Cloud Integrative Market)" has covered 14 cities, reaching government budget units in Nanjing, Xi'an, Wuhan, Chengdu, and Jinan. The Group leveraged the management needs of local government big data bureaus as an entry point, seized the opportunity of effective government governance in the post-epidemic era, integrated superior solutions and service capabilities such as government big data, united more than 50 "platform capacity co-building strategic partners" and more than 2,000 ISV partners to provide services to local governments. Among them, Nanjing's Yunji has covered more than 70% of the city's IT projects and more than 90% of the procurement of service informatization projects, serving 600 government customers. Currently, "Yunji" is undergoing a comprehensive upgrade of its "Smart Code Escort" services. Through practical tests to drive the improvement, optimization, and replication of products, Jointforce will accelerate its development to realize intelligent online services.

Dear investors, under the current international relations, we, as a leader in the domestic IT services industry, have clearly realized the significance of Xinchuang's (independent and controllable software and hardware) technological breakthroughs and the cultivation of Xinchuang's talents. For this, we focused on investing resources to find ways to complement "hardware and software" and have reached a 10-year strategic cooperation with Beijing Institute of Technology. The two parties are jointly building a "specialized national exemplary software academy", cultivating Xinchuang open source software talents, promoting regional cooperation in the "politics, industry, learning, and research" model, and cultivating high-end Xinchuang talents. We developed in-depth cooperation and interest in the form of "Xinchuang CIO Seminar" to build the industry "Xinchuang Whampoa Military Academy" and conducted in-depth cooperation in the field of intelligent simulation technology. It not only solves the problems of core staff of the enterprise wanting to further their studies and R&D, but also cooperates with universities to realize the technology of Xinchuang. Talent breakthroughs will contribute to the strengthening of China's technological strength in key areas.

Dear investors, the global situation in the year of Gengzi is one filled with turbulence and crises; however, it also shows opportunities. ChinaSoft International, a teenager recently turned adolescent, is also facing a turning point in its development. Our management is faced with various challenges of managing risks, optimizing management, adjusting structure, and accelerating transformation. To address this, we held an enlarged Executive Committee meeting in Nanhu, Jiaxing, the birthplace of the Communist Party of China, at the end of July, to make arrangements for the more intense battles in the second half of this year and in the future. At the meeting, our core employees discussed how to "put up a fierce battle, remain resolute to our original hopes and aspirations, and lead by example through our own-doing (which leads to greater good for the country) during the year of Gengzi." Everyone believed that the feelings and firm beliefs of "lead by example, from family to country" are the

8 CHAIRMAN'S REPORT

common genes flowing in the blood of all patriotic intellectuals and elites. It coincides with our involvement in the software and information technology service industry, we must do a good job in this industry, be thorough, and firmly believe that "if everyone does one thing well, together we will accomplish great things for the great motherland".

Dear investors, as of the printing of this report, there is news that Docker has been banned and that 38 Huawei branches have been added to the entity list. Today, as the Sino-US technological trade war intensifies, we have no choice but to prepare for the worst and hope for the best. We must devote ourselves firmly to the software and information technology service industry. We will march forward bravely and unswervingly and engage in this fight in the year of Gengzi!

Choose one thing that matters and follow through all the rest of your life. Home is where the heart belongs, and for us, home is the sound of victory belonging to China, belonging to Huawei, belong to Chinasoft! No retreat is the road to victory!

Chairman
Chen Yuhong

Autumn 2020

Cloud Intelligent Group

In the wave of global digital transformation, the Group has continued to deploy cloud, big data, mobile Internet, artificial intelligence, Internet of Things, 5G and other emerging technology applications and services with the help of technology accumulation, customer resource advantages and Jointforce. The Group focused on incubating and developing its cloud intelligent business, and is committed to becoming the first choice of customers' digital transformation and the most reliable co-creation partner.

During the reporting period, the Group continued to establish itself in China while exploring the overseas market. Driven by the “**Digital-First**” digital transformation consulting service and relying on the **Jointforce** ecosystem, the Group built its **cloud management and professional services, cloud industry solutions, big data management and application, intelligent business processes**, and other intelligent cloud service capabilities with cloud as its foundation, combining with AI and other intelligent technologies. The Group provided customers with end-to-end full-stack cloud intelligent services such as planning consultation, cloud migration, cloud implementation, cloud development, cloud monitoring, cloud operation and maintenance, cloud operation, etc., and achieved breakthroughs in finance, government, new retail, transportation, education and other fields. In 2020, the global epidemic, coronavirus (COVID-19), has become a “test ground” for the application of ICT technology, and China's ICT technology application has been widely recognized by the whole society. In addition, the implementation of “new infrastructure” and other national strategies shows that China's digital transformation is improving and accelerating, and the digital economy is full of energy, which brings new opportunities for accelerated development of the Group's cloud intelligence business.

• Digital Transformation Consulting Services

During the reporting period, the Group strengthened its Digital-First digital transformation consulting services, and focused on corporate digital transformation consulting, data consulting, and innovation consulting to enhance the Group's overall solution value. The “**Enterprise Digital Transformation Consulting**” adopts enterprise architecture methods to help enterprises build new business capability models through digital economy, guide system reconstruction and apply new technologies. Typical customers include airport groups such as Zhengzhou and Guangxi, large state-owned enterprises such as Beijing North Water Supply Co. LTD, and financial institutions such as the Shenzhen Stock Exchange. The “**Data Consulting**” uses the theory of data center and data asset management to help enterprises consolidate the data base for digital transformation, which has been promoted in many provincial and municipal government's big data bureaus. In addition, in the face of increasing uncertainties in the external environment, the original consulting theories can no longer solve corporate problems independently. The Group actively explored **innovative consulting** and built a mechanism for co-creating consulting with customers through the “Design Thinking” method. The application of this in the digital transformation process has won the Group its customers' approval and high recognition.

• **Cloud Management and Professional Services**

During the reporting period, based on the positioning of “Cloudization, cloud management, and cloud native”, the Group has achieved rapid growth in cloud management and professional services. The services covers public cloud, private cloud, and multi-cloud/hybrid cloud scenarios, integrating cloud resources and cloud service distribution, planning consulting, migration, implementation, operation and maintenance, value-added development, operation services and many other capabilities, providing customers with one-stop “cloudization” and “cloud” services. As a partner (“sailing on the same boat”) of Huawei Cloud, the Group successfully obtained the status of Huawei GP (Global Partner) and continued to establish deeper cooperation with Huawei. This will continue to attribute to the Group’s future growth momentum and long-term profitability.

- **Cloud Management:** The Group’s “CloudEasy” became the earliest digital transformation partner close to the customers. The Group has been ranked TOP 3 in IDC China’s “Cloud Management Service Market” for two consecutive years. Its market share has continued to grow, and its service competitiveness has become prominent. During the reporting period, the Group launched the SaaS version of the “CloudEasy” cloud management platform, which supports cloud management, cloud operation, cloud operation and maintenance, cloud monitoring, cloud security, enterprise management, user management and other functions, and one-click management of Huawei Cloud, Ali Cloud and other cloud environments. “CloudEasy” helps customers obtain maximum cloud service management capabilities at a minimum cost. In addition, the cloud management platform is upgraded with more than 20 service catalogs of cloud migration and cloud management, which were incorporated into the Huawei Cloud Marketplace. Thousands of cloud hosts and more than 300 sets of databases have been migrated, with a total amount of data exceeding 1PB. In the overseas market, the Group has successfully expanded its overseas businesses into Japan’s AWS, Azure, and Google Cloud (GCP), including HSBC’s third-party system upgrade and transformation AWS cloud migration project, AIA Hong Kong Azure cloud migration project, and built offshore delivery capabilities in India. In addition, the Group continues to expand Microsoft’s cloud intelligence business through its US subsidiary, Catapult. During the reporting period, Catapult’s revenue from Azure management services, data and AI services, and security implementation services grew rapidly, and was successfully selected as a 2020 “Microsoft Partner of the Year Finalist Data Analytics Award. Lastly, it was accredited and promoted to Advanced Specialization in the area of “Modernization of Web Application to Azure” and “Windows Server and SQL Server Migration to Azure”.

- **Cloud Distribution and Operation Services:** The Group's "one-stop" Internet cloud brokerage platform, "Cloud Broker", upgraded during the period to realize the integration and onlineization of sales, service and management for medium and long-tail customers, quickly responding to the market demand. In addition to cloud resources and SaaS, Cloud Broker also faces customer needs, overlaying the Group's own cloud management services and self-developed solutions, which significantly improves business development efficiency while improving customer satisfaction. As of the writing of this report, Cloud Broker supports the Group's distribution business as a first-tier Huawei Cloud distributor in 14 provinces and cities, and its performance ranks first in all Huawei Cloud's sales ecosystem. During the reporting period, Cloud Broker provided support for the Group's industrial cloud operation projects in Nanjing, Xiamen, etc., and truly realized the integration and onlineization of sales, service and management for mid- to long-tail customers, greatly improving service and management efficiency, forming a unique platform and ecological advantage.
- **Cloud Native Services:** During the reporting period, the Group actively promoted DevOps expert consulting services and invested in self-research tool chains to help government and enterprise customers build native capabilities for digital transformation. It continued to break through customers in the government, transportation, energy, and other industries, and has entered into a sound development track. At the same time, the Group also implemented containerization and micro-service transformation of application to the cloud, cloud architecture design and development, etc. for customers in industries where the Group has an advantageous positioning such as finance and government. In the overseas market, the Group provided AWS and Google Cloud Platform services to HSBC based on its accumulated container and microservice technical capabilities, and successfully delivered solutions through "microservices + cloud services". Lastly, the Group gradually built Microsoft Power Platform capabilities, completed the Power Apps Gold Partner certification, and became Microsoft's largest Power Platform partner in Malaysia. It has cooperated with many customers in the financial, energy, and public health industries.

• Cloud Solutions

During the reporting period, the Group's **cloud solutions** business achieved rapid growth in multiple areas. Its AI technology was implemented in related application scenarios of multiple solutions, providing customers with digital transformation services as their ISV and SI:

- **Financial:** During the reporting period, the Group provided applied industry cloud research and development, cloud reconstruction and other services for many large state-owned banks, national joint-stock banks, regional commercial banks, and many industry group companies. The Group realize the distributed and intelligent upgrade of solutions in the areas of credit financing, payment and clearing, credit card, risk management, etc., and completed the pilot project of supply chain finance + blockchain solutions in large state-owned enterprises. During the reporting period, the Group closely followed the structural optimization and intelligent core construction of the insurance industry, launched solutions in the areas of e-marketing brains, auto insurance pricing, and intelligent security, and successfully deployed in many large insurance institutions. Among them, the China United Property & Casualty Auto Insurance Project helped the Group further consolidated its solution capabilities in the field of smart auto insurance.
- **Government and Large Enterprises:** During the reporting period, the Group's **cloud-based smart park** solution business further expanded its market share. The Group used the "7+1" standard solution for smart parks as the standard, and aimed at the industry pain points of pan-government pavilions, large state-owned enterprises, higher education, manufacturing logistics, real estate and other enterprises, combining the Group's digital asset management, multi-cloud operation and maintenance service capabilities, microservices, architecture and software development capabilities to create a comprehensive solution for smart parks with industry attributes. Furthermore, the Group adhered to the concept of providing end-to-end services to customers and accelerated the upgrade from ISV (Independent Software Developer) to SI (System Integrator) model. The Group has collaborated with more than 80 eco-partners in robotics, parking management, catering, access control and etc. to jointly develop solutions, and is currently operating more than ten large-particle projects as SI. During the reporting period, the Group comprehensively upgraded its **digital office** cloud solutions based on data asset management needs, and formed multiple service portfolio models including product sales, use authorization, annual service fees, and value-added customized services. In the domestic market, the Group launched the "Cloud Speed Cloud Disk" product on the Huawei Cloud Select, achieving multiple performance breakthroughs. In overseas market, the Group launched public cloud enterprise cloud disks and completed the deployment of overseas public cloud environments. Furthermore, the Group successfully entered into Latin America, and successfully won bids for benchmarking projects worth tens of millions.

- **New Retail:** During the reporting period, the Group developed and launched digital solutions including smart stores, business middle stations, data middle stations and cloud shop O2O platform products based on Huawei AI ModelArts. The content involves smart shop patrol, cloud POS, customer flow analysis, product identification, virtual shelves, precision marketing, etc., helping brands and retail shops innovate business models and marketing methods, and strengthening the advantages of store positions. As the total integrator and carefully selected solution partner of the Huawei Cloud retail industry, the Group focused on industry customers such as brands and retailers and has achieved breakthroughs in many places. Among them, the Group created a unified business platform for the famous new retail enterprise “Three Squirrels”, supporting multi-scenario front-end applications, which can be replicated and promoted in many sub-sectors such as shopping malls (MALL), commercial real estate, smart parks, and tourist parks.
- **Transportation:** During the reporting period, the company made major breakthroughs in cloud-based and intelligent solutions in the fields of rail transit, airports, and ports. The Group focused on building a full-stack automatic ticket vending cloud and airport big data service solutions, and jointly released a rail transit cloud ticketing solution based on Kunpeng and an airport big data solution based on Huawei Fusion Insight with Huawei. The Group’s model customers in multiple cities have made breakthroughs and became benchmark cases in related subdivisions, and they are continuing to improve and accelerate replication. At the same time, the Group actively promoted smart port business by combining technologies such as cloud, blockchain, Internet of Things, and big data, and developed port multimodal transport solutions. While continuing to serve the Ningbo Port, the Group successfully broke through customers such as Qingdao Port and Fangcheng Port.
- **Education:** During the reporting period, the Group’s education technology business further underwent cloud intelligence transformation. Furthermore, the Group accelerated the creation of product solutions and services and formed a “smart teaching cloud platform” for school and enterprise customers based on SaaS cloud services and provided intelligent teaching SaaS services for many model customers.

- **Jointforce**

As an industrial Internet platform focusing on customized software services, Jointforce has accumulated 460,000 engineers, signed on 27,000 service providers and over 60,000 companies (32,000 companies have been accurately profiled) posting jobs. The cumulative amount of outsourced contracts was worth nearly RMB6.4 billion. In addition, Jointforce has connected more than 50 “strategic partners for platform capacity building” and have more than 2,000 ISV partners.

During the reporting period, Jointforce's "Cloud Integrative Market" business focused on the problems existing in the construction of government informatization projects, and upgraded the "Code Smart Acquisition" service, realizing full-line, intelligent Internet + government procurement services. In addition, the "Code Smart Supervision" service was launched to realize the whole process of online + offline project supervision. During the reporting period, the "Cloud Integrative Market" business has covered 14 cities and has fully reached government budget (purchasing) units in Nanjing, Xi'an, Wuhan, Chengdu, and Jinan. Among them, Nanjing's line of business has covered more than 70% of the city's IT projects, covering more than 90% of the procurement of service informatization projects, with a total of 2,675 service projects to serve 600 government customers. During the reporting period, Jointforce's "Cloud Integrative Market" service won the "National Government Procurement Innovation Service Cloud Platform" award jointly promulgated by the Government Procurement Information Report and the Government Procurement Information Network, and the "Excellent Solution for China's Software Industry in 2019" promulgated by the China Software Industry Association.

During the reporting period, Jointforce's "Plan Z" began to realize the Internet model for human outsourcing business. Registration, signing, recruitment, entry, attendance, settlement, and other functions were launched online. Through "resources + tools + empowerment", "Plan Z" provides enterprises with full-process services for talents. In order to do so, the Group built a talent tag database based on the IT talent knowledge map to provide customers with fast and accurate matching capabilities. As of the writing of this report, over 1000 suppliers have signed on to the "Plan Z", with a cumulative contract amount of RMB500 million. "Plan Z" has received more than 400,000 resumes on the platform, achieving 65% satisfaction rate.

During the reporting period, the Jointforce Cloud Software Park completed the construction of all the park's online platforms. With the completion of the "three databases and four platforms", it can stably and effectively support the park's public services.

During the reporting period, the Group relied on the national urban layout of Jointforce and its ecosystem, deeply tied to Huawei Kunpeng Industrial Cloud, to help Kunpeng Industrial Cloud's implementation, operation and model innovation. The Group successfully signed the Chongqing Kunpeng Industrial Cloud Project. As of the writing of this report, it has achieved 30 Kunpeng technology certifications, held the Kunpeng Developer Contest (35 participating teams), trained 362 Kunpeng talents, and established Kunpeng Computing Industry Alliance (41 members).

- **Big Data**

During the reporting period, the Group's big data business continued to deepen its industry advantages in the financial, government and public, and large transportation industries, while continuing to develop new customers and new businesses in the fields of manufacturing, real estate, and government and enterprises.

During the reporting period, while maintaining its existing advantages in the **financial** industry, the Group's big data business expanded into the high end of the digital technology and business value chain. In banking, the Group combined Internet financial cloud, real-time computing, data resource catalog and other technologies to design and build data center for customers, including building a data service center for a city commercial banks, to realize data collaboration, improve business applications and decision-making efficiency. The Group optimized the data processing model for a medium-sized city commercial bank, and gradually improved the bank's data application product mid-station through the construction of a unified data product catalog, index standard system and the inventory of data assets. In addition, the Group built a basic data platform project for a provincial rural credit cooperative based on Internet financial cloud products, creating a precedent for the implementation of financial cloud products in the financial industry. In insurance, based on the existing data platform, data governance and data application construction projects, continued to expand its advantages in the field of big data insurance engineering services. The big data smart auto insurance pricing product developed by the Group successfully won the bid for two large insurance company projects, and the Group took the lead in the industry to develop data reporting business. In securities, the Group maintained its leading position in data platform and system construction and completed a cloud-based data center planning project for a large securities institution. In addition, it has made efforts in the application of securities big data and has initially established its advantages in the field of securities and futures trading supervision system construction. Lastly, the Group focuses on research and development to build a cloud-deployable big data bond rating system for the asset management industry.

During the reporting period, the Group's big data business fully expanded in the **government and public industries**, while continuing to deepen in segmented fields, focusing on the layout of key regions and cities. In digital government affairs, the Group undertook the construction of a provincial capital city government data resource catalog project, completed the catalogue of government data resources, built a semantic-level data foundation for government digitization, and empowered the continuous digital control of government management. Through these, the Group significantly improved the efficiency of municipal data resource sharing, data application development and data value exploration capabilities. In public security, the public security big data resource service center project of a prefecture-level city has been successfully carried out and has entered the trial operation stage. During the coronavirus epidemic, with solid data base services and high-level technical response capabilities, the health code project was successfully launched, and digital methods were used to improve the prevention and inspection rules and precise measures to help the region's efficient epidemic prevention and resumption of work and production. In municipal environmental protection, the Group provided investment management, project management and other digital system construction services for Beijing North Water Supply Co. Ltd. to help customers achieve data connection throughout the project life cycle. In addition, relying on its strength in the field of corporate digital consulting, the Group won the bidding to manage digital transformation consulting projects. The plan is to focus on the light asset strategy of Beijing North Water Supply Co. Ltd., and plan the corresponding digital capabilities, architecture and implementation path for customers.

During the reporting period, the Group's big data business continued to expand in the **transportation** industry. In airport, the Group consolidated its leading position in the construction of airport intelligent data centers and used benchmark airports and airport group customers as the basis to deeply explore the potential of existing projects and opportunities to expand new customers. The Group successfully won the bid for the data service platform project of Western Airport Group, and expanded passenger services such as seamless airport pick-up and transfer free of board and lodging during the school season. In addition, the Group continued to provide operation, maintenance, and business application development services for the first phase of the Beijing Daxing International Airport Intelligent Data Center project, supporting the identification and tracking of epidemic prevention information during the coronavirus epidemic. Subsequently, the Group has been invited to participate in the second phase of the project. Lastly, the Group successfully passed the preliminary inspection of the Shanghai Airport Group Data Center Data Governance Project and Wuhan Tianhe Airport Smart Airport Project. In railway, the Group established cooperation with benchmark customers to build a passenger transport big data platform for a large railway company in the southwest region. The Group provided services such as passenger transportation data analysis, passenger flow forecasting, visualization, data intelligent algorithms, etc., to improve the business and management efficiency of the road bureau, and help customers achieve business goals. At the same time, the Group also designed and built enterprise data center, provided data center architecture design and data asset management services, helped the road bureau to accumulate cross-departmental global data assets and business knowledge, and achieved high-quality data availability and agile development.

During the reporting period, the Group's core **real estate** data solutions expanded to the real estate field of the industrial park, and successfully signed the Ziguang Haikuo master data project and the second phase of the Shougang Real Estate master data project. Through the establishment of core real estate data solutions platform delivery standards, the Group provided customers with high-quality data for strategic decision-making and operational statistical analysis and laid a solid data foundation for the digital transformation of enterprises. Furthermore, the Group successfully won the bid for the second phase of the data governance project of Foton Motor Group in the manufacturing industry. Through the construction of data quality management, the Group will continue to improve the quality of Foton Motor's products, materials and customer data, and lay a solid data foundation for Foton Motor's integrated operation of "Research, Production, Supply, Sales and Service". Lastly, the Group successfully expanded a number of large government and enterprise customers such as China National Nuclear Corporation, China Railway Construction, Wantou Group, Baofeng Group and other large-scale government and enterprise customers, and realized the order of China Railway Construction's business analysis big data platform project.

During the reporting period, the Group continued to participate in the preparation of white papers on data asset management and data standard management practices with the China Academy of Information and Communications Technology Cloud Computing and Big Data Research Institute. In addition, the Group conducted cooperative research in cutting-edge technology hotspots such as DataOps and data center.

- **Intelligent BPO**

During the reporting period, the Group successfully promoted the rapid growth of **smart BPO business** through the utilization of AI and other smart technologies and continued to expand domestic and overseas markets. During the reporting period, the Group established a “BPO delivery center” in China based on its intelligent technical service capabilities and used technological innovation as the driving force to enhance the comprehensive competitiveness of its BPO business. Among them, the basic artificial intelligence data service business covers computer vision, intelligent voice, natural language processing, automatic driving and other services in multiple directions and its sub-categories. The Group accumulated practical experience in basic data of artificial intelligence, and launched a professional intelligent labeling platform, which can not only support the efficient process management of various types of labeling tasks such as pictures, text, voice, and knowledge graphs, but also realize pre-labeling of part of text and pictures through AI model algorithms, effectively improving the efficiency of labeling operations. During the reporting period, the Group achieved cooperation with technology giants, traditional home appliances, smart homes, and smart terminals in multiple fields. Customers include Huawei, Ping An, Baidu, Ali, Tencent, Konka, TCL, Xiaomi, OPPO, etc.

In the overseas market, the Group’s Japanese BPO business closely followed the development trend of Japanese digital innovation, deepened ICR/RPA applications, and integrated IT technology to achieve BPO process changes. Among them, the coverage of ICR business continued to expand, and the average data import volume has increased from 78%, up to 96%, and the overall project has achieved a cost reduction of about 30%. During the reporting period, the Group successfully expanded its customers in the fields of energy, public utilities and circulation, while maintaining old customers in multiple industries such as finance and insurance, commodity manufacturing and sales, commerce and circulation, education and publishing, energy public utilities, construction, communications, and IT. Lastly, the Group has newly developed smart BPO business in Hokkaido, Okayama and other regions.

Technology Services and Solutions TPG

- **Huawei**

During the reporting period, Huawei’s business continued to grow. Among them, the smart car solution business has doubled its growth; and Cloud computing, enterprise business, consumer and other related businesses have achieved rapid growth.

During the reporting period, on the basis of successfully passing Huawei’s Supplier Development Program (SD) certification, the Group steadily promoted the development of SD 2.0, focusing on five aspects including automated testing, security testing, localization substitution, credibility, agility, and continuous integration. The Group optimized process system construction and adapted to the new demand of Huawei’s business development. In addition, the Group comprehensively promoted the Huawei SD certification standard to other major customer businesses to improve the quality of key customer services.

18 RECENT BUSINESS DEVELOPMENT

During the reporting period, the Group assisted Huawei in building the Kunpeng ecosystem and provided technical support and delivery support for the implementation, migration, and services of Huawei's Kunpeng ecosystem. In the HMS ecosystem construction, the Group was deeply involved in the development of HMS Core 4.0 service capabilities and will continue to support the global ecological development of HMS. The Group's strategic cooperation with Huawei's "Co-sell" model has developed steadily. It has joined forces with Malaysian channel providers and Huawei to jointly break through the entire end-to-end network transformation project of state-owned operators fixed-line billing, further establish the Group's brand in Malaysia. During the reporting period, the Group seized cooperation opportunities in online office and other businesses, established a variety of product cooperation models around Kunpeng, Goss, WeLink, smart screens, etc., and broke through multiple projects and successfully delivered them in key industries such as government, enterprise, finance, and manufacturing.

During the reporting period, the Group assisted Huawei and the National Information Security Center to jointly release the "Iso-guarantee 2.0 Compliance Implementation Guide", and adjusted the Group's organization and personnel credibility management based on Huawei's credibility standards, in order to foster a closer cooperation with Huawei.

- **HSBC**

During the reporting period, HSBC's business relied on the transformation of its global layout and developed steadily despite the global epidemic.

During the reporting period, HSBC's business grew steadily. The Group independently led and delivered the HSBCnet platform product upgrade of the HSBC Commercial Bank, and the overall system performance increased by over 30%. In addition, it successfully launched a handheld smart wealth management expert for HSBC China and launched the HSBC WeChat terminal's personal credit card automatic installment service. In Hong Kong, the HSBC **Hong Kong** "Cash Distribution Program" registration service was successfully launched, helping millions of HSBC mobile banking users in Hong Kong receive subsidies, enhancing HSBC's influence in Hong Kong. Furthermore, the HSBC Commercial Bank "Instant Payment" project was successfully launched, benefiting more than 200 large corporate customers in Hong Kong. The Group's HSBC business in **Malaysia** maintained steady growth and launched the Malaysian personal bank payment installment function, while completing the migration of the old system. At the same time, the Group entered cooperation with HSBC Malay Electronics to expand business channels.

During the reporting period, the **Hang Seng** Bank business further expanded, and breakthroughs were made in multiple departments. The Hang Seng Bank Hong Kong CMB project successfully launched. At the same time, based on the long-term successful experience of serving bank customers, the Group expanded its customer base into well-known enterprises in Hong Kong and further expanded its cooperation with a Chinese bank.

- **Finance and Banking**

During the reporting period, the finance and banking business steadily improved, signing on 12 new customers including domestic and foreign banks, private banks, non-bank financial institutions, and overseas financial institutions. At the same time, the Group continued to promote technological innovation and provided customers with technology empowerment, model innovation and business upgrade services.

During the reporting period, the Group provided digital transformation professional services for many large state-owned banks and national joint-stock banks, including localized replacement of operating systems, databases, middleware, self-developed technology platforms, automated R&D and operation and maintenance management platform construction, and systems upgrade verification service. Furthermore, the Group provided regional commercial banks with distributed system transformation, including the planning and implementation of technical and business middleware. The company carried out project cooperation with many industry companies such as financial real estate, biomedicine, home appliance manufacturing, infrastructure construction, and securities services. In addition, the Group has conducted in-depth cooperation with a number of banking technology companies, and realized the output of financial technology in business innovation and inter-industry promotion.

During the reporting period, the Group maintained long-term cooperation with dozens of foreign bank customers in Europe, America, Japan, South Korea, Southeast Asia, Australia, etc., covering more than 90% of the domestic foreign-funded customer market. The Group carried out new project cooperation in the fields of TIPS, electronic tickets and ticket exchange solutions, bank-enterprise direct connection, credit reporting, regulatory risk control, etc. In overseas customer expansion, the Group's leading solutions including precision marketing, intelligent risk control, and data platform replacement have been implemented in well-known banks in Malaysia, and the Group's smart marketing application products and the overall solution of Huawei's big data platform have been promoted to many customers in Southeast Asia.

During the reporting period, the Group continued to invest in research and development on market "hot topics and trends", and actively carried out business innovation and product upgrades. Based on the Huawei Kunpeng platform and the Gauss database platform, the Group completed the localized adaptation of products such as intelligent customer service, data asset management, real-time anti-fraud, intelligent real-time risk control, next-generation bill management, and direct-link transactions at the ticket exchange. These services have entered Huawei Solution's catalog.

During the reporting period, the Group maintained a leading position in the field of comprehensive supply chain finance solutions, and actively sought cross-industry applications.

• Insurance and Securities

During the reporting period, the Group's **insurance** business grew steadily, and continued to cultivate leading customers in the industry. The Group won the bid for more than 40 projects and successfully completed and delivered multiple projects for customers including PICC P&C Insurance, China Life Property Auto Insurance, and Dajia Insurance. Among them, China Re's insurance data management and control platform was successfully launched, providing basic platform support and data management tools to solve the problems of decentralized data, non-standard data models, and inconsistent data standards, setting a benchmark in the insurance industry. In addition, the Group established a financial actuarial team in the field of IFRS 17 and reached a strategic cooperation with a consulting company. In terms of new regulations for regulatory reporting, the Group took the lead in launching data reporting related businesses with the help of its successful experience in the banking field.

During the reporting period, the Group's **securities** business continued to maintain a leading edge in core systems, extending from traditional advantageous businesses to capital market monitoring, monitoring and service institutions. In regulatory agencies, the Group was responsible for the implementation of the middle-tier data integration and standard construction project of the OLAP sub-library of the China Securities Monitoring Central Database. It is the first delivered and implemented project based on the industry model and standards of the China Securities Regulatory Commission, which promotes cross-departmental information resource sharing and improves data usage effectiveness and efficiency. This provided a foundation for the whole-process supervision and cross-market supervision of the capital market. In financial infrastructure, the Group continued to maintain its leading position in the construction of data platforms and related systems and won the bid for the Shanghai Futures Exchange's futures big data regulatory technology project (Phase I). Lastly, the Group successfully launched projects including ChinaBond Depot's new-generation data warehouse, warehouse fairs, and unified portal for national equity transfer companies.

• Telecommunication

During the reporting period, the Group's businesses in China Mobile and China Telecom achieved steady and high-quality growth, maintained the advantages of core suppliers, continued to develop different project cooperation, and expanded business shares in the market.

During the reporting period, the Group's **China Mobile** business grew rapidly, while the government, corporate affairs and new business markets remained the main growth drivers. The Group's China Mobile government business has continued to win bids in China Mobile's Cloud Competence Center, multiple industry research institutes, government and enterprise branches, and other Internet of Things. Among them, Shanghai Industrial Research Institute has won the first share of bids many times and has become the TOP1 supplier of Shanghai Industrial Research Institute. The Group's China Mobile's new business focused Migu and continued to increase customer satisfaction and business shares from it. In addition to winning the top share of bids from Migu, the Group also continued to win bids in different categories and became the TOP1 supplier of Migu Interactive Entertainment. The Group's **China Telecom** business has grown steadily, and its business share in China Telecom's cloud computing, China Telecom's electronic channel center, and China Telecom Integration Company continued to expand. The Group maintained its advantage of being the largest supplier of e-commerce by Tianyi Telecommunications and won the bid for the project of Tianyi Internet of Things. Furthermore, the Group's telecom retail financial business has made a breakthrough in Guangdong. Lastly, the Group's business with customers such as Fiberhome, TD Tech, and Datang has grown steadily. Among them, Datang has won the bid for the operator's 5G base station business and has made new breakthroughs in the 5G business field.

- **Internet**

During the reporting period, the Group's cooperation with large Internet companies such as Tencent, Alibaba and Baidu continued to maintain a leading position. The Group continued to accumulate core capabilities, accelerated the replication (of successful solutions and cooperation models) in the entire Internet field, and achieved breakthroughs in cooperation with other Internet companies such as Meituan.

During the reporting period, the Group continued to explore new project opportunities in **Tencent's** business and continued to deepen partnerships. The Group became the exclusive supplier of Tencent Interactive Entertainment Group's (IEG) art design and successfully expanded overseas game business. During the reporting period, the Group and Tencent Content and Platform Business Group (PCG) added a new cooperation model to improve management capabilities and efficiency. Furthermore, the Group successfully won the bid for the content review BPO business of Tencent PCG and Kugou Music. Lastly, in terms of infrastructure, the Group continued to increase investments, adding multiple delivery centers including Shanghai and Dalian.

During the reporting period, the Group's business with **Alibaba** grew rapidly, and it opened up cooperation with AutoNavi Maps, Alibaba Cloud GTS Finance and etc. The new delivery base in Hangzhou has been deployed. The Group's independent delivery management system and independent delivery capabilities are becoming more mature, and the scale of Ali's independent delivery business has accounted for more than 70% of Ali's key cloud intelligence business.

During the reporting period, the Group continued to expand the scope of business cooperation with **Baidu**, covering Baidu's own businesses such as Baidu Search, Baidu Cloud, Baidu Intelligent Driving, Baidu Enterprise Intelligent Platform, Baidu Map, Baidu Voice Lab, Baidu Internationalization, etc. In addition, the Group worked with many Baidu affiliated companies including iQiyi and Duxiaoman Finance. Lastly, the Group has become a key supplier of Baidu's BPO business.

During the reporting period, the Group's traditional **BPO** business has steadily improved. The content review business adhered to the research and development and application of innovative tools. It is effective in refined production and innovation and efficiency. The service capabilities include compliance review, security review, and collection manual review. Cooperation between Tencent Kandian, Kugou Music, Meituan and other companies was realized as a result. Lastly, customer service business expanded to Meituan's takeaway phone sales, outbound quality inspection review, live online customer service and other fields.

• **High Technology**

During the reporting period, the Group successfully expanded in the high-tech industry. The Group's Ping An business has grown rapidly, driven by Ping An's insurance, banking, OneConnect and other fields. In the field of Ping An's retail banking, the Group built a platform based on the client's Open Bank's goal of "opening up capabilities" and has accessed to hundreds of API interfaces, covering account, wealth management, payment, margin and other product capabilities. The Group comprehensively promoted smart operation 3.0 under the smart OMO service system to assist Ping An to build a high-quality operation system. Furthermore, the Group has rapidly advanced its OneConnect business and successfully won the bid for project management platform optimization, financial profit and loss system optimization, and mobile phone terminalization of working hours reporting. Lastly, the projects that the Group won in the fields of Ping An Property & Casualty, Smart Healthcare, and Smart Education were successfully delivered.

During the reporting period, the Group's **Microsoft** business grew steadily. The Group entered into Microsoft's game business for the first time and continued to grow in its existing core businesses, including businesses for Speech and Bing.

During the reporting period, under the trend of localization, the Group continued to promote cooperation with **domestic software vendors** and deepened the cooperation with Sangfor and Kangtop. At the same time, the Group and iFLYTEK have made joint efforts in the fields of education and smart cities and achieved industry breakthroughs in smart cities. The two parties plan to expand this cooperation horizontally in petroleum, financial, medical and other industries.

During the reporting period, the Group's business in the field of **smart terminals** achieved further break through. OPPO's business scale grew rapidly, covering the cooperation of multiple core business departments. In addition, the Group also achieved a breakthrough in the smart terminal ecosystem and successfully won the bid for Xiaomi's smart wearable project.

During the reporting period, the Group's business in the **logistics** field developed steadily, continued to maintain its position as a SF Express's TOP1 supplier, and added a number of SF Express subsidiary businesses including Fenglian Technology and SRFL AI to achieve full coverage of all subsidiaries of SF Express. At the same time, the GIS cooperation between the Group and Fengtu, a subsidiary of SF Express, has continued to deepen to expand its gaming business. In addition to SF Express, the Group continued to expand other customers in the logistics field, signing up a number of new logistics customers such as Sifang and Dalmatian.

During the reporting period, the Group continued to expand its business in the **real estate** industry, expanding the scale of cooperation with Times Real Estate and Gosuncn Group, and became the exclusive supplier of Chengdu Highway Design Institute.

- **Government**

During the reporting period, the Group's government business developed rapidly, and the audit information business continued to maintain its leading position. The Group continued to make breakthroughs in the national, corporate, and financial fields, and successfully launched its self-developed products in agricultural informatization and ecological environment business.

During the reporting period, the **auditing** business grew steadily and successfully transformed into a delivery model of "platform products + business implementation". Through the implementation of product research and development assistance projects, the Group expanded to a diversified market. In national auditing, the Group successfully signed provincial and municipal audit projects in Shaanxi, Guangdong, Shanghai, and Zhanjiang, and successfully expanded the projects of district and county audit bureaus in Chaoyang District, Beijing and Sucheng District, Suqian City, Jiangsu Province. At the same time, the Jiangxi Province project has been successfully delivered. In financial auditing, the projects of Bank of Nanjing, Huaxia Bank and Postal Savings Bank signed by the Group have been steadily progressing. In financial risk control, the Group provided market operation risk systems and operation and maintenance services for banks and securities, and successfully signed on Huatai Securities and Huarongxiang. Furthermore, the Group carried out Shanxi Rural Credit and Yunnan Rural Credit Operational Risk Projects and launched Huatai Securities and Changsha Bank's market risk projects. In addition, the Group continued to carry out operation and maintenance projects such as China Development Bank, China Merchants Securities, Haitong Securities, and Orient Securities. In corporate auditing, the Group successfully signed the China Railway Construction Project, steadily promoted China Huaneng, China Railway Construction, Dongfeng Motor, Electronic Technology Group, BOE and other projects, and provided multi-faceted and continuous solution services. Lastly, through the accumulation of project experience and the continuous polishing of the market, the Group successfully developed products such as a full coverage system for departmental budgets, district and county audit analysis platforms, bank off-site audit analysis platforms, and corporate audit management platforms.

During the reporting period, the Group's **agricultural informatization** business progressed smoothly. As the core integrator and application developer of the national animal husbandry integrated information platform for the Ministry of Agriculture and Rural Affairs, the Group has completed the trial operation of Hebei, Liaoning, Fujian, Henan, Sichuan, Shaanxi, and Xinjiang. The Group plans unify and promote this solution and platform across the country in the second half of this year. The five systems of breeding livestock and poultry production and operation license, breeding pigs, breeding cattle, silage, and animal husbandry and breeding have all been launched. At the same time, the Group has obtained "breeding livestock and poultry business license supervision and big data analysis platform product copyright" through in-depth research and independent research and development in the core data field of animal husbandry. Lastly, a new cloud version of the agricultural and rural statistics reporting platform has been launched with mobile data collection capabilities. It has been tested in the agricultural plant protection and animal husbandry sectors of the Ministry of Agriculture and Rural Affairs.

During the reporting period, the Group expanded rapidly in the ecological environment industry. The first phase of the Yunnan Eco-Environmental Enterprise Government Service Platform project undertaken by the Group has been launched, realizing the full-process tracking management of data archiving, data dynamic management, identity authentication and government service business processing of various business systems. It can be connected to the provincial self-built system and National unified construction system. In addition, the Group has accumulated and generated big data analysis platform solutions through the experience of Yunnan sewage permit supervision and fixed pollution source supervision projects and has obtained the "Pollution Permit Supervision and Big Data Analysis Platform Copyright".

• **Manufacturing and Circulation**

During the reporting period, the Group's manufacturing and circulation business continued to innovate steadily and continuously achieved new breakthroughs. At the market level, the Group has established a marketing team in the Southern, Western, and Northern regions, focusing on brands and retailers with manufacturing attributes to expand industry customers, and has achieved customer breakthroughs in Anhui, Fujian, Sichuan, Guizhou, Gansu and other places. In addition, the Group's projects in the liquor industry have been successfully delivered and implemented, becoming a benchmark project in the field, and it is being replicated and promoted to more liquor customers.

- **Public Works**

During the reporting period, the Group's transportation business was launched in both rail and airport lines, and the businesses grew steadily. In **rail** transit, the Group's market share of rail transit ticket clearing system continued to rank first in the country. Based on the original rail transit customers in Changchun, Jinan, Qingdao, etc., the Group has newly expanded to customers in Ningbo, Guiyang, Chongqing, Nanchang, Xiamen, Luoyang, etc. The Group continued to cultivate in the **civil aviation** industry. The Group signed strategic cooperation agreements with Northwest Air Traffic Management Bureau and Tertiary Northwest Electronics Corporation to actively promote the digital transformation of air traffic control business, and landed the smart tower project of Northwest Air Traffic Management Bureau to achieve business breakthroughs in the field of air traffic control, achieving full coverage from airlines to air traffic control.

During the reporting period, the Group made good progress in the field of **power grid** digitalization. The digital engineering management platform of Xiong'an Power Grid, which the Group participated in the development and implementation, has passed the evaluation of the State Grid Electric Power Research Institute and has been officially put into operation. At the same time, the Group also successfully signed the third phase of operation and maintenance contracts to develop in-depth cooperation with the customer.

During the reporting period, the smart **forest** platform developed by the Group was completed and delivered. It received customer approval and recognition. The smart water project in cooperation with the East China Institute has completed the first phase of development work (related to the drainage network). The Group plans to carry out in-depth cooperation in the next step of customized research and development.

- **Education Technology (ETC)**

During the reporting period, ETC's government-enterprise service business was further standardized in the three sectors of government-enterprise training, talent service, and government service. ETC provided more than 1,000 professional training services for more than 300 customers, covering six major industries: telecommunications, finance, energy, IT, manufacturing, and government. Based on the eight cities that it has cooperated with, it has signed up six new ones including Tianjin, Xi'an, Nanjing, and other cooperating cities.

During the reporting period, ETC integrated the resources of the acquired online education brand, "Futurelab" and its own "Zhaike Academy" to form product and solutions including online training, online evaluation, online certification, artificial intelligence/big data online laboratory, etc. There are currently more than 800,000 online users. Due to the coronavirus epidemic impact on the education industry, online business will continue to be a strong growth point.

26 RECENT BUSINESS DEVELOPMENT

During the reporting period, ETC has expanded its Xinchuang (Information technology application innovation) business, and established China's first Kunpeng Industrial College in cooperation with Huawei and the Zhengzhou Pingdingshan College. Through online platforms and offline services, it held several advanced research training courses in Zhengzhou, Xi'an, Shenzhen, Chongqing and other places.

During the reporting period, ETC won the exclusive operation rights of the world's top data competition platform Kaggle for China's regional activities, and reached a cooperation with the world's top journals and standardization organization IEEE to exclusively operate computer science (CS) magazines in China. Due to the coronavirus, all related activities have been postponed as of the writing of this report. It is expected to officially start operations at the end of 2020.

KEY OPERATING DATA

During the first half of 2020, 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 9.4%, 8.7%, 10.6%, 10.7%, and 10.8% respectively.

	Six Months Ended 30 June		% Change
	2020 RMB'000	2019 RMB'000	
Revenue	6,059,391	5,538,248	9.4%
Service revenue	5,970,217	5,493,458	8.7%
Profit for the period	397,107	358,967	10.6%
Profit attributable to Owners of the Company	401,380	362,695	10.7%
Basic EPS (RMB cents)	16.22	14.64	10.8%

The key operating data (unaudited) for the six months ended 30 June 2020 are as follow:

	Six Months Ended 30 June		% Change
	2020 RMB'000	2019 RMB'000	
Revenue	6,059,391	5,538,248	9.4%
Service revenue	5,970,217	5,493,458	8.7%
Cost of sales and services	(4,410,391)	(3,971,495)	11.1%
Gross Profit	1,649,000	1,566,753	5.2%
Other income	125,986	60,498	108.2%
Other losses	(6,540)	(163)	3,912.3%
Selling and distribution costs	(294,361)	(265,745)	10.8%
Other expenses	(22,319)	(30,150)	(26.0%)
Administrative expenses	(896,475)	(832,932)	7.6%
Finance costs	(90,176)	(85,411)	5.6%
Impairment losses under expected credit loss model, net of reversal	(14,976)	(12,326)	21.5%
Share of results of investments accounted for using the equity method	(7,149)	(7,845)	(8.9%)
Loss from derecognition of financial assets measured at amortised cost	(777)	(2,497)	(68.9%)
Profit before taxation	442,213	390,182	13.3%
Income tax expense	(45,106)	(31,215)	44.5%
Profit for the period	397,107	358,967	10.6%

GENERAL OVERVIEW

In the year of the Gengzi (every 60 years), the new coronavirus (COVID-19) was fierce and spread rapidly around the world, causing a huge impact on the global economy. In the face of the impact of the epidemic, the Group responded quickly, made overall arrangements and remained flexible to ensure the health and safety of employees, achieved sustained and stable business development, and reduced the impact of the epidemic on the Group. The Group's interim profit increased more than 10%, a new high since its listing, and the results were hard-won. The Group's Technical Service and Solution Business is progressing steadily, the Cloud Intelligence Business is developing rapidly, and the digital transformation is accelerating. Furthermore, the Group was selected as one of Gartner's Top 100 global IT service market shares for second consecutive years, demonstrating the value and responsibility of China's leading IT service company.

During the reporting period, the Group's Cloud Intelligence Business accelerated. The Group strengthened its Digital-First digital transformation consulting services, and focused on corporate digital transformation consulting, data consulting, and innovation consulting to enhance the Group's overall solution value. Based on the positioning of "cloudization, cloud management, and cloud native", the Group has achieved rapid growth in cloud management and professional services, and has been ranked Top 3 in the "IDC China Cloud Management Service Market" for two consecutive years. The Group launched the SaaS version of "CloudEasy" cloud management platform to help customers obtain maximum cloud service management capabilities at a minimum cost. The Group's "one-stop" Internet cloud brokerage platform, "Cloud Broker", upgraded during the period to realize the integration and onlineization of sales, service and management for medium and long-tail customers. The Group vigorously promoted DevOps professional consulting services to help government and corporate customers build native capabilities for digital transformation. Lastly, the Group's cloud-based solution business has achieved rapid growth in many fields such as finance, government, new retail, transportation, education, and etc., helping the industry to upgrade digitally and intelligently.

During the reporting period, Jointforce has accumulated 460,000 engineers, signed on 27,000 service providers and over 60,000 companies (32,000 companies have been accurately profiled) posting jobs. The cumulative amount of outsourced contracts was nearly RMB6.4 billion. The "Cloud Integrative Market" service upgraded and launched the full online and intelligent "Internet +" government procurement service of "Code Smart Acquisition", and the "Code Smart Supervision" online + offline full-process project supervision service. During the reporting period, the "Cloud Integrative Market" business has covered 14 cities and has fully reached government budget (purchasing) units in Nanjing, Xi'an, Wuhan, Chengdu, and Jinan. The "Z Plan" initially realized the Internetization of human outsourcing business, and provided enterprises with full-process talent and HR services through "resources + tools + empowerment". The Cloud Software Park has completed the construction of all the online platforms of the park, effectively supporting the park's public services. Lastly, leveraging the Jointforce ecosystem, the Group bundled with Huawei Kunpeng Industrial Cloud to help Kunpeng Industrial Cloud's implementation, operation and model innovation, and successfully signed the Chongqing Kunpeng Industrial Cloud Project.

During the reporting period, the Group's big data business continued to deepen its industry advantages in the financial, government, public, and transportation industries, while continuing to develop new customers and new businesses in the fields of manufacturing, real estate, and government and enterprises. Through the utilization of AI and other smart technologies, the Group successfully promoted the rapid growth of smart BPO business, and continued to expand domestic and overseas markets. Furthermore, the Group established a "BPO delivery center" in China to enhance the comprehensive competitiveness of BPO with technological innovation as the driving force.

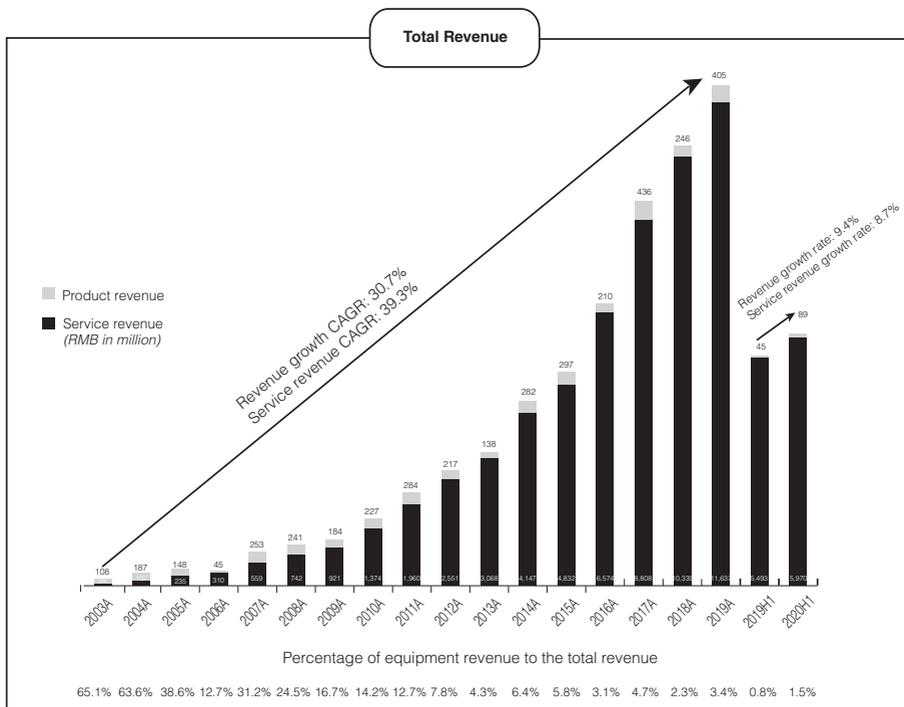
During the reporting period, Huawei's business scale continued to grow. On the basis of successfully passing Huawei's Supplier Development Plan (SD) certification, the Group has steadily promoted the construction of SD 2.0 to meet the needs of Huawei's new-stage business development. The Group comprehensively promoted the Huawei SD certification standard in other major customer businesses to improve the quality of key customer services. The Group helped Huawei build the Kunpeng ecosystem, participated in the development of the HMS Core 4.0 service capabilities, and continued to support the global ecological development of the HMS. Lastly, the Group's strategic cooperation with Huawei's "Co-sell" model has developed steadily, seizing opportunities for cooperation in online office and other businesses, and has established a variety of product cooperation models around Kunpeng, Goss, WeLink, and smart screens.

During the reporting period, HSBC's business improved steadily. The Group independently delivered and led the HSBCnet platform product upgrade of HSBC Commercial Bank, successfully launched a handheld smart wealth management expert for HSBC China, and launched the HSBC WeChat personal credit card automatic installment service. During the period, Tencent's business continued to develop, and the Group became the exclusive supplier for Tencent's Interactive Entertainment Group (IEG) art design posts. The Group successfully expanded its overseas game business, and added multiple delivery centers such as Shanghai and Dalian. Alibaba's business grew rapidly. The Group started new cooperations with AutoNavi Maps, Alibaba Cloud GTS Finance, and etc. The newly-built delivery base in Hangzhou has also been deployed. The Group continued to deepen its business cooperation not only with Baidu, but also Baidu related companies, such as iQiyi, Duxiaoman Finance, etc. Ping An's business grew rapidly, especially in insurance, banking, OneConnect and other fields. Lastly, Microsoft's business grew steadily. The Group entered the Microsoft game business for the first time, and its existing core businesses such as Speech and Bing continued to grow.

Currently, China's economy is taking the lead in stabilizing and bouncing back. A new pattern of advocating domestic economy and fostering a new domestic and international relations dual cycle is emerging. The digital economy has shown strong resilience and vitality during the COVID-19, bringing in new opportunities. Facing the challenging second half of the year, the Group will work with strategic customers such as Huawei with "zero distance innovation" to continuously improve service value and customer loyalty, insist on expanding and strengthening IT services, and use AI, big data, and Internet platforms to accelerate the Group's cloud intelligent transformation. The Group will firmly grasp the opportunities of Hongmeng ecosystem, software localization and new digital infrastructure, to improve open source cloudification, and replicate trusted engineering capabilities to build new consulting-driven digital services and continue to move towards the goal of a global IT service leader.

30 MANAGEMENT DISCUSSION AND ANALYSIS

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growths, recording a CAGR of 30.7% and 39.3% from 2003-2019. For the first half of 2020, the revenue and service revenue achieved a YoY growth of 9.4% and 8.7%. The details are as follow:



Customers

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 2020, the Group's top five and top ten customers accounted for 71.3% and 76.0% of the Group's service revenue.

As of 30 June, 2020, the Group has 116 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

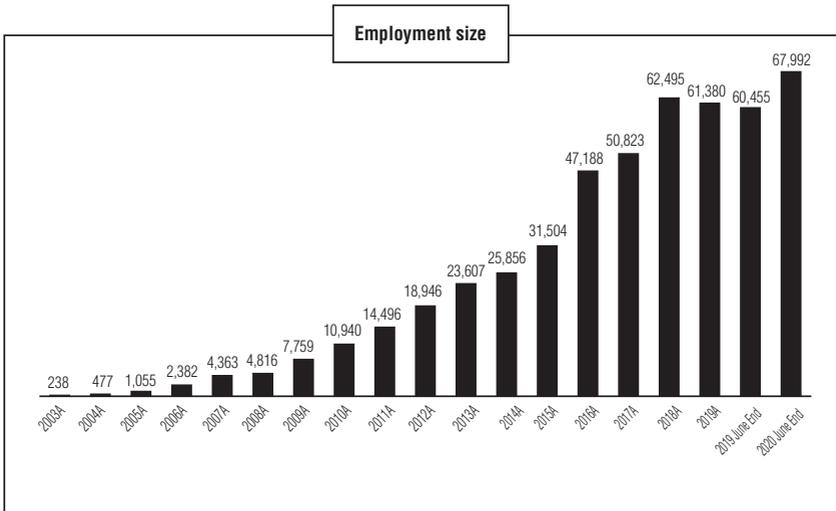
Market

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

Human Resources

As of 30 June, 2020, the Group employs a total of 67,992 employees, representing a YoY increase of 12.5% (2019H1: 60,455).

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 2019 and 2020 (unaudited):

	2020			2019		
	For the first half RMB'000	% of Revenue	% of Service Revenue	For the first half RMB'000	% of Revenue	% of Service Revenue
Revenue	6,059,391	N/A	N/A	5,538,248	N/A	N/A
Service revenue	5,970,217	N/A	N/A	5,493,458	N/A	N/A
Costs of sales and services	<u>(4,410,391)</u>	<u>(72.8%)</u>	<u>(73.9%)</u>	<u>(3,971,495)</u>	<u>(71.7%)</u>	<u>(72.3%)</u>
Gross profit	1,649,000	27.2%	27.6%	1,566,753	28.3%	28.5%
Other income	125,986	2.1%	2.1%	60,498	1.1%	1.1%
Other losses	(6,540)	(0.1%)	(0.1%)	(163)	(0.0%)	(0.0%)
Selling and distribution costs	(294,361)	(4.9%)	(4.9%)	(265,745)	(4.8%)	(4.8%)
Other expenses	(22,319)	(0.4%)	(0.4%)	(30,150)	(0.5%)	(0.5%)
Administrative expenses	(896,475)	(14.8%)	(15.0%)	(832,932)	(15.0%)	(15.2%)
Finance costs	(90,176)	(1.5%)	(1.5%)	(85,411)	(1.5%)	(1.6%)
Impairment losses under expected credit loss model, net of reversal	(14,976)	(0.2%)	(0.3%)	(12,326)	(0.2%)	(0.2%)
Share of results of investments accounted for using the equity method	(7,149)	(0.1%)	(0.1%)	(7,845)	(0.1%)	(0.1%)
Loss from derecognition of financial assets measured at amortised cost	<u>(777)</u>	<u>(0.0%)</u>	<u>(0.0%)</u>	<u>(2,497)</u>	<u>(0.0%)</u>	<u>(0.0%)</u>
Profit before taxation	442,213	7.3%	7.4%	390,182	7.0%	7.1%
Income tax expense	<u>(45,106)</u>	<u>(0.7%)</u>	<u>(0.8%)</u>	<u>(31,215)</u>	<u>(0.6%)</u>	<u>(0.6%)</u>
Profit for the period	<u>397,107</u>	6.6%	6.7%	<u>358,967</u>	6.5%	6.5%
Profit for the period attributable to owners of the Company	<u>401,380</u>	6.6%	6.7%	<u>362,695</u>	6.5%	6.6%

Revenue

For the first half of 2020, the Group's revenue was RMB6,059.391 million, representing a YoY growth of 9.4% (2019H1: RMB5,538.248 million). The Group's service revenue was RMB5,970.217 million, representing a YoY growth of 8.7% (2019H1: RMB5,493.458 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 2020, the segment's revenue to total revenue and growth are as follow:

	Six Months Ended 30 June 2020 RMB'000	% of Total	Six Months Ended 30 June 2019 RMB'000	% of Total	Growth Rate
TPG	5,185,926	85.6%	4,748,340	85.7%	9.2%
IIG	873,465	14.4%	789,908	14.3%	10.6%
Total	6,059,391	100%	5,538,248	100%	9.4%

For the first half of 2020, the Technical Services and Solution Business, Cloud Intelligence Business's revenue to total revenue and growth are as follow:

	Six Months Ended 30 June 2020 RMB'000	% of Total	Six Months Ended 30 June 2019 RMB'000	% of Total	Growth Rate
Technical Services and Solution Business	4,828,639	79.7%	4,621,483	83.4%	4.5%
Cloud Intelligence Business	1,230,752	20.3%	916,765	16.6%	34.2%
Total	6,059,391	100%	5,538,248	100%	9.4%

Cost of Sales and Services

For the first half of 2020, the Group's cost of sales and services was RMB4,410.391 million, representing a YoY increase of 11.1% (2019H1: RMB3,971.495 million). The Group's cost of sales and services was 72.8% of the Group's total revenue, representing a YoY increase of 1.1% (2019H1: 71.7%).

Gross Profit

For the first half of 2020, the Group's gross profit was RMB1,649.000 million, representing a YoY growth of 5.2% (2019H1: RMB1,566.753 million). The Group's gross margin was 27.2%, representing a YoY decrease of 1.1% (2019H1: 28.3%). The Group's gross margin (to service revenue) was 27.6%, representing a YoY decrease of 0.9% (2019H1: 28.5%). The decrease in gross profit margin during the reporting period was because of the impact of the Coronavirus (COVID-19), which led to the delay of the Group's resumption of work, the delay of the delivery and acceptance of projects, and the delay of revenue recognition.

Other Income

For the first half of 2020, the Group's other income was RMB125.986 million, representing a YoY increase of 108.2% (2019H1: RMB60.498 million). The increase of other income during the reporting period is mainly due to the increase of government subsidies compared with the same period of last year.

Other Losses

For the first half of 2020, the Group's other losses were RMB6.540 million, representing a YoY increase of 3912.3% (2019H1: RMB0.163 million). The increase is mainly due to the fluctuations of the exchange rate between Hong Kong dollar and RMB during the reporting period.

Operating Expenses

For the first half of 2020, the Group's selling and distribution costs were RMB294.361 million, representing a YoY increase of 10.8% (2019H1: RMB265.745 million). The Group's selling and distribution costs accounted for 4.9% of the total revenue, representing a YoY increase of 0.1% (2019H1: 4.8%).

For the first half of 2020, the Group's administrative expenses were RMB896.475 million, representing a YoY increase of 7.6% (2019H1: RMB832.932 million). The Group's administrative expenses accounted for 14.8% of the total revenue, representing a YoY decrease of 0.2% (2019H1: 15.0%). The decrease was mainly due to the impact of the coronavirus during the reporting period, management expenses such as travel expenses and hospitality conference expenses decreased compared with that of the same period last year. Moreover, the purchase of anti-epidemic materials increased.

Financial Costs and Income Tax

For the first half of 2020, the Group's finance costs were RMB90.176 million, representing a YoY increase of 5.6% (2019H1: RMB85.411 million). The Group's finance costs accounted for 1.5% of the total revenue, the same as that of the last reporting period (2019H1: 1.5%). During the reporting period, the Group conducted loan swaps and used overseas syndicated loans to repay part of domestic bank loans.

For the first half of 2020, the loss from derecognition of financial assets measured at amortized cost was RMB0.777 million, representing a YoY decrease of 68.9% (2019H1: RMB2.497 million).

For the first half of 2020, the Group's income tax was RMB45.106 million, representing a YoY increase of 44.5% (2019H1: RMB31.215 million). The Group's effective income tax rate was 10.2%, representing a YoY increase of 2.2% (2019H1: 8.0%). The increase in income tax was mainly due to the decrease in the amount of income tax rebates during the reporting period compared with the same period of last year.

Other Non-Cash Expenses

During the first half of 2020, the Group's other expenses were RMB22.319 million, representing a YoY decrease of 26.0% (2019H1: RMB30.150 million). The Group's other expenses accounted for 0.4% of the total revenue, representing a YoY decrease of 0.1% (2019H1: 0.5%).

During the first half of 2020, the Group's impairment losses under the expected credit model, net reversal was RMB14.976 million, representing a YoY increase of 21.5% (2019H1: 12.326 million). The Group's impairment losses under the expected credit model, net reversal accounted for 0.2% of the total revenue, the same as that of the last reporting period (2019H1: 0.2%).

Profit for the Period and Earnings Per Share (EPS)

For the first half of 2020, the Group's profit was RMB397.107 million, representing a YoY growth of 10.6% (2019H1: RMB358.967 million). The Group's profit accounted for 6.6% of the total revenue, representing a YoY increase of 0.1% (2019H1: 6.5%). The Group's profit accounted for 6.7% of the service revenue, representing a YoY increase of 0.2% (2019H1: 6.5%).

For the first half of 2020, the Group's profit attributable to the owners of the Company was RMB401.380 million, representing a YoY growth of 10.7% (2019H1: RMB362.695 million).

Based on the profit attributable to the owners of the Company, the Group's EPS was RMB16.22 cents for the first half of 2020, representing a YoY increase of 10.8% (2019H1: RMB14.64 cents).

Segment Revenue and Results

For the first half of 2020, the segment's growth of revenue, service revenue and results are as follow:

	Revenue			Services Revenue			Results		
	Six Months Ended 30 June 2020 RMB'000	Six Months Ended 30 June 2019 RMB'000	Growth Rate	Six Months Ended 30 June 2020 RMB'000	Six Months Ended 30 June 2019 RMB'000	Growth Rate	Six Months Ended 30 June 2020 RMB'000	Six Months Ended 30 June 2019 RMB'000	Growth Rate
TPG	5,185,926	4,748,340	9.2%	5,129,694	4,731,848	8.4%	437,114	407,891	7.2%
IIG	873,465	789,908	10.6%	840,523	761,610	10.4%	94,438	84,747	11.4%
Total	6,059,391	5,538,248	9.4%	5,970,217	5,493,458	8.7%	531,552	492,638	7.9%

In terms of segment revenue, TPG's revenue and service revenue achieved a YoY growth of 9.2% and 8.4%. The growth came mainly from the increase of revenue from core large customers including Huawei, Tencent, Alibaba, Ping-An, etc. IIG's revenue and service revenue achieved a YoY growth of 10.6% and 10.4%. The growth came mainly from the increase of year on year revenue from Jointforce, cloud management and professional services.

In terms of segment results, TPG's result achieved a YoY growth of 7.2%, slightly lower than the revenue and service revenue growths. This is mainly due to the decline in gross profit margin affected by the COVID-19. IIG's results achieved a YoY growth of 11.4%. This is mainly due to the rapid growth of the Jointforce, cloud management and professional services, which contributed to the improvement of the overall profit margin of the IIG.

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 summarized as below:

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

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

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 30 June 2020 for the intended use	Expected time of utilisation (Note)
Approximately HK\$600 million	For mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services	(i) Approximately HK\$43 million were used to upgrade new technological capability; (ii) Approximately HK\$100 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\$457 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 2020
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	-	-

38 MANAGEMENT DISCUSSION AND ANALYSIS

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 30 June 2020 for the intended use	Expected time of utilisation (Note)
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.

As at 30 June 2020, a maximum number of 180,000,000 ordinary shares will be allotted and issued upon full conversion of 2017 CN at the initial conversion price of HK\$5.00 per conversion share.

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 2020 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3	6,059,391	5,538,248
Cost of sales and services		(4,410,391)	(3,971,495)
Gross profit		1,649,000	1,566,753
Other income		125,986	60,498
Other losses		(6,540)	(163)
Selling and distribution costs		(294,361)	(265,745)
Other expenses		(22,319)	(30,150)
Administrative expenses		(896,475)	(832,932)
Finance costs	4	(90,176)	(85,411)
Impairment losses under expected credit loss model, net of reversal		(14,976)	(12,326)
Share of results of investments accounted for using the equity method		(7,149)	(7,845)
Loss from derecognition of financial assets measured at amortised cost		(777)	(2,497)
Profit before taxation		442,213	390,182
Income tax expense	5	(45,106)	(31,215)
Profit for the period		397,107	358,967
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		19,967	(7,226)
Total comprehensive income for the period		417,074	351,741
Profit for the period attributable to:			
Owners of the Company		401,380	362,695
Non-controlling interests		(4,273)	(3,728)
		397,107	358,967
Total comprehensive income attributable to:			
Owners of the Company		421,347	355,469
Non-controlling interests		(4,273)	(3,728)
		417,074	351,741
Earnings per share	7		
– Basic (cents)		16.22	14.64
– Diluted (cents)		15.73	14.31

40 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		784,093	802,423
Right-of-use assets		299,948	278,646
Intangible assets		130,129	127,382
Goodwill		973,856	973,856
Investments accounted for using the equity method		220,458	227,607
Equity instrument at fair value		62,901	62,901
Other receivable		84,055	66,180
Deferred tax assets		8,177	8,075
		2,563,617	2,547,070
Current assets			
Inventories		89,264	54,421
Trade and other receivables	8	4,125,880	3,297,240
Bills receivable		9,007	4,443
Contract assets		2,158,030	2,228,494
Amount due from related companies		84,592	75,126
Pledged deposits		10,891	12,861
Bank balances and cash		2,700,653	2,525,741
		9,178,317	8,198,326
Current liabilities			
Trade and other payables	9	947,867	1,229,223
Bills payable		26,084	22,051
Contract liabilities		130,946	138,815
Amounts due to related companies		2,631	3,101
Dividend payable to shareholders		85	81
Taxation payable		123,217	83,808
Borrowings	10	616,448	1,523,187
Convertible loan notes		23,466	23,829
Lease liabilities		139,753	125,668
		2,010,497	3,149,763
Net current assets		7,167,820	5,048,563
Total assets less current liabilities		9,731,437	7,595,633

	<i>Notes</i>	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Non-current liabilities			
Deferred tax liabilities		10,372	10,287
Convertible loan notes		738,772	727,672
Lease liabilities		134,095	123,734
Borrowings		<u>1,644,120</u>	<u>200,000</u>
		<u>2,527,359</u>	<u>1,061,693</u>
		<u>7,204,078</u>	<u>6,533,940</u>
Capital and reserves			
Share capital	11	119,887	116,325
Share premium		3,478,692	3,145,241
Treasury shares		(492,989)	(470,752)
Reserves		<u>4,036,431</u>	<u>3,676,796</u>
Equity attributable to equity holders of the Company		<u>7,142,021</u>	<u>6,467,610</u>
Non-controlling interests		<u>62,057</u>	<u>66,330</u>
Total equity		<u>7,204,078</u>	<u>6,533,940</u>

42 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the owners of the Company														
	Share 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	Total RMB'000
At 1 January 2019	112,984	2,982,319	(76,451)	(122,789)	(13,834)	(12,091)	235,105	118,288	15,793	26,749	180,969	2,507,424	5,854,496	64,532	6,019,028
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	362,895	362,895	(3,728)	358,967
Other comprehensive (expenses) income for the period	-	-	-	-	-	(7,226)	-	-	-	-	-	-	(7,226)	-	(7,226)
Total comprehensive (expenses) income for the year period	-	-	-	-	-	(7,226)	-	-	-	-	-	362,895	355,469	(3,728)	351,741
Issue of ordinary shares upon exercise of share options	-	-	-	-	-	-	6,339	-	-	-	-	-	6,339	-	6,339
Recognition of share option expenses	-	-	-	-	-	-	-	-	-	-	-	-	6,339	-	6,339
Cancellation of convertible loan notes	3,331	211,043	-	-	-	-	(17,658)	-	-	-	-	-	196,716	-	196,716
Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	(48,121)	-	(48,121)
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(48,121)	-	(48,121)
Purchase of shares under share award scheme	-	-	(77,816)	-	-	-	-	-	-	-	-	-	(77,816)	-	(77,816)
At 30 June 2019	116,325	3,145,241	(154,267)	(122,789)	(13,834)	(19,317)	241,444	100,630	15,793	26,749	180,969	2,970,119	6,337,083	60,804	6,447,887
At 1 January 2020	116,325	3,145,241	(470,152)	(122,789)	(13,834)	(17,966)	196,687	100,630	15,793	26,749	231,456	3,259,860	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	-	-	-	-	-	-	421,347	(4,273)	417,074
Issue of ordinary shares upon exercise of share options	3,482	383,461	-	-	-	-	(75,897)	-	-	-	-	-	261,116	-	261,116
Recognition of share option expenses	-	-	-	-	-	-	126	-	-	-	-	-	126	-	126
Expiry of share options	-	-	-	-	-	-	(8,942)	-	-	-	-	3,942	-	-	-
Purchase of shares under share award scheme	-	-	(22,237)	-	-	-	140,939	-	-	-	-	-	(8,178)	-	(8,178)
At 30 June 2020	119,807	3,478,692	(492,389)	(122,789)	(13,834)	2,001	131,233	100,630	15,793	26,749	231,456	3,665,172	7,142,021	62,057	7,204,078

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash used in operating activities	(337,107)	(582,936)
Net cash used in investing activities	(109,079)	(379,947)
Net cash generated from financial activities	606,364	634,634
Net increase (decrease) in cash and cash equivalents	160,178	(328,249)
Effect of foreign exchange rate changes	14,734	5,903
Cash and cash equivalents at the beginning of the period	2,525,741	2,646,375
Cash and cash equivalents at the end of the period	2,700,653	2,324,029

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 2019, except for the adoption of new standards and interpretations effective as at 1 January 2020.

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

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

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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Technical professional services group (TPG)	5,185,926	4,748,340	437,114	407,891
Internet IT services group (IIG)	873,465	789,908	94,438	84,747
	6,059,391	5,538,248	531,552	492,638

During the six months ended 30 June 2020, the segment revenue is reported after eliminating inter-segment services revenue of RMB296,607,000 (2019: RMB303,903,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Segment results	531,552	492,638
Other income, gains and losses	(5,827)	1,032
Effective interest on convertible loan notes	(22,553)	(25,214)
Corporate expenses	(60,833)	(71,935)
Share option expenses	(126)	(6,339)
Profit before taxation	442,213	390,182

Segment revenue by products and services:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Sales of software and hardware products	89,174	44,790
Technical professional services group (TPG)	5,129,694	4,731,848
Internet IT services group (IIG)	840,523	761,610
	5,970,217	5,493,458
	6,059,391	5,538,248

Segment revenue (According to technical service and solution business and cloud intelligence business):

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Technical Service and Solution Business (Note (i))	4,828,639	4,621,483
Cloud Intelligence Business (Note (ii))	1,230,752	916,765
	6,059,391	5,538,248

Notes:

- (i) Technical Service and Solution Business: It provides industry customers from telecommunications, BFSI, government, manufacturing, high technology, etc., with consultation, design, implementation, operation, and other end to end ITS and solutions.
- (ii) Cloud Intelligence Business: Through “digital-first” digitalization transformation consultation services and leveraging Jointforce’s ecosystem, the IIG provides customers with end to end comprehensive intelligent cloud services combining cloud (as its foundation), AI, and other technologies. The intelligent cloud services include cloud management, professional services, cloudization of industry solutions, big data management and application, intelligent business processes, etc.)

4. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest on borrowings wholly repayable within five years	60,574	55,183
Interest of lease liability	7,049	5,014
Effective interest on convertible loan notes	22,553	25,214
	90,176	85,411

5. TAXATION

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	44,017	31,326
Others	1,089	(111)
	45,106	31,215

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 2020, a final dividend of HK\$0.0219 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2019 (2018: HK\$0.0215) was declared to the owners of the Company and will be paid on 3 July 2020. The aggregate amount of the final dividend declared during the six months ended 30 June 2020 amounted to HK\$57,481,091 (2019: HK\$54,702,608).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019: 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	
	2020 RMB'000	2019 RMB'000
Earnings for the purposes of calculating basic earnings per share	401,380	362,695
Effect of dilutive potential profit attributable to owners of the Company:		
Interest on convertible loan notes	22,553	25,214
Earnings for the purpose of diluted earnings per share	423,933	387,909
	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,474,543,644	2,477,225,732
Effect of dilutive potential ordinary shares:		
Share options	14,932,687	25,525,194
Convertible loan notes	180,000,000	208,009,144
Share award scheme	25,054,945	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,694,531,276	2,710,760,070

The computation of diluted earnings per share for the period ended 30 June 2020, 30 June 2019 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 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Trade receivables, net of allowance	3,681,744	2,978,781
Advances to suppliers	138,935	145,319
Deposits, prepayments and other receivables, net of allowance	389,256	239,320
	<u>4,209,935</u>	<u>3,363,420</u>
Analysed for reporting purposes as:		
Non-current assets	84,055	66,180
Current assets	4,125,880	3,297,240
	<u>4,209,935</u>	<u>3,363,420</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 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Within 90 days	2,865,808	2,381,748
Between 91 – 180 days	336,316	190,179
Between 181 – 365 days	303,600	296,889
Between 1 – 2 years	176,020	109,965
	<u>3,681,744</u>	<u>2,978,781</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 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Trade payables	403,571	423,757
Other payables	544,296	805,466
	947,867	1,229,223

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 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Within 90 days	350,145	341,337
Between 91-180 days	9,461	2,252
Between 181-365 days	3,176	7,591
Between 1-2 years	4,681	33,003
Over 2 years	36,108	39,574
	403,571	423,757

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 2020 was approximately equal to the corresponding carrying amount.

10. BORROWINGS

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Unsecured bank loans <i>(Note (i))</i>	<u>2,260,568</u>	<u>1,723,187</u>
	2,260,568	1,723,187
	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Carrying amount repayable:		
Within one year	616,448	1,523,187
More than one year within five years	<u>1,644,120</u>	<u>200,000</u>
	2,260,568	1,723,187
Less: Amounts due within one year shown under current liabilities	<u>(616,448)</u>	<u>(1,523,187)</u>
Amounts shown under non-current liabilities	<u>1,644,120</u>	<u>200,000</u>

10. BORROWINGS (CONTINUED)

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Total borrowings		
At floating interest rates <i>(Note (ii))</i>	1,848,284	600,000
At fixed interest rates <i>(Note (iii))</i>	412,284	1,123,187
	<u>2,260,568</u>	<u>1,723,187</u>

Notes:

- (i) Guaranteed by the Company and certain subsidiaries of the Company.
- (ii) 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 2020 is 4.32% (2019: 4.53%) per annum.
- (iii) Interests on fixed rates borrowings are charged at interest rates ranged from 3.25% to 5.22% (2019: 3.92% to 5.22%).

11. SHARE CAPITAL

Ordinary shares of HK\$0.05 each:

		Number of shares	Nominal amount HK\$
Authorised			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020		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 2019	2,466,312,666	123,315,634	112,994
Conversion of convertible loan notes	77,994,692	3,899,735	3,331
At 30 June 2019	2,544,307,358	127,215,369	116,325
At 31 December 2019 and 1 January 2020	2,544,307,358	127,215,369	116,325
Exercise of options	80,400,000	4,020,000	3,562
At 30 June 2020	2,624,707,358	131,235,369	119,887

12. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements – acquisition of property, plant and equipment	14,143	6,671
	14,143	6,671

In addition, as at 30 June 2020, the Group is committed to contributions of further capital amounting to RMB83,685,000 (2019: RMB83,685,000) 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 2019 and 2020, the Group had the following transactions with the following related parties:

	For the six month ended 30 June	
	2020 RMB'000	2019 RMB'000
Provision of IT solution services by the Group	1,125	549
Provision of other services by the Group	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 remuneration for the employees of the Group amounted to approximately RMB4,844,011,000, including the directors' emoluments of approximately RMB23,543,000 during the six months ended 30 June 2020 (2019: approximately RMB4,385,867,000, including the directors' emoluments of approximately RMB6,734,000). The increase in employee remuneration resulted from the increase in the number of employees from 60,455 to 67,992.

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2020 of the Group amounted to approximately RMB22,319,000 (2019: RMB30,150,000) and approximately RMB128,053,000 (2019: RMB119,057,000), respectively.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2020, 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 2020 to 30 June 2020, except for the following deviations as explained:

- (i) The roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1 of the CG Code). Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.
- (ii) The Chairman of the Board was not able to attend the annual general meeting of the Company held on 22 June 2020 in Hong Kong (the “2019 AGM”) (deviated from code provision E.1.2 of the CG Code) due to the COVID-19 outbreak. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2019 AGM;
- (iii) Independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the 2019 AGM, due to the COVID-19 outbreak. Other Board members who attended the 2019 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 2020.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors 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 2020
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	282,792,861 (Note 1)	-	462,792,861	17.63%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	-	180,000,000 (Note 2)		
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 (Note 3)	-	19,027,765	0.72%
Zhang Yaqin	Beneficial owner	1,500,000	-	1,500,000	0.06%
Gavriella Schuster	Beneficial owner	-	1,000,000 (Note 4)	1,000,000	0.04%

Notes:

- (1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award shares will be vested by period based on future performance.
- (2) Pursuant to the subscription of convertible notes with a total principal amount of HK\$900,000,000 (the “Dan Capital CB”) issued by the Company on 3 July 2017 to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership (collectively known as the “Dan Capital CB holders”), a concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017. As such, Dr. Chen was deemed to be interested in 180,000,000 underlying shares of the Company held by the Dan Capital CB holders for the purposes of section 317 of the SFO. The interests in 180,000,000 underlying shares of the Company represent 50,800,000 and 129,200,000 ordinary shares which will be allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership respectively upon conversion of the Dan Capital CB.
- (3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited. The award shares will be vested by period based on future performance.
- (4) The interests in underlying shares of the Company represent interests in options granted to the director.

Options to subscribe for Shares

Name of Director	Exercise Price (HK\$)	No. of share options outstanding as at 1 January 2020	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2020	Percentage of total issued ordinary share	No of underlying ordinary shares interested in	Percentage of total issued ordinary share of the Company as at 30 June 2020	Note
					of the Company as at 30 June 2020			
Gavriella Schuster	5.22	1,000,000	-	1,000,000	0.04%	1,000,000	0.04%	(i)

Note:

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

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

Save as disclosed above and so far as was known to the Directors, as at 30 June 2020, 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 2020, 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 101,000,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding representing 3.85% of the total issued ordinary share capital of the Company as at 30 June 2020.

During the six months ended 30 June 2020, no share options were granted under the New Share Option Scheme. An aggregate of 80,400,000 share options were exercised and 4,560,000 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 employees and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 December 2018.

During the period ended 30 June 2020, a total consideration of approximately HK\$24,120,000 has been used to acquire 6,276,000 shares of the Company from open market by the independent trustee of the Company. As at 30 June 2020, an aggregate of 152,286,000 shares of the Company has been acquired from open market by the independent trustee of the Company, representing 5.80% of the total issued ordinary share capital of the Company as at 30 June 2020.

During the six months ended June 30 2020, the Company had granted a total of 152,000,000 awarded shares under the Share Award Scheme, of which 23,800,000 awarded shares were granted to the directors of the company and will be vested by period based on the future performance, details of which are as follows:

Name of Director	As at 1 January 2020	Granted during the period	Vested during the period	As at 30 June 2020
Chen Yuhong	–	16,600,000	–	16,600,000
Tang Zhenming	–	7,200,000	–	7,200,000

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2020 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2020 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 2020, 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 2020.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2020, 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 percentage of total issued ordinary share of the Company	Approximate percentage of total issued 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	462,792,861 (L)	17.63%	16.50%
Dan Capital Kunlun Limited Partnership (Note 1)	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	462,792,861 (L)	17.63%	16.50%
UBS Group AG (Note 2)	Interest of controlled corporations	270,134,015 (L)	10.29%	9.63%
Bank of Communications Trustee Limited (Note 3)	Trustee	32,920,828 (S)	1.25%	1.17%
Prime Partners Development Limited (Note 4)	Beneficial interest	152,286,000 (L)	5.80%	5.43%
		140,572,725 (L)	5.36%	5.01%

* The total number of issued share consists of 2,624,707,358 ordinary shares and convertible notes which could be converted into 180,000,000 ordinary shares.

Abbreviations: "L" stands for long position
"S" stands for short 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 and Dan Capital Kunlun Limited Partnership (collectively known as the “Dan Capital CB holders”), 50,800,000 and 129,200,000 ordinary shares which will be allotted and issued to Dan Capital Tangkula Limited Partnership and Dan Capital Kunlun Limited Partnership respectively upon conversion of the Dan Capital CB. A concert party undertaking was entered by Dr. Chen Yuhong and the Dan Capital CB holders to regulate their dealings in the shares of the Company on 24 May 2017, as such, Dan Capital CB holders were deemed to be interested in 282,792,861 underlying shares of the Company held by Dr. Chen for the purposes of section 317 of the SFO.
- (2) UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd, UBS Financial Services Inc., UBS Asset Management Trust Company, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Shanghai) Limited, UBS Securities LLC, UBS Switzerland AG, UBS Trustees (Jersey) Limited, UBS Asset Management (Japan) Ltd and UBS Fund Management (Switzerland) AG are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 270,134,015 shares and short positions of 32,920,828 shares in the Company held by these companies as disclosed above. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 30 June 2020 for further details of the shareholding structure.
- (3) On 10 December 2018, the Company entered into a trust deed to appoint Bank of Communications Trustee Limited as trustee of the trust and to manage the trust fund and 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.
- (4) Dr. Chen Yuhong is deemed to be interested in 140,572,725 Ordinary Shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.

Save as disclosed above, as at 30 June 2020, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

As at 30 June 2020, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

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 2020 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 2020 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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the open market a total of 6,276,000 shares of the Company at a total consideration of approximately HKD24,120,000.

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 2020.

On behalf of the Board

Dr. Chen Yuhong

Chairman and Chief Executive Officer

26 August 2020, Hong Kong