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

Results for the first half of 2023

Income statement highlights	For the six months ended 30 June 2023 (unaudited) RMB'000	2022 (unaudited) RMB'000	% Change
Revenue	**8,450,060**	10,025,275	(15.7%)
Service revenue	**8,295,751**	9,820,494	(15.5%)
Profit for the period	**350,687**	570,880	(38.6%)
Profit attributable to Owners of the Company	**351,028**	571,554	(38.6%)
Basic EPS (RMB cents)	**12.44**	19.62	(36.6%)

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023.
- No closure for the Register of Members of the Company.

Dear Investors:

The year 2023 marks the 20th anniversary of Chinasoft's listing. Over the past two decades, the Group's sales revenue has grown by 400 times, elevating its ranking to 73rd among global ITS service providers according to Gartner. Chinasoft International has emerged as the largest software company in China, consistently driving the forefront of the global digital society and digital economy. During the reporting period, the Group's performance has displayed a positive trajectory, achieving a revenue of RMB8.45 billion and a net profit margin increase to 4.2%. Our business development remains robust and stable. The Group has traced back and fortified its commercial core, delving into the integration of finance and quality, along with the execution of the DSTE strategy for comprehensive performance incentives. Leveraging the AIGC large model, we empower software engineering and scientific management, continuously addressing and striving to resolve real-world issues faced by our customers.

Reflecting on the past and looking back, 20 years ago, we set forth the mission to "create and share, growing hand in hand with China's software industry." Throughout this journey, our commitment to our original vision has remained steadfast, and our dedication unwavering. We have fortified our positions and faced challenges head-on, believing that the utmost sincerity surpasses the utmost cleverness and simplicity trumps complexity. With single-minded devotion, we've worked for, with, and from Huawei, evolving from our initial foundation of "values and execution" to the elevated principles of "professionalism and leadership." Holding high the banner of China's software industry, we've pursued a path of scaled and all-encompassing development. History has chosen us, and our destiny lies in innovation. The wellspring of innovation is rooted in China's progress!

At present, the Group is encountering its inaugural challenge amid cross-industry cycles: the era of "multifaceted" transformation driven by AIGC disruptions. This dynamic has amplified the authenticity, volume, and effectiveness of the digital transformation imperative across a myriad of sectors. As the chronic issues of the domestic market exhibit signs of fundamental resolution, the stage for a comprehensive cloud-native ecosystem is set, ushering in a new dawn of liberation. The digital transformation landscape is now poised to capitalize on AI-native approaches for incremental growth and high-value advancements. This evolution presents an opportunity for the substitution of conventional practices with innovative, AI-driven solutions, while the contours of a new horizon beckon with promise.

In this era, actions speak louder than words. We are presented with an opportunity to attain a purpose in life that matches our beliefs, to become heroes of the times. The specific path lies in harnessing 10% of Huawei's capabilities, thereby forging a "Spearhead + Legion + Command Center" formation. With the spearhead representing core cutting-edge technologies and breakthrough products, we aim to conquer new markets. The legion acts as the bridge between industry sales and the spearhead, while the command center efficiently handles customized business development and delivery, reducing costs. By deeply immersing ourselves in industries, we extend our reach to a broader spectrum of the digital transformation process service market, pursuing a business loop that's marked by quality, value, and significance.

I. Establishing the JointPilot (LingXi) Artificial Intelligence Platform, seamlessly integrating with Huawei's PanGu large model and Ascend AI cloud services

Chinasoft International has fully embraced the AIGC revolution, establishing the Jointforce AIGC Research Institute and implementing the "Large Model Ecosystem Development Strategy." As part of this initiative, we have introduced the JointPilot (LingXi) Artificial Intelligence Application Platform, dedicated to facilitating the practical implementation of large-scale model applications within various industries. Through the integration of capabilities spanning large and small models, multimodal functionalities, data resources, data governance, and knowledge engineering, we leverage the advantages of an ecosystem-oriented approach, including Packaged Business Capability (PBC) expressions for application development. This allows for the provision of generalized services for model reinforcement and fine-tuning. Chinasoft International is committed to collaborating with industry partners to embrace the PanGu large model, assisting application development partners across sectors in deconstructing legacy software systems and transforming traditional software application capabilities into PBC expressions that can be invoked by large-scale models. Presently, the functionality of the JointPilot (LingXi) Artificial Intelligence Application Platform encompasses various aspects, including model introduction and deployment, application generation, operation and management, industry-specific application support, domain knowledge governance, security compliance, and developer operations. This comprehensive coverage is cultivating an AI-friendly platform ecosystem.

During the reporting period, the Group entered into a collaborative agreement with Huawei Cloud regarding the PanGu large model. As a strategic partner of Huawei Cloud and an adept participant in the Huawei PanGu NLP large language model ecosystem, we were honored with the "PanGu Large Model Technology Leader" award at the Huawei Developer Conference 2023. This recognition underscores our role as an accomplished partner in the pioneering landscape of large-scale language models. Aligned with the three key innovative directions of PanGu's "industry transformation," "technological grounding," and "open collaboration," we are committed to deploying our capabilities in conjunction with the Ascend AI cloud service's single-cluster 2000P Flops computing power. By bolstering the large model's inherent capabilities with ecosystem elements such as prompts, fine-tuning, and plugins, we are dedicated to offering high-value services to industry clients. Furthermore, the Group has been successfully included in the "2023 Large Model and AIGC Industry Map" published by the China Information and Communication Research Institute. We have also become a data partner member of the second batch of the Beijing General Artificial Intelligence Industry Innovation Partner Program. The successful hosting of the second Joint Hackathon innovation competition exemplifies our approach of introducing, absorbing, and innovating, focused on accelerating innovation and practical application within targeted scenarios.

II. Entering the HarmonyOS Meta-Service Core Ecosystem, providing the world with a superior choice through root-level software technology services

With the release of HarmonyOS 4.0 and the upcoming HarmonyOS Next version by Huawei, a significant market expansion and potential of billions is anticipated in the application software ecosystem migration service sector. Chinasoft International stands as the sole IT software services company in the current HDC Harmony ecosystem collaboration. We are committed to embracing this opportunity with dedication and strategic intent, closely aligning our efforts with human needs to deliver valuable services. Our aim is to emerge as a key player in the world of meta-services, substantiating our role in this evolving landscape.

Leveraging our extensive experience in integrating hundreds of scenarios through the Southern Perception Application and years of accumulated research and development capabilities in the fundamental "software root technology" of the HarmonyOS operating system, we actively provided southward application migration services to partners within the HarmonyOS ecosystem. This strategic initiative capitalizes on the inherent strengths of HarmonyOS, including its ability for cross-platform development, adaptable modularization, and seamless integration. These advantages facilitate the efficient connection of user demands with applications, enabling applications and meta-services to achieve enhanced commercial viability. This effort contributes to positioning HarmonyOS as both a "cohesive agent" and an "enabler," fostering its role in the ecosystem. At the same time, we are harnessing the potential of the Chinasoft International JointPilot (LingXi) Artificial Intelligence Application Platform, which interfaces with the PanGu large model and the HarmonyOS application ecosystem. This platform is reinforced by distributed connectivity technology that merges AI and scene-specific hardware. This integrated approach allows us to precisely match services to users and their needs, thus catalyzing a broader spectrum of innovative applications. This synergy facilitates the expansion of native intelligent services across the unified ecosystem, introducing novel value to the northward application ecosystem.

The twin applications of Twin Applications and Sensing Platforms serve as the Group's focal points. Building upon the foundation of "KaihongOS + Super Device Management Platform," the Group revolves around the integrated trend of "sensing, connecting, intelligence, and control," binding closely with key industry solutions to offer a nationally-produced, controllable "edge-cloud" product ecosystem. In succession, the establishment of Shenzhen Kaihong, the Advanced Business Group (ABG) for Intelligent IoT, and the Advanced Intelligent Group (AIG) has brought together premium resources. These entities, anchored by the secure digital base of Shenzhen Kaihong, have formed the AIoT "Spearhead + Legion + Command Center" organizational structure. Together, they collaborate to explore and expand into the markets that are of vital importance to the nation and those that are pioneering in their respective cities. This initiative focuses on nurturing core capabilities, developing essential products, establishing pivotal channels, and constructing a fundamental ecosystem. By leveraging open-source HarmonyOS technology, this endeavor propels digital transformation across myriad industries. During the reporting period, we joined forces with Tianjin to co-create the "JinHong" digital twin platform, with applications landing in scenarios such as the intelligent port and smart parking in Tianjin. We crafted a centralized smart water management solution based on KaihongOS, implementing benchmark projects. In addition, we independently developed the Honglian All-in-One series, Harmong Companion series, as well as the Euler Edge All-in-One and server series, forming a comprehensive family of intelligent products applicable to various domains including water management, government, education, healthcare, mining, and transportation. Capitalizing on the momentum generated by igniting smart cities, we transformed product potential into market impetus, upgrading the "Honglian Chuang 2.0" products, and facilitating the application deployment of "City Hong" and "Industry Hong," along with related solutions.

III. Keeping pace with Huawei's expansion rhythm and continuously aggregate teams and capabilities to emerge as a robust driving force in facilitating the digitalization, localization, and intelligent transformation of central state-owned enterprises in China

The Group is actively establishing deep roots while aiming to break through boundaries, continuously expanding our presence in the ecosystem.

The Group is actively collaborating with Huawei to collectively forge a business focus on the goal of "minimalist architecture, supreme quality, low costs, and exceptional experiences." This joint endeavor aims to establish a more self-reliant and secure core business system that is highly efficient. During the process of product marketization and the transition from market project inception to completion, the Group is delivering "ERP Companion Services," offering adept ERP consultation and implementation services. In addition, we are steadily constructing a talent cultivation framework for consulting advisors, an assessment and dispatching system, and a reservoir of consulting resources. These efforts are combined to form a mature consulting business team, thereby establishing an end-to-end capability for planning and executing consulting services. We are designing an operational model for the consulting business platform, constructing the main process and sub-process systems within the platform's production pipeline.

During the reporting period, the Group collaborated with industry-leading clients such as Kunlun Wisdom and Sinochem Information to establish innovative shared platforms and benchmark projects like the SAP Mega Centralization initiative. Strategic collaboration with Inspur was achieved, leveraging the strengths of both parties to create joint solutions within the ERP domain. In the field of digital transformation consulting, the Group successfully implemented several DataArts projects. Furthermore, the Group secured a bid for a multi-million RMB project involving a large central enterprise, focused on an ERP-based audit platform. This achievement has laid a foundation for future audit services catering to central enterprises reliant on ERP solutions.

IV. Harnessing 10% of Huawei Cloud's capabilities and strategically delving into industry supply chains, bolstering our advanced cloud-based digital transformation consulting and system integration services

This year marks the sixth anniversary of the "sailing on the same boat" collaborative partnership between the Group and Huawei Cloud. Over the past six years, Chinasoft International has closely followed Huawei Cloud's growth trajectory, fostering a strategic synergy that has positioned us as a comprehensive partner across all domains of Huawei Cloud. Anchoring our capabilities in cloud intelligence, we have established a robust and sustained secondary revenue growth curve. By harnessing 10% of the strategic-level capabilities represented by Huawei and other major platforms, we are striving to become the most capable, rapidly advancing, and profitable cooperative partner within this mutual partnership.

The Group proactively embraces the transformative opportunities presented by Huawei's capability-driven ecosystem partnership strategy. Oriented towards key roles within GoCloud, we embark on a resolute charge, collectively reaching the upper echelons of the industry's NA and mid-to-long-tail clientele high-level service market. Our unwavering commitment lies in continually enhancing our integrated solution capabilities, aiming to become a premier service partner, software partner, and system integration partner, thus achieving a closed loop in the cloud service business. Facing GrowCloud, we comprehensively align with Huawei Cloud's trajectory, leveraging our ecosystem capabilities as the foundation to initiate focused expansion within the mid-tier arena, thereby accelerating the expansion of value-driven clientele. Anchored in our positioning as a CTSP (Cloud Transformation Service Provider), we align with our clients' cloud transformation journeys. We enhance our business development efficiency and client cloud adoption efficiency through platforms like CodeArts and software production lines. We channel our industry expertise into deep industry coverage through aPaaS platforms. By harnessing cloud-native technologies like microservices, containers, and DevOps, we assist clients in swiftly embarking on modernization efforts and constructing new cloud-native applications. We aid enterprises in optimizing their existing IT architectures, streamlining IT governance processes, and continuously managing operations. Through modernizing applications, we enable successful digital transformations.

In IDC's latest "China Cloud Professional Services Market Tracking" report, Chinasoft International has once again clinched the top spot in two major segments of cloud professional services: cloud migration services and cloud development services. This achievement demonstrates our ongoing leadership in the field. As enterprises increasingly embrace cloud technology as a key driver for their digital development, Chinasoft International remains at the forefront, leveraging its comprehensive capabilities in cloud professional services. We are deeply engaged in pivotal industries such as government, finance, manufacturing, energy, and automotive, aligning closely with the trend of extensive cloud adoption in enterprise digital transformation. By harnessing our expertise in professional migration services, we expedite the cloud journey for businesses, enabling them to adopt cloud-native technologies and modernizing their applications with the backing of our robust cloud-native capabilities.

V. Focusing on the pivotal value chain segments within the intelligent electric vehicle software industry and empowering automotive enterprises with intelligent applications

Continuing and strengthening our deep collaboration with automotive industry manufacturers, the Group is closely coordinating with domestic chip manufacturers. We are dedicated to the research, development, and sales of self-controllable operating systems, foundational software platforms, and related development and testing toolchain products for intelligent connected vehicles. By co-creating the in-car HarmonyOS, we are establishing a robust foundation to ensure high-quality growth in our automotive business.

In the "Intelligent Cockpit" domain, we collaborated with chip manufacturers to develop cutting-edge cockpit operating systems, positioning ourselves as a domestic automotive operating system solution provider. Our profound integration with automakers entails encapsulating foundational systems within the vehicle's overall framework, offering unified holistic views of the entire vehicle system. We have established a comprehensive "three-in-one" intelligent marketing solution for automotive enterprises, centered around data and operations. Our self-developed products have achieved breakthrough success in securing and delivering orders from scratch. During the reporting period, our automotive business experienced significant growth in high-margin levels. We have continued to expand partnerships with key players in the automotive industry, including FAW, CAAM Group, MCC Baosteel, CATL, Changan, Great Wall Motors, Geely Geometry, and Lotus. In the automotive field, we have established an integrated service chain encompassing consultancy, IT equipment delivery, and specialized services. Notably, we assisted FAW Group's Research and Development Institute in successfully implementing the OMSP system, accomplished BYD's HMI technology outsourcing, and facilitated the digitalization of project management for GAC Toyota, among other achievements.

VI. Leveraging AIGC and enhancing the quality and efficiency of our Intelligent Software Factory, while pioneering new horizons in our "Four Verticals, Four Zones" initiative to explore first-curve business opportunities

The introduction of AIGC technology empowers us to establish an exceptional management system that supports the development of our core business initiatives. This enables us to optimize efficiency and quality within existing tracks, while consistently building a robust profitability foundation. Initiating from the perspectives of efficiency, processes, and intelligence, we are meticulously organizing and analyzing business processes and job role descriptions. This allows us to convert key business operations into standardized operating procedures (SOPs) and integrate process nodes with AIGC models to enhance analysis. Through IT infrastructure development and the implementation of "Digital Employees," we drive cost reduction and efficiency enhancement, elevating both operational and managerial effectiveness. Leveraging AIGC, we are reshaping our development toolchain, creating development toolkits, and building a capacity repository to craft an AI-powered software factory. Utilizing intelligent automation tools like CodeArts, Codewave, and Copilot X assists in programming and testing. Collaborating closely with our clients, we jointly research and innovate, continually enhancing individual productivity.

The collaborative expansion under the "Four Verticals, Four Zones" strategy encompasses four major verticals: Software Factory, Legion, CTSP (Cloud Transformation Service Provider), and Localized Applications and Services. These are further complemented by four regional zones: North China, East China, South China, and Northwest China. Based on the outward diffusion of domain-specific expertise, the "Four Verticals, Four Zones" strategy continually penetrates both upstream and downstream segments of the industry value chain, ecological connections, and segmented regional markets. This approach facilitates the expansion of productive capacities and leverages marginal cost advantages to fortify the foundational cornerstone of our first-curve business operations.

VII. Seizing the opportunity presented by Chinese enterprises' overseas expansion, we are committed to expanding our presence in the international market

Continuously strengthening our presence in Hong Kong, we are enhancing our integrated team's service capabilities to establish Hong Kong as a hub for our overseas operations. It will serve as a center for research and development, pre-sales support, ecological cooperation, and global operations for the Group's international ventures. At the same time, we are closely following opportunities presented by leading state-owned enterprises, financial institutions, automakers, and major internet corporations to expand our presence in markets across Southeast Asia, the Middle East, and Latin America. This initiative aims to establish an overseas sales and service platform, accelerating our global outreach and enhancing China's influence in the global IT landscape.

During the reporting period, the Group established deep collaborations with Huawei and China Mobile Hong Kong, positioning itself as one of the qualified suppliers for the Hong Kong Government's information technology professional services over the next four years. Leveraging Hong Kong as a strategic hub, our reach extended into Southeast Asia and the Middle East, with our services permeating markets including Singapore, Malaysia, Thailand, Indonesia, and India. We also secured a position as an IT service provider for Kenagan Bank and successfully bid for the SAP project with Tenaga Nasional Berhad in Malaysia. Our foothold in the Middle East expanded progressively, as we emerged as one of the two paramount national cloud service providers in key countries like the UAE and Saudi Arabia. Additionally, during this period, the Group forged a strategic partnership as an ecosystem collaborator with Ant Group. We embarked on multiple collaborative projects spanning finance, retail, government, and education sectors both domestically and internationally. Furthermore, we secured the overseas testing service project for TikTok, effectively binding our strategic initiatives with projects from ByteDance, Feishu, Xigua, Huoshan, and more, facilitating their expansion plans overseas.

VIII. Strengthening our systemic platform support, and achieve a high-quality closed loop for our DSTE (from strategy to execution) approach

During the reporting period, the Group propelled transformational changes through systematic operations while maintaining healthy profitability. We engaged in the strategic planning efforts of Strategic Plan (SP) 304, actively interlocking plans with key top-tier clients. This facilitated the continuous deepening of strategic partnership relations and the iterative optimization of mechanisms, extending from SP to BP budgeting, and further encompassing organizational structuring and incentive systems. Looking ahead to the next two decades, we initiated a comprehensive enterprise plan focused on "key scenarios, critical projects, essential products, and pivotal breakthroughs" to enhance investment efficiency. We solidified the outcomes of the financial and quality integration transformation, experimenting with Digital CSI to digitalize our workforce and achieve equipment intelligence. Moreover, we fortified the execution optimization closed-loop management, ensuring seamless management from campaigns to quarters, sprints to months, and dynamic evaluations to weeks, thereby enhancing our dynamic adjustments within responsibility centers. Guided by the spirit of striving and with a foundation in valuing our workforce, we established the Chinasoft International Battle Training Team, bolstering multi-dimensional capabilities of cadre elites. We cultivated a workforce characterized by the principles of "faith, trust, and reliance," internalizing the spirit of entrepreneurship and fostering the true embodiment of exceptional employees as our "Digital Iron Brigade." Our commitment extends to the establishment of the Innovation and Creativity Academy and the Specialty Software Academy, collaborating with educational institutions to cultivate a cadre of cutting-edge talent.

Dear investors: The Group remains steadfast in its unwavering belief in the great rejuvenation of our nation, resolutely adopting the conviction to follow the path laid by the distinguished company, and firmly holding the unwavering belief that we possess unique strengths in the world. Our aspiration is lofty, our approach is prudent. Bearing the weight of historical responsibility, we stride forward with determination, as pioneers who carve new territories and forge ahead. We boldly pave the way, commanding even mountains and peaks to step aside. Remember, the path to victory is the one without retreat!

Chairman
Chen Yuhong

2023 Summer

1. AIGC Jointforce – AIGC

During the reporting period, the Group established the Chinasoft International AIGC Research Institute based on the Jointforce platform. The institute formulated the "Large Model Ecosystem Development Strategy" and introduced the JointPilot (LingXi) Artificial Intelligence Application Platform. The Group is dedicated to creating a comprehensive ecosystem by integrating capabilities of different-sized models, multi-modal capabilities, data resources, data governance, and knowledge engineering. Positioned at the ecological niche, the platform enhances large model capabilities, providing a comprehensive range of artificial intelligence solutions for government and enterprise clients. This initiative contributes to innovation and development in the era of advanced large models.

1.1. JointPilot (LingXi) Artificial Intelligence Application Platform

The JointPilot (LingXi) Artificial Intelligence Application Platform integrates the advanced concept of PBC in application development. It encapsulates various industry-specific capability modules into micro-applications that can be accessed by large models. This platform assists ISV partners across various sectors in transitioning their software development deliverables into the PBC format. Generated PBCs can be utilized and reused countless times by different industry applications, and they can also be integrated as plugins for large models. This drives substantial transformation in software delivery methodology.

JointPilot offers a rapid micro-application generation tool that supports the creation of applications through natural language interaction. Its user-friendly and flexible interface enables autonomous development without the need for programming skills, further reducing the entry barrier for ISVs to develop applications in PBC format. Through the common capability services provided by JointPilot, clients can transform their IT assets into PBCs, optimizing IT investments and enhancing asset reuse levels. The Group will collaborate with partners to develop AIGC-driven solutions in sectors such as transportation, education, healthcare, and government, facilitating the transformation of traditional solutions into AI-enhanced upgrades across various industries.

In terms of model capabilities, JointPilot has already accumulated the integration of various models, including both large-scale and small-scale models. It has established close partnerships with leading domestic providers of large-scale models. Major domestic open-source models have been integrated into JointPilot, enabling the platform to facilitate the integration of model capabilities. Through an automated training process within the model factory, customized large-scale models can be efficiently and rapidly developed to meet specific customer requirements.

In the field of multimodal capabilities, in collaboration with Foxit Software Development Company, the largest PDF provider in China and the second-largest globally, the Group has integrated its document capabilities into the robot assistant, Jointforce, enabling it to execute various document-related tasks. These tasks include opening, editing, and exporting PDF files, extracting text and images, conducting document searches, and more. This integration offers users a more convenient and efficient document processing experience. Furthermore, Jointforce has developed its own voice recognition assistant, which is applied in the digital witnessing scenarios of bidding activities. This involves recording the entire bidding process through digital means to ensure the authenticity and procedural adherence of transaction data. Through JointPilot's multimodal capabilities, this application enhances the efficiency and accuracy of the client's evaluation and witnessing mechanisms. It enables a comprehensive understanding and analysis of the evaluation process, providing valuable insights and judgments.

In terms of data capabilities, leveraging Chinasoft International's years of accumulated experience in data governance and knowledge engineering, JointPilot offers clients extensive data governance services and tools for knowledge collection, processing, integration, and validation within the context of big data. This enhances the service capabilities for large models by providing Distributed Knowledge Graph (DKG) constraints. The DKG capabilities encompass various domains, including procurement collaboration graph, product information graph, urban governance graph, intellectual property graph, and more. Notably, some DKG nodes have reached over 500 million. Jointforce has achieved recognition in several core technology and service sectors within the "2023 Industrial Map of Large Models and AIGC" published by China Information and Communication Research Institute (CICT). It is acknowledged in categories such as infrastructure layer, model and tool layer, and product service layer. Additionally, Jointforce has been selected as a data partner in the second batch of Beijing Municipality's General Artificial Intelligence Industry Innovation Partner Program.

Presently, the JointPilot Library has accumulated over a hundred Packaged Business Capabilities (PBCs), which are applied across various general scenarios such as information collection, document interpretation, and marketing copy. These capabilities also extend to industry-specific contexts like urban governance, smart procurement, and digital ports. Jointforce is poised to collaborate closely with industry Independent Software Vendor (ISV) partners to embrace Artificial Intelligence and Generative Computing (AIGC). This collaboration will expedite the development of industry-specific solutions through joint innovation efforts. Moreover, Jointforce is set to establish industry-focused CoPilots, catering to its partner network. This marks the initiation of a new journey characterized by the collective pursuit of innovative solutions across a multitude of industries.

1.2. Collaboration on Large-Scale Model Applications

The Group, as an early participant in Huawei's PanGu NLP large language model ecosystem, engaged in capability-based partnership. During the 2023 Huawei Developer Conference, an agreement was reached with Huawei Cloud to collaborate on PanGu large model, and the Group was honored with the "PanGu Large Model Technology Pioneer" award. Leveraging JointPilot, the Group embarked on reinforcing and fine-tuning services for the Huawei PanGu large model, becoming a high-quality data partner for PanGu large model. This partnership serves to provide comprehensive data support for AI application development.

During the reporting period, the Group continued to drive the fusion of large models with industry applications. It emerged as one of the inaugural ecosystem partners of Baidu's "Wenxin Yiyu" initiative, achieved the status of a preferred-level technical partner of the Paddle deep learning platform, and established itself as an ecosystem partner of the Wenzhen Qianfan large model platform. Through collaborative innovation, the Group propelled AI development and successfully implemented commercially viable use cases based on large models. Leveraging its leadership in the knowledge graph domain and innovative practices in the AIGC direction, the Group further deepened collaboration with Baidu Intelligent Cloud. This collaboration led to the enhancement of capabilities in data governance, model construction and fine-tuning services, model application integration services, and continuous operations. In the era of AI 2.0, the Group provided enterprises with novel solutions in knowledge management and intelligent digital assistants. By utilizing upgraded multi-turn interactive question-and-answer methods, employee productivity in knowledge querying, generation, and analysis experienced a substantial boost, achieving over four times faster knowledge acquisition and stimulating creative potential. For clients in industries such as oil and gas, construction, and others, the Group partnered with Baidu Cloud to implement the "platform + service" best practice, with the aim of empowering industrial innovation through the utilization of large models.

During the reporting period, the Group established a strategic partnership with NetEase DataSail's Codewave, focusing on AIGC and low-code applications. Together with Zhujian Intelligent Technology, the Group launched a Model Factory Laboratory tailored to industry clients.

1.3. Enterprise and Government Market

During the reporting period, the Group continued its focused efforts in key cities under the "4+4+2" strategy, transitioning from "Supporting Digital China" to the positioning of "Building Digital China." It provided comprehensive services to 2,997 projects for 1,102 government and enterprise clients, totaling 1,142 service engagements. These initiatives encompassed a project value of approximately RMB10.73 billion, generating Gross Transaction Valve (GTV) revenue of RMB9.4 billion from digital projects that yielded service income. Addressing various segments including solutions, procurement, implementation, delivery, and operations, the Group persisted in strengthening the digital end-to-end service model of "Service + Platform + Ecosystem" in the AI 2.0 era. Notably, it achieved breakthroughs in major data bureaus in cities such as Shenzhen, Lu'an, Yancheng, Yixing, and Changsha's Tianxin District. A cumulative total of more than 40 major data bureaus across 19 cities have benefited from its services. Concurrently, the Group proactively advanced complementary services linked to the general capabilities provided by PBC transformation. Through JointPilot, it assisted clients in establishing common capability management systems, optimizing IT investments, enhancing IT asset reuse, and creating an environment conducive to the implementation of AI-friendly applications.

2. Smart IoT and Digital Twin

Building upon the 1+1 strategy (KaihongOS + Super Device Management Platform), the Group is fully committed to constructing a self-controllable foundation for the Smart IoT, encompassing end-edge-cloud-network applications through an integrated software and hardware solution. This comprehensive approach is tightly integrated with the strategic initiatives of the "XinChuang China" program in pivotal sectors. To achieve these objectives, partnerships have been formed with high-quality resources, leading to the establishment of Shen Kaihong, the Smart IoT Business Group (ABG), and the Smart IoT Division (AIG). Utilizing the secure digital foundation of Kaihong, the Group has formulated the AIoT "Sharp Edge + Division + Headquarters" organizational framework, aimed at co-developing markets of national significance and urban innovation. This endeavor is focused on becoming a predominant force and trailblazer in the development of the All-Connected IoT ecosystem, in alignment with the mission of advancing China's digital transformation.

2.1. KaihongOS and Digital Twin Platform

SZ Kai Hong, in collaboration with KaihongOS and the Digital Twin Platform, is building a unified foundation for the Internet of Things (IoT) and digitalization. At the IoT level, KaihongOS employs a plugin-based architecture for flexible deployment, enabling seamless connectivity from sensors to complex device systems. At the data connection level, the Super Device Management Platform aggregates data into a unified structure, facilitating digital twinning, visualization, and simulation across various scenarios. This further enables virtual manufacturing simulation, aiding enterprises in swiftly constructing scenario-based metaverses. On the intelligent connection level, leveraging an atomic service framework allows for one-time development of industry applications and cross-platform deployment, thereby facilitating the sharing of industry expertise.

During the reporting period, the validation of the model was completed through the implementation of the City Perception Platform and the expansion of application scenarios with the "City Hong" framework. In May, a collaboration with SZ Kai Hong and the Tianjin Municipal Industry and Information Technology Bureau led to the joint release of the urban Smart IoT operating system called "Jin Hong" Digital Twin Platform. Built on the foundation of the open-source Harmony, the "Kaihong 1+1" secure digital base, anchored by data, seamlessly connects regions and industries bidirectionally. It encompasses features such as comprehensive perception, robust security, real-time sharing, unified openness, twin mapping, and efficient flexibility, fully meeting the requirements of digital city construction. The "Jin Hong" Digital Twin Metaverse Platform is planned to serve as the digital base for the entire Tianjin municipality, supporting various regional and industry-specific platform applications to empower intelligent urban governance in Tianjin. Currently, the "Jin Hong" platform has been utilized to implement the "Jin Hong Smart Port Brain," which comprehensively perceives the status, environment, safety, and other data of the port machinery's operations. Real-time data on various port machinery statuses are synchronized and displayed through the Port Industrial IoT platform. It has already facilitated smart monitoring and maintenance, intelligent lifting, and personnel and vehicle safety supervision at the port, thereby driving transformative upgrades in port collaborative operations and safety oversight.

During the reporting period, the Group made significant progress in driving the establishment of industry standards through the Industry Twin Platform and the "Industry Hong" initiative. Collaborating with SZ Kai Hong, the Group participated in the Intelligent Appliance Digital Infrastructure Key Technology Research Project undertaken by Qingdao Guochuang and has successfully completed the first phase of project delivery. This project has been selected for inclusion in the key research and development program of Shandong Province, effectively promoting the application of the open-source Hongmeng OS in the home appliance industry.

2.2. Product Development

The Group, taking edge intelligence as the entry point, has leveraged the features of KaihongOS such as distributed software bus to develop a variety of foundational hardware. It has iterated its cloud, edge, and edge products in multiple industry scenarios.

Currently, SZ Kai Hong has 8 development boards that have passed OpenHarmony compatibility evaluations. Among them, the KHDVK-450A development board became the first development board to pass the compatibility evaluation for the 3.2 Release version of the OpenHarmony community. The KHDVK-3566B board has been integrated into the core of the OpenHarmony community. In terms of standard module products, shipments and customer services have been further expanded. The HarmonyOS Intelligent Connection SKU business has delivered a total of over 150 products and has served more than 350 ecosystem partners.

During the reporting period, the Group has independently developed a series of HarmonyOS integrated devices, HarmonyOS companions, HarmonyOS control tablets, as well as the Euler Edge Integrated Device, Euler Edge Server, and other Intelligent Connection product lines. These products cater to various sectors such as water conservancy, government affairs, education, health care, mining, and transportation. They offer the capability to swiftly integrate devices from different brands, protocols, and links at the perception layer, ensuring uniform data standards and efficient end-cloud collaboration. This significantly enhances the comprehensiveness and efficiency of the Internet of Things (IoT).

During the reporting period, the Group independently developed a domestically manufactured industrial control screen. This screen is based on the self-developed industrial core board ERK3568J-01, embedded with KaihongOS. It possesses characteristics such as distributed software bus, seamless network configuration, flexible composition, and elastic deployment. This product can facilitate the intelligence of various types of industrial equipment, connecting and controlling a vast array of IoT devices. Designed according to industrial-grade standards, the product's specifications are at the forefront of the industry. It can reliably and safely operate in extreme working environments for extended periods, effectively ensuring industrial production. The industrial control screen has been successfully delivered and utilized in multiple industrial sector institutions and units. Among them, the jointly created product "Mine Hong" with China Railway Construction Heavy Industry has obtained "Mine Hong" certification and has been deployed for mining operations.

During the reporting period, SZ Kai Hong and Micro multicopper Aviation jointly developed the KaihongOS unmanned aerial vehicle (UAV). This UAV utilizes the KaihongOS tablet for control, allowing the task interface to freely transition between different devices for seamless multi-device collaboration. This facilitates UAV operation and management decision-making. Additionally, by leveraging the atomic service features of KaihongOS and the characteristics of super devices, a UAV digital twin was created. This twin enables real-time dynamic twin mapping on tablets and computer devices, paving the way for a technological breakthrough in controlling multiple UAVs by a single operator in the future.

During the reporting period, the Group collaborated with Hongqi Charging Pile to co-create a groundbreaking product— the Smart Ultra Charger integrated system. This innovative solution represents the world's first high-power direct current liquid-cooled ultra charger for electric vehicles, built upon the foundation of OpenHarmony. Infused with the KaihongOS standard system, this integration employs a distributed software bus to break down data barriers between the charging station and other devices such as parking locks. As a result, the fusion of device status and IoT perception is achieved seamlessly. The product has been successfully deployed across over 20 supercharging stations in Dalian and has been recognized as an innovative product by the Open Atom Open Source Foundation. The Group's efforts in this endeavor have garnered the distinction of being awarded the Ecological Practice Demonstration Unit.

2.3. Industry Application Solutions

2.3.1. Smart Water Management

In the field of water resources and water services, the Group's Intelligent IoT Division has independently developed and launched the Smart Water Management series of integrated devices for the water sector (including sensor-based, gateway-based, and computing-based models). These devices adhere to unified standards and offer comprehensive sensing capabilities, contributing to unmanned or minimally-staffed operational management. This approach significantly reduces deployment and maintenance costs in water resource scenarios, while enhancing operational efficiency. Leveraging the concurrently developed Sui Ming Perception Platform V1.0, the Group has established a systematic matrix of domestically developed smart IoT products in the water resource industry. These efforts have led to the implementation of specific scenario-oriented solutions, including urban river gate and pump station integration, urban flood monitoring and early warning, and intelligent irrigation district management.

The Urban River Gate and Pump Station Integration Solution, based on KaihongOS core technology, utilizes a combination of Lei Ze Smart Integrated Devices, Yi Wang Smart Companion, and Sui Ming Smart Perception Platform. It enables real-time data collection from various sources, including gate and pump station operations, water level measurements, and water quality monitoring. These data points are integrated to facilitate comprehensive operation and maintenance activities. The solution assists operational units in monitoring equipment status in real-time, uploading data, issuing maintenance alerts, and executing coordinated actions. Through the implementation of the "Four Predictions" task actions, comprehensive maintenance management is achieved. Ultimately, this solution helps the client achieve centralized data collection for critical information, integrated data management, multi-task concurrency, and strategic task coordination.

The Urban Waterlogging Monitoring and Early Warning Solution incorporates functionalities such as "Data Collection and Aggregation + Waterlogging Forecast and Early Warning + Comprehensive Command and Dispatch." This solution aims to achieve information gathering from various data sources related to urban waterlogging, protocol translation and logical assessment, early warning forecasting, issuance of instructions, and the establishment of a self-contained business loop. Its key objectives include achieving remote visibility, management, and control, as well as facilitating emergency dispatch and other operational goals related to waterlogging incidents.

The Smart Irrigation Zone Solution, built upon the foundational KaihongOS technology, is equipped with functionalities such as "Data Aggregation, Intelligent Industrial Control, Analysis and Prediction + Command and Dispatch." This solution aims to digitally aggregate information from devices within the irrigation zone, including sluices, dams, pump stations, and monitoring equipment. It involves protocol translation, establishing a self-contained business loop, and aims to achieve remote visibility, management, and control over irrigation zone operations.

During the reporting period, the Group undertook an intelligent perception IoT system project for urban flood control, drainage, and water dispatch coordination in a major central city. This project utilized KaihongOS to achieve centralized intelligent management of traditional sensing devices, video perception, and industrial control systems. Without altering the existing network configuration, the project aimed to enhance comprehensive IoT perception capabilities. The integration and delivery involved nearly a hundred sets of self-developed hardware products and the Sui Ming perception platform. The objective was to establish an industry benchmark and subsequently promote its application in various sectors, including smart water management and smart water services.

2.3.2. Smart Highway

During the reporting period, the Kaihong controller developed by SZ Kai Hong, as an integrated software and hardware product enabled by OpenHarmony, made its debut at the 2023 China Highway Informationization Conference. The Kaihong controller employs a combination of domestically produced components and boasts a rich variety of input and output interfaces, allowing for the replacement of various types of Programmable Logic Controllers (PLCs) for mechanical and electrical equipment. In the context of intelligent highway scenarios, it addresses challenges in the smart construction of tunnel mechanical and electrical systems. It adapts and connects with a wide range of tunnel mechanical and electrical equipment, such as traffic signal lights, lane indicators, CO/VI detectors, brightness detectors, and jet fans. This enables real-time data collection and intelligent control of tunnel environmental parameters and the operating status of mechanical and electrical equipment. It realizes innovative goals in tunnel management, including safe construction, emergency coordination, and intelligent inspections. During the reporting period, the Group introduced the "Edge Brain" Traffic Kaihong One Machine and the "Device Intelligent Access Assistant" Harmony Partner, enhancing safety operations and inspection efficiency. Collaborating with Shen Kaihong, the Group continues to promote the replication of the intelligent highway tunnel solution that has already achieved its first-phase implementation in Jiangxi to more highway application scenarios.

During the reporting period, the Group officially signed a strategic cooperation agreement with Chongqing Huachi Traffic Technology Co., Ltd. (referred to as "Huachi Traffic") and Shen Kaihong. The three parties engaged in deep collaboration in the field of intelligent highways based on the OpenHarmony digital foundation. Leveraging the KaihongOS unified terminal physical model, they established data sovereignty, a unified architecture, communication protocols, and data standards. This collaboration aimed to create super terminals for tunnels, bridges, roads, slopes, service areas, and toll stations. They agilely built industrial Internet applications for safety emergencies, intelligent operations and maintenance, comprehensive road networks, structural monitoring, intelligent toll stations, smart service areas, and intelligent road sections. This comprehensive approach covers the entire lifecycle of highway construction, management, maintenance, operation, and services across various scenarios in the highway industry. By offering innovative and breakthrough solutions, it achieves real-time monitoring of the entire process of highway electromechanical equipment. This breaks down the isolated information state of traditional highway electromechanical equipment, contributing to the transformation and upgrading of highway digitization.

2.3.3. Smart Railway

Collaborating with Huawei and Guangzhou Metro Group, SZ Kai Hong initiated its efforts in the field of subway tunnel construction using shield construction methods. Addressing challenges in traditional construction such as long waiting times between multiple-role sequential operations and the presence of numerous hazardous mechanical equipment in "high-frequency, high-energy consumption, high-risk" environments, a groundbreaking subway construction solution based on OpenHarmony was developed. This solution involved the integration of OpenHarmony-enabled industry distribution version KaihongOS, leveraging the soft bus capability of Kaihong controllers. By utilizing technologies such as rule engines, physical models, industrial protocol containers, and multi-path disaster recovery, the solution enabled the connection, collection, interconnection, and intelligent collaboration of core equipment in subway construction sites. It facilitated the recognition and positioning of vehicles and personnel in tunnel management, as well as the autonomous coordination of on-site equipment, personnel, environment, and materials at the edge. The super device management platform was then employed to supervise the operational status of all devices. The solution was showcased during the Beijing-Qingdao International Urban Rail Transit Exhibition, contributing intelligence and strength to the advancement of smart subway construction and the realization of a robust transportation network.

2.3.4. Smart Education

SZ Kai Hong, in collaboration with Huawei, has introduced a groundbreaking joint solution called the Information Technology Innovation Digital Classroom Solution. Built upon the KaihongOS foundation, this solution achieves seamless interconnection of all teaching terminal devices, enhancing the security supervision of educational data. Through the integrated capabilities of the super device management platform, intelligent device data in teaching is harmonized for holistic coordination. Furthermore, SZ Kai Hong 's Information Technology Innovation Talent Training Lab utilizes KaihongOS full-scenario experimental boxes and development boards. By incorporating authentic research and development tools from enterprises into education, this approach allows teachers and students to engage in learning and innovative exploration within a genuine production environment. This initiative comprehensively enhances the practical engineering skills of students and teachers in using open-source HarmonyOS technology across the physical layer, system layer, network layer, and perception layer.

During the reporting period, following the successful completion of the "Beijing Winter Olympics Athlete Training Technology Support Smart System," the Group continued to achieve numerous technological innovations in the direction of IoT+Sports Big Data, particularly in the field of campus sports. Leveraging its strengths in IoT and big data technologies, the Group's objective is to serve the health of over 200 million young athletes nationwide. This effort has resulted in the creation of the industry's first comprehensive solution for applying IoT+big data to sports. On the IoT sports equipment side, the Group adapted various sports wearable devices, such as sports watches, wristbands, and chest patches, using the HarmonyOS operating system. This localization of IoT sports device root technology forms the basis for developing edge computing applications for various sports scenarios. This, in turn, creates a cloud-edge integrated intelligent application with the data platform side. On the sports big data platform side, the Group addressed challenges related to IoT data collection in sports and the integration of data from multiple sports health devices. The Group has achieved several breakthroughs in technology research and development, positioning itself as the industry's pioneering solution to issues such as rough data transmission, high noise levels, low data quality, and unusability in the process of transmitting IoT sports health data.

2.3.5. Smart City

During the reporting period, the Group, in collaboration with SZ Kai Hong, developed integrated software and hardware solutions for various smart city applications, including smart streetlights, smart buildings, and smart parking. These solutions were tailored to specific application scenarios and successfully implemented in various projects.

Smart Lamp Posts: In collaboration with Fuzhou Urban Investment and Development Group (Fuzhou City Investment New Infrastructure Group), SZ Kai Hong embarked on a partnership to create a comprehensive smart lamp post solution. This solution focused on four key urban scenarios: urban governance, transportation, public services, and intelligent maintenance. Leveraging the "multi-pole integration" of smart lamp posts and the "smart everything" nature of the open-source HarmonyOS system, the project utilized open-source HarmonyOS technology to achieve inter-pole and inter-device collaboration, as well as resource sharing. This initiative led to the creation of the country's first HarmonyOS-based multifunctional smart pole scene. In the field of urban governance, the HarmonyOS-powered smart multifunctional lamp posts are capable of timely coordination with nearby multifunctional pole devices to issue warnings in response to instances of illegal behavior. This has already been realized in various scenarios, such as dealing with violations like illegal parking, littering, unauthorized street vending, jaywalking, illicit outdoor advertisements, and crowd gatherings. This integrated approach enhances urban governance capabilities. In the field of transportation, the multi-pole camera system enables real-time identification of minor traffic accidents for on-site multi-dimensional evidence collection. LED screens and audio columns are employed to promptly notify vehicles to clear the scene, thus effectively improving traffic flow. In the field of public services, the system employs NFC technology, allowing citizens to connect automatically to free Wi-Fi networks by simply tapping their smartphones, thereby increasing public awareness of the smart city initiatives. In the field of intelligent maintenance, a touch-enabled handheld terminal facilitates control of the controller from a screenless state to a screen-equipped state, enabling accurate retrieval of detailed device information from the pole. Local adjustments of devices like speakers and LED screens can also be performed through the handheld terminal, thereby enhancing inspection and maintenance efficiency.

Smart Buildings: Guided by the vision of "Empowering Building Transformation with Digital Twins," the initiative centers on KaihongOS and the Super Device Management Platform as the foundational technologies, with the Building Operation and Management Platform serving as the business enabler. Leveraging emerging CT technologies, a comprehensive integrated platform for building operation, management, decision-making, service, and communication is established, underpinned by the principles of digital twins. This platform strengthens information construction among building operators, lessors, and users, promoting deep system integration and data modeling. Through a unified digital platform, an intelligent operation and maintenance system is built, connecting fire safety, office scenarios, and energy consumption scenes to enhance data efficiency. This results in elevated building management and service quality. During the reporting period, the Smart Building solution was successfully implemented in the New Kaihong Building of Fuzhou Urban-Rural Construction Group. The initiative entailed the establishment of a unified IOC (Integrated Operations Center) for visual command and control. This allowed for comprehensive situational awareness, real-time monitoring of the building's operational status, an integrated view of multiple system information on a single screen, remote dispatching, cross-system interlocking, and coordinated response capabilities.

Smart Parking: The Group has independently developed a Smart Parking solution, incorporating products like NB magnetic sensors and core boards as the foundation. Through the utilization of KaihongOS and the Super Device Management Platform, the solution intelligently detects vehicle entry and exit, enhancing parking management efficiency. Real-time data is collected from various on-road parking lots and parked vehicles, monitoring parking space availability. This data is transmitted to the central backend through the KaihongOS base station, undergoing unified storage and processing. The central backend interacts with front-end PDA devices and related systems, achieving intelligent management of temporary on-road parking. Simultaneously, the solution integrates various parking lot resources across the region and centralizes their management, forming a smart parking information network to address urban parking challenges. The Group has collaborated with Tianjin Beichen Development Zone to implement and establish a benchmark Smart Parking enhancement project, collectively promoting the localization and upgrade of smart parking equipment.

2.4. Honglian Collaborative Innovation Ecosystem

During the reporting period, the Honglian Collaborative Innovation Ecosystem accelerated its service upgrade, launching the "Honglian Collaborative 2.0" product with its global debut in Suzhou. Positioned as a "public technology service platform for open-source independent innovation that enhances urban governance and industry digitization," it has fully embraced open-source innovation. This platform aims to connect with open-source communities, aggregate open-source resources, and gather open-source knowledge, providing comprehensive support for independent domestic collaborative innovation. In the future, the ecosystem will continue its efforts to upgrade "Honglian Collaborative 2.0" in more cities, establishing itself as a new engine for the practical application of OpenHarmony. It will establish an innovative system for scenario application, encompassing "early validation - integration experiments - comprehensive promotion," driving the deployment of "City Hong," "Industry Hong," and related solutions. By integrating with local industries, it will validate autonomous and controllable intelligent IoT applications, fostering the mass incubation of new products, applications, and services.

The Honglian Collaborative Innovation Ecosystem has transitioned from "illuminate the city" to "ignite the nation," currently establishing its presence in 7 cities including Wuzhen, Zhengzhou, Suzhou, Yancheng, Zhongshan, Tianjin, and Chengdu, with the Honglian Industrial Park. Additionally, it has set up 2 co-creation laboratories in Qingdao and Chengdu. The ecosystem has extended its services to nearly 20 cities, aggregating more than 3,000 AIoT ecosystem suppliers and over 300 HarmonyOS-based product solutions. It has accumulated more than 80 independent IoT products and solutions, and nurtured more than 80 AIoT talent experts. It has served around 1,500 government and enterprise clients, impacting over 10,000 businesses both online and offline. All of these efforts have contributed to the establishment of the iconic Honglian Collaborative Innovation Ecosystem brand.

3. Pan - ERP and Digital Transformation

The Group actively seized the opportunities presented by the digital transformation market to harness AI-native initiatives, drive incremental growth, and create high-value digital solutions. In key industries such as state-owned enterprises in sectors like petroleum, energy, construction, and defense, the Group is modernizing its toolkit and applications. This is achieved through a business model centered around a "industry consulting-driven, ERP implementation-focused" approach, optimizing the synergy of consulting, secondary development, and customized development services. The Group is establishing end-to-end consulting and implementation service capabilities, aiming to gain recognition as a key player in driving digital transformation in these key industries.

3.1. Consulting Planning

During the reporting period, the Group continued to provide high-quality digital transformation consulting services to clients, gaining strong recognition within the industry for its consulting capabilities. Throughout this period, the Group maintained a deep collaboration with Huawei in a particular industry. In the field of ICT planning consulting in the China region, the Group maintained its position as the market leader. It successfully executed multiple projects in five key domains: digital R&D, integrated supply chain, digital marketing, digital operations, and data governance & security. Looking ahead, the Group will leverage the combined strengths of both parties and work closely with partners to explore new business models. First, collaborative digital transformation workshops will be organized for NA enterprises, propelling them into a new phase of digital transformation. Second, the focus will be on driving flagship "consulting + IT solutions" projects in industries like oil, chemicals, and power, establishing a foundation to deeply support NA clients in their end-to-end digital transformation journey.

In the field of partner cloud consulting services, the Group is intensifying both the breadth and depth of its collaborations. Firstly, in the field of digital transformation consulting, several DataArts projects were successfully executed. Notably, the Group secured the "Consulting + Data Governance Solution" project for Heilongjiang Construction Investment Group's Logistics Park through a competitive bidding process. Secondly, within the field of empowering cloud-based initiatives, the Group remained steadfast in delivering specialized and innovative services. It revitalized its digital research and diagnostic framework and has already served over 100 enterprises in locations including Shenzhen, Shanghai, Jinan, Guiyang, and Dongguan. With an unwavering commitment to persistence and progress, the Group is determined to leverage its professional service capabilities to forge a comprehensive and deep partnership with Partner Cloud. This collaboration will encompass digital consulting, IT, and integrated consulting, thus co-authoring a new chapter of success.

3.2. Enterprise Application Services

During the reporting period, the Group steadfastly adhered to the "Platform + Service" model for its comprehensive ERP services. By consolidating product and channel partnerships, the Group enhanced its specialized service capabilities targeted towards key industries and specific scenarios within sectors such as chemical engineering. Through a holistic service approach, the Group actively supported client enterprises in their digital transformation journey. This commitment garnered high praise from both clients and product partners, resulting in the Group being recognized as one of the Top Ten Professional Service Partners by Yonyou for the fiscal year.

On the client front, the Group focused on six major industries: petroleum and chemical, energy and power, aerospace and defense, automotive, equipment manufacturing, and transportation logistics. During the reporting period, the Group established deep cooperation with industry-leading clients such as Kunlun Smartech, China National Chemical Information Center, Jiangsu Yangnong Chemical, and Jianlong Iron & Steel. Through initiatives like creating innovative shared platforms and implementing benchmark projects like SAP Centralization, the Group laid a solid foundation for subsequent large-scale development and growth.

The Group continued to deepen collaboration with partners such as Yonyou and Kingdee, providing standardized cooperative processes to deliver professional ERP services to end customers and consistently enhance customer satisfaction. During the reporting period, a strategic partnership was established with Inspur, leveraging the strengths of both sides to create joint ERP solutions. The Group also significantly bolstered its SAP service capabilities, achieving breakthroughs alongside partners like Kunlun Smartech, Sinopec Yizheng Chemical Fiber, CNOOC, China National Chemical Information Center, and Jiangsu Yangnong Chemical in the petrochemical industry.

In terms of the system, the Group successfully implemented industry-best practice benchmark projects, continuously enhancing project delivery capabilities. It possesses the capacity to deliver and supply large-scale ERP projects for central enterprises, with capabilities extending to projects of billion-level scale. The Group has developed a unique management model in handling complex corporate architectures and intricate project management scenarios.

3.3. Application Modernization

During the reporting period, the Group participated in the "Application Modernization Industry Summit" at the 2023 Huawei Developer Conference (Cloud) and became one of the first evaluated enterprises to join the Application Modernization Alliance and Standardization Organization. The Group continuously enhanced the maturity of its products and solutions in application modernization, providing services for industries such as energy and power, construction and transportation, aerospace and military, healthcare and education, internet, and high technology. These services encompass governance of microservices architecture, intelligent upgrades of scenario applications, and cloud-native services for infrastructure. Leveraging Huawei Cloud's six key technologies— namely "Modularized Delivery, Data-Driven Intelligence, DevOps, Service-Oriented Architecture, Security and Trustworthiness, and Resilience"— as well as innovative cloud services like DevCloud and Huawei Cloud Astro Low-Code Platform, the Group created a comprehensive customer application modernization service that spans the entire lifecycle from consultation, implementation, software development, to cloud services. This strategy consistently enhanced customer engagement and service value. Deep collaboration was established with entities such as China Post, PetroChina Planning Institute, Kunlun Wisdom, and a medical informatics company, promoting the enhancement of customer application modernization capabilities across areas ranging from R&D process optimization, digital architecture enhancement, to the implementation of application modernization products.

4. Cloud Intelligent Business

The Group closely follows Huawei's resurgence and its central role in shaping the digital transformation and globalization of key industries in China. By aligning with strategic powerhouse platforms like Huawei, the Group aims to secure a 10% stake. With a mission of solidarity and shared responsibility, the Group aspires to become the leading partner in terms of capability, growth, and profitability. This strategic approach is aimed at driving new revenue growth for the Group.

4.1. Cloud Services

4.1.1. Public Cloud

Seizing the opportunity of Huawei Cloud's emerging ecosystem, the Group has transitioned from being a general distributor and solution provider to becoming a comprehensive partner across all domains of Huawei Cloud.

Within the GoCloud ecosystem, the Group has become one of the first partners to achieve Huawei Cloud's CTSP certification, assuming roles such as Service Partner, Software Partner, Digital Transformation Consultation and System Integration Partner, as well as Learning and Empowerment Partner. This positioning drives the Group's comprehensive embrace of Huawei Cloud's capabilities, constructing a full-stack cloud service capacity on the foundation of cloud innovation architecture. This capacity spans cloud consultancy, integration, migration, development, and operations, covering the entire lifecycle of cloud services. Collaborating closely with Huawei Cloud, the Group targets a substantial share of the ecosystem's revenue, serving high-value markets for both enterprise and mid-tier customers. During the reporting period, the Group earned its place as one of Huawei Cloud's initial CTSP partners, successfully obtaining numerous CTSP business labels through strategic deployment across various regions. This positioning ensures abundant pre-sales and delivery capabilities, facilitating services such as consultation, migration, optimization, and full lifecycle management. Notably, the Group efficiently completed benchmark projects, such as XWKT, YKY, and Beijing WL, showcasing widespread demonstrative effects. During the reporting period, the Group also secured the status of a Huawei Cloud Software Partner, with its proprietary digital marketing platform, CDP, attaining Huawei Cloud Software Certification. Furthermore, the Smart Campus Solution received Huawei Cloud's Advanced Cloud Certification. Simultaneously, the Group obtained the ICT Service Partner Certificate from Huawei Enterprise Business Partner Certification, Huawei Cloud Data Management and Analytics Service Capability Certification, and was honored with the Smart Campus Value Contribution Award at the 2023 Huawei Partner Conference, along with the 25 Years of Shared Endeavors Award from Huawei's China Regional Division.

In the context of the GrowCloud ecosystem, the Group has achieved full alignment with Huawei Cloud's strategic direction. Leveraging its ecosystem capabilities as the foundation, the Group has initiated targeted efforts, focusing on mid-tier market penetration to accelerate the expansion of value-based clientele. This approach aims at sustainable development, nurturing, incentivizing, and supporting partners, fostering partner capabilities, and collaborating closely with partners to drive business operations and growth. Over the years, the Group has consistently maintained a leading position within Huawei Cloud's ecosystem, resulting in its recognition with the "Pinnacle Award" at the 2023 Huawei Cloud Ecosystem Conference.

The Group continued to deepen its engagement in various aspects of the Tianyi Cloud market, including reselling, cloud services, and cloud integration solutions. Strategic cooperation agreements have been established with multiple provinces and cities, such as Jiangsu Cloud Division, Heilongjiang Telecom, and Zhengzhou Telecom. The ecosystem-driven expansion projects have successfully incubated and been implemented in Jiangsu, with plans for scalable replication in other provinces. The Group's Managed Service Provider (MSP) services have taken root in Jiangsu Telecom, marking it as the first choice among similar vendors in its category.

According to the "China Cloud Professional Services Market (2nd Half of 2022) Tracking" report released by IDC, the Group has secured customer trust and market recognition by virtue of its comprehensive and specialized cloud professional service capabilities. In the two major segments of cloud migration services and cloud development services, the Group has once again maintained its leading position, demonstrating consistent leadership in the industry.

4.1.2. Hybrid Cloud

During the reporting period, the hybrid cloud business maintained a robust growth trajectory. In terms of product development, the Group continued to prioritize key customer needs, further aligning market demands with its research and development capabilities, thus continuously enhancing product competitiveness. The CloudEasy CMP cloud management platform extended its integrated operational and management capabilities to encompass six additional mainstream cloud environments. It also introduced scenario-based services such as security operations and mobile applications. The CloudEasy CBP cloud business platform strengthened its configurability in service catalog and billing strategy functions. Through a configurative approach, it rapidly supported operational transaction management capabilities for newly added product resources, effectively reducing customization costs while enhancing product flexibility and market competitiveness.

In terms of products, the Group collaborated with Huawei Storage to jointly develop the "Integrated Content Fusion Management Solution" and launched it on the Huawei Whale Application Store. The self-developed product "CloudSpeed Cloud Disk" received the "Most Popular Award" on the Huawei Cloud Store, gaining significant recognition from Huawei Cloud's wide customer base. The Content Collaboration Platform product (CICCP) successfully completed compatibility certification with Tongxin and Kirin, further enhancing the compatibility capabilities of domestic platforms. This has provided a solid foundation for the Group to continue its deep involvement in the digital office products sector within the government and enterprise industries.

In terms of market expansion, the Group has continued to strengthen its collaboration with clients such as Shenzhen e-Government Cloud, Longgang Bureau of Public Data, and Guizhou Cloud. This has led to a broader and deeper scope of business activities. Additionally, the Group has established business partnerships with clients like the Hong Kong Police Force, Yibin Urban Brain, and Xinjiang e-Government Cloud, further solidifying its position as an industry benchmark.

In terms of channel development, the Group has focused on strengthening partnerships with domestic telecom operators. The CMP product has been successfully listed on the Tianyi Cloud Selection Market and has been implemented in a prominent domestic research institute project. In the international market, the CBP product has achieved a breakthrough in the telecom operator market. Furthermore, in collaboration with Huawei Cloud, the Group has expanded its presence in the resale market, further enhancing its influence in overseas business endeavors.

4.1.3. Empowering Cloud

During the reporting period, the Group has maintained a strong partnership with Huawei and actively explored new avenues in empowering the cloud. The collaboration with Huawei has extended to the establishment of innovative centers, with a total of 13 centers now in operation. These centers span various domains, including software development, industrial internet, Ascend computing operations, Kunpeng, RPA digital robotics, and more. In the city of Nanjing, the Group, in collaboration with Huawei, has utilized cloud resources and innovation services to enhance research and development efficiency for enterprises. This initiative has received high recognition from the Nanjing Yuhua District Management Committee. The continuation of this effort has been steadily progressing, and contract renewals have been achieved. In Xi'an, the Group has dedicated a team to the operation of the Xi'an Computing Center in conjunction with Huawei. Collaborating with universities and research institutions, the Group has successfully released large models such as radar remote sensing and AI voice. The operation of computing resources has achieved significant milestones, leading the Group to be recognized and listed in the IDC "East Data and West Computing New Forces" enterprise directory.

During the reporting period, the Group introduced the Industrial Internet platform and operational services, as well as the "Digital Diagnosis" service. These initiatives are aimed at leveraging the platform as a foundation to establish integrated online and offline industrial digital operational capabilities. The goal is to empower regional industrial development. These initiatives have already been implemented in the Zhejiang region.

4.2. Smart Cloud Solutions

4.2.1. Smart Financial

During the reporting period, the Group actively participated in the national strategy for digital economic development, established a robust data governance system, enhanced risk management capabilities, strengthened independent and controllable IT technologies, and continuously invested in research and development efforts. These actions aimed to support financial institutions in improving their digital operational capabilities, thereby better serving the real economy. According to the IDC report titled "China Banking IT Solutions Market Share, 2022: Deepening Competition and Resilient Growth," the Group achieved the top position in the sub-market for transaction banking. Additionally, it secured top positions (2nd and 3rd) in the fields of payment settlement and risk management. The Group also maintained strong competitiveness in areas such as channel management, regulatory compliance, and data intelligence.

During the reporting period, the Group continued to refine its cloud service solutions based on cutting-edge cloud-native technology architecture. These solutions focused on security, reliability, flexibility, and efficiency to cater to the needs of financial customers. The Group adopted automation processes and standardized configurations to achieve agile development and delivery. These solutions demonstrated high scalability and stability, ensuring efficient business operations and helping financial institutions build their core competitive capabilities. Throughout the reporting period, the Group continued to offer services in data governance, data centralization, and data marts to institutions in the banking, insurance, and securities sectors. These services aimed to create data applications for precise marketing, risk management, and intelligent operations. In a significant project with a joint-stock commercial bank, the Group provided comprehensive architectural planning and design for the bank's big data platform. This involved optimizing data storage models across layers, enhancing real-time data processing capabilities, and providing integrated development and governance tools. The project aimed to elevate the bank's data application and service capabilities, unlocking the full value of data assets and enabling data-driven business operations.

In the field of payment and settlement, the Group was among the first batch of vendors participating in the construction of the 2.5-layer digital RMB system in China. It was also one of the vendors with significant involvement in building core systems for the 2.0-layer digital currency operating institutions. During the reporting period, the Group won bids for multiple digital RMB projects from various banks. Notably, a project involving the planning and scenario application construction for the digital RMB operating institution of a joint-stock bank was the first tender project of its kind in the domestic digital currency solution market. This project positions the Group to seize the initiative in the digital currency solution market, providing comprehensive ecosystem solutions to more operating institutions and access institutions. In the payment and acquiring field, the Group continued to leverage its expertise, assisting traditional financial institutions such as banks in transitioning from offering traditional deposit and loan services to becoming comprehensive service platforms that connect various stakeholders and ecosystems. The focus was on managing a broader range of asset categories and establishing widespread connections to drive greater value creation. Throughout the reporting period, the Group secured bids for digital acquiring projects from multiple joint-stock banks and city commercial banks. Leveraging a digital acquiring platform powered by cutting-edge technologies like microservices, decision engines, stream computing, distributed scheduling, and containers, the Group facilitated continuous innovation and development in the acquiring business.

In the field of bills and notes, during the previous year, the Group successfully launched the new generation of bill business systems for a total of 116 financial institutions as part of the first and second batches. Following the full deployment of the new system's business functionalities for clients, the Group continued to lead in this domain, driving innovation in bill business. It introduced the Supply Chain Bills Platform (SCDP) to support core enterprises, B2B e-commerce, banks, and financial companies in creating a fully online supply chain bills operating system that serves their upstream and downstream businesses. This platform contributes to enhancing the financing capabilities of enterprises across the entire supply chain, solidifying the software foundation to better serve the real economy through bills. Additionally, the Group optimized and improved the solution based on the specific bill service requirements of its financial company, adding functions such as discount and acceptance, centralized bill management, position management, and member enterprise credit limit management. It successfully won bids for new-generation bill system projects from multiple financial companies.

In the field of supply chain finance, the Group has established a strong market position by consistently providing services to multiple clients. The Group's supply chain finance capabilities encompass a comprehensive solution for transaction banking targeted at commercial banks, an enterprise finance solution for large and medium-sized enterprises, and an independently operable SaaS cloud service production and finance platform. The Group is adept at assisting commercial banks in integrating deeply into the industrial supply chain, using financial technology to meet diverse digital financial service demands within the industry ecosystem. It focuses on industries such as energy, manufacturing, distribution, and retail, providing tailored, all-inclusive enterprise supply chain finance solutions to core clients within the industry chain.

In the field of information technology application innovation (Xinchuang), the Group actively engages with national strategies and participates deeply in the domestication of financial systems, emphasizing the enhancement of financial institutions' IT technology autonomy. Leveraging its self-developed distributed microservices architecture platform, the Group consistently enriches its Xinchuang solutions in areas such as transaction banking, payment clearing, and channel management. The Group's involvement in Xinchuang services within the financial industry includes domestication transformations of critical systems like enterprise-level security systems, card organization transition systems, credit card core systems, and front-end systems. Additionally, the Group is engaged in tasks such as database migration and upgrades for automated office systems, all of which contribute to enhancing the domestic capability of financial institutions' IT infrastructure.

In the field of green finance, the Group is committed to creating AI and big data-supported professional services for green finance. Leveraging model algorithms, the Group offers a product line for the green transformation of financial institutions, including a Green Finance Management System, ESG Analysis and Risk Management System, Carbon Neutrality Information Management System, etc. These solutions help clients overcome challenges in the process of green transformation, accelerate innovation in green finance technology, support the sustainable growth of green business, and contribute to achieving the "dual carbon" goals.

During the reporting period, the Group has steadily developed in the insurance and securities sectors. In the insurance sector, the Group focuses mainly on the digital development needs of several major national joint-stock commercial insurance companies. It continuously enhances and provides technologically suitable services and solutions, covering life insurance, property insurance, and pension insurance, among other types. This coverage extends to aspects such as core operations, distribution channels, business management, and customer services. Leveraging AI, big data, and other technologies, the Group pioneers cutting-edge digital applications in the industry. The Group successfully secured a contract for a smart management project with a well-known domestic insurance institution. Using data as the driving force, this project establishes a real-time performance tracking system, predicts future development trends, and promptly alerts potential risks. This approach assists the company in making quicker and better decisions amidst rapidly changing market environments. In the securities sector, the Group has achieved breakthroughs with multiple key top-tier clients and successfully established annual cooperation frameworks.

4.2.2. Smart Audit

During the reporting period, the Group continued to strengthen its efforts in the field of audit informatization business. In the government audit sector, the Group successfully delivered the software for collecting preliminary and final budget data for the National Audit Office. It also participated in the subsequent development and service projects of the "Golden Audit" initiative. The integrated intelligent management project for audit rectification in Zhejiang Province and the supervision and management project for rectification in Shenzhen Municipal Audit Bureau were both successfully accepted. These achievements have laid a solid foundation for the subsequent construction of audit rectification projects across various regions. The acceptance of the project for the financial and accounting supervision platform by the Xining Financial Bureau marks a new breakthrough in the financial supervision industry.

In the corporate audit sector, the Group successfully won a bid for a large-scale central enterprise's audit platform project based on ERP with a value of tens of millions. This marked the beginning of a new chapter in conducting large-scale audit projects for central enterprises, laying the foundation for future audit services involving ERP-based operations within central enterprises.

In the banking audit sector, the Group has maintained long-term strategic partnerships with institutions such as Postal Savings Bank of China, Huaxia Bank, and Huaxing Bank. Building upon the completion of financial audit projects, the collaboration has been deepened continuously. Moreover, significant progress has been made in cooperation with Nanjing Bank, including involvement in projects related to audit analysis tools. Furthermore, the Group has leveraged AI models to enhance auditing capabilities, developing innovative applications such as audit analysis tools based on large-scale models and an audit intelligent search knowledge question-answering tool.

During the reporting period, in the field of social security services, the Group accomplished the upgrade and transformation of the Social Insurance Fund Supervision System based on Phase II of the Golden Insurance Project. This resulted in successful implementation and application of the upgraded system in five provincial-level nodes: Henan, Zhejiang, Heilongjiang, Jiangsu, and Hunan. The plan is to expand this initiative to other provincial markets, while also utilizing the coverage advantage of provincial-level nodes to extend into municipal-level markets.

In the field of state-owned assets supervision, the Group successfully delivered the State-Owned Assets Supervision Platform project for a city in Guangdong province. With the capability to provide state-owned assets supervision solutions, there are plans to expand this initiative to local State-Owned Assets Supervision and Administration Commissions (SASACs) as well as central state-owned enterprises (SOEs), aiming to achieve comprehensive expansion of state-owned assets supervision services.

4.2.3. Smart Energy

During the reporting period, the Group further deepened its strategic collaboration with various divisions of Huawei, focusing on industries such as energy, integrated communication networks, and power. Leveraging the robust capabilities and flexibility of Huawei Cloud's aPaaS (Application Platform as a Service), along with the integration of Huawei Cloud's AI technology services, the Group achieved a closed-loop operation management. This encompassed areas such as AI quality inspection, customized applications, safety enhancement, and process automation. By delving into the core of production, these efforts contributed to the comprehensive digital transformation of the energy industry.

In the power industry, the Group utilized Huawei Cloud's Power aPaaS to cater to tasks related to converter stations' operations and equipment management. This endeavor achieved digital collaboration, business and equipment management, intelligent operations, cloud-edge collaboration, and smart inspections. Through the development of customized online operation applications and the use of mobile intelligent wearables, the Group ensured on-site operational safety and quality risk management, leading to an impressive 85% year-on-year reduction in unauthorized operational activities.

In the mining industry, the Group utilized Huawei's Mine aPaaS Workbench as the foundation to create a secure and efficient smart mining solution. This solution encompassed integrated applications for underground personnel attendance tracking, personnel positioning, underground information dissemination, post-disaster first aid, and daily management. Through the use of AI devices, the safety of mining vehicles and personnel underground was monitored, and a standardized personnel management system was established. This streamlined user operations, addressed communication barriers between different systems, and ultimately enhanced work efficiency.

In the context of on-site operational safety across industries, the Group collaborated with Huawei to develop the "Construction Site Safety Operation Control Platform." This platform integrated intelligent wearable devices, machine vision equipment, and other technologies, catering to digital construction sites and intelligent operational management. By doing so, the platform provided robust support for the digital transformation of the energy industry and ensured the establishment of an advanced "first-class safety production mode," thereby safeguarding the journey towards enhanced safety in operations.

4.2.4. Smart Transportation

During the reporting period, the Group secured the Automatic Fare Collection (AFC) project for Xi'an Metro Line 8, with a contract value of 160 million. This project serves as a milestone for our entry into the northwestern market. Leveraging the robust research and development capabilities of our Xi'an base, we have been instrumental in supporting Xi'an Metro's strategic requirements for the "14th Five-Year Plan" in the urban rail transit market. The Group has continuously iterated on solutions in areas such as intelligent operation and maintenance and intelligent customer service. This iterative approach aligns with the development goals of creating an eco-friendly and intelligent metro system.

The Group has continued to deepen its presence in the airport and civil aviation sectors, consolidating its depth and breadth in the field of airport data services. The Group maintains its leading position in the digital transformation of airports. During the reporting period, capitalizing on the characteristics of big data and addressing traditional business pain points, the Group focused on in-depth implementation in areas such as billing data auditing, passenger flow forecasting, and end-to-end baggage tracing. These efforts were extended to Shijiazhuang Airport, Nanchang Airport, Tianjin Airport, and Changchun Airport, thereby enhancing the overall level of data application, particularly in the direction of integrating finance and operations, at these airports. The Group has provided long-term services to clients such as Beijing Daxing International Airport and Western Airport Group, deeply cultivating its capabilities in aviation-related revenue auditing services. The expansion of services to clients at Tianjin Airport has led to an enhancement in capabilities and market share in specialized domains. During the reporting period, the Group conducted group-level data governance consultation and implementation services for a major aviation conglomerate, as well as long-term data governance and operational services for a large railway bureau in the southwestern region and an investment group under a directly administered municipality. The Group has maintained its commitment to serving clients like Beijing Daxing International Airport and Western Airport Group, reinforcing its capabilities in aviation-related revenue auditing services. The expansion of services to clients at Tianjin Airport has led to an enhancement in capabilities and market share in specialized domains. During the reporting period, the Group conducted group-level data governance consultation and implementation services for a major aviation conglomerate, as well as long-term data governance and operational services for a large railway bureau in the southwestern region and an investment group under a directly administered municipality.

In the railway and water transportation sectors, the Group has been consistently engaged in the digital transformation of relevant systems for port units in cities such as Shijiazhuang and Tianjin. The focus has been on specialized data analysis and application within the field of traction power supply, while integrating telecommunications operator's big data to optimize passenger transport data application. Substantial efforts have been made to expand freight and other specialized data applications, thereby empowering the acceleration of digital transformation across various departments of railway operations. The Group has maintained a steadfast commitment to enhancing digital transformation efforts in the railway and water transportation sectors. Notably, significant strides have been taken in the construction of the E-Port Pass platform in Ningbo-Zhoushan Port. This platform has effectively facilitated efficient multimodal transportation encompassing highways, railways, and waterways, establishing a benchmark for intelligence within the port and terminal domain.

The Group and Baidu have collaboratively developed an AI-powered smart mobility solution in the intelligent transportation sector, culminating in the successful launch and operational deployment of the project. The partnership with Baidu has extended to the establishment of a pioneering application environment for high-speed connected vehicles, alongside the validation of associated scenarios. This initiative aims to drive the formulation of standards for the intelligent transformation of highway infrastructure and the development of a management platform. The cooperative efforts are geared towards advancing the intelligent construction and transformation of highway infrastructure.

4.2.5. Smart Government

During the reporting period, the Group closely collaborated with Huawei's "One Network, One Army" initiative, jointly establishing the inaugural RPA (Robotic Process Automation) Digital Robot Operations Center in Tangshan. Leveraging RPA and AI technologies, the Group successfully bridged data gaps between various systems, facilitating the automation and intelligence of business processes. Through the deployment of RPA digital robots and associated solutions, this initiative has contributed to process optimization and efficiency enhancement within governmental and industrial sectors not only in Tangshan but also across Hebei Province and the broader North China region.

During the reporting period, the Group, in collaboration with the Government and Enterprise United Network (One Network, One Army) initiative, jointly unveiled the "Digital County" solution. This solution aims to bridge the "last mile," enabling comprehensive information sharing and effective data integration at the "peripheral neurons" of urban areas. Through intelligent optimization of decision-making processes, the goal is to transition grassroots governmental governance towards a new paradigm. This entails establishing a dynamic digital productivity framework at the county level, propelling the digital transformation of county-level governance, and embarking on a multi-dimensional journey towards enhanced digitization.

During the reporting period, the Group continued its commitment to providing data operational services for the Big Data Bureau and the Public Security Bureau of a city in the Yangtze River Delta region. Furthermore, the Group extended data governance services to a digital economy group in a prominent economic city in South China. In the Northeast region, the Group played an instrumental role in constructing a foundational government data platform for a reform and innovation demonstration zone, earning high acclaim from the client. Expanding its endeavors, the Group embarked on the establishment of a data convergence and governance project for a provincial government in the Northwest region. Simultaneously, the Group engaged in the development of a data governance project for the Health Commission in a city within the Yangtze River Delta region. These cumulative undertakings underscore the Group's consistent dedication to advancing data-driven initiatives across a diverse array of sectors and geographical areas.

4.2.6. Smart Park

During the reporting period, the Group introduced the Smart Park Comprehensive Integration Platform, which constitutes a crucial underpinning for clients undergoing digital transformation through three main components: Data Components, Business Components, and Integration Components. Leveraging the Smart Park Integration Platform, the Group unveiled a comprehensive one-stop solution for zero-carbon smart environments. This initiative is anchored by a carbon accounting engine, serving as the foundation for carbon metrics, and embraces innovative zero-carbon applications across multiple industries. These efforts culminate in the establishment of a digital carbon intelligence hub. The solution harnesses cutting-edge technologies such as artificial intelligence, cloud computing, the Internet of Things, and big data to facilitate a range of effects, including promoting energy supply-demand equilibrium, fostering resource recycling, enhancing environmental quality, alleviating traffic congestion, optimizing building energy efficiency, and elevating community services. This initiative underscores the Group's commitment to harnessing advanced technology for multifaceted advancements in areas such as energy, sustainability, and quality of life.

During the reporting period, the Group forged a robust partnership with Huawei to jointly create a unified solution for enterprise office park areas. This collaboration combines Huawei's Smart Park digital foundation with the Group's extensive application software ecosystem, offering clients a consolidated digital engine and application platform for their park areas. Moreover, the company has taken proactive steps to expand its presence overseas and, in conjunction with Huawei, has launched the Smart Park Overseas Edition, which is now available to clients in regions such as Southeast Asia and the Middle East. During the reporting period, the Group has continued to enhance its industry influence and brand value, garnering accolades including the "Smart Park Value Contribution Award" and the "Excellent Collaboration in Digital Transformation Services Award." These achievements underscore the Group's unwavering commitment to strengthening its presence in the field and its dedication to delivering exceptional solutions and services to clients both domestically and abroad.

4.2.7. Smart Health

In response to the evolving demands in the realm of smart healthcare and the essential requirements of future medical business scenarios, the Group has collaborated with Huawei to create an integrated solution encompassing "Smart Healthcare, Smart Management, and Smart Services." This tripartite solution is designed to assist hospital clients in comprehensively overseeing their operational status from a holistic perspective. It aims to meet the multifaceted needs of business operations across all aspects, processes, and scenarios by providing comprehensive data insights. This approach empowers hospital clients to engage in precision management and informed decision-making across diverse dimensions, ultimately enhancing the quality of service for both patients and healthcare professionals. Through this joint effort, the Group and Huawei are dedicated to elevating healthcare services to new heights.

During the reporting period, the Group introduced the Comprehensive Smart Hospital Integration Platform, aimed at providing professional services for scenarios involving the integration of medical systems, big data governance, and interconnectivity in China's top-tier hospitals. This platform is underpinned by Data Components, Business Components, and Integration Components, offering a pivotal support mechanism for hospitals embarking on digital transformation. Simultaneously, the Group launched an integrated Smart Hospital solution that encompasses healthcare, services, and management. Adhering to national standards such as the "Interconnectivity Maturity Assessment System," the "Smart Service Grading Assessment System for Hospitals," and the "Smart Management Grading Assessment System for Hospitals," the solution provides end-to-end construction plans. These plans empower hospital clients to oversee their overall operational status holistically, catering to the comprehensive needs of all aspects, processes, and scenarios. By delivering multi-dimensional data insights, the solution aids hospitals in precision management and informed decision-making, thereby accelerating the digitalization process through evaluation-driven construction. In collaboration with Wuhan Union Hospital, the Group has pioneered the creation of a Hospital Emergency Command and Dispatch System, introducing innovative digital emergency plans for hospitals. This system facilitates end-to-end command and dispatch during unforeseen events, enhances hospital response efficiency, and ultimately improves the patient experience. Through such initiatives, the Group demonstrated its commitment to advancing the digitization of healthcare while enhancing emergency preparedness and overall operational excellence.

The Group holds the distinguished position of being a top-tier partner in Huawei's medical sector, exemplifying the elevated level of collaboration. Collectively, the Group and Huawei have provided their services to numerous domestic and international hospital clients. This impressive roster includes Wuhan Union Hospital, the Second People's Hospital of Guangdong Province, Gansu Provincial Maternity and Child Care Hospital, Tongji Hospital in Shanghai, the First Hospital of Sanming, the First Hospital of Yibin, Shenshan Central Hospital, Xiamen Maluanwan Hospital, and the Hong Kong Tseung Kwan O Temporary Hospital, among other notable institutions. This robust portfolio underscores the far-reaching influence and meaningful contributions of the Group and Huawei partnership, as they deliver transformative solutions and services to hospitals on a global scale.

4.2.8. Smart Manufacturing

During the reporting period, the Group has continued to deepen its collaboration with Huawei in the realm of industrial Internet. Actively engaging in the domestication of industrial software (including CAD/CAE/CAM/CAPP, etc.), the Group has facilitated the establishment of a pool of research and development talents to support partner companies in their technological pursuits. Simultaneously, this collaboration has propelled the significant advancement of industrial software technology within our country. Leveraging Huawei's iDME (Industrial Digital Modeling and Engineering) products, the Group has been at the forefront of exploring and implementing new pathways for the digital transformation of industrial enterprises in China. This journey encompasses a shift from generalized data-driven approaches to model-driven methodologies and from comprehensive ERP systems to cutting-edge E2E (End-to-End) research, development, and production digitization. These collaborative endeavors exemplify the Group's commitment to contributing to the remarkable development of industrial software technology in China while driving innovation in the digitalization of industrial enterprises.

During the reporting period, the Group has diligently cultivated its presence in the traditional manufacturing and distribution sectors, concurrently harnessing the potential of digital technologies like cloud computing, big data, the Internet of Things (IoT), blockchain, and AIGC (AI-Generated Content) to drive innovation and facilitate the industry's digital transformation. In the field cloud service capabilities, the Group has established an industry cloud foundation through a microservices architecture, creating a supply chain cloud management platform. The Group actively participates in the formulation of standards for intelligent factory construction within the industry and collaborates with Huawei in exploring the deployment and adaptation of industrial Internet platforms across various production scenarios. The development of production data collection solutions based on the HarmonyOS (Hongmeng) operating system has been undertaken, along with pilot verifications of identification and resolution systems. In the field of data, the Group focused on the development of a new-generation data governance solution centered around industry data centers. Furthermore, the introduction of the AIGC large model base off Jointforce, has enabled collaborative research and innovation with various clients within the industry. This collaboration has extended to areas such as equipment management, stable-state production processes, contract management, and intelligent question-answering systems. These initiatives are actively contributing to the transformation of capabilities within the business teams.

5. Smart Automobile

During the reporting period, the Group continued to consolidate its capabilities in the automotive sector, achieving significant growth in the high-margin domain of automotive business. Notably represented by the "Automotive Software ODC," the Group engaged in the domain of lean management and implementation services, fostering expanded collaborations with major players in the automotive industry chain such as FAW Group, CATARC Corporation, China Metallurgical Group Corporation, CATL, Changan Automobile, Great Wall Motor, Geely Ji Ke, and Lotus. During the reporting period, the Group established a comprehensive professional service chain within the automotive sector, encompassing management consulting, IT equipment delivery, and specialized automotive industry services. Remarkable accomplishments were recorded in management consulting and IT equipment, including breakthroughs achieved in sales and mold digitization projects for FAW R&D Institute. In the field of specialized services, noteworthy achievements encompassed projects such as the BYD HMI technology outsourcing initiative and the Guangzhou Toyota digital project management advancement. Additionally, the Group secured the contract for FAW Toyota's digital transformation project. Notably, during the first half of 2023, the Group welcomed several new clients in the new energy automotive sector, including BYD Planning Institute, Hezhong New Energy, Great Wall Bin Yin Software, Geely Xuan Yu, Shanghai Heng Xuan Technology, Chery New Energy, and FAW Nanjing. Employing a combination of consulting, digital management tools, and specialized automotive industry services, the Group facilitated these clients in enhancing research and development efficiency and optimizing cost structures to better navigate the sector's evolving landscape.

In the field of automotive digital transformation and operational services, exemplified by "Digital Marketing," the Group has solidified its proprietary capabilities in self-developed products. This endeavor has culminated in the establishment of a comprehensive "Trinity" solution for intelligent marketing within automotive enterprises, centered around data and operations. This initiative encompasses a triumvirate of elements: data, operations, and marketing. Simultaneously, the Group has achieved breakthroughs in the field of self-developed products, successfully securing contracts and delivering solutions from conceptualization to execution, marking a significant progression from ground zero. As of the end of the reporting period, the Group has extended its technical expertise and operational implementation services to nearly twenty domestic automotive brand enterprises and entities along the industry chain. This achievement reinforces the Group's position as a trusted partner in providing tailored technological and operational solutions for the automotive industry.

Represented by "Intelligent Cockpit," the Group has entered the domain of automotive intelligence by offering independently controllable operating system products and technological services for intelligent connected vehicles under national brands. This strategic move aims to seize the window of opportunity in the software-defined automotive market, establishing the Group as a T1.5-level supplier in the domain of automotive software innovation. Additionally, the Group continued to strengthen its deep collaborations with stakeholders across the automotive industry chain. It closely coordinates with domestic chip manufacturers and other key players to develop and market independently controllable operating systems, underlying software platforms, and associated development and testing toolchain products for intelligent connected vehicles. This strategy lays a solid foundation for high-quality growth in the automotive business over the upcoming one to three years. As the Intelligent Cockpit business steadily unfolds, the Group's core focus in product technology centers around deep integration with original equipment manufacturers (OEMs). It involves providing more comprehensive vehicle-level functionalities within the operating system domain, encapsulating basic system services and holistic vehicle system services. This approach facilitates the provision of a unified view of vehicle-level services and interfaces, addressing challenges related to business-level aggregation and uniformity that standard basic software may encounter. Technological endeavors include optimizing schedulers, inter-process communication (IPC), computations, the Generic Kernel Image (GKI), and heap optimization to tackle issues like freeze-ups, black screens, and signal fluctuations. In the Intelligent Cockpit business, emphasis is placed on catering to OEMs and enhancing the cost-effectiveness of cockpit products/services, capturing market share. Collaborative ventures with chip manufacturers focus on innovation in cockpit operating systems, positioning the Group as a domestic provider of automotive operating system innovations, thus establishing market barriers. Moreover, in line with OEMs' overseas strategies, the Group is integrating software factories and data service capabilities to build a full-stack ecosystem for customized system services.

6. Other Root Localization Services

6.1. "Panshi" - openEuler Enterprise Server Operating System

During the reporting period, the Group developed the enterprise-grade server operating system "PanShi" based on the openEuler community version. This versatile operating system finds extensive applications across scenarios like databases, big data, cloud computing, and web services. It encompasses a series of tools and solutions designed to facilitate seamless migration of business systems for enterprises. This migration ensures the preservation of original hardware and application environments, greatly simplifying the process and significantly reducing migration costs. "PanShi" has undergone compatibility assessments in the openEuler open-source community and has secured compatibility certification from Huawei's Kunpeng Ecological Innovation Center for its Kunpeng full-stack solution. It has also achieved compatibility certifications with products from partners like DaMeng and HaiLi Data. Notably, the Group successfully won the bid for China Mobile's "Cloud Capability Center 2023-2024 Provincial Branch Company Operating System Migration Technical Service Project." Through these accomplishments, the Group has consistently achieved breakthroughs in the field of domestic software innovation, reinforcing its position as a leader in this domain.

As a partner of the openEuler community, a silver sponsor of the community, a member of the community's User Committee, an OpenEuler Service Partner (OESP), and a contributor to the community, the Group has been actively engaged in the construction of the openEuler ecosystem for several years. This commitment has involved offering users a spectrum of services, including professional operating system migration, operational support, security reinforcement, OS customization, ecosystem tool development, and talent cultivation. Throughout this engagement, the Group has demonstrated its dedication to shaping new avenues of technological advancement within the industry. This commitment extends to addressing industry challenges, meeting specific scenario requirements, and fostering a deep integration of technology, academia, and research. As a significant contributor to the openEuler ecosystem's innovative endeavors, the Group has played an instrumental role in bringing fresh perspectives to the industry's technological evolution, making notable strides in problem-solving, and bridging the gap between theoretical research and practical application.

6.2. "CSIDB" - openGauss Enterprise-level Relational Database

As a partner of the openGauss community, the Group actively contributes to open-source ecosystem development. Leveraging the openGauss 5.0.0 kernel, the Group has developed an enterprise-grade relational database named CSIDB. CSIDB embodies a host of attributes, including high compatibility, availability, security, multimodality, and concurrency. It ingeniously integrates CSIDB with domestically-produced CPU hardware and operating systems, offering diverse deployment scenarios such as master and centralized setups. These configurations enable automatic failover to address customers' disaster recovery requirements. CSIDB boasts management capabilities for data volumes at the petabyte level while possessing both OLTP and OLAP features. It enhances MYSQL's SQL syntax compatibility and offers migration tools to transition seamlessly from MYSQL to CSIDB. This migration tool enables one-click migration and conversion from MYSQL to CSIDB, making it suitable for diverse industries like finance, telecommunications, and large enterprises. The Group's longstanding participation in Huawei Gauss Database product development, testing, and associated service collaboration has facilitated support for various deliverables, encompassing Proof of Concept (POC) testing, laboratory testing, and deployment. This commitment has resulted in the accumulation of comprehensive project implementation methodologies and extensive experience in GaussDB database installation, deployment, and upgrade operations.

During the reporting period, the Group attended the openGauss 2023 Developer Conference and was honored as one of the inaugural certified service partners. This distinction reflects the Group's demonstrated proficiency and technical competence in openGauss, substantiating its capacity to offer clients professional openGauss technology and development services. In the upcoming phases, the Group is committed to providing a minimum of six years of professional service assurance to customers through a "3 years in the community + 3 years as a partner" version lifecycle service. This commitment underscores the Group's dedication to sustaining its support for openGauss users over an extended timeframe, ensuring the provision of high-quality and dependable services.

7. AI-Powered Software Factory

Drawing upon years of accumulated software engineering experience, the Group has developed management consulting service products and IT equipment in various domains such as R&D management, project management, quality management, and outsourcing management. Within the trend of AI and aided by AI technology, the Group has revitalized its approach by creating an AI-Powered Software Factory. This transformation encompasses the entire spectrum, from R&D toolchains and development toolkits to capability shelves and development scaffolds, thereby continuously refining reusable technical frameworks. As a result, a platform has emerged in the realm of software factories, supported by a range of AI assistants that facilitate product development and project delivery within the software factory. At the product level, the software factory is poised to construct miniature models targeting integrated project management, project management, quality-effectiveness analysis, and outsourcing management. This involves API-izing internal process interfaces and form interfaces, facilitating the application of AI-powered advanced equipment. This progressive enhancement will consequently serve as a catalyst for more effectively aiding enterprise digital transformations, aligning with their needs.

During the reporting period, the Group has successfully implemented multiple cases in various domains, such as AI-enabled security management, 5G+AI+Digital Factory, and AI-driven smart mining construction. Additionally, the Group has been actively exploring the application of AI in industries like smart logistics, smart parks, intelligent power, and intelligent construction sites. At present, leveraging the foundation of substantial customer service experience, the Smart Software Factory has integrated emerging information technologies and software engineering capabilities. It focuses on addressing customer demands for quality, progress, and cost. Through an integrated operational approach that combines management consulting services, AI development tools, specialized capabilities, and delivery implementation, the factory provides end-to-end service solutions. This makes the Group a dependable, efficient, and cost-effective partner in clients' digital transformation journeys, aligning with their Lean Software Manufacturing Factory needs. In collaboration with DingQiao Communication Technology Co., Ltd., the Group successfully launched the first phase of the IPM product, marked by an inaugural functional release event at DingQiao's Chengdu R&D headquarters. This collaboration has led to the creation of an IPM integrated project management platform that carries the value stream of Integrated Product Development (IPD). The platform was tested for quality baselines in agile development, industry terminal development, module development, and terminal customization. Through real project pilot usage, the effectiveness of IPM in real product development projects was demonstrated.

During the reporting period, the Group established a global operations center in Gui'an, closely aligned with the demands of digital transformation to establish an IT talent incubation center. Capitalizing on the impetus provided by Guiyang's "Eastern Data, Western Computing" application initiative, the Group seized the opportunity to construct a nationwide computing power assurance base, leading to the establishment of a Computing Power Assurance Center. Simultaneously, in conjunction with Guiyang's efforts to promote the "Software Restart" initiative, the Group energetically developed plans for foundational software, industrial software, and embedded software, initiating the creation of the DSV business within the software factory.

8. Digital Operation

In fields such as digital content moderation, customer service business solutions, digital marketing, and standardized process services, the Group offers digital technologies and tools to enterprises to enhance operational efficiency and streamline business processes. The Group continuously explores new industries and service models to aid enterprises in driving innovation and business growth. In the field of content moderation, the Group has autonomously developed qualification-based moderation systems, ensuring comprehensive coverage of moderation service types and exceptional performance against various business SLAs. The Group also provides support for digital customer service operations and collaborates with large-scale models to explore innovative AI customer service solutions. Leveraging industry-specific know-how, the Group furnishes tailored digital marketing solutions for businesses like operators and terminal manufacturers, substantially improving the efficiency of customer marketing and promotions.

During the reporting period, the Group maintained stable partnerships and expanded its service offerings with various clients including Tencent, Meituan, CCTV, Kugou, and Xiaohongshu. The collaboration with JD.com continued to deepen, encompassing multiple services such as book moderation, information cleansing, and qualification review. The Group's information processing delivery center, centered in Dalian, facilitated the ongoing development of business delivery capabilities. In areas like quality management and training management, a capacity-based delivery product system was preliminarily established. Through a strategic layout of high-quality business development, the Group supported the rapid implementation of various initiatives such as Byte POI, Ant Group's ad moderation, and Meituan's ChatGPT. During the reporting period, the Group provided digital marketing and promotional services for enterprises like China Mobile, China Telecom, and OPPO. This support enabled these businesses to achieve precision marketing, quantifiable marketing outcomes, and improved marketing coverage and conversion rates.

9. Software and Technical Services

9.1. Financial

During the reporting period, the Group's financial business demonstrated steady growth. While maintaining deep collaborations with prominent clients such as state-owned banks, joint-stock commercial banks, city commercial banks, and large insurance companies, the Group also achieved significant breakthroughs in vertical domains including securities, futures, wealth management, and financial infrastructure.

In the domestic financial sector, the Group successfully secured positions within the annual service frameworks of national policy banks, joint-stock commercial banks, national futures exchanges, multiple city commercial banks, large insurance institutions, and major financial companies. These involvements encompass various service directions such as technology operations and maintenance, testing, and technical development. Concurrently, the Group enhanced its specialized capability offerings, progressively broadening the scope of collaborative engagements beyond foundational service frameworks. This evolution positioned the Group as a partner in the digital transformation of banking institutions.

In the field of foreign financial operations, the Group seized the opportunities presented by the development of the Greater Bay Area, cultivating its presence in the Hong Kong region. Leveraging locations such as Singapore and Malaysia to extend its reach into the Southeast Asian financial IT sector, the Group also intensified its efforts in expanding its client base in Japan. The Group has established collaborations with several global financial institutions during the reporting period. During the reporting period, through deepened cooperation with Ant Group's KIBB project in Malaysia, the Group transitioned from being a singular solution provider for Ant Group to becoming a strategic partner within its ecosystem. The scope of collaboration expanded to encompass projects across multiple sectors, including finance, retail, government, education, and tourism. This partnership laid a strong foundation for both parties to continue exploring overseas markets together. Additionally, the Group secured the contract for a framework agreement with a multinational financial institution's Malaysian branch, further solidifying its business presence in the Southeast Asian market by becoming the IT service provider for Kenanga Investment Bank Berhad, a private investment bank based in Malaysia.

9.2. Telecommunication

During the reporting period, the Group continued to strengthen its relationships with two major telecommunication operators in China, China Mobile and China Telecom, while steadily advancing its business with primary equipment suppliers and a diverse range of electronics equipment manufacturers.

The Group established strategic collaborations with China Mobile's Enterprise Headquarters, China Mobile System Integration Co., Ltd., China Mobile IoT Co., Ltd., China Mobile Information Technology Co., Ltd., and Jiangsu Mobile Co., Ltd. It became a key participant in China Mobile's "IoT+ Blockchain" initiative and a director member of China Mobile IoT Alliance. The Group was recognized as an outstanding partner by China Mobile IoT Co., Ltd.

In collaboration with China Mobile, the Group's IT services business maintained steady growth, holding the top market share in most professional domains of China Mobile. It focused on serving key customers such as China Mobile System Integration, China Mobile IoT, China Mobile Internet, China Mobile Terminal, China Mobile Software Engineering Institute (CME), China Mobile Suzhou Research Institute, China Mobile Hangzhou Research Institute, and China Mobile Beijing Research Institute. During the reporting period, new projects were initiated, including the digital transformation project with China Mobile Design Institute, cloud platform maintenance project with Suzhou Mobile Group, e-commerce platform software project with Shanghai Mobile Customer Service Center, on-site service and platform development project with Hangzhou Research Institute. In the field of innovative business, the Group collaborated with China Mobile's professional companies in platform innovation, successfully signing 16 projects in the domains of smart cities, smart parks, smart communities, and smart factories. The Group continued to provide integrated delivery services based on the OneNET City IoT platform for China Mobile IoT Co., Ltd. This supported over 30 platform delivery projects, including city-level perception platform projects like Jiangyin Smart City, Ningbo Smart City, and Binjiang IoT Perception project. These initiatives laid a solid foundation for the Group's collaboration with China Mobile in co-creating the HarmonyOS ecosystem.

In collaboration with China Mobile, the Group's IT services business maintained steady growth, holding the top market share in most professional domains of China Mobile. It focused on serving key customers such as China Mobile System Integration, China Mobile IoT, China Mobile Internet, China Mobile Terminal, China Mobile Software Engineering Institute (CME), China Mobile Suzhou Research Institute, China Mobile Hangzhou Research Institute, and China Mobile Beijing Research Institute. In cooperation with China Telecom, the Group's IT services business continued to maintain its top market share. The Group expanded its presence in various sectors, including Tianyi E-commerce (Tangerine Finance), China Telecom Tianyi Cloud (cloud computing), China Telecom Terminal, China Telecom Hongxin, China Telecom Chongqing Integration, and Gansu Wanwei. Particularly, the Group achieved significant growth in the domains of China Telecom Digital Intelligence and China Telecom Health, with a focus on R&D projects. During the reporting period, the Group, together with six enterprises including Sichuan Telecom and Chengdu Founder, signed a strategic partnership agreement for the construction of "Digital Sichuan" (Industrial Digitalization category). This aimed to establish long-term and stable strategic cooperation relationships in areas such as DICT (Digital Information and Communications Technology), AIoT (Artificial Intelligence of Things), and digital transformation of government and enterprise sectors. By collaborating, the parties aimed to bolster the information infrastructure for the development of Sichuan Province's digital economy, empowering various industries with digital intelligence, and contributing to the advancement of digital Sichuan construction and high-quality digital industry development. The Group also entered into a strategic cooperation agreement with China Telecom Nanjing Branch.

In collaboration with China Unicom, the Group placed a strong emphasis on providing services to key clients such as China Unicom Online and Unicom Payment Company. Additionally, the Group secured a new contract for the operation of China Unicom Wo Music during the reporting period.

In the field of cooperation with major equipment manufacturers, the Group maintained a leading position in key clients such as Datang, FiberHome, and DingQiao, remaining among the top players in terms of market share. Building upon the existing collaboration with Ruijie Networks, the Group expanded its capabilities to form a team of over a hundred experts. This allowed the Group to strategically position itself in core business areas related to 5G devices and the 5G + AIoT industry chain, leading to steady growth. In the field of general electronics equipment manufacturers, the Group continued its collaboration with prominent clients like Huawei Technologies, Datang, XingTang, and Maiteng Electronics. Particularly in the field of smart wearables, the Group expanded its presence significantly.

Regarding cooperation with overseas telecom operators, during the reporting period, the Group advanced its collaboration with Huawei and China Mobile Hong Kong, establishing itself as one of the qualified suppliers for the Hong Kong Government's information technology professional services for the next four years. The Group successfully secured the bid for the Malaysia Telekom SAP project, officially becoming the IT service provider for this client. This achievement has opened up significant opportunities for future collaboration.

9.3. Energy

During the reporting period, the Group achieved further breakthroughs in the field of state-owned enterprises under the central government. Building on its deep engagement with clients such as China National Petroleum Corporation (CNPC), China Petroleum & Chemical Corporation (Sinopec), China National Electric Engineering Corporation (CNEEC), and China National Nuclear Corporation (CNNC), the Group successfully expanded its reach to clients like China National Offshore Oil Corporation (CNOOC) and China National Chemical Corporation (ChemChina). In the energy sector, the Group secured the top position in the comprehensive market share ranking for China National Petroleum Corporation's (CNPC) Kunlun Digital Business, encompassing core ERP operations, big data research, and more in sectors such as refining, oil and gas, and cloud computing. The Group will continue to provide services for clients' major centralized upgrade projects, extend collaboration depth and breadth with CNOOC, and secure projects related to production management.

In the power sector, the Group successfully expanded its South-NARI (State Grid Electric Power Research Institute) business from operational and maintenance services to include safety monitoring services, further enriching the breadth of its business collaboration. The Group continued to provide ongoing services to clients such as Fangtian Power and Mingsheng Power, supporting these clients in achieving a leading position in energy conservation, emission reduction, and intelligent power generation.

During the reporting period, the Group expanded and deepened its collaboration with several central state-owned enterprises, laying a solid foundation to become a core IT service provider for these enterprises.

9.4. Internet and High-Technology

During the reporting period, the Group's Tencent-related business continued to develop steadily, with comprehensive and in-depth collaboration across various sectors including Tencent Games, Video Platform, Live Streaming, Tencent Maps, and Tencent Medipedia. The collaboration in the field of game art was further deepened, establishing strong partnerships with renowned studios like Tianmei and Photon. Collaboration with Tencent Music also continued to progress, with the establishment of a delivery center in Wuhan to meet business needs. The exclusive offshore delivery center established in Changsha witnessed sustained growth in scale, setting a solid foundation for acquiring more business opportunities.

During the reporting period, the development of Alibaba-related business remained stable, and the scope of business collaboration continued to expand, covering key sectors of digital commerce in both China and overseas. Partnerships were established with several post-investment companies. The Group's capabilities in internet financial services continued to enhance, establishing deep collaboration with a globally renowned financial payment service provider, with business operations being implemented in Beijing and Nanjing.

During the reporting period, the business scale of the JD-related operations continued to expand, encompassing various sectors including JD Technology, retail, logistics, and industry. A strategic ecological agreement was reached with JD Technology, leading to successful project deliveries in national governance and B2B cross-border e-commerce, among others. The Group was honored with the title of "Excellent Strategic Partner" by JD Technology.

During the reporting period, the business of Baidu continued to develop steadily, with its service scope spanning across various business sectors within the Baidu ecosystem. A collaborative solution in the field of intelligent transportation, known as the AI Smart Travel Joint Solution, was developed in partnership with Baidu IDG.

During the reporting period, the business of ByteDance achieved significant growth, covering approximately 80% of its operations and expanding its geographic presence. Collaboration was established in various directions including independent project delivery and Business Process Outsourcing (BPO). Delivery centers for ByteDance's BPO business were established in locations such as Ma'anshan and Dalian, leading to the expansion of business scale. The Group successfully secured the overseas testing services project for TikTok, a project that serves as a pilot for ByteDance's overseas capabilities building. The successful delivery of the TikTok testing services project holds strategic significance as it determines the overseas expansion plans for projects like Toutiao, Feishu (Lark), Xigua, and Huoshan, laying a solid foundation for the cooperation between the Group and ByteDance in overseas markets.

During the reporting period, the Group continued to expand into new business areas in the high-tech sector. The Group deepened its collaboration with key clients such as Harbin Institute of Technology (HIT), Huichuan Technology, China National Automotive Industry Corporation (CNAICO) Intelligent Terminal, and Smiths. Notably, the Group initiated a collaboration with HIT Robotics (Hefei) International Innovation Research Institute. This partnership involved providing software development and evaluation services for domestic embedded real-time operating systems for industrial applications. This collaboration aimed to support the enhancement of domestic capabilities for the client.

During the reporting period, the Group engaged in deep collaboration with prestigious clients, ensuring high-quality deliveries and facilitating joint product development. The Group provided comprehensive support for the launch of various new products from Honor, including the Magic V2 foldable series, Magic 5 series, MagicBook 14, MagicPad 13, among others. The Group played a pivotal role in the release of the MagicOS 7.1/7.2 system, contributing significantly to Honor's comprehensive smart ecosystem blueprint and global dual-flagship strategy. Additionally, through a pilot project approach, the Group extended its scope beyond OPPO's original outsourcing services. This expansion was achieved through meticulous management and operational processes, gradually enhancing the cooperative relationship.

10. Huawei

The Group remains steadfast in its customer-centric approach, unwaveringly adhering to the FFW strategy, while benchmarking against the self-management model across nine key dimensions: human resources, quality, engineering capabilities, internal control compliance, safety and trustworthiness, business continuity, ODC facilities, CSR&EHS, and communication/response and collaboration. Continuous enhancement of delivery capabilities within these dimensions supports the achievement of goals for the Five Focus Areas and strategic suppliers. Proactive management of assessments has been intensified, aligning with changes in customer assessment management depth. The assessment management mechanism has been optimized to prioritize assessments. The Group has refined the LTC/IHSC/MSD/MHR process foundation to enhance compliance with processes. The incentive system has undergone transformation to increase the flexibility of compensation cost structures. Precision operations have been emphasized to enhance asset utilization and reduce asset losses. The Digital CSI system has been optimized to support essential management of core business operations, while initiating the substitution of functional staff with digital employees. The integration of process nodes with the AIGC model services in combination with the "Focus on Five" strategy optimizes efficiency and quality within the existing business track, elevating the competitive advantage of the Group's traditional business within the Huawei ecosystem.

BPIT achieved the enhancement of capabilities in various directions such as finance, procurement, and supply chain through a comprehensive ERP talent circulation. GTS expands the partnership ecosystem with Huawei GTS and software products (RPA/iTA, etc.) channels. Exploring the application of AIGC in appropriate business domains such as IT operation and maintenance to enhance individual productivity. The Group continues to deepen collaboration with Huawei Terminal, providing comprehensive support for the launch of new products such as the Huawei P60 series, Qinyun commercial brand series, and HUAWEI WATCH 4 series across various scenarios. Facilitating the release of HarmonyOS 3.1 system and terminal device upgrades. Offering comprehensive assistance for the launch of intelligent driving, HUAWEI ADS 2.0, and collaborating on popular vehicle models such as the Wenjie M5 Intelligent Driving Edition, Jihoo Alpha S Advanced Edition, and Avita 11, thereby aiding Huawei in achieving upgrades in intelligent automotive products and new developments in the new energy automotive industry.

During the reporting period, the Group was honored with several awards and recognitions from Huawei, including the Huawei 2023 China Region Gold Supplier Award, the Special Contribution Award under the FPGGP (Huawei Smart Finance Partner Going-Global Program), the IMOC ICT Preferred Partner Certification, and the Huawei Cloud APAC Annual Service Partner Award.

The Group's Enterprise Business closely aligns with Huawei's innovation and expansion within the industry. Collaborating in key sectors such as comprehensive energy, manufacturing, and government affairs, joint innovation incubates digital operations, government digital robots, intelligent mines, and other multi-domain solutions. The Group has emerged as an inaugural member of Huawei's Service Industry Collaboration Development Committee, contributing to the framing of collaborative capabilities. Notably, the Group successfully secured bids for projects including the Smart Park Data Service Framework, proprietary platform software and middleware service frameworks, and ASP frameworks within the China region. It stands as the sole provider with comprehensive delivery capabilities spanning Huawei products, platforms, contextualization, and consultancy. The partnership with Huawei extends to pioneering new territories in the corporate business domain within the China region. During the reporting period, the Group received accolades including the Outstanding Partner Award in the Broad Government Field at the 2023 Huawei Partner Summit, certification as a Software Services Specialist (ISDP Certification Service Provider), and recognition as a certified RPA ICT Partner.

The collaboration in the HarmonyOS business has been further elevated. The Group achieved the Huawei official certification as a "HarmonyOS Connect Ecosystem Solution Partner," continually amassing innovative capabilities through real-world market scenarios within a comprehensive ecosystem. In conjunction with device manufacturers and ecosystem partners, the Group is actively engaged in crafting a novel, intelligent, all-encompassing experience termed "HarmonyOS Connect." As of present, Chinasoft International has cultivated collaborations with over 260 device vendors, incorporating a range of more than 400 product categories. These cover a multitude of intelligent product scenarios including smart home, intelligent transportation, sports and health, entertainment and audiovisual, and intelligent office solutions. In collaboration with Kalay, the Group proudly introduced the pioneering domestically developed HarmonyOS Connect smart backpack, a product which has been successfully featured on Huawei's Select Platform.

KEY OPERATING DATA

In the first half of 2023, the Group's revenue, service revenue, profit for the period, profit attributable to owners of the company, and basic EPS decreased by 15.7%, 15.5%, 38.6%, 38.6%, and 36.6% YoY respectively.

	Six Months Ended 30 June		
	2023	2022	% Change
	RMB'000	RMB'000	
Revenue	**8,450,060**	10,025,275	(15.7%)
Service revenue	**8,295,751**	9,820,494	(15.5%)
Profit for the period	**350,687**	570,880	(38.6%)
Profit attributable to Owners of the Company	**351,028**	571,554	(38.6%)
Basic EPS (RMB cents)	**12.44**	19.62	(36.6%)

The Key operating date (unaudited) for the six months ended 30 June 2023 are as follow:

	Six Months Ended 30 June		
	2023	2022	% Change
	RMB'000	RMB'000	
Revenue	**8,450,060**	10,025,275	(15.7%)
Service revenue	**8,295,751**	9,820,494	(15.5%)
Cost of sales and services	**(6,448,925)**	(7,543,550)	(14.5%)
Gross profit	**2,001,135**	2,481,725	(19.4%)
Other income	**143,660**	188,917	(24.0%)
Other gains or losses	**(5,663)**	20,911	(127.1%)
Selling and distribution costs	**(420,993)**	(511,289)	(17.7%)
Other expenses	**(38,083)**	(27,473)	38.6%
Administrative expenses	**(1,210,380)**	(1,445,384)	(16.3%)
Finance costs	**(83,087)**	(51,868)	60.2%
Impairment losses under expected credit loss model, net of reversal	**(14,800)**	(12,995)	13.9%
Share of results of investments accounted for using the equity method	**(28,598)**	(30,627)	(6.6%)
Loss from derecognition of financial assets measured at amortised cost	**(818)**	(1,464)	(44.1%)
Profit before taxation	**342,373**	610,453	(43.9%)
Income tax expense	**8,314**	(39,573)	(121.0%)
Profit for the period	**350,687**	570,880	(38.6%)

GENERAL OVERVIEW

In the first half of 2023, the global landscape remained intricate and challenging, characterized by sluggish worldwide economic recovery. Despite these circumstances, the Group maintained its strategic resolve, diligently pursued the annual operational strategic objectives, enhanced collaborative partnerships with clients, proactively embraced opportunities presented by AIGC (Artificial Intelligence Generated Content), and the opportunities of localization. These endeavors led to a positive trajectory in the Group's performance, evident in a steady sequential rebound of net profits. For the fifth consecutive year, the Group secured a position within Gartner's global top 100 IT service providers, ascending to the 73rd position. This accomplishment eloquently underscores the market standing and resilient growth of China's premier IT service enterprise.

During the reporting period, the Group established the Chinasoft International AIGC Research Institute, anchored by the Jointforce Platform, and introduced the "Large Model Ecosystem Development Strategy." In addition, the Group introduced the JointPilot (Lingxi) Artificial Intelligence Application Platform. JointPilot provides foundational service capabilities that enable clients to transition their IT assets towards a PBC approach. This optimization of IT investments raises the level of IT asset reusability, propelling the transformation of conventional industry solutions into AI-enhanced upgrades. During the reporting period, the Group entered into a cooperative agreement with Huawei Cloud on the Pangu Large Model project. The Group also became one of the pioneer ecological partners for Baidu's "ERNIE Bot" and the Wenxin Qianfan Large Model Platform. These partnerships are dedicated to realizing the practical application and scalable implementation of AI technology, thus collectively reshaping the value proposition of the industry.

During the reporting period, the Group leveraged the 1+1 approach (KaihongOS + Super Device Management Platform) to undertake a comprehensive industry-based endeavor. This initiative focused on constructing an independent and controllable Smart Internet of Things (IoT) foundation, and an end-edge-cloud-network-integrated software and hardware solution. By strategically utilizing Shenzhen Kaihong Digital Industry Development Co., Ltd. ("Shen Kaihong") as the vanguard, the Intelligent IoT Division achieved all-encompassing penetration into pivotal sectors such as Smart Water Management, Smart Cities, Smart Education, and Smart Transportation. This concerted effort aimed to jointly explore markets defined as "national strategic assets" and "city cutting-edge innovations," ensuring close alignment with client requisites and deep-rooted contextual implementations. The result is the realization of the shortest path to achieving a closed-loop of customer value within specific scenarios.

During the reporting period, the Group established a business model centered around "Industry Consultation-Driven, Wide-ranging ERP Implementation." This initiative facilitated the creation of an end-to-end consultancy and implementation service capability. The company embodied the "Platform + Service" framework for comprehensive ERP services, aggregating products and channel partners. With a specific focus on six major industries: Petroleum and Chemical, Energy and Power, Aerospace and Defense, Automotive, Equipment Manufacturing, and Transportation & Logistics, the Group provided an integrated service approach to propel the digital transformation of client enterprises. Furthermore, the Group deepened collaborations with Huawei, Yonyou and Kingdee, while also forging a strategic partnership with Inspur. These partnerships were directed at establishing ERP implementation capabilities for medium and large-scale clients.

During the reporting period, the Group seized the opportunities within Huawei Cloud's emerging ecosystem, transitioning from a Huawei Cloud general distributor and solution provider to becoming a comprehensive partner across all sectors of Huawei Cloud's ecosystem. As part of the GoCloud ecosystem, the Group became one of the first service partners certified through Huawei Cloud's CTSP program. In the two prominent segments of cloud professional services – cloud migration and cloud development services – the Group retained its leadership position, consistently maintaining the forefront. Furthermore, the Group proactively ventured into new avenues for cloud empowerment, driving collaborative solutions and accelerating integrated product matrices that span various digital transformation scenarios such as intelligent finance, intelligent auditing, smart energy, smart transportation, smart cities, smart campuses, smart healthcare, and intelligent manufacturing. With the collective force of this ecosystem, the Group is fully committed to empowering a myriad of industries, contributing to enterprise digital transformation and propelling China's digital economy to a leading position globally.

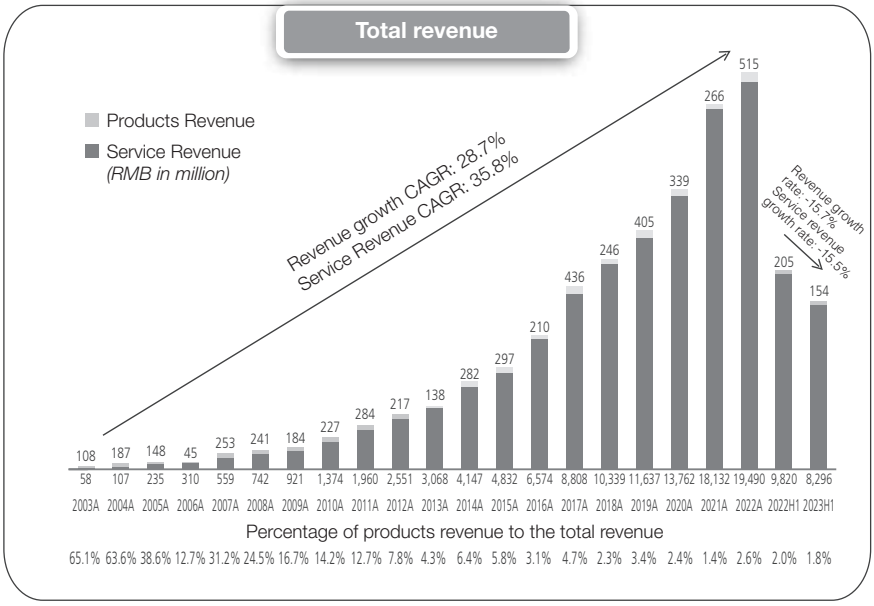
During the reporting period, the Group maintained a steadfast commitment to solidifying its capabilities within the automotive sector, resulting in substantial growth in high-margin levels for the automotive business. Notably represented by the "Automotive Software ODC," the Group continued its pursuit of lean management and implementation services, fostering ongoing collaborations and expanding engagements with key players in the automotive industry chain, including First Automotive Works (FAW), China Automotive Innovation Corporation (CAIC), China Metallurgical Group Corporation (MCC), CATL (Contemporary Amperex Technology), Changan Automobile, Great Wall Motor, Geely Ji-Ke, Lotus, and others. This collaborative approach aimed to deepen and broaden the cooperative framework. By harnessing its expertise across three core areas - management consulting, IT equipment, and scaled outsourcing - the Group effectively contributed to the successful digital transformation of its automotive clients. This concerted effort enabled the Group to bolster its position as a trusted partner in facilitating the digital evolution of the automotive industry.

During the reporting period, the Group achieved significant milestones in the domain of enterprise-level server operating systems through the development of "PanShi," an operating system built upon the openEuler community edition. This accomplishment was marked by official certifications obtained through the openEuler open-source community and compatibility validations with the Kunpeng full-stack solution. Additionally, the Group secured the winning bid for the China Mobile Operating System Migration Project, showcasing consistent breakthroughs in the realm of domestic digital innovation. In line with the currents of the AIGC trend, and propelled by the potency of AI, the Group embarked on reshaping and constructing an AI-powered software factory. This endeavor encompassed the complete spectrum from research and development toolchains, development toolkits, capability repositories, and development scaffolds. The continuous accumulation of reusable technological frameworks led to the establishment of a platform within the software factory domain. Leveraging a multitude of AI assistants, the Group has effectively facilitated product research and development as well as project delivery within the software factory, empowering enterprises in their digital transformation journey.

During the reporting period, the Group's financial business experienced robust growth, marked by sustained cooperation with prominent clients including state-owned banks, joint-stock commercial banks, city commercial banks, and major insurance companies. Furthermore, the Group achieved significant breakthroughs in vertical sectors such as securities, futures, wealth management, and financial infrastructure. In the telecommunications sector, the Group continued to deepen its partnerships with China Mobile and China Telecom, advancing steadily with main equipment and broad electronic equipment clients. In the energy sector, the Group further penetrated state-owned enterprises, expanding both the depth and breadth of collaborations with multiple state-owned entities. Building upon its foundation of working closely with clients such as PetroChina, Sinopec, China Power Construction, and China National Nuclear Corporation, the company successfully ventured into partnerships with clients such as CNOOC and SINOCHEM GROUP. In the field of internet and high-tech business, the Group maintained its focus on the internet industry, maintaining a leading position with key clients such as Tencent, Alibaba, Baidu, JD.com, and ByteDance. Simultaneously, the Group continued to expand its footprint into emerging high-tech sectors, deepening partnerships with pivotal clients like Harbin Institute of Technology, HCSEC Technologies, GAC AION, and Smiths Detection.

Looking ahead to the second half of the year, the Group will continue to maintain steadfast confidence, resolutely aligning with strategic planning, anchoring pivotal strategic client capabilities, and collectively crafting innovative information technology solutions for foundational industries in China. Upholding the commitment to breakthrough innovation and grounded progress, the Group will leverage its foundational technology, centering on core business sectors, fostering, and consolidating end-to-end service capabilities. This approach will enable the Group to further penetrate industries, reaching a broader spectrum of the digital transformation market. The Group remains steadfast in its pursuit of the goal to become a global leader in technology-driven IT services, marked by its unique prominence in the realm of technology innovation.

Since listing on the GEM board in 2003, the Group has maintained high revenue and service revenue growths, recording a CAGR of 28.7% and 35.8% from 2003-2022. In the first half of 2023, the revenue and service revenue decreased by of 15.7% and 15.5% YoY. The details are as follow:



Customer

The Group's customers are located all over the world, in addition to Greater China, it also includes Asia Pacific, North America, Europe, Latin America and other regions. In the China market, especially in mainstream industries such as finance, Internet, communications, high-tech, and government sectors, the Group maintains a large market share. In the first half of 2023, the service revenue from the top five and top ten customers accounted for 63.2% and 72.3% of the Group's total service revenue.

As of 30 June, 2023, the Group has 171 large customers (customers that contributed to more than RMB6 million of service revenue within the past 12 months).

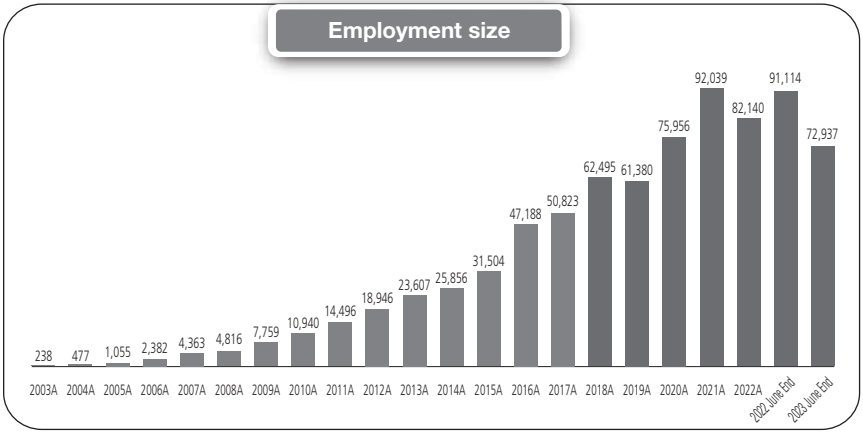
Market

During the reporting period, the Group capitalized on digital opportunities arising from the "Belt and Road Initiative" while actively exporting comprehensive "Digital China" solutions. Having established longstanding partnerships with Fortune 500 clients including Huawei, Honor, Tencent, Alibaba, Ping An, China Mobile, China Telecom, a global financial institution, the Group has extended its services to clients in 47 countries worldwide, amassing a wealth of experience in serving international customers. The Group continues its overseas expansion strategy, building upon existing global strategic centers in China, the United States, Japan, India, Singapore, and Malaysia. This expansion involves cloud-powered digital transformation services, reinforcing its global full-service foundation. By intensifying efforts in Southeast Asia and the Middle East, the Group aims to establish integrated local sales and service teams alongside investment and financing capabilities. With a vision to be a global Chinasoft, the Group seeks to wield significant influence in the global IT sphere, solidifying China's impact on worldwide technology trends.

Human Resources

As of June 30, 2023, the Group's total number of employees reached 72,937 (compared to 91,114 employees as of June 30, 2022), reflecting a decrease of 19.9% from the same period last year. The decrease in personnel is primarily influenced by fluctuations in key client business factors, and also due to the Group's strategic transformation, where a deliberate partial divestment of low-margin and low-value businesses was carried out.

The Group's change 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 2022 and 2023 (unaudited):

	2023			2022		
	For the First half RMB'000	% of Revenue	% of Service Revenue	For the First half RMB'000	% of Revenue	% of Service Revenue
Revenue	**8,450,060**	**N/A**	**N/A**	10,025,275	N/A	N/A
Service revenue	**8,295,751**	**N/A**	**N/A**	9,820,494	N/A	N/A
Cost of sales and services	**(6,448,925)**	**(76.3%)**	**(77.7%)**	(7,543,550)	(75.2%)	(76.8%)
Gross profit	**2,001,135**	**23.7%**	**24.1%**	2,481,725	24.8%	25.3%
Other income	**143,660**	**1.7%**	**1.7%**	188,917	1.9%	1.9%
Other gains or losses	**(5,663)**	**(0.1%)**	**(0.1%)**	20,911	0.2%	0.2%
Selling and distribution costs	**(420,993)**	**(5.0%)**	**(5.1%)**	(511,289)	(5.1%)	(5.2%)
Other expenses	**(38,083)**	**(0.5%)**	**(0.5%)**	(27,473)	(0.3%)	(0.3%)
Administrative expenses	**(1,210,380)**	**(14.3%)**	**(14.6%)**	(1,445,384)	(14.4%)	(14.7%)
Finance costs	**(83,087)**	**(1.0%)**	**(1.0%)**	(51,868)	(0.5%)	(0.5%)
Impairment losses under expected credit loss model, net of reversal	**(14,800)**	**(0.2%)**	**(0.2%)**	(12,995)	(0.1%)	(0.1%)
Share of results of investments accounted for using the equity method	**(28,598)**	**(0.3%)**	**(0.3%)**	(30,627)	(0.3%)	(0.3%)
Loss from derecognition of financial assets measured at amortised cost	**(818)**	**(0.0%)**	**(0.0%)**	(1,464)	(0.0%)	(0.0%)
Profit before taxation	**342,373**	**4.1%**	**4.1%**	610,453	6.1%	6.2%
Income tax expense	**8,314**	**0.1%**	**0.1%**	(39,573)	(0.4%)	(0.4%)
Profit for the period	**350,687**	**4.2%**	**4.2%**	570,880	5.7%	5.8%
Profit attributable to Owners of the Company	**351,028**	**4.2%**	**4.2%**	571,554	5.7%	5.8%

Revenue

In the first half of 2023, the Group's revenue was RMB8,450.060 million (2022H1: RMB10,025.275 million), representing a 15.7% decline YoY. The service revenue was RMB8,295.751 million (2022H1: RMB9,820.494 million), representing a 15.5% decrease YoY. These declines in revenue are primarily attributed to reduced demand from core major clients during the reporting period, alongside the Group's strategic transformation prioritizing high-value projects and minimizing engagement in lower-value projects.

For the first half of 2023, the segment's revenue to total revenue and change are as follow:

	Six Months Ended 30 June 2023 RMB'000	**% of Total**	Six Months Ended 30 June 2022 RMB'000	% of Total	Growth Rate
TPG	**7,631,522**	**90.3%**	9,056,975	90.3%	(15.7%)
IIG	**818,538**	**9.7%**	968,300	9.7%	(15.5%)
Total	**8,450,060**	**100%**	10,025,275	100%	(15.7%)

Cost of Sales and Services

In the first half of 2023, the Group's cost of sales and services was RMB6,448.925 million (2022H1: RMB7,543.550 million), representing a YoY decrease of 14.5%. Additionally, the Group's costs of sales and services as a percentage of revenue was 76.3% in the first half of 2023 (2022H1: 75.2%), representing a YoY increase of 1.1%.

Gross Profit

In the first half of 2023, the Group's gross profit was RMB2,001.135 million (2022H1: RMB2,481.725 million), representing a YoY decrease of 19.4%. The gross profit margin for the first half of 2023 was 23.7% (2022H1: 24.8%), representing a 1.1% YoY decline. Furthermore, the Group's gross profit as a percentage of service revenue was 24.1% in the first half of 2023 (2022H1: 25.3%), representing a 1.2% YoY decrease. The reduction in gross profit margin during the reporting period is predominantly attributed to ongoing fluctuations in demand from key clients, leading to a decrease in the Group's profitability. However, compared to the gross profit margin of 21.2% in the second half of last year, there has been a 2.5% increase. In the future, the Group will continue to enhance efficiency and quality through financial-qualitative integration projects in traditional outsourcing. Additionally, it will further increase the proportion of high-margin and high-value-per-employee businesses. The Group will also expand its presence in cloud services and solutions, accelerate the development of the AIGC and AIOT industries, enhance the competitiveness of its services and products, and maintain a continuous focus on improving profit margin levels.

Other Income

In the first half of 2023, the Group's other income was RMB143.660 million (2022H1: RMB188.917 million), representing a YoY decrease of 24.0%. This decline is mainly attributed to a reduction in government subsidies compared to the previous year, along with adjustments due to modifications in the policy of value-added tax input offset, resulting in a decrease in other income during the reporting period.

Other Gains or Losses

In the first half of 2023, the Group's other losses was RMB5.663 million (2022H1: other gains RMB20.911 million), primarily due to fluctuations in the Hong Kong Dollar to Renminbi exchange rate during the reporting period.

Operating Expenses

In the first half of 2023, the Group's selling and distribution costs were RMB420.993 million (2022H1: RMB511.289 million), representing a YoY decrease of 17.7%. Additionally, the selling and distribution costs as a percentage of revenue was at 5.0% in the first half of 2023 (2022H1: 5.1%), representing a YoY decline of 0.1%.

In the first half of 2023, the Group's administrative expenses were RMB1,210.380 million (2022H1: RMB1,445.384 million), representing a YoY decrease of 16.3%. Additionally, the administrative expenses as a percentage of revenue was 14.3% in the first half of 2023 (2022H1: 14.4%), representing a YoY decline of 0.1%. During the reporting period, the company achieves improved functional and operational department management efficiency by enhancing budget management.

Finance Costs and Income Tax

In the first half of 2023, the Group's finance costs were RMB83.087 million (2022H1: RMB51.868 million), representing a YoY increase of 60.2%. Additionally, the finance costs as a percentage of revenue was 1.0% in the first half of 2023 (2022H1: 0.5%), indicating a YoY rise of 0.5%. This increase in financial expenses is primarily attributed to a rise in interest on overseas syndicated loans during the reporting period. After offsetting interest expenses with wealth management returns, the overall impact on finance costs remained relatively stable compared to the same period last year.

In the first half of 2023, the loss from derecognition of financial assets measured at amortized cost amounted to RMB0.818 million (2022H1: RMB1.464 million), representing a YoY decrease of 44.1%.

In the first half of 2023, the Group's income tax benefit was RMB8.314 million (2022H1: income tax expense RMB39.573 million). The main reasons for the income tax benefit are the increase in tax refunds generated by the annual settlement and payment of income taxes during the reporting period, as well as the implementation of the new policy of additional deduction for research and development expenses.

Other Non-Cash Expenses

In the first half of 2023, the Group's other expenses were RMB38.083 million (2022H1: RMB27.473 million), indicating a YoY increase of 38.6%. Additionally, the proportion of other expenses to revenue was 0.5% in the first half of 2023 (2022H1: 0.3%), representing a YoY rise of 0.2%.

In the first half of 2023, the Group's impairment losses under the expected credit loss model, net of reversals, amounted to RMB14.800 million (2022H1: RMB12.995 million), representing a YoY increase of 13.9%.

Working Capital, Financial, and Capital Resources

In the first half of 2023, the Group's total available cash balance (the sum of bank balances and cash, pledged bank deposits, and term deposits) amounted to RMB5,042.594 million (2022: RMB5,112.410 million).

In the first half of 2023, the Group's net current assets were RMB10,540.657 million (2022: RMB10,047.236 million). In the first half of 2023, the current ratio (the ratio of current assets divided by current liabilities) was 4.0, a slight increase of 0.2 from 3.8 in 2022.

In the first half of 2023, the Group's borrowings were RMB4,060.175 million (2022: RMB1,928.531 million). Gearing ration is calculated as the amount of borrowings (borrowings and convertible loan notes minus available cash balance (the sum of bank balances and cash, pledged bank deposits, and term deposits)) divided by total equity. In the first half of 2023, the Group's available cash balance exceeded the sum of borrowings and convertible loan notes, resulting in a negative gearing ratio.

Profit for the Period and Earnings Per Share (EPS)

In the first half of 2023, the Group's profit for the period was RMB350.687 million (2022H1: RMB570.880 million), indicating a YoY decrease of 38.6%. The profit as a percentage of revenue for the first half of 2023 was 4.2% (2022H1: 5.7%), representing a YoY decrease of 1.5%. However, compared to the second half of last year, the proportion of estimated revenue from the profit has increased by 2.3% from 1.9%. Similarly, the profit as a percentage of service revenue for the first half of 2023 was 4.2% (2022H1: 5.8%), resulting in a decrease of 1.6% from the prior year's corresponding period. However, compared to the second half of last year, the proportion of estimated service revenue from the profit has increased by 2.3% from 1.9%.

In the first half of 2023, the Group's profit attributable to owners of the company amounted to RMB351.028 million (2022H1: RMB571.554 million), representing a YoY decrease of 38.6%.

Based on the Group's profit attributable to owners of the company, the calculated EPS for the first half of 2023 was RMB12.44 cents (2022H1: RMB19.62 cents), representing a YoY decrease of 36.6%.

Segment Revenue and Results

For the first half of 2023, the Group's revenue and results of each business group is as follows:

	Revenue			Results		
	Six Months Ended 30 June 2023 RMB'000	Six Months Ended 30 June 2022 RMB'000	Growth Rate	**Six Months Ended 30 June 2023 RMB'000**	Six Months Ended 30 June 2022 RMB'000	Growth Rate
TPG	**7,631,522**	9,056,975	(15.7%)	**379,364**	570,817	(33.5%)
IIG	**818,538**	968,300	(15.5%)	**66,515**	117,898	(43.6%)
Total	**8,450,060**	10,025,275	(15.7%)	**445,879**	688,715	(35.3%)

In terms of segment revenue, the revenue of the TPG decreased by 15.7% YoY. This decline was primarily influenced by reduced business demand from major clients in the telecommunications, finance, and internet industries, alongside the impact of the Group's strategic transformation to expand high-margin businesses. Similarly, the IIG saw a 15.5% YoY decrease in revenue, primarily attributed to lower income from the Jointforce Software Park and decreased commission revenue from cloud resource resale during the reporting period.

In terms of segment results, TPG's results declined by 33.5% YoY. This was primarily attributed to ongoing fluctuations in business demand from major clients, resulting in decreased profitability and business gross margins for the Group during the reporting period. However, it's worth noting that the profit margin for the TPG showed a gradual recovery compared to the second half of the previous year. Similarly, the IIG's performance decreased by 43.6% YoY, primarily due to reduced business activities in the Jointforce Software Park and lower revenue from cloud resource resale compared to the same period last year.

The Group believes that by fostering the growth of the second curve of new business through the development of 1+3 (Cloud Intelligence, HarmonyOS, Comprehensive ERP, AIGC) initiatives, actively participating in the construction of China's critical information infrastructure industry, and continuously igniting new sources of development momentum, the Group's business structure will continue to improve, and profit margins will gradually increase.

FUNDRAISING ACTIVITIES

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

On 4 October 2021, the Company entered into the placing agreement with the placing agent, UBS AG Hong Kong Branch, to procure not less than six placees on a best efforts basis to purchase up to an aggregate of 162,000,000 placing shares at the placing price of HK$12.26 per placing share.

The placing shares were allotted on 12 October 2021 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2021. The net proceeds from the placing is approximately HK$1,970 million (after deduction of commission and other expenses of the placing). The intended use and actual use of the proceeds are as follow:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of the remaining net proceeds as at 30 June 2023	Expected time of utilisation (Note)
Approximately HK$788 million	For the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK$480 million were used for the research and development of full-stack cloud smart products and solutions, as well as investments and mergers and acquisitions related to the Company's main business	Approximately HK$308 million to be for the intended use	Before 31 December 2023
Approximately HK$788 million	For developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK$197 million were used for developing hardware and software products and solutions for HarmonyOS and OpenHarmony, the research and development of full-stack technologies required for atomic services, making investments and mergers and acquisitions around the HarmonyOS and OpenHarmony industrial ecology	Approximately HK$591 million to be for the intended use	Before 31 December 2023
Approximately HK$394 million	For general working capital of the Company	Approximately HK$394 million were used for general working capital of the Company	–	–

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

INTERIM RESULTS

The board of Directors (the "Board") of Chinasoft International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 with corresponding figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the six months ended 30 June	
		2023	2022
	Notes	**RMB'000**	RMB'000
Revenue	*3*	**8,450,060**	10,025,275
Cost of sales and services		**(6,448,925)**	(7,543,550)
Gross profit		**2,001,135**	2,481,725
Other income		**143,660**	188,917
Other gains or losses		**(5,663)**	20,911
Selling and distribution costs		**(420,993)**	(511,289)
Other expenses		**(38,083)**	(27,473)
Administrative expenses		**(1,210,380)**	(1,445,384)
Finance costs	*4*	**(83,087)**	(51,868)
Impairment losses under expected credit loss model, net of reversal		**(14,800)**	(12,995)
Share of results of investments accounted for using the equity method		**(28,598)**	(30,627)
Loss from derecognition of financial assets measured at amortised cost		**(818)**	(1,464)
Profit before taxation		**342,373**	610,453
Income tax expense	*5*	**8,314**	(39,573)
Profit for the period		**350,687**	570,880
Other comprehensive income			
Exchange differences arising on transaction of foreign operations		**(3,266)**	1,743
Total comprehensive income for the period		**347,421**	572,623
Profit for the period attributable to:			
Owners of the Company		**351,028**	571,554
Non-controlling interests		**(341)**	(674)
		350,687	570,880
Total comprehensive income attributable to:			
Owners of the Company		**347,762**	573,297
Non-controlling interests		**(341)**	(674)
		347,421	572,623
Earnings per share	*7*		
– Basic (cents)		**12.44**	19.62
– Diluted (cents)		**12.08**	18.70

	Notes	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**1,163,684**	1,119,112
Right-of-use assets		**371,652**	439,447
Intangible assets		**292,690**	280,773
Goodwill		**843,654**	843,654
Investments accounted for using the equity method		**455,919**	485,163
Financial assets at fair value		**159,560**	159,560
Derivative financial instruments		**37,941**	–
Other receivables		**9,535**	21,703
Term deposits		**550,000**	10,000
Pledged bank deposits		**3,930**	3,930
Deferred tax assets		**934**	921
		3,889,499	3,364,263
Current assets			
Inventories		**118,065**	99,358
Trade and other receivables	*8*	**7,077,784**	6,156,543
Bills receivable		**30,894**	54,563
Contract assets		**2,115,183**	1,998,731
Financial assets at fair value		**120,000**	90,000
Amount due from related companies		**102,901**	102,847
Term deposits		**–**	48,000
Pledged bank deposits		**46,004**	45,254
Bank balances and cash		**4,442,660**	5,005,226
		14,053,491	13,600,522
Current liabilities			
Trade and other payables	*9*	**1,704,982**	2,043,359
Bills payable		**–**	5,350
Lease liabilities		**184,571**	180,951
Contract liabilities		**311,791**	339,220
Amounts due to related companies		**14,473**	44,081
Dividend payable		**81**	81
Taxation payable		**125,271**	154,184
Borrowings	*10*	**1,171,665**	766,068
Consideration payable		**–**	19,992
		3,512,834	3,553,286
Net current assets		**10,540,657**	10,047,236
Total assets less current liabilities		**14,430,156**	13,411,499

	Notes	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Non-current liabilities			
Deferred tax liabilities		**11,191**	11,715
Lease liabilities		**41,997**	102,530
Borrowings	*10*	**2,888,510**	1,162,463
		2,941,698	1,276,708
		11,488,458	12,134,791
Capital and reserves			
Share capital	*11*	**134,799**	136,837
Share premium		**5,670,371**	6,013,911
Treasury shares		**(1,157,251)**	(538,555)
Reserves		**6,815,854**	6,497,572
Equity attributable to owners of the Company		**11,463,773**	12,109,765
Non-controlling interests		**24,685**	25,026
Total equity		**11,488,458**	12,134,791

	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 reserve RMB'000	Translation reserve RMB'000	Equity-settled share-based payment 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 2022	138,703	6,293,665	(588,741)	(122,769)	(13,834)	(16,027)	269,073	15,793	26,749	266,796	5,300,513	11,603,921	22,638	11,626,559
Profit for the period	-	-	-	-	-	-	-	-	-	-	571,554	571,554	(674)	570,880
Other comprehensive (expenses) income for the period	-	-	-	-	-	1,743	-	-	-	-	-	1,743	-	1,743
Total comprehensive income (expenses) for the period	-	-	-	-	-	1,743	-	-	-	-	571,554	573,297	(674)	572,623
Issue of ordinary shares upon exercise of share-based payments	1,023	140,961	-	-	-	-	(29,431)	-	-	-	-	115,573	-	115,573
Recognition of share-based payments expenses	-	-	-	-	-	-	68,566	-	-	-	-	68,566	-	68,566
Repurchase of shares	-	-	(146,371)	-	-	-	-	-	-	-	-	(146,371)	-	(146,371)
Cancellation of repurchased shares	(1,025)	(124,805)	125,830	-	-	-	-	-	-	-	-	-	-	-
Vesting of share awards	-	(5,290)	112,303	-	-	-	(107,013)	-	-	-	-	-	-	-
Purchase of shares under share award scheme	-	-	(54,936)	-	-	-	-	-	-	-	-	(54,936)	-	(54,936)
Dividends paid to ordinary shareholders	-	(84,147)	-	-	-	-	-	-	-	-	-	(84,147)	-	(84,147)
At 30 June 2022	138,701	6,220,404	(553,915)	(122,769)	(13,834)	(14,284)	215,215	15,793	26,749	266,796	5,872,067	12,073,923	21,964	12,095,887
At 1 January 2023	136,837	6,013,911	(538,555)	(122,769)	(13,834)	(17,956)	269,839	15,793	26,749	314,075	6,092,675	12,109,765	25,026	12,134,791
Profit for the period	-	-	-	-	-	-	-	-	-	-	351,028	351,028	(341)	350,687
Other comprehensive (expenses) income for the period	-	-	-	-	-	(9,266)	-	-	-	-	-	(9,266)	-	(9,266)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(9,266)	-	-	-	-	351,028	341,762	(341)	341,421
Recognition of share-based payments expenses	-	-	-	-	-	-	34,331	-	-	-	-	34,331	-	34,331
Repurchase of shares	-	-	(230,053)	-	-	-	-	-	-	-	-	(230,053)	-	(230,053)
Cancellation of repurchased shares	(2,008)	(194,998)	197,006	-	-	-	-	-	-	-	-	-	-	-
Vesting of share awards	-	(10,206)	74,017	-	-	-	(63,811)	-	-	-	-	-	-	-
Purchase of shares under share award scheme	-	-	(659,696)	-	-	-	-	-	-	-	-	(659,696)	-	(659,696)
Dividends paid to ordinary shareholders	-	(138,336)	-	-	-	-	-	-	-	-	-	(138,336)	-	(138,336)
At 30 June 2023	134,799	5,670,371	(1,157,251)	(122,769)	(13,834)	(21,222)	239,359	15,793	26,749	314,075	6,383,703	11,463,773	24,685	11,488,458

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Net cash used in operating activities	**(731,184)**	(798,572)
Net cash used in investing activities	**(721,980)**	(573,157)
Net cash generated from financial activities	**812,612**	302,897
Net decrease in cash and cash equivalents	**(640,552)**	(1,068,832)
Effect of foreign exchange rate changes	**77,986**	58,428
Cash and cash equivalents at the beginning of the period	**5,005,226**	5,556,380
Cash and cash equivalents at the end of the period	**4,442,660**	4,545,976

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 2022, except for the adoption of new standards and interpretations effective as at 1 January 2023.

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Nature of goods and services		
Provision of services		
Project-based development services	**1,049,550**	1,026,376
Outsourcing services	**7,149,360**	8,659,431
Others	**96,841**	134,687
	8,295,751	9,820,494
Sales of software and hardware products	**154,309**	204,781
	8,450,060	10,025,275

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	**8,295,751**	9,820,494
At a point in time	**154,309**	204,781
	8,450,060	10,025,275

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

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

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

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

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

Information regarding the above segments is reported as below.

Segment revenue and results

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

	For the six months ended 30 June			
	Segment revenue		Segment results	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Technical Professional Services Group (TPG)	**7,631,522**	9,056,975	**379,364**	570,817
Internet IT Services Group (IIG)	**818,538**	968,300	**66,515**	117,898
	8,450,060	10,025,275	**445,879**	688,715

During the six months ended 30 June 2023, the segment revenue is reported after eliminating inter-segment services revenue of RMB324,569,000 (2022: RMB394,772,000).

Reconciliation of segment results to profit before taxation:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Segment results	**445,879**	688,715
Unallocated other income, gains and losses unallocated	**9,324**	26,532
Unallocated interest on borrowings	**(54,840)**	(15,441)
Corporate expenses	**(22,861)**	(14,833)
Share-based payment expenses	**(34,331)**	(68,586)
Unallocated share of result of investments accounted for using the equity method	**(798)**	(5,934)
Profit before taxation	**342,373**	610,453

Segment revenue by products and services:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of software and hardware products	**154,309**	204,781
Technical Professional Services Group (TPG)	**7,579,754**	9,042,704
Internet IT Services Group (IIG)	**715,997**	777,790
	8,295,751	9,820,494
	8,450,060	10,025,275

4. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest on borrowings	**77,399**	42,244
Interest of lease liabilities	**5,688**	9,624
	83,087	51,868

5. TAXATION

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax	**(12,253)**	33,451
Others	**3,939**	6,122
	(8,314)	39,573

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 2023, a final dividend of HK$0.0567 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2022 (2021: HK$0.0323) was declared to the owners of the Company and paid on 26 June 2023. The aggregate amount of the final dividend declared during the six months ended 30 June 2023 amounted to HK$153,445,586 (2022: HK$99,148,317).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: 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	
	2023	2022
	RMB'000	RMB'000
Earnings for the purposes of calculating basic earnings per share and diluted earnings per share	**351,028**	571,554

	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,821,509,612**	2,913,695,916
Effect of dilutive potential ordinary shares:		
Share options	**26,521**	11,883,742
Share award scheme	**84,173,265**	130,187,530
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,905,709,398**	3,055,767,188

The computation of diluted earnings per share for the period ended 30 June 2023 and 30 June 2022 assume the exercise of all of the Company's share options granted since the exercise prices of all these share options were lower than the average market price of shares of the Company.

8. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Trade receivables, net of allowance	**6,191,260**	5,469,959
Advances to suppliers	**569,432**	435,490
Deposits, prepayments and other receivables, net of allowance	**326,627**	272,797
	7,087,319	6,178,246
Analysed for reporting purposes as:		
Non-current assets	**9,535**	21,703
Current assets	**7,077,784**	6,156,543
	7,087,319	6,178,246

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

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

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Within 90 days	**4,729,010**	4,384,078
Between 91 – 180 days	**683,317**	542,808
Between 181 – 365 days	**555,153**	346,246
Between 1 – 2 years	**223,780**	196,827
	6,191,260	5,469,959

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 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Trade payables	**584,438**	665,267
Other payables	**1,120,544**	1,378,092
	1,704,982	2,043,359

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 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Within 90 days	**175,431**	273,778
Between 91-180 days	**64,300**	84,672
Between 181-365 days	**124,724**	82,796
Between 1-2 years	**114,690**	177,883
Over 2 years	**105,293**	46,138
	584,438	665,267

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 2023 was approximately equal to the corresponding carrying amount.

10. BORROWINGS

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Unsecured bank loans *(Note (i))*	**4,060,175**	1,928,531
Secured bank loans	**–**	–
	4,060,175	1,928,531

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Carrying amount repayable:		
Within one year	**1,171,665**	766,068
Within a period of more than one year but not more than two years	**657,310**	151,899
Within a period of more than two year but not more than five years	**2,231,200**	1,010,564
	4,060,175	1,928,531
Less: Amounts due within one year shown under current liabilities	**(1,171,665)**	(766,068)
Amounts shown under non-current liabilities	**2,888,510**	1,162,463

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Total borrowings		
At floating interest rates – under an instalment loan facility *(Note (i))*	**2,735,451**	1,166,278
At floating interest rates – others *(Note (ii))*	**330,000**	350,000
At fixed interest rates – others *(Note (iii))*	**994,724**	412,253
	4,060,175	1,928,531

10. BORROWINGS (CONTINUED)

Other than the loan's which is denominated in Hong Kong dollars as described in Note (i) below, the Group's borrowings are denominated in currencies of the relevant group entities' functional currencies.

Notes:

(i) Guaranteed by the Company and certain subsidiaries of the Company.

During 2022 and 2023, the Company raised loans of HK$3,000 million in two tranches from its loan facility with a group of financial institutions. The loans represent all commitments under the facility agreement and are repayable by instalments as to 5%, 10%, 15% and 70%, respectively, in June 2024, December 2024, June 2025, and December 2025. The contracted interest rate is the applicable Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum. Under the terms of the facility agreement, the Company is required to comply with financial covenants to maintain a consolidated tangible net worth of no less than RMB3,800 million, and certain ratios of (1) consolidated EBITDA to consolidated financial expenses, (2) consolidated total net debt to consolidated EBITDA, and (3) cash dividend to distributable profits of the Company.

(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 2023 is 3.79% (2022: 3.24%) per annum.

(iii) Interests on fixed interest rates borrowings are charged at interest rates ranged from 2.55% to 3.00% (2022: 3.20%) per annum.

11. SHARE CAPITAL

Ordinary shares of HK$0.05 each:

	Number of shares	Nominal amount HK$
Authorised		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	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 2022	3,068,907,358	153,445,369	138,703
Exercise of share-based payments	25,000,000	1,250,000	1,023
Cancellation of repurchased shares	(24,300,000)	(1,215,000)	(1,025)
At 30 June 2022	3,069,607,358	153,480,369	138,701
At 31 December 2022 and 1 January 2023	3,027,011,358	151,350,569	136,837
Cancellation of repurchased shares	(45,102,000)	(2,255,100)	(2,038)
At 30 June 2023	2,981,909,358	149,095,469	134,799

12. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2023 RMB'000	(Audited) 31 December 2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	**1,310**	5,778
– construction of property, plant and equipment	**648,805**	663,265
	650,115	669,043

In addition, as at 30 June 2023, the Group is committed to contributions of further capital amounting to RMB296,408,000 (2022: RMB296,408,000) 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 2022 and 2023, the Group had the following transactions with the following related parties:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Provision of IT outsourcing services by the Group	**1,273**	36
Provision of IT solution services by the Group	**2,555**	–
Provision of other services by the Group	**1,811**	4,351

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

14. EMPLOYEE AND OTHER INFORMATION

The total employee benefits expenses of the Group amounted to approximately RMB7,199,889,000 including the directors' emoluments of approximately RMB11,995,000 during the six months ended 30 June 2023 (2022: approximately RMB8,598,009,000, including the directors' emoluments of approximately RMB12,585,000).

The amortisation charge of intangible assets and depreciation during the six months ended 30 June 2023 of the Group amounted to approximately RMB38,083,000 (2022: RMB27,473,000) and approximately RMB198,267,000 (2022: RMB220,863,000), respectively.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, 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 2023 to 30 June 2023, except for the following deviations as explained:

Code Provision C.1.6

Under Code provision C.1.6, independent non-executive directors and other non-executive directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business commitment, two independent non-executive Directors and two non-executive Directors were unable to attend the annual general meeting of the Company held on 22 May 2023 in Hong Kong (the "2022 AGM").

Code Provision C.2.1

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 2023.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2023, 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 2023
Chen Yuhong	Beneficial owner, through controlled corporation, founder of discretionary trust and beneficiary of trust	305,492,861 *(Note 1)*	–	330,142,144	11.07%
	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	24,649,283 *(Note 2)*			
He Ning	Beneficial owner	300,000	–	300,000	0.01%
Tang Zhenming	Beneficial owner and beneficiary of trust	19,027,765 *(Note 3)*	–	19,027,765	0.64%
Zhang Yaqin	Beneficial owner	400,000	1,000,000 *(Note 4)*	1,400,000	0.05%
Gao Liangyu	Beneficial owner	–	1,000,000 *(Note 4)*	1,000,000	0.03%
Lai Guanrong	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%
Mo Lailan	Beneficial owner	–	800,000 *(Note 4)*	800,000	0.03%

Notes:

(1) The 16,600,000 shares are the awarded shares granted to Dr. Chen Yuhong on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 5,600,000 awarded shares were vested and transferred to Dr. Chen during May 2021 while another 5,500,000 awarded shares were vested during June 2022 and transferred to Dr. Chen during July 2022. During the reporting period, 1,650,000 awarded shares were eligible for vesting. The remaining awarded shares will be vested by period based on future performance.

(2) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the "Kunlun") and Dan Capital Management Limited (the "Dan Capital") on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 3A - Director/ Chief Executive Notice - Interests in Shares of Listed Corporation dated 16 June 2022 for further details of the shareholding structure.

(3) The 7,200,000 shares are the awarded shares granted to Dr. Tang Zhenming on 1 June 2020 and held by the trustee to the Share Award Scheme – Bank of Communications Trustee Limited, of which 1,440,000 awarded shares were vested and transferred to Dr. Tang during May 2021 while another 1,440,000 awarded shares were vested during June 2022 and transferred to Dr. Tang during July 2022. During the reporting period, 432,000 awarded shares were eligible for vesting. The remaining awarded shares will be vested by period based on future performance.

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

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2023	No. of share options exercised during the period	No. of share options outstanding as at 30 June 2023	Percentage of total issued ordinary share of the Company as at 30 June 2023	Total No. of underlying ordinary shares interested as at 30 June 2023	Percentage of total issued ordinary share of the Company as at 30 June 2023	*Note*
Zhang Yaqin	5.65	1,000,000	–	1,000,000	0.03%	1,000,000	0.03%	(i)
Gao Liangyu	5.65	1,000,000	–	1,000,000	0.03%	1,000,000	0.03%	(i)
Lai Guanrong	5.65	800,000	–	800,000	0.03%	800,000	0.03%	(i)
Mo Lailan	5.65	800,000	–	800,000	0.03%	800,000	0.03%	(i)

Note:

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

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

Save as disclosed above and so far as was known to the Directors, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or shorts in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be Company and the Stock Exchange.

SHARE OPTION SCHEME

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

As at 30 June 2023, pursuant to the 2013 Share Option Scheme, the share options to subscribe for an aggregate of 62,990,000 Shares granted to certain Directors, employees and suppliers of the Group were outstanding, representing 2.11% of the total issued ordinary share capital of the Company as at 30 June 2023.

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

SHARE AWARD SCHEME

The share award scheme (the "Share Award Scheme") was adopted by the Company on 10 December 2018. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 10 December 2018. The purposes of the Share Award Scheme are to recognise the contributions by certain selected employees (including directors) and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. 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 2023, a total consideration of approximately HK$748,493,000 (2022 same period: approximately HK$67,000,000) has been used to acquire 143,184,000 shares (2022 same period: 7,374,000 shares) of the Company from open market by the independent trustee of the Company.

The Company had granted a total of 152,000,000 awarded shares under the Share Award Scheme on 1 June 2020, 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.

During the reporting year, the awarded shares were vested to Directors, five highest paid employees (excluding directors) and employees, details of which are as follows:

Selected Employee	Granted but not vested as at 1 January 2023	Granted during the period	Vested during the period	Grant but not vested as at 30 June 2023
Chen Yuhong (Director)	5,500,000	–	1,650,000	3,850,000
Tang Zhenming (Director)	4,320,000	–	432,000	3,888,000
Five highest paid employees (excluding directors)	16,600,000	–	4,224,000	12,376,000
Employees	74,703,000	–	11,821,000	62,882,000
	101,123,000	–	18,127,000	82,996,000

Note: The shares vested during the period were transferred to the selected employee after the period end.

As at 30 June 2023, 282,638,000 shares (2022 same period: 167,511,000 shares) of the Company were held by the independent trustee of the Company, representing 9.48% (2022 same period: 5.46%) of the total issued ordinary share capital of the Company as at 30 June 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the six months ended 30 June 2023 none of the Directors was granted options to subscribe for shares of the Company and as at 30 June 2023 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 2023, 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 2023.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2023, the following persons (not being a Director or chief executive of the Company) had interests or short position in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions/short positions in Shares

Name	Nature of interest	Approximate number of Shares	Approximate % of total issued ordinary share of the Company
Dan Capital Tangkula Limited Partnership *(Note 1)*	Interest of other parties to an agreement required to be disclosed under S.317 of the SFO	330,142,144 (L)	11.07%
UBS Group AG *(Note 2)*	Interest of controlled corporations	270,058,029 (L)	9.06%
Bank of Communications Trustee Limited *(Note 3)*	Trustee	282,638,000 (L)	9.48%
BlackRock, Inc. *(Note 4)*	Interest of controlled corporations	128,580,105 (L)	4.31%
		2,952,000 (S)	0.10%

Abbreviations: "L" stands for long position
"S" stands for short position

Notes:

(1) Pursuant to the concert party agreement entered by Dr. Chen Yuhong, Dan Capital Kunlun Limited Partnership (the "Kunlun") and Dan Capital Management Limited (the "Dan Capital") on 16 June 2022, Dr. Chen was deemed to be interested in 24,649,283 underlying shares of the Company held by Kunlun for the purposes of section 317 of the SFO. Please refer to Form 2 - Corporate Substantial Shareholder Notice dated 16 June 2022 for further details of the shareholding structure.

(2) UBS Group AG is deemed to be interested in the long positions of 270,058,029 shares in the Company held by its wholly owned subsidiaries. Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 29 June 2023 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) BlackRock, Inc. is deemed to be interested in the long positions of 128,580,105 shares and short position of 2,952,000 shares of the Company held by its wholly owned subsidiaries. Please refer to the Form 2 – Corporate Substantial Shareholder Notice dated 7 March 2023 for further details of the shareholding structure.

Save as disclosed above, as at 30 June 2023, 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 2023, 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.

During the period from 1 January 2023 to 22 May 2023, 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. Since Mr. Zeng Zhijie retired on 22 May 2023 at the 2022 AGM, the number of independent non-executive Director fell short of the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The composition of the audit committee of the Company did not meet the requirement under Rule 3.21.

The Company will seek suitable candidate to fill the vacancy of independent non-executive Director and member of the audit committee of the Company within three months from 22 May 2023 pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules, and make further announcement as and when appropriate.

Except the above situation, the Audit Committee has reviewed the Group's interim result for the six months ended 30 June 2023 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 2023 have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

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

During the six months ended 30 June 2023, the Company repurchased 52,402,000 of its shares on the Stock Exchange, of which 45,102,000 shares were subsequently cancelled by the Company during the reporting period and 7,300,000 shares were subsequently cancelled by the Company before the date of this announcement. The total amount paid for the repurchased shares of HK$253,706,000 was paid wholly out of the Company's existing available cash reserves. Details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
May 2023	36,102,000	4.99	4.63	174,156,380
June 2023	9,000,000	4.82	4.66	43,138,720
June 2023	7,300,000*	5.11	4.89	36,410,900
	52,402,000			253,706,000

* *The repurchased shares were cancelled on 27 July 2023.*

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

During the period ended 30 June 2023, the Company's 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 143,184,000 shares of the Company at a total consideration of approximately HK$748,493,000.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2023.

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 2023.

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

17 August 2023, Hong Kong