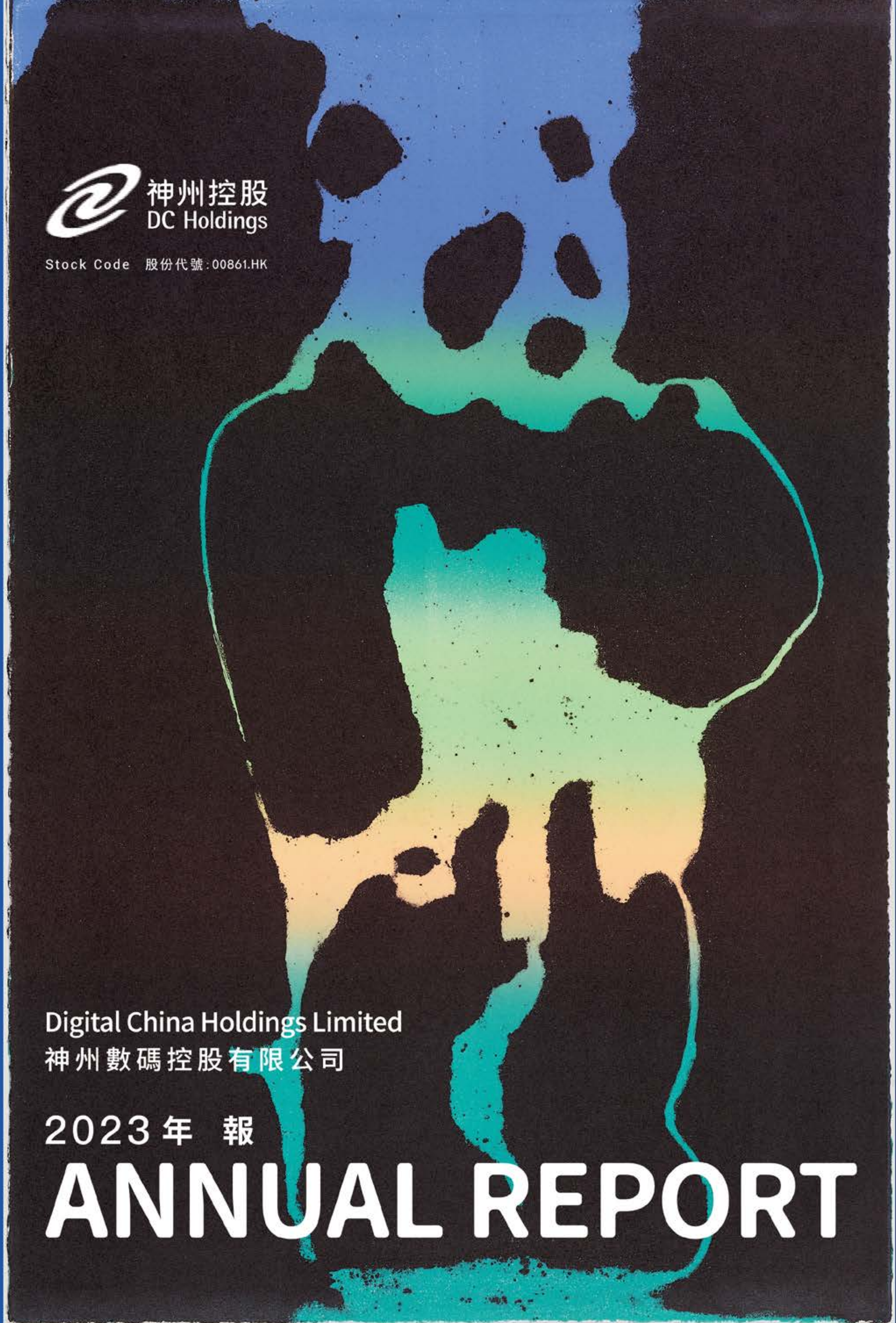
神州控股
DC Holdings

Stock Code 股份代號：00861.HK



# Digital China Holdings Limited
# 神州數碼控股有限公司

# 2023年報
# ANNUAL REPORT

Incorporated in Bermuda with Limited Liability 於百慕達註冊成立之有限公司

# Content

# Company Profile

Digital China Holdings Limited ("DC Holdings") was established in 2000 and listed on the main board of the Hong Kong Stock Exchange since 2001 (stock code 00861.HK).

Since our inception, we have embraced the mission of “Digital China”, coupling it with a dual focus in China as well as a global outlook. Our unwavering commitment to innovation has led to continuous breakthroughs. Our service portfolio spans integrated IT services, IT infrastructure services, and smart city solutions. Notably, we champion the “Big Data + Artificial Intelligence” strategy, positioning ourselves as leaders in both concept and practice. Our journey has been marked by dedication to empowering digital transformation of cities and industries. We achieve this through our cutting-edge technologies, guided by core values such as customer success, value creation, excellence, and mutually beneficial outcomes. We forge a brighter digital future, leveraging technology to build a world that thrives on connectivity and progress.

At present, our commitment lies in pioneering big data technology. We focus on expanding our data product portfolio, accelerating deployment in the realm of data elements, and cultivating core urban and industry use cases. Our approach involves synergizing knowledge bases from key industries with large language model technology, resulting in the creation of cross-domain intelligent big data products and artificial intelligence applications. Furthermore, we embrace the industrial internet, actively contributing to the establishment of intelligent datacenters across regions. This strategic move empowers our customers to construct a new generation of industrial brains, thereby providing intelligent decision-making solutions across various industries. Our advocacy extends to the implementation of core products and solutions in a multitude of use cases, including smart cities, smart supply chains, intelligent manufacturing, fintech, and cross-border digital trade. Notably, we have already established mature business channels and fostered extensive cooperative relationships both domestically and internationally.

Going forward, our unwavering focus rests upon strengthening our core capacities. We are poised to expand our footprint, reaching both domestic and international markets. Our strategic approach of “City CTO + Enterprise CSO”, aims to foster deeper integration between the tangible and digital realms. In doing so, we ignite new productive forces and propel the monumental task of building a digital China. Ecosystem partnerships await us as we join hands with like-minded enterprises and stride toward a smarter, interconnected future.

# Financial Highlights

| | 2023 | 2022 | Year-on-year change |
|---|---|---|---|
| | RMB'000 | RMB'000 | % |
| **Revenue** | **18,276,547** | 17,749,982 | 2.97% |
| Of which: Big Data Products and Solutions | **3,171,898** | 2,438,536 | 30.07% |
| Net sales amount proportion of big data products and solutions | **17%** | 14% | 3% |
| Gross profit proportion of big data products and solutions | **35%** | 32% | 3% |
| **Adjusted net profit attributable to equity holders of the parent-Principal Business**[1] | **301,111** | 218,271 | 37.95% |
| **Net cash inflow from operating activities** | **746,141** | 525,557 | 41.97% |

[1] Excluding the losses and impairment provisions related to certain non-principal investments and assets historically invested by the Group. Please refer to Management Discussion and Analysis.

# DC Holdings 2023 Significant Events

## 14th March

In Kunshan, a series of partnership agreements have been inked between DC Holdings and Wanda Group. The focal point of this collaboration is the Digital China Kunshan Science and Technology Innovation Park, with the aim to transform Kunshan into a "Digital City". DC Holdings plans to leverage its key technical skills in smart cultural tourism, smart property management, and digital twins. Furthermore, they will incorporate the premium hotel resources of Wanda Vista to advance this project.


## April

DC Holdings has set up a strategic alliance framework with New Zealand's Draw More Circles. Kunshan will serve as the central hub for this partnership. Both DC Holdings and Draw More Circles will leverage their distinct capabilities to promote the digital amalgamation of sports services. They will also embark on a comprehensive collaboration aimed at digital transformation in the economic, lifestyle, and governance domains. Chen Liyan, the Deputy Secretary of the Kunshan Municipal Party Committee and Mayor, was present to witness the signing ceremony.

## From 29th to 30th May

During the "New Breakthroughs in the Intelligent Era - DC Holdings Innovation Technology Conference" held in Kunshan, DC Holdings unveiled their next-generation Urban Knowledge Graph platform. This major revelation attracted considerable interest from the investment, technology, and corporate communities, offering a glimpse into DC Holdings' forthcoming big data strategy.

## 30th March

DC Holdings unveiled its 2022 annual financial report, emphasizing a total income of RMB17.750 billion, marking a 4% growth from the preceding year. The revenue generated from big data products and solutions amounted to RMB2.439 billion, indicating a substantial 26% surge year-on-year. Furthermore, the gross profit reached RMB955 million, demonstrating a remarkable 38% rise compared to the previous year.

DC Holdings has sequentially secured substantial agreements for the Changchun Super Computer Project and the Changchun Smart Water Affairs Project. Utilizing its unique strengths, the Company is set to help in AI computing hardware and other sectors for Changchun. This endeavor aims to set a standard for intelligent water management solutions and aid in the development of "Digital Jilin." The total contract value surpasses RMB250 million.

## 20th March and 25th May

Jing Junhai, the Secretary of the Jilin Provincial Party Committee, convened two sessions with Maria Kwok, DC Holdings' Chief Operating Officer, and her team. The dialogues focused on propelling Jilin's digital economy forward. DC Holdings is committed to vigorously and assuredly advancing its diverse business sectors to invest extensively in Jilin Province, profoundly nurture Jilin, and collaboratively construct "Digital Jilin".

## 20th July

The 8th Global Jilin Entrepreneur Conference kicked off in grand style in Changchun, Jilin. DC Holdings' Chief Operating Officer, Ms. Maria Kwok, graced the event as an esteemed guest and speaker. In her address, she unveiled the transformation of Internetware Corporation into "Shenqi Digital," signifying the inaugural launch of the "Shenqi" brand.

# DC Holdings 2023 Significant Events

## 28th July

Top-ranking officials from NVIDIA, a world-renowned tech firm, made a visit to IIC, the GBA HQ of DC Holdings. They engaged in comprehensive discussions on innovative large language models and big data projects with the Hong Kong team, specifically for the Hong Kong government. The Hong Kong team has successfully executed contracts worth over RMB500 million, setting a robust groundwork for rapid growth in 2024.

## 25th September

During the inaugural China (Changchun) Digital-Physical Integration New Track Conference in 2023, DC Holdings, in collaboration with the Changchun New District, launched the "Changchun New District Urban Digital Intelligence Supply Chain Service Platform." The event also marked the signing of a series of cooperation agreements with entities such as the Changchun New District, Jilin Xiangyun, and Jilin China Unicom, resulting in significant achievements.


## From 9th to 11th November

The 12th APEC Small and Medium Enterprises (SMEs) Technology Exchange and Exhibition took place at the Qingdao International Convention Center. Shenqi Digital Co., Ltd. participated in this exhibition as an outstanding representative of Jilin Province's leading specialized and new enterprises.

## 23rd August

DC Holdings and Kunshan Lulutong Big Data Co., Ltd. signed a strategic cooperation agreement to jointly build and operate a public data operation platform. By sharing and utilizing public data, they will enhance the production factors and asset value of data , creating a "Kunshan CTO" model for public data operation.

## From 16th to 20th October, From 7th to 10th November

DC Holdings twice accompanied the Jilin Provincial Party and Government delegation on recruitment activities across seven provinces and municipalities, including Shanghai, Zhejiang, Jiangsu, Tianjin, Shandong, and Guangdong. These made positive contributions to attracting and retaining talents for Jilin and injected fresh vitality into the future development of DC Holdings.

## From 31st October to 11th November

ITL, DC Holdings' subsidiary, ushered in the 14th Double Eleven in this year, which has become an annual team-building day for the DC Holdings team. With the slogan "科助力，捷第一" (Technology Empowers, Speed Leads), the entire company rallied together, ensuring that customer satisfaction and various key performance indicators were comprehensively achieved through practical actions.

Leveraging its leading-edge technology, DC Holdings has secured merchant certifications from several key national data exchange institutions, including the Guangzhou Data Exchange, Guizhou Province Data Circulation Transaction Service Center, East China Jiangsu Data Center, Shandong Data Exchange Co., Ltd., Shenzhen Data Exchange, and Deyang Data Transaction Center. This accomplishment has laid a solid foundation for serving the national data element market.

# Awards

## 2023

In January 2023, DC Holdings' subsidiary won the Top 10 Leading Enterprises in Industry Digitalization in 2022

2022智慧城市十大案例

| RK | 提供方 | 使用方 | 方案/案例 |
|---|---|---|---|
| 1 | 联通数科 | 湛江市坡头区政务服务数据管理局 | 坡头区新型智慧城市基础设施建设项目（一期） |
| 2 | 华为 | 山东省龙口市 | 龙口城市智能体项目（一期）和大数据产业园 |
| 3 | 海纳云 | 青岛市应急管理局 | 青岛市城市安全风险综合监测预警平台 |
| 4 | 因特睿 | 长春净月高新技术产业开发区政务服务和数字化建设管理局 | 净月城市信息模型（CIM）基础软件平台项目 |
| 5 | 佳都科技 | 宣城交警 | IDPS城市交通大脑 |
| 6 | 蘑菇车联 | 湖南省衡阳市政府 | 衡阳市智能网联汽车（5G智能交通）项目 |
| 7 | 随锐科技 | 2022北京冬奥会 | 视频通信云解决方案 |
| 8 | 大汉软件 | 江西省南昌市 | 赣服通5.0版本 |
| 9 | 普元信息 | 上海市大数据中心 | 防疫数据运营和数据治理 |
| 10 | 蜜度 | 第二届中国国际消费品博览会 | 智慧城市建设大数据应用平台"城感通" |

2023.02德本咨询/eNet研究院/互联网周刊联调

On 27th February 2023, DC Holdings' subsidiary won the top 10 smart city cases in 2022

2023中国最具创新力AI产品/解决方案TOP30

| RK | 企业/品牌 | 备注 |
|---|---|---|
| 1 | 腾讯 | 腾讯云智能工业AI质检解决方案 |
| 2 | 华为 | 盘古气象大模型 |
| 3 | 联通数科 | 工业视觉AI应用平台 |
| 4 | 京东 | 言犀AI 2.0平台 |
| 5 | 海康威视 | 海康机器人机器视觉新技术 |
| 6 | 科蓝软件 | 智能高柜数币机器人"小蓝" |
| 7 | 神州控股 | 城市知识图谱平台 |
| 8 | 马上消费 | 智慧服务AI心理学模型 |
| 9 | 百度 | AI 信控技术 |
| 10 | 朗坤 | 朗坤苏畅设备故障预警与智能运维平台 |
| 11 | 电信智科 | 天翼智慧大脑 |
| 12 | 致远互联 | 致远互联数智公文 |
| 13 | 瑞为技术 | 智慧机场自助登机解决方案 |
| 14 | 商汤智能 | SenseCore大装置AI云 |
| 15 | 亚信科技 | RPA通信业务流程治理平台 |

2023.02德本咨询/eNet研究院/互联网周刊联调

On 14th March 2023, DC Holdings ranked 7th among the TOP30 of China's Most Innovative AI Product Solutions in 2023


On 16th March 2023, DC Holdings won the Big Data Enterprise of the Year 2022

2022年度大数据解决方案TOP50

| RK | 企业 | 备注 |
|---|---|---|
| 1 | 联通数科 | 联通"资治"政务大数据平台 |
| 2 | 阿里云 | 大数据解决方案提供商 |
| 3 | 腾讯云 | 大数据解决方案提供商 |
| 4 | 神州控股 | 吴江大数据服务解决方案 |
| 5 | 华为 | 大数据解决方案提供商 |
| 6 | 百度 | 大数据交易中心解决方案 |
| 7 | 太极股份 | 一体化大数据服务解决方案 |
| 8 | 东软集团 | SaCa DataViz数据可视化分析平台 |
| 9 | 中兴通讯 | VMAX数智中台 |
| 10 | 广联达 | 数字建筑行业大数据解决方案提供商 |

2023.03德本咨询/eNet研究院/互联网周刊联调

On 22nd March 2023, DC Holdings' subsidiary ranked 4th in the TOP50 big data solutions in 2022

In March 2023, DC Holdings' subsidiary was honored with the 2022 China Standard Innovation Contribution Award.

In March 2023, DC Holdings' project "eSanming" won the 2023 Digital City Innovation Achievements and Practical Cases.

On 18th April 2023, DC Holdings' subsidiary won the 2022 Software Industry Big Data Field Leading Enterprise award.

2022智能供应链企业100强

| RK | 企业 | 备注 |
|---|---|---|
| 1 | 华为 | 华为云智慧供应链管理平台 |
| 2 | 京东 | 京东云数智供应链 |
| 3 | 海尔智家 | 全球供应链体系 |
| 4 | 阿里巴巴 | 数智化跨境供应链服务平台 |
| 5 | 菜鸟网络 | 供应链一体化服务 |
| 6 | 旷视科技 | 供应链物联网解决方案 |
| 7 | 比亚迪 | 垂直供应链体系 |
| 8 | 百度 | 智慧物流解决方案 |
| 9 | 中联重科 | 以ERP为核心的供应链解决方案 |
| 10 | 富士康 | 准时达JUSDA供应链协同平台 |
| 11 | 伊利股份 | 供应链可视化 |
| 12 | 美的集团 | 安得智联端到端数智化供应链解决方案 |
| 13 | 中国中车 | 中车供应链管理电子采购平台 |
| 14 | 北汽福田 | 智能整合型供应链模式 |
| 15 | 科捷集团 | 智能物流和智能制造解决方案提供商 |
| 16 | 格力智能装备 | 智能物流仓储 |
| 17 | 顺丰 | 数字化物流供应链 |
| 18 | 联想 | 供应链智能控制塔（SCI） |
| 19 | 蒙牛乳业 | 可视化、可感知、可调节的供应链平台 |

2023.04德本咨询/eNet研究院/互联网周刊联调

On 20th April 2023, DC Holdings' subsidiary ranked 15th among the top 100 smart supply chain companies in 2022

# Awards


On 23rd April 2023, DC Holdings won the second prize in the Data Development Track Operator's Big Data Application Industry Collaborative Innovation Scenario

2023数字技术优秀解决方案提供商

| RK | 企业 |
|---|---|
| 1 | 华为 |
| 2 | 中国电信 |
| 3 | 百度 |
| 4 | 中国联通 |
| 5 | 阿里巴巴 |
| 6 | 海康威视 |
| 7 | 腾讯 |
| 8 | 中国移动 |
| 9 | 中国银联 |
| 10 | 神州控股 |

On 25th April 2023, DC Holdings ranked 10th among the 2023 Excellent Digital Technology Solution Providers


On 11th May 2023, Mr. Guo Wei, Chairman of the Board of Directors of DC Holdings, was named one of the top ten innovative figures in the digital economy in 2022-2023

2023数字孪生解决方案提供商TOP50

| RK | 企业 |
|---|---|
| 1 | 神州控股 |
| 2 | 软通动力 |
| 3 | 海尔 |
| 4 | 科大讯飞 |
| 5 | 中兴通讯 |
| 6 | 中国建筑 |
| 7 | 数字政通 |
| 8 | 用友 |
| 9 | 佳都科技 |
| 10 | 运达科技 |
| 11 | 积成电子 |
| 12 | 科创信息 |
| 13 | 深桑达 |
| 14 | 捷安高科 |
| 15 | 金航数码 |

2023.05德本咨询/eNet研究院/互联网周刊联调

On 23rd May 2023, DC Holdings ranked first among digital twin solution providers in 2023


On 26th June 2023, DC Holdings won the 2023 Knowledge Graph Technology Innovation Award

On 28th June 2023, DC Holdings won the top 10 outstanding cases of digital economy in 2023

2023数字经济案例100（1–50）

| RK | 使用方 | 提供方 | 案例 |
|---|---|---|---|
| 34 | 盛趣游戏 | 兰洋（宁波）科技有限公司 | 兰洋科技建设的盛趣节能数据中心项目 |
| 35 | 浙江万胜智能科技股份有限公司 | 深圳市蓝凌软件股份有限公司 | 万胜智能："OA大脑"让组织更智慧，打造"未来工厂"新标杆 |
| 36 | 澎湃新闻 | 上海蜜度信息技术有限公司 | 媒体内容生产平台（CMS）智能校对服务 |
| 37 | 长春城投建设投资（集团）有限公司 | 因特睿科技有限公司 | 长春伊通河智慧水务综合管理平台项目 |
| 38 | 中国联合网络通信有限公司广东省分公司 | 亚信科技（中国）有限公司 | 打造"资源–生产–组织"铁三角的家庭市场数字化运营体系 |
| 39 | 江淮汽车 | 依柯力信息科技（上海）股份有限公司 | 江淮安庆新能源工厂数字化项目 |
| 40 | 中国旭阳集团有限公司 | 北京元年科技股份有限公司 | 中国旭阳集团合并报表项目 |

On 7th July 2023, DC Holdings ranked 37th in the 2023 Digital Economy Cases


On 23rd August 2023, DC Holdings won the title of 2023 Big Data Outstanding Service Provider Leading Enterprise

2023智慧政务企业排行

| RK | 企业 | 产品 | 规模 | 生态 | 综合 |
|---|---|---|---|---|---|
| 1 | 华为 | 93.28 | 92.54 | 93.45 | 93.09 |
| 2 | 中国联通 | 92.77 | 93.25 | 92.86 | 92.96 |
| 3 | 中国电信 | 92.85 | 93.12 | 92.70 | 92.89 |
| 4 | 中国移动 | 92.15 | 92.85 | 92.65 | 92.55 |
| 5 | 腾讯 | 91.54 | 92.23 | 91.90 | 91.89 |
| 6 | 百度 | 90.92 | 92.13 | 91.05 | 91.37 |
| 7 | 阿里巴巴 | 90.98 | 89.02 | 90.73 | 90.24 |
| 8 | 神州控股 | 90.85 | 89.31 | 90.48 | 90.21 |
| 9 | 太极股份 | 90.64 | 89.25 | 90.26 | 90.05 |
| 10 | 海康威视 | 90.53 | 89.98 | 88.96 | 89.82 |

On 24th August 2023, DC Holdings ranked 8th in the 2023 Smart Government Enterprises Ranking

# Awards

2023数字化转型推动企业100强

| RK | 企业 | iP | iB | 综 |
|---|---|---|---|---|
| 1 | 华为 | 97.06 | 96.25 | 96.66 |
| 2 | 阿里巴巴 | 96.90 | 96.38 | 96.64 |
| 3 | 中国电信 | 96.63 | 96.34 | 96.49 |
| 4 | 中国联通 | 97.19 | 95.55 | 96.37 |
| 5 | 腾讯 | 96.23 | 95.72 | 95.98 |
| 6 | 太极股份 | 96.17 | 95.55 | 95.86 |
| 7 | 中国移动 | 96.27 | 95.38 | 95.83 |
| 8 | 百度 | 96.60 | 94.99 | 95.80 |
| 9 | 中兴通讯 | 95.34 | 95.96 | 95.65 |
| 10 | 金山办公 | 95.63 | 95.04 | 95.34 |
| 11 | 海康威视 | 95.60 | 94.87 | 95.24 |
| 12 | 用友网络 | 95.97 | 94.41 | 95.19 |
| 13 | 神州控股 | 96.02 | 94.29 | 95.16 |
| 14 | 科大讯飞 | 96.02 | 93.28 | 94.65 |
| 15 | 中电金信 | 94.60 | 94.41 | 94.51 |

2023.09 DBC/CIW/CIS

On 8th September 2023, DC Holdings ranked 13th among the top 100 companies promoting digital transformation in 2023

On 12th September 2023, DC Holdings' subsidiary won the title of 2023 Leading Enterprise in Data Element Industry Development


On 20th September 2023, DC Holdings won the 2023 Public Data Operation Innovation Award

2023中国新科技100强

| S/N | 公司简称 | 公司全称 | 行业属性 |
|---|---|---|---|
| | | | 数字产业15% |
| 1 | 联通数科 | 联通数字科技有限公司 | 安全生态 |
| 2 | 神州控股 | 神州数码软件有限公司 | 数字经济 |
| 3 | 软通动力 | 软通动力信息技术(集团)股份有限公司 | 数字技术服务 |
| 4 | 数讯信息 | 上海数讯信息技术有限公司 | 算力 |
| 5 | 火山引擎 | 北京火山引擎科技有限公司 | 云服务 |
| 6 | 途鸽科技 | 上海途鸽数据科技有限公司 | AIoT |
| 7 | 零数科技 | 上海零数科技有限公司 | 区块链 |
| 8 | 帆软 | 帆软软件有限公司 | BI |
| 9 | Testin云测 | 北京云测信息技术有限公司 | 软件测试/AI训练数据 |
| 10 | 肯耐珂萨 | 上海肯耐珂萨人力资源科技股份有限公司 | 信创/HR-SaaS |

On 26th September, 2023 DC Holdings ranked second in the digital industry group of the top 100 new technologies.

On 21st October 2023, DC Holdings' subsidiary won the Data Governance Excellence Product Award.

In October 2023, DC Holdings' subsidiary was selected as one of Forbes China's ESG Innovative Enterprises.


In October 2023, DC Holdings won the second prize in the ModelScope Task Challenge at the 6th "China Software Open Source Innovation Contest."

On 3rd November 2023, DC Holdings' subsidiary won the Fintech Empowerment Business Innovation Award.


On 16th November 2023, DC Holdings won the title of 2023 China's leading smart city solution provider

2023数字政府解决方案提供商TOP200
（1-100）

| RK | 企业 | 备注 |
|---|---|---|
| 1 | 中国电信 | 在数字政务方面，天翼云承载20余个省级政务云，300余个地市级政务云，参与1000多个智慧城市项目建设，领跑中国政务公有云市场。 |
| 2 | 华为 | 智能电子政务外网解决方案 |
| 3 | 联通数科 | 以"一朵云、三平台",即全新升级的联通云7版本、"格物"设备管理平台、"资治"政务大数据平台、"墨攻"安全运营服务平台，全力服务数字政府建设 |
| 4 | 中兴通讯 | 新型云数据中心解决方案 |
| 5 | 腾讯云 | WeCity未来城市2.0技术平台 |
| 6 | 阿里云 | 互联网+监管解决方案 |
| 7 | 中国软件 | 数字党务、数字政务、数字税务 |
| 8 | 百度 | 区县大脑解决方案 |
| 9 | 中国移动 | 移动云数字政府基础设施解决方案 |
| 10 | 中国长城 | 乡村振兴数字生态整体解决方案 |
| 11 | 中国电子云 | 政务数据治理和智能分析解决方案 |
| 12 | 浪潮云 | 城市大脑云 |
| 13 | 神州控股 | 大数据科技引领者 |
| 14 | 联想 | 智慧政府 |
| 15 | 360集团 | 数字安全云服务商，城市数字安全运营平台+安全托管服务，建设城市数字安全基础设施 |

2023.11 DBC/CIW/CIS

On 23rd November 2023, DC Holdings ranked 13th among the 2023 Digital Government Solution Providers TOP200

# Awards


On 6th December 2023, DC Holdings won the Best TMT Company


On 21st December 2023, DC Holdings won the 2023 Data Element Potential Enterprise in China's Software and Information Services Industry

On 21st December 2023, DC Holdings' subsidiary was selected into the 2023 Digital Government Construction Innovative Application Model Project


On 27th December 2023, DC Holdings won the second prize in the first Guangdong-Hong Kong-Macao Greater Bay Area Data Application Innovation Competition


On 20th December 2023, DC Holdings won the title of 2023 Digital Economy Leading Enterprise

On 20th December 2023, DC Holdings won the top 100 Digital China Innovative Application Construction Cases in 2023

On 20th December 2023, DC Holdings' subsidiary won the top 100 Digital China Innovative Application Construction Cases in 2023

2023政务大数据创新排行榜

| RK | 企业 | 备注 |
|---|---|---|
| 1 | 联通数科 | 联通大数据资治政务大数据平台 |
| 2 | 华为 | 一体化政务大数据中台 |
| 3 | 腾讯 | 数字政务服务平台 |
| 4 | 中国电子云 | 政务数据治理和智能分析解决方案 |
| 5 | 阿里巴巴 | 政务大数据分析平台 |
| 6 | 浪潮云 | 浪潮一体化政务大数据中心 |
| 7 | 海康威视 | 智慧政务大厅解决方案，税务稽查指挥解决方案 |
| 8 | 新华三 | 绿洲平台3.0 |
| 9 | 京东数科 | 智能城市操作系统 |
| 10 | 中软国际 | 智慧城市大数据平台解决方案 |
| 11 | 东软集团 | SaCa Data Integration数据集成套件 |
| 12 | 神州控股 | 一体化政务大数据建设运营服务 |
| 13 | 数字政通 | 城市一体化政务大数据建设运营服务 |
| 14 | 美亚柏科 | 电子数据取证实验室解决方案 |
| 15 | 易华录 | 全国一体化政务大数据体系建设 |

2023.12 DBC/CIW/CIS

On 28th December 2023, DC Holdings ranked 12th in the 2023 Government Big Data Innovation Ranking


On 29th December 2023, DC Holdings won the Best Innovation Practice Award and the Best Digital Investor Relations Award

# Chairman's Statement

Mr. GUO Wei

Dear Shareholders of Digital China Holdings,

In the remarkable year of 2023, the industry's recovery after the pandemic did not unfold as anticipated. Instead, we encountered a more intricate external environment and unprecedented market competition. However, amidst these challenges, opportunities emerged. "Digital China" emerged as a pivotal concept during this time, characterized by progressive policies centered around data elements and artificial intelligence. These developments fortified DC Holdings' unwavering commitment to advancing the "Digital China" initiative. The Group maintained strategic focus, confronted challenges head-on, and forged ahead. Guided by a robust big data strategy, DC Holdings deepened its core technology research and development, actively pursued business growth, and achieved commendable results.

## New Avenues of Growth and Productivity

In the early part of the year, the State Council unveiled the "Digital China Construction Master Plan", a meticulously crafted roadmap for strategic development. Later in the year, the establishment of the National Data Bureau provided a solid foundation for development initiatives. By year-end, the release of the "Three-Year Action Plan for 'Data Elements x" (2024-2026) further delineated specific actions for the medium and short term. Notably, the "Provisional Regulations on Accounting Treatment of Enterprise Data Resources" took effect on January 1, 2024, signifying the practical implementation of recognizing data assets on balance sheets. This foundational policy acknowledges data as a productive asset, paving the way for growth in data infrastructure and software technology.

The "2024 Government Work Report" emphasizes the advancement of big data and AI research. The 'AI+' initiative aims to foster globally competitive digital industry clusters. In response to these unique opportunities, DC Holdings is strategically investing to enhance its competencies and drive new quality productivity.

In 2023, the emergence of large-scale artificial intelligence (AI) models caused a global sensation. ChatGPT and subsequent AI products transformed our perception of technology, providing more robust tools. Data serves as the bedrock of AI, and its development unlocks substantial value. During the inaugural DC conference mid-year, our Group launched the "Urban Knowledge Graph Platform", an intelligent product seamlessly integrated with AI large-scale models. Its goal is to create reliable AI tools tailored for industry needs. Additionally, we customized the "Public Data Operations Platform" to meet Kunshan City's data management requirements, enhancing our data stewardship efforts.

## Strong Development Momentum

In 2023, DC Holdings faced heightened environmental pressures and strategically positioned itself for an advance in more favorable circumstances. Throughout the year, we adeptly mobilized resources across the market, ecosystem, and our own operations, enhancing operational synergy and internal dynamics to drive robust developmental momentum.

Business expansion remained a key focus. DC Holdings diligently sought incremental breakthroughs across various application scenarios for core big data products, resulting in sustained revenue growth from big data solutions. Notably, our concentrated efforts in the Jilin market bore fruit, securing pivotal projects. In the realm of digital supply chain transformation, we constructed extensive control towers for clients, offering comprehensive digital services and bolstering our technological edge—a strategic step toward advancing the "Enterprise CSO" strategy.

As top domestic firms expanded globally, DC Holdings strategically entered overseas markets, actively contributing to Hong Kong's digital governance and smart city development. Our business footprint extended from Southeast Asia to Belt and Road regions, including the Middle East and Africa, yielding significant growth.

In the fintech sector, collaboration with nearly 20 domestic commercial banks enabled us to tackle key credit-creation technologies. Our financial technology products and solutions now occupy a pioneering position in the industry. Notably, securing a core project with HSBC set a benchmark for Chinese fintech's global prowess. By aggregating resources from top clients across diverse industries—technology, finance, automotive, and retail FMCG—we've created ample room for continued in-depth development.

In the realm of ecosystem development, DC Holdings places a strong emphasis on strategic partnerships to drive collective growth and success. Hosting an annual ecosystem conference, the Group aims to empower partners across foundational business operations and advanced intelligent management strategies. The goal is to create incremental value for cooperative enterprises. Locally, DC Holdings has deepened its engagement in Jilin by actively participating in significant events like the Jilin Business Conference. Through robust communication with local core industries, the Group is fostering deeper collaboration for the future.

Internationally, DC Holdings has partnered with tech giant NVIDIA to co-develop a large-scale super-computing center in Hong Kong, enhancing its ecosystem integration skills. Furthermore, the Group actively engages with investors, organizing multiple investor open day events to promote understanding and create conditions for enhancing its market value.

In terms of corporate governance, our management team is driving system reforms, advocating a flat model to sustain organizational vitality. Our RSU incentive plan has effectively attracted experienced, entrepreneurial-minded external talent. This approach has also empowered existing key staff, instilling ownership and spurring core talent engagement. As a result, pride and fulfillment have amplified, aligning employee and Group growth. Regarding talent development and organizational growth, we've successfully completed three phases of the "DC Elite" program, with outstanding participants ascending to senior management positions. In the realm of internal auditing, we continuously strengthen compliance audit management, identifying and penalizing violators. Simultaneously, we actively cultivate a culture of integrity by implementing the "DC Holdings Code of Conduct" and the "DC Holdings Clean Business Management Measures" into daily operations. Additionally, we've established the "Wonderful Outstanding Women Club" (WOW Club) to better support women's growth and potential. This platform unites outstanding women from our Group and other sectors of society, offering them a space for communication, education, and personal development.

## Embracing the New AI Era

We find ourselves in an era where artificial intelligence (AI) is poised to revolutionize society, the economy, and our daily lives, giving rise to unprecedented business models and fields. In this critical moment, DC Holdings, deeply committed to the vision of "Digital China," stands at the forefront of facilitating society's intelligent transformation. Looking ahead to 2024, DC Holdings will continue to advance its big data strategy, with a keen focus on expanding and enhancing its data products. The Group aims to accelerate its presence in the realm of data elements and deepen engagement in core cities and industry scenarios by developing intelligent big data and AI solutions across diverse sectors. This involves integrating industry-specific knowledge bases with cutting-edge model technology, actively embracing the dawn of the AI era.

Leveraging its strong foundation, DC Holdings will harness technological capabilities to bolster core business growth. The implementation of strategies like "City CTO" and "Enterprise CSO" will drive sector breakthroughs and market expansion. But that's not all—innovative business development models and an expanded operational scope are on the horizon, aiming for even greater achievements. As a Hong Kong-listed entity, DC Holdings will strategically strengthen ties with the government, contributing to positioning Hong Kong as a leading global center for supercomputing. Simultaneously, the Group will fast-track its international market expansion, leveraging its domestic success to make an impact in regions like Southeast Asia and Africa.

Furthermore, DC Holdings recognizes the power of ecosystems. Adhering to a philosophy of open collaboration and mutual benefit, it will establish alliance-based partnerships with outstanding enterprises in order to utilize its cutting-edge big data technology to assist partners in their digital transformation journey. Ultimately, DC Holdings aspires to become a platform enterprise—one that empowers intelligent development in the AI era.

DC Holdings, with a rich history spanning over two decades, has meticulously accumulated extensive industry resources and invaluable market experience. While certain historical investments may have faced profitability challenges due to environmental shifts, these setbacks do not impede the progress of the Group's core business. Poised for the AI era, DC Holdings now stands on a healthier footing. The blueprint for its future endeavors is clear, and its mission propels unwavering progress. Driven by an unwavering belief and an intensified sense of purpose, the Group strives to fortify itself while simultaneously creating substantial value for society. As it aspires to become a leading pioneer in big data technology worldwide, DC Holdings cooperates with more partners in this new chapter of digitalization.

# Management Discussion and Analysis

## 1. Embarking on New Journey While Adhering to Our Core Mission

**2023 marks the inception of an all-encompassing drive toward a "Digital China" construction—a pivotal juncture for DC Holdings as it embarks on a fresh entrepreneurial journey.** Throughout the preceding year, the Group has unwaveringly adhered to its original mission: "Digital China." We've seized the wave of digital intelligence, **propelling our presence in the realms of data elements and artificial intelligence.** Amidst a complex and shifting external landscape, and within an unprecedentedly competitive market atmosphere, our strategic direction remains resolute and with determination, we forge ahead. Our unwavering focus centers on core technology development and business growth.

During the year ended 31 December 2023 (the "Reporting Period"), the Group's principal business has seen healthy development, **with total revenues of RMB18.277 billion, representing an increase of 3% year-on-year; adjusted net profit attributable to equity holders of the parent company from the principal business was RMB301 million, representing a year-on-year increase of 38%; net cash flow from operating activities was RMB746 million, representing a year-on-year increase of 42%.** In addition, **the Group has newly signed contracts worth RMB15.872 billion, representing a year-on-year increase of 22%;** and **signed but undelivered contracts were RMB8.288 billion, representing a year-on-year increase of 26%,** laying a solid foundation for the Group 's long-term and sustainable development.

**The Group's groundbreaking technological innovations and explorations within the digital economy have garnered significant acclaim from the market.** These achievements have translated into a multitude of honors and awards, including the 2023 Digital Economy Annual Leading Enterprise, 2023 Big Data Outstanding Service Provider Leadership Enterprise, 2023 Forbes China ESG Innovation Enterprise, 2023 China Software and Information Service Industry Top 10 Leading Enterprises, and 2023 Data Element Industry Development Leading Enterprise. Moreover, in the annual rankings jointly released by the Informationization Research Center of the Chinese Academy of Social Sciences, Internet Weekly, Deben Consulting, and eNet Research Institute, the Group ranked first in the 2023 Digital Twin Solution Provider Top 50 list and second in the 2023 China New Technology Top 100 Digital Industry List.



Over the last two decades, DC Holdings has amassed substantial industry resources and market expertise. However, the advent of the digital age has ushered in significant socio-economic changes. Assets that were once valuable now pose obstacles to achieving further breakthroughs. The Group recorded losses from associates and impairment losses from interests in associates, totaling approximately RMB989 million for the Reporting Period. Additionally, sluggish domestic real estate markets and court rulings on wealth management product restructuring have led to impairment provisions by the Group of around RMB1.146 billion for the Reporting Period related to investment properties and non-principal business investments. In the financial statements of the Group, it is reported that the net profit attributable to the equity holders of the parent company is a deficit of RMB1.834 billion. After excluding the impact of non-principal business factors, the adjusted net profit attributable to equity holders of the parent company from principal business amounts to RMB301 million.

**The impairment provisions mentioned primarily stem from the Group's historical investments in non- principal businesses and assets. Importantly, these provisions do not adversely affect the cash flow for the Reporting Period. The Group maintains robust cash reserves and ample liquidity. Even after accounting for the impairment provisions, the debt-to-equity ratio stands at a healthy 54.5%, signifying stability across financial, business, and operational dimensions. Throughout the Reporting Period, the Group continued its dividend payments to shareholders with a proposed final dividend of HK6.0 cents per ordinary share. When combined with the interim dividends distributed in July 2023, it is anticipated that a cumulative dividend of HK7.0 cents per ordinary share will be paid for the year, corresponding to a cash dividend payout of over RMB100 million, accounting for 35% of adjusted net profit attributable to equity holders of the parent company from the principal business.**

Amidst the historical opportunities ushered in by the new era, the Group's management team—imbued with an entrepreneurial spirit and unwavering resolve—has taken a decision to shed historical burdens. With better flexibility and a strengthened position, the Group is better poised to take advantage of the artificial intelligence era.

## 2. Elevating Big Data Business Through Core Strategies

In 2023, the Group further focused on its "Big Data + Artificial Intelligence" strategy, and through the innovative development model of "City CTO + Enterprise CSO", it effectively drove incremental breakthroughs in data intelligence products and various application scenarios, achieving strong results in its principal business.

During the Reporting Period, **the revenue of big data products and solutions was RMB3.172 billion, a year-on-year increase of 30%, with a compound annual growth rate of 28% over the past three years; newly signed contracts amounted to RMB4.645 billion, a year-on-year increase of 26%; signed but undelivered contracts were RMB2.255 billion, a year-on-year increase of 17%.** Driven by the healthy and rapid development of the big data business, the Group's overall business structure has been further optimized. **Over the past three years, the proportion of revenue of big data products and solutions has increased from 11% to 17%, and the proportion of gross profit has risen from 22% to 35%. After deducting R&D costs, amortization of intangible assets and impairment losses on goodwill, the segment achieved a profit of RMB559 million, representing a year-on-year increase of 14%.**

The Group steadily boosts its research and development investment, seamlessly integrating industry, academia, research, and practical application. This concerted effort aims to strengthen its fundamental technological competitiveness. During the Reporting Period, **R&D expenses for big data products and solutions were RMB486 million, a year-on-year increase of 6%, with a compound annual growth rate of 8% over the past three years, and the R&D expense to revenue ratio for the segment reached 15%.** As of 31 December 2023, the Group accumulated a total of **2,787 intellectual property rights,** including software copyrights and patents, representing an increase of 189 compared to the previous year. The Group has played a **pioneering role or collaborated in the formulation of 128 national and industry standards. Of these, 76 standards have already been officially published, while 52 are currently working in progress.** By leveraging cutting-edge perspectives, professional insights, and innovative approaches, the Group continuously empower the acceleration of digital intelligence transformation and industry development.

As a customer-centric technology enterprise, DC Holdings has consistently focused on core industry verticals for digital transformation, namely cities, chains, and fintech. The Group has created a rich, comprehensive, and practical solution matrix designed to unlock the value of data assets and solve the pain points of the customers. The Group empowers customers to achieve success by harnessing their data-driven capabilities.

### *I. Business Case: Public Data Operations*

With the issuance of the new policies, the unveiling of the National Data Bureau, and the release of the "Data Element X" three-year plan, **public data operations have emerged as a critical focus and entry point for constructing the Data Elements market.** In 2023, cities such as Beijing, Shanghai, Guangzhou, and Shenzhen have sequentially implemented practices related to public data authorization and operation. **DC Holdings has taken a pioneering role in exploration and actively participated in formulating the first domestic standard for public data operation. Independently, the Group has developed one of China's initial public data operation platforms that align with operational requirements.** As a result, DC Holdings received recognition through the "2023 Public Data Operation Innovation Award" and the "Big Data 2023 Annual Solution - DC Holdings Public Data Operation Solution"—both jointly released by the Informationization Research Center of the Chinese Academy of Social Sciences, Internet Weekly, Deben Consulting, and the eNet Research Institute.

Drawing on its independent core technologies, which emphasize data security and transactional circulation, DC Holdings has integrated insights from diverse public data operation practices across various regions. The Group has systematically constructed an all-encompassing public data operation platform that is domestically autonomous, controllable, and provides a secure and trustworthy environment. This platform ensures public data to be "readily available, easily accessible, and effectively utilized". The platform offers comprehensive services for data authorization, development, and operation, creating a resilient data ecosystem with participation from multiple parties. It caters to the requirements of governments, enterprises, social organizations, and individuals by enabling access, authorization, utilization, sharing, and management of public data. This platform facilitates data circulation, maximizes its value and effectiveness, and enhances overall utility.

During the Reporting Period, **DC Holdings executed a strategic cooperation agreement with Kunshan LuLu Tong Big Data Co., Ltd. to jointly build and operate a public data operation platform in Kunshan.** In addition, the Group has successfully obtained Data Trader Certification from several key domestic data trading institutions, including the **Guangzhou Data Exchange, Guizhou Technology Property Right Exchange, East China Jiangsu Big Data Trading Center, Shandong Data Exchange Co., Ltd., Shenzhen Data Exchange, and Deyang Data Trading Center,** creating favorable conditions for further accelerating the Group's nationwide roll-out.

In the future, **the Group will further develop the "City CTO" model, with a primary focus on cities as a strategic entry point. Leveraging public data operation, the Group aims to empower cities by providing comprehensive solutions. These solutions will facilitate the capitalization of data assets across all industries, ensuring their effective utilization and value enhancement.**

### *II. Business Case: Supply Chain Control Tower*

In the supply chain business, the Group concentrates on strategic industries such as IT, 3C (computers, communications, and consumer electronics), and FMCG (fast-moving consumer goods). Additionally, the Group is expanding its presence in green and low-carbon industries, as well as the ecosystem associated with new energy vehicles. The Group continues to provide end-to-end one-stop supply chain operation services for major customers such as **BYD, China Mobile, China Unicom, Huawei, Honor, DELL, Yishang Yujie and Alibaba Taotian Group.**

During the Reporting Period, the Group continued to **promote the implementation of the "Enterprise CSO" model. This model focuses on developing a comprehensive package that encompasses supply chain consulting, planning and design, an integrated supply chain decision-making platform, as well as execution management and operational services.** By harnessing data-driven intelligent decision-making, the Group assists clients in effectively controlling costs, enhancing efficiency, and driving business innovation. **A real-world example would be a leading food production and manufacturing company's supply chain control tower project:** The client owns dozens of workshops and production lines. They aim to address several pain points in their supply chain management by entrusting DC Holdings to build a supply chain control tower. These pain points include fragmented data caused by multiple system operations, the need for further improvement in efficiency for multi-point pickups and coordination between upstream and downstream, and lack of real-time data guidance for business operations. The client's vision is that through the establishment of the supply chain control tower, they will achieve resource scheduling across the entire supply chain. **This coverage extends to warehouses, industrial parks, and transportation both inside and outside the factory. The goal is to provide full-process information coverage and digital control, ultimately enhancing the overall coordination efficiency of their supply chain.**

Despite tight schedules and demanding tasks, the Group—with over 20 years of experience in supply chain logistics—leveraged its independently developed KingKoo Data supply chain big data management system to swiftly respond to the client's needs. By addressing the client's pain points in a targeted manner, DC Holdings earned high praise and recognition during the project implementation. This project has also accumulated valuable insights for future endeavors.

Going forward, the Group will engage in collaborative efforts with warehousing and transportation network partners within the ecosystem. Our goal is to empower additional cities and corporate clients in establishing nimble and robust supply chain systems. We intend to achieve this through strategic approaches such as digitalization, intelligence, and ecosystem development. By doing so, we aim to facilitate the digital transformation and modernization of traditional enterprise supply chains.





### *III. Business Case: Financial Data Asset Management and Services*

During the Reporting Period, the Group has established **a robust data asset capability system centered around financial data assets. At its core lies a financial integrated data development platform, complemented by data asset operation platforms and data modeling platforms.**

The upgraded integrated data development platform has been officially deployed and put into operation by financial institutions at the provincial level in Beijing, Hebei, Inner Mongolia, and Shaanxi. Our data application product system, with data assets as its foundation, has empowered clients such as Postal Savings Bank of China, CITIC Bank, Industrial Bank, and Bohai Bank to unlock the full value of their data. Additionally, our enterprise-level data asset operation platform has secured contracts with significant financial clients, including Shaanxi Rural Credit Cooperatives, Nanjing Bank, Xi'an Bank, Mintai Bank, Hongta Bank, Xiamen International Bank, Sanxiang Bank, and CITIC Group.

Leveraging our industry resources and channel advantages, we have assisted financial institutions in enhancing their capabilities, allowing them to make intelligent decisions through utilizing data assets. Our independently developed Tianxi Intelligent Risk Control Decision Platform and Credit Data Derivative Indicator Platform have provided **customer credit profiles and intelligent risk control decision systems** for multiple financial institutions. These platforms have successfully secured contracts with 25 financial institutions, including Bank of Beijing, Ningbo Bank, Guangdong Rural Credit Cooperatives, China Credit Trust, CITIC Baixin Bank, Zhongbang Bank, China Resource Bank, and Hainan Credit Investigation. By addressing the challenges posed by traditional financial risk control models, especially in covering small and micro enterprises, we enable financial institutions to better serve this vital sector of the economy.

## 3. Expediting Global Market Expansion, Pioneering Fresh Avenues for Growth

As digitalization transforms global supply chains and industrial networks, China is actively fostering a novel development paradigm that enhances the symbiotic relationship between domestic and international circulations. DC Holdings is likewise expediting its global market expansion, with a strategic focus on replicating its established digital capabilities across diverse countries and regions. Our relentless pursuit involves identifying global collaboration prospects and venturing into uncharted growth territories.

### *I. Business Case: Smart City Construction in the Hong Kong SAR*

Hong Kong, with its rich academic and technological research resources from across the globe, stands at the forefront of international data trading and artificial intelligence (AI) research. The 2023-24 government budget unveiled by the Hong Kong Special Administrative Region (HKSAR) Government earmarked HKD3 billion to bolster fundamental research in cutting-edge technology such as AI. Additionally, the government is strategically advancing the phased construction of an AI super-computing center, slated for completion by 2024-2025, to bolster the growth of the AI industry.

As a Hong Kong-listed company, DC Holdings enjoys a distinct advantage in further establishing its footprint within the local market. Drawing upon its two decades of experience in driving digital transformation for mainland China's governments, the Group has actively engaged in technology research and development initiatives across various HKSAR Government departments. **Notably, DC Holdings has emerged as a pivotal partner in shaping the landscape of big data utilization for government services.**

During the Reporting Period, DC Holdings, in collaboration with NVIDIA, **successfully delivered Phase 1 of the HKSAR Government's Large Language Model Super Computing Center project. Phase 1 of this project has seen a substantial investment of nearly HKD600 million.** Notably, this initiative stands as the world's pioneering computing power cluster project equipped with NVIDIA's cutting-edge technology, specifically the DGX H800 system. This technological leap holds immense significance in bolstering Hong Kong's AI computing capabilities, expediting the establishment of an AI super-computing center, and fostering the growth of the AI industry. This strategic collaboration represents a pivotal milestone in DC Holdings' super-computing center strategy. Leveraging our resource advantages, we are committed to accelerating connections with both domestic and international academic and government resources.

### *II. Business Case: Overseas Supply Chain and Cross-Border Digital Trade Services*

Under China's ambitious Belt and Road Initiative (BRI), the Group has forged strategic alliances with prominent Chinese enterprises such as **Huawei, Honor, and ZTE to expand our global presence. Our business footprint has rapidly extended beyond Southeast Asian countries like Malaysia and Thailand, encompassing diverse regions such as Japan, South Korea, the Middle East, Africa, South America, North America, and Europe. We offer comprehensive end-to-end supply chain services,** including international and domestic transportation, warehousing, import and export facilitation, cross-border e-commerce, and live streaming solutions.

We actively collaborate with official institutions, including trade promotion associations and embassies, across countries like South Korea, Thailand, and Singapore. Moreover, in close partnership with local Chinese governments, we have **established a robust cross-border digital trade service platform.** This platform seamlessly integrates government policy resources with our ecosystem, effectively bridging the overseas market along the BRI. For traditional domestic enterprises, we provide integrated digital services, including digital display, marketing, negotiation, settlement, intelligent customs clearance, and streamlined digitalized supply chain solutions.

**Our collaboration with the Department of Commerce in Jilin Province, where we have deep-rooted engagement, has yielded remarkable results.** Through our cross-border digital trade comprehensive service platform, we have successfully attracted hundreds of enterprises to establish themselves. Within a year, this initiative **facilitated imports and exports exceeding RMB5 billion,** accounting for a substantial 70% of the total import and export volume in the Changchun Xinglong Area. This dynamic endeavor has invigorated the entire foreign trade ecosystem in Jilin Province, harnessing the transformative power of digital integration.

### *III. Business Case: Overseas Digital Finance Integrated Solutions*

As the sole Chinese member unit to successfully join the international banking architecture organization, the Group has pioneered the development of the "New Generation Cloud-Native Financial Core System." Simultaneously, we've strategically built digital channels and payment application systems around our core banking products, culminating in a comprehensive integrated digital finance solution tailored for overseas markets.

During the Reporting Period, we secured the bid for the core project cluster of HSBC Bank (China) and **established a strong partnership with the HSBC Group's global headquarters.** Leveraging our advanced financial application systems, we seamlessly replaced the original centralized core systems, significantly contributing to HSBC Group's digital transformation journey. Additionally, we obtained core projects with overseas banks, including Singapore Gulf Bank and Goldman MFB, thereby propelling financial technology innovation across regional countries.

By the close of 2023, the Group actively participated in constructing core application systems for banks in several countries of the BRI, spanning Singapore, Indonesia, Malaysia, Kazakhstan, and Cambodia. Our unwavering commitment has empowered over 20 overseas clients, enabling local banks to seamlessly deliver convenient and reliable digital financial services to millions of individual customers and hundreds of thousands of corporate clients.

## 4. Introducing the"AI+"Initiative: Pioneering Enhanced Productivity

In China's "Government Work Report 2024", there is a strong emphasis on promoting the construction of a modern industrial system, accelerating the development of new productivity standards, and actively driving innovation in the digital economy. Additionally, the report underscores the importance of advancing research, development, and application of big data and artificial intelligence.

As part of this strategic vision, the country is prioritizing **the implementation of the "Data Element X" initiative and launching the "AI+" program.** These initiatives aim to foster deep integration between digital technology and the real economy in 2024. For DC Holdings, this represents a crucial opportunity to execute its big data and artificial intelligence strategy, leveraging its unique use case know-how.

Drawing upon years of profound data expertise, the Group will intensify its focus on **expanding data products**. We will harness core capabilities such as spatial-temporal knowledge mapping, operations research algorithms, and digital twins. Our strategic roadmap **involves accelerating our presence in the field of data elements, particularly within core cities and industry-specific scenarios. By synergizing industry-specific knowledge repositories with large-scale model technologies, we aspire to create intelligent big data products and AI applications that span diverse fields.**

In early 2024, DC Holdings secured a significant victory by winning the bid for the Changchun New District Smart Computing Center project, **valued at RMB460 million.** This achievement marks a crucial step in the execution of the "AI+" initiative. The Group plans to set up **an innovative industrial development platform within a super-computing center,** with a focus on Changchun New District's key industries, including biomedicine, optoelectronic information, and new materials. The aim is to construct high-quality multi-modal datasets for these industries and develop a large-scale model that enhances the industry ecosystem from infrastructure and algorithmic tools to intelligent platforms and solutions, thereby propelling the growth of industrial innovation. Concurrently, the Group will bolster its own abilities in data processing, operations, and AI decision analysis, laying a robust foundation for the nationwide replication and promotion of this model.

Moreover, DC Holdings has **fostered a deep and enduring partnership with NVIDIA,** earning the status of an "Elite Partner" for NVIDIA's AI Compute Systems and Networks. By harnessing its own strengths in big data and AI technologies, **DC Holdings is well-positioned to achieve resource integration and technological convergence. This is particularly evident in its pioneering role in the construction and operation of super-computing centers, with several projects in progress both domestically and internationally.** In these projects, DC Holdings effectively combines computing power, algorithms, and data capabilities to cater to user needs, accelerating the transformation of data assets and promoting innovation in the data intelligence industry. Looking ahead, the Group plans to intensify its collaboration with NVIDIA, especially in areas like **"AI + Healthcare" and "AI + Automotive"**. By leveraging its vast customer base and scenario resources, the Group aims to undertake forward-looking explorations.

The Group **will continue to leverage its core technologies to drive innovative business scenarios** and further the **"City CTO" and "Enterprise CSO"** development models. It is actively seeking to **make breakthroughs in the burgeoning market,** with the goal of broadening the reach and influence of its business operations. In addition, the Group will **place a high priority on ecosystem development,** cultivating an atmosphere of openness and reciprocal cooperation. It plans to establish strategic alliances with more enterprises that are both compatible and outstanding, thereby facilitating the fusion of the real and digital economies. By generating new, high-quality productivity, the Group aims to contribute to the superior development of the social economy, creating value for shareholders and society.

## 5. Update on the Settlement Plans Regarding Certain Wealth Management Products Purchased by the Group (the"WMP")

As of 31 December 2023, the outstanding unpaid principal of the WMP was approximately RMB1,631 million. The Group has obtained the right to proactively dispose of the ultimate underlying assets involved in the WMP and has formulated disposal plans and specific action plans in relation thereto. The Group pushed forward with the disposal of the real estate residential project (the amount of the principal involved was approximately RMB193 million), one of the ultimate underlying assets involved in the WMP, in accordance with the action plans. The court has issued a ruling to finalize the restructure plan and, affected by the price decline in the real estate market, the principal amount owed to the Group will be partially recovered from the sales proceeds of the underlying assets.

The remaining ultimate underlying assets of the WMP involved a market and a commercial complex. In accordance with the final approved restructure plan by the court, the commercial complex will be divested into a new corporate entity. The Group is expected to obtain a controlling interest in the new corporate entity such that the Group can facilitate the disposal of the relevant underlying assets. However, under such new plan, the value of the equity interests to be obtained by the Group will be less than the value of the underlying assets originally pledged to the Group.

Having considered the price decline in the real estate market and the changes in the restructure plan as approved by the court, after taking into account the assessment made by the independent valuer, the Company recorded an impairment provision of RMB746 million for the WMP. The Group will continue to push forward the implementation of the action plans and the Company will make further announcement as and when appropriate in the event of any material development on the action plans.

## Capital Expenditure, Liquidity and Financial Resources

The Group mainly finances its operations with internally generated cash flows, bank borrowings and banking facilities.

The Group had total assets of approximately RMB22,800 million at 31 December 2023 which were financed by total liabilities of approximately RMB12,434 million, non-controlling interests of approximately RMB4,071 million and equity attributable to equity holders of the parent of approximately RMB6,295 million. The Group's current ratio at 31 December 2023 was 1.50 as compared to 1.47 at 31 December 2022.

During the year ended 31 December 2023, capital expenditure of approximately RMB187 million was mainly incurred for the additions of properties, plant and equipment and other intangible assets.

As at 31 December 2023, the Group had cash and bank balances of approximately RMB2,883 million, of which about approximately RMB2,845 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.52 at 31 December 2023 as compared to 0.43 at 31 December 2022. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately RMB3,283 million (31 December 2022: approximately RMB3,616 million) and equity attributable to equity holders of the parent of approximately RMB6,295 million (31 December 2022: approximately RMB8,362 million).

At 31 December 2023, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

| | RMB'000 |
|---|---|
| **Current** | |
| Interest-bearing bank borrowings, unsecured | 529,061 |
| Interest-bearing bank borrowings, secured | 806,563 |
| Other borrowings | 66,311 |
| | 1,401,935 |
| **Non-current** | |
| Interest-bearing bank borrowings, secured | 1,881,487 |
| **Total** | 3,283,422 |

Certain of the Group's bank borrowings of:

1. Approximately RMB1,808 million extended by financial institutions to certain subsidiaries of the Group were secured by mortgages over the Group's buildings, investment properties and land use rights with an aggregate carrying amount of approximately RMB3,433 million at 31 December 2023; and

2. Approximately RMB830 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 183,184,000 issued shares of DCITS, a non-wholly-owned subsidiary of the Company, directly held by a wholly-owned subsidiary of the Company, with an aggregate fair value of approximately RMB2,068 million at 31 December 2023.

# Management Discussion and Analysis

Included in the Group's current and non-current bank borrowings of approximately RMB227 million and RMB1,881 million respectively represented the long-term loans which are repayable from year 2024 to 2037. As at 31 December 2023, approximately RMB1,280 million and RMB2,003 million of the Group bank borrowings were charged at fixed interest rate and floating interest rate respectively.

The total available bank credit facilities for the Group at 31 December 2023 amounted to approximately RMB12,842 million, of which approximately RMB2,209 million were in long-term loan facilities, approximately RMB10,633 million were in trade lines, short-term and revolving money market facilities. At 31 December 2023, the facility drawn down from the Group was approximately RMB2,128 million in long-term loan facilities, approximately RMB2,026 million in trade lines, short-term and revolving money market facilities.

Under the normal course of business, the Group has issued performance bonds to some customers for potential claims of non-performance in order to satisfy the specific requirements of these customers. As no material claims had been made by the customers under such performance bonds in the past, the management considers that the possibility of realisation of any actual material liabilities arising from such performance bonds is remote.

## Contingent Liabilities

Patent Infringement Lawsuit Against Digital China Jinxin (Beijing) Technology Co., Ltd.

In March 2016, Shenzhen Yihua Computer Co., Ltd. (hereinafter referred to as "Yihua") initiated legal proceedings against Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter referred to as "OKI") and Digital China Jinxin (Beijing) Technology Co., Ltd. (hereinafter referred to as "DC Jinxin") in a patent infringement dispute. Yihua alleged that the defendants had violated its proprietary rights by infringing upon five utility patents. The patent numbers involved in the five cases are ZL201420112570.5, ZL201210385756.3, ZL201420060123.X, ZL200910108145.2, and ZL201420020564.7. Pursuant to the alleged infringements, Yihua sought judicial relief, demanding that OKI desist from the manufacturing, marketing, and promising sales of the products in question, while DC Jinxin was enjoined from selling and promising the sale of such products. Additionally, Yihua claimed monetary compensation for economic losses and reasonable expenses incurred in the protection of its rights, totaling RMB7 million from both OKI and DC Jinxin.

In January 2019, the Shenzhen Intermediate People's Court of Guangdong Province issued the first-instance judgment for the five cases, ordering OKI to desist from the production and sale of the infringing products and compensate RMB4.4 million. The judgement also ordered DC Jinxin to halt the sales and not to promise sales of such products and to compensate Yihua RMB1 million. The judgment dismissed all other claims advanced by Yi Hua.

OKI and DC Jinxin filed an appeal against the first-instance judgment. In December 2020, the Supreme People's Court rendered a civil ruling, which held that the five cases had failed to scrutinize the "OEM Supply Agreement" between OKI and Yi Hua. The Supreme People's Court determined that the initial factual findings were unclear and affected the infringement assessment. Consequently, it vacated the first-instance judgment and ordered a retrial. Yihua withdrew the litigations in November 2023.

However, in December 2023, Yihua filed a legal action with the Shenzhen Intermediate People's Court against OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB275.3 million. As at 31 December 2023, only notifications of filing had been received while no court session had been scheduled. Based on the advice from the legal advisor, it is less likely for DC Jinxin to fail in defending these cases.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2023.

## Commitment

At 31 December 2023, the Group had the following commitments:

| | RMB'000 |
|---|---|
| **Contracted, but not provided for, in the consolidated financial statements:** | |
| Land and buildings | 3,360 |
| Capital contributions payable to joint ventures | 81,580 |
| Capital contributions payable to associates | 9,510 |
| Capital contributions payable to financial assets at fair value through other comprehensive income | 429 |
| | 94,879 |

## Foreign Currency Exposure

The Group is exposed to foreign exchange risk arising from net monetary liabilities in currencies other than the functional currencies of approximately RMB102,276,000 as at 31 December 2023 (2022: RMB109,109,000).

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange should the need arise.

## Events After the Reporting Period

No significant event occurred after the Reporting Period of the Company and up to the date of this announcement.

## Human Resources and Remuneration Policy

At 31 December 2023, the Group had 16,782 full-time employees (31 December 2022: 15,166). The majority of these employees work in the PRC. The Group offers remuneration packages in line with industry practice. Employees' remuneration includes basic salaries and bonuses. The Group has recorded an increase by 11.26% in staff costs to approximately RMB3,569 million for the year ended 31 December 2023 as compared to approximately RMB3,207 million for the corresponding period of the last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share-based incentive schemes to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

The remuneration of the directors and senior management are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each director and senior management member as well as their individual performance.

# Management Discussion and Analysis

## Update on the Use of Proceeds from the Rights Issue

In September 2017, the Company completed a rights issue (the "Rights Issue") and raised funds of approximately RMB1,149 million. The table below set out the use of net proceeds (the "Net Proceeds") from the Rights Issue:

| Intended use of the net proceeds from the Rights Issue | Net proceeds | Utilised amount as at 1 January 2023 | Actual application for the year ended 31 December 2023 | Un-utilised amount as at 31 December 2023 | Expected to be utilised by 31 December 2024 |
|---|---|---|---|---|---|
| | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| (i) Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified | 664 | (427) | (27) | 210 | 210 |
| (ii) Repayment of debt and interest expenses | | | | | |
| (a)Repayment of principal and interest expenses to Bank of Jiangsu Co., Ltd. ( 江蘇銀行股份有限公司 ) due in October 2017 | 160 | (160) | - | - | - |
| (b)Repayment of principal and interest expenses to Western Securities Co., Ltd. ( 西部證券股份有限公司 ) due in October 2017 | 250 | (250) | - | - | - |
| (iii) General working capital purposes | 75 | (75) | - | - | - |
| Total | 1,149 | (912) | (27) | 210 | 210 |

*Note:* As at the date of this report, the Healthcare Big Data Investment is still at its preliminary discussion stage and no legally binding agreement has been entered into by the Group.

The Company does not have any intention to change the purposes of the Net Proceeds as set out in the Rights Issue prospectus dated 23 August 2017, and will gradually utilise the un-utilised amount of the Net Proceeds in accordance with the intended purposes mentioned above. As at 31 December 2023, an aggregate of RMB939 million has been utilised from the Net Proceeds.

As at 31 December 2023, the un-utilised Net Proceeds from the Rights Issue amounted to approximately RMB210 million. In 2023, due to the lasting impact of the COVID-19 pandemic, the investment atmosphere was relatively sluggish, and the management of the Company became more cautious in investing in mergers and acquisitions. Therefore, the un-utilised Net Proceeds had not been utilised in full as at 31 December 2023. Despite the fact that the COVID-19 epidemic is gradually subsiding, it will take time for the socioeconomic activities to resume. It is expected that the un-utilised Net Proceeds would not be fully utilised by 30 June 2024. All of such un-utilised Net Proceeds will be utilised for financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified. It is expected that the un-utilised Net Proceeds will be fully utilised by 31 December 2024.

For further details of the Rights Issue, please refer to the announcements of the Company dated 21 July 2017, 24 August 2017 and 15 September 2017, the rights issue prospectus dated 23 August 2017 and the annual reports of the Company for the year ended 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 of the Company.

# Biographical Details of Directors and Company Secretary

## CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. GUO Wei



**Mr. GUO Wei,** aged 61, is the Chairman, Chief Executive Officer and an Executive Director of the Group and is responsible for the strategic development and the overall business management of the Group. Mr. Guo had been the Vice Chairman, the President and the Chief Executive Officer of the Group since February 2001 and was appointed as the Chairman of the Group in December 2007. In June 2018, Mr. Guo was re-appointed as the Chief Executive Officer of the Group. He is also a director of certain subsidiaries and associates of the Company. Mr. Guo obtained a Master's Degree from the Graduate School of the Chinese Academy of Science (formerly known as Graduate School of the University of Science and Technology of China) in 1988. He joined the Legend group in 1988 and was once an Executive Director and Senior Vice President. Mr. Guo was awarded such major prizes included China's Top Ten Outstanding Youths (2002), 求是傑出青年成果轉化獎 (Practical and Outstanding Youth of Achievement) (2002) by the China Association for Science and Technology, China's Top Ten Outstanding Youths in Technology Innovation (1998), Future Economic Leader of China (2003), and the First Annual China Young Entrepreneurs Creative Management Golden Honour (2005). He was also selected as of the 50 Most Powerful Business People in China by Fortune Magazine (Chinese version) in 2011 and 2012.

Mr. Guo is currently the Chairman, the Chairman of the Strategic Committee and member of the Nomination Committee of Digital China Information Service Group Company Ltd. (formerly known as Digital China Information Service Company Ltd.). and the Chairman and the Chief Executive Officer and the Chairman of the Strategic Committee and the member of Nomination Committee of Digital China Group Co., Ltd. (formerly known as Shenzhen Shenxin Taifeng Group Co., Ltd.) (all listed on The Shenzhen Stock Exchange). Mr. Guo appointed as independent non-executive director, member of the Audit and Risk Management Committee, chairman of the Remuneration and Assessment Committee and member of the Aviation Safety Committee of China Southern Airlines Company Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange) with effect from 30 April 2021. In addition, he is a Director of Kosalaki Investments Limited which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Guo was a Non-executive Director of HC GROUP INC. (formerly known as HC International, Inc.) (listed on the Main Board of The Stock Exchange of Hong Kong Limited), an Independent Director of Shanghai Pudong Development Bank Co., Ltd. (listed on The Shanghai Stock Exchange), a Director of DigiWin Software Co., Ltd. (listed on the ChiNext of The Shenzhen Stock Exchange). Besides, Mr. Guo is currently a member of the 4th Advisory Committee for State Informatization and Vice Chairman of Digitalized China Industry Development Alliance. He was a Standing Committee Member of the 11th & 12th National Committee of the Chinese People's Political Consultative Conference, the Chairman of Beijing Informatization Association and the Chairman of the 6th Council of China Non-Governmental Science Technology Entrepreneurs Association, the Chairman of China Smart City Industry Technology Innovation Strategic Alliance and other social positions. He has over 36 years of experience in business strategy development and business management.

# Biographical Details of Directors and Company Secretary

## VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LIN Yang





**Mr. LIN Yang,** aged 57, is the Vice Chairman and an Executive Director of the Group. He is also a director of certain subsidiaries of the Company. Mr. Lin graduated in 1988 with a Bachelor's Degree in Computing Communications from the Xidian University and in 2005 with a Master's Degree in Business Administration from Cheung Kong Graduate School of Business. He joined the Group in February 2001 and was previously the Executive Vice President and the President of the Group and was also the Chief Executive Officer of the Group from April 2011 to June 2018. Mr. Lin was the Vice Chairman, Director and a member of the Audit Committee of Digital China Information Service Group Company Ltd. (formerly known as Digital China Information Service Company Ltd.)(listed on The Shenzhen Stock Exchange). He joined the Legend group in 1990 and has over 33 years of management experience in IT business. Mr. Lin was awarded the Lifetime Achievement Award by the IT Channel Elite Panel in 2001 and recognised as the Most Influential Figure in IT Distribution of 20 Years in 2005. In 2013, he was also selected as one of the Leaders of the Year 2012 of the China Information Industry and Top-10 Annual Icons of the Year 2012 of Zhongguancun. Besides, Mr. Lin was the Director of IT Channel Profession Council, under the MIIT (Ministry of Industry and Information Technology).

# Biographical Details of Directors and Company Secretary

## NON-EXECUTIVE DIRECTORS

Mr. ZENG Shuigen

**Mr. ZENG Shuigen,** aged 46, was a Non-executive Director of the Company for the period from 30 June 2020 to 28 March 2024. Mr. Zeng serves as the vice general manager of Guangzhou Smart City Investment Operation Co. Ltd. and director of Guangzhou Broadband Backbone Network Co. Ltd. He is also a director of several group companies of Guangzhou City Infrastructure Investment Group Limited ("GZ Infrastructure"). Mr. Zeng graduated from Northeast Electric Power University in 2006 with a Master's Degree in computer application technology. He obtained senior engineer qualification in November 2014, and information system project manager qualification in May 2015.

Mr. Zeng has rich experience in smart city and big data planning and implementation, and participated in the establishment of several big data joint ventures in recent years. He joined GZ Infrastructure group in August 2017 and was the technical director of Guangzhou City Intelligence Technology Investment Co. Ltd. (formerly known as Guangzhou Environment Energy CCI Capital Ltd.), serving the construction of Guangzhou smart city. He was the research and development director of Nanjing big data information group of the Jusfoun Big Data Information Group Co., Ltd. and vice general manager of Anhui Zhongkang big data Co., Ltd. from April 2016 to August 2017, and responsible for the planning, R&D and implementation of multiple big data platforms.

# Biographical Details of Directors and Company Secretary

## NON-EXECUTIVE DIRECTORS

Ms. CONG Shan

**Ms. CONG Shan,** aged 41, has been appointed as a non-executive Director of the Company on 30 August 2022. Ms. CONG serves as the vice general manager of Guangzhou City Investment Co., Ltd. and a director of Guangzhou New Town Construction Investment Development Co., Ltd.. In addition, Ms. CONG was appointed as legal representative and Chairman of Guangzhou Ruiyuan Investment Co., Ltd. on 23 November 2023. All the three companies are subsidiaries of Guangzhou City Infrastructure Investment Group Limited ("GZ Infrastructure"). Ms. CONG received a Bachelor of Science Degree from Harbin Normal University in 2006 and a Master's Degree in Engineering from Beihang University in 2013.

Ms. CONG has served several state-owned conglomerates and listed technology companies and has had nearly 17 years' experience in corporate management and large-scale engineering projects since 2006. During this period, she was responsible for chip technology, aerospace engineering, etc. In addition, Ms. CONG has established several companies engaging in asset management, research and development, investment and other businesses. In recent years, she has been focusing on investment projects related to emerging industries.

# Biographical Details of Directors and Company Secretary

## NON-EXECUTIVE DIRECTORS

Mr. LIU Jun Qiang

**Mr. LIU Jun Qiang,** aged 44, has been appointed as a non-executive Director of the Company on 28 March 2024. Mr. Liu is currently the deputy director of the investment department of Guangzhou City Infrastructure Investment Group Limited ("GZ Infrastructure"), the deputy general manager of Guangzhou City Investment Co., Ltd. ("GZ Investment"), and Guangzhou City Investment Jiapeng Industry Investment Fund Management Co., Ltd. ("GZ Jiapeng"), both GZ Investment and GZ Jiapeng are subsidiaries of GZ Infrastructure. Mr. Liu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 2002 and a master's degree in business administration from Jinan University in 2008.

Mr. Liu has 21 years of experience in corporate management and investment since 2002. During this period, Mr. Liu was responsible for the work of smart city investment operations, investment management and human resources.

# Biographical Details of Directors and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Man Chung, Francis

**Mr. WONG Man Chung, Francis,** aged 59, has been an Independent Non-executive Director of the Company since 23 August 2006. He holds a Master's Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong. He is a Certified Public Accountant (Practising) and has over 36 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management. Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong has the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Mr. Wong is currently an Independent Non-executive Director, the Chairman of the Audit Committee and the Remuneration Committee as well as a member of the Nomination Committee of China Oriental Group Company Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director, the Chairman of the Audit Committee and the Remuneration and Evaluation Committee as well as a member of the Risk Management Committee and the Nomination Committee of Shanghai Dongzheng Automotive Finance Co., Ltd. (listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director, the Chairman of the Audit Committee and the Remuneration Committee of Greenheart Group Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of Wai Kee Holdings Limited and Integrated Waste Solutions Group Holdings Limited (all listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of Hilong Holding Limited and IntelliCentrics Global Holdings Ltd. (all listed on the Main Board of The Stock Exchange of Hong Kong Limited); and an Independent Non-executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee of Qeeka Home (Cayman) Inc. (listed on the Main Board of The Stock Exchange of Hong Kong Limited). He was an Independent Non-executive Director and a member of the Audit Committee and the Strategy and Investment Committee of GCL Technology Holdings Limited (formerly known as GCL-Poly Energy Holdings Limited) (listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director and the Chairman of the Audit Committee of Kunming Dianchi Water Treatment Co., Ltd. (listed on the Main Board of The Stock Exchange of Hong Kong Limited) and an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of China New Higher Education Group Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited). With effect from 3 April 2018, Mr. Wong was re-designated as a Non-executive Chairman of Union Alpha C.P.A. Limited (who was the Managing Director) and a Non-executive Director of Union Alpha CAAP Certified Public Accountants Limited (who was a Director), both being professional accounting firms, in order to devote more time on his role of independent non- executive directors of listed companies and charity works. Mr. Wong is a Founding Director and member of Francis M C Wong Charitable Foundation Limited, a charitable institution.

# Biographical Details of Directors and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Miss NI Hong (Hope)

**Miss NI Hong (Hope),** aged 51, has been an Independent Non-executive Director of the Company since 29 September 2010. Miss Ni received her J.D. Degree from the University of Pennsylvania Law School and her Bachelor's Degree in Applied Economics and Business Management from Cornell University.

Currently, Miss. Ni is an Independent Director, the Chairman of the Audit Committee of ATA Inc., a NASDAQ-listed company (NASDAQ: ATAI) and an Independent Non-executive Director, member of the Audit Committee, Compensation Committee and Corporate Governance Committee and also Chairwoman of the Nomination Committee of Zhihu Inc, a company listed on the NASDAQ (NASDAQ: ZH) and Main Board of The Stock Exchange of Hong Kong Limited. Miss Ni is also an Independent Director of Ucloundlink Group Inc., a NASDAQ-listed company (NASDAQ: UCL) and an Independent Non-executive Director, member of Remuneration Committee and Nomination Committee of Acotec Scientific Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Ni was also Non-executive Director of Ingdan, Inc. (formerly known as Cogobuy Group, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited). Previously, Miss Ni worked as a Practicing Attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong, specializing in corporate finance. Prior to that, Miss Ni worked at Merrill Lynch's investment banking division in New York.

# Biographical Details of Directors and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LIU Yun, John





**Dr. LIU Yun, John,** aged 60, has been an Independent Non-executive Director of the Company since 25 March 2014. Dr. Liu is the board member of the Board of Directors of dormakaba Holdings AG (whose shares are listed in the SIX Swiss Exchange) since October 2020 and an Independent Director of Pixelworks, Inc., a NASDAQ-listed company (NASDAQ: PXLW) since 9 September 2022. He was the CEO of Shenzhen Afiniti Technology Co. Ltd., the board member of the Board of Directors and the Chief Executive Officer of VOSS (an international bottled water brand) and the Chief Advisor of Reignwood Holdings Pte Ltd. (Singapore). He was the Vice President and Chief Operating Officer of Wanda Internet Technology Group from March 2017 to May 2018, an Independent Non-Executive Director of ARM Holdings Plc. (listed on the London Stock Exchange) from December 2014 to September 2016 and a Senior Vice President of Greater China Field Division of Conservation International from June 2016 to September 2016. He was also the Chief Business Officer of Qihoo 360 Technology Co. Ltd. from January 2014 to August 2015. Prior to that, he held senior positions in various renowned companies in the communication or networking or software arena as follows: Corporate Vice President and Head of Greater China of Google Inc. from 2008 to 2013; Chief Executive Officer, China Operations of SK Telecom Co., Ltd. from 2002 to 2007; General Manager, Greater China of FreeMarkets Inc. from 2000 to 2002; Chief Executive Officer, China Operations of SITA Communication from 1999 to 2000; General Manager, Telecommunication Group of The Lion Group from 1997 to 1999 and Country Director, Greater China of Singapore Telecommunications Limited from 1994 to 1997.

Dr. Liu graduated from Beijing Normal University with a Bachelor's Degree in Mathematics in 1983 and obtained his Ph.D in Telecommunications Network Management from Technical University of Denmark in 1997. In 2011, Dr. Liu undertook a Senior Executive Program of Harvard Business School.

# Biographical Details of Directors and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KING William

**Mr. KING William,** aged 57, has been an Independent Non-executive Director of the Company since 29 June 2018. Mr. King was the Managing Director of Russell Reynolds Associates, Hong Kong from October 2018 to December 2019 and a partner at Egon Zehnder International (Shanghai) Company Limited, a leading executive search firm, from January 2007 to May 2016. Prior to that, Mr. King held several leadership roles with some of the global technology companies as follows: Chief Operating Officer at eBay China from April 2005 to November 2006, General Manager of AT&T Greater China from August 2002 to April 2005, Director of Telecommunications and Media at Credit Suisse First Boston (CSFB), Hong Kong from September 2001 to April 2002, Head of Corporate Planning and Development at Hong Kong Telecom and PCCW from September 1999 to September 2001; Senior Associate at Booz Allen & Hamilton from 1995 to September 1999 and Senior Systems Consultant with IBM Corporation in the US from February 1988 to July 1993.

Mr. King received a Bachelor of Science Degree in Electrical Engineering from University of Michigan and MBA with Finance major from the Wharton School of Business at the University of Pennsylvania.

# Biographical Details of Directors and Company Secretary

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Timothy Yung-cheng



**Mr. CHEN Timothy Yung-cheng,** aged 67, has been an Independent Non-executive Director of the Company since 16 July 2021. Mr. Chen has accumulated more than three decades of experiences in telecommunications, media and technology (TMT) and corporate management in multinational corporations. Mr. Chen has been an independent non-executive director (currently also a member of Audit Committee and Nomination Committee) of CCID Consulting Company Limited* (賽迪顧問股份有限公司), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 02176) since May 2019. Previously, Mr. Chen held various senior positions at various corporations, including the Chairman of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統（中國）有限公司), the CEO of Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), formerly known as 21CN CyberNet Corporation Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 0241), the CEO of Greater China Region of Microsoft, and NBA China, a partner of GL Capital Group and chairman of CSL Holding Limited. In addition, Mr. Chen served as the independent director of Guiyang Longmaster Information & Technology Company Limited (貴陽朗瑪信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300288) from October 2010 to October 2013; The president of Telstra International Group from November 2012 to December 2015; Chairman of Autohome Inc., a company listed on the New York Stock Exchange (stock code: ATHM) from 2012 to May 2016; An independent director of Haier Smart Home Company Limited, (海爾智家股份有限公司) (formerly known as Qingdao Haier Company Limited 青島海爾股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600690) from September 2014 to 31 May 2016; The general manager of Asia Pacific Telecom Co., Ltd. from August 2016 to January 2018; The chairman of Foxconn Industrial Internet Co., Ltd. (富士康工業互聯網股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601138) from January 2018 to October 2018; A non-executive director of Asia Pacific Telecom Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 3682 ) since August 2016 to July 2021; The vice Chairman of Suirui Technology Limited* (隨銳科技股份有限公) (a company delisted from the National Equities Exchange and Quotations (stock code: 835990) on 16 June 2021) since February 2019 to February 2024; An independent non-executive director, a member of the Compensation Committee and Commercial and Medical Affairs Advisory Committee of BeiGene, Ltd., a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 06160) since February 2016 to June 2022. Mr. Chen obtained a bachelor's degree from National Chiao Tung University in June 1978 and an EMBA degree from the University of Chicago in June 1991.

# Biographical Details of Directors and Company Secretary

## COMPANY SECRETARY

Mr. WONG Chi Keung

**Mr. WONG Chi Keung,** aged 57, is the Company Secretary of the Company. Mr. Wong is mainly responsible for the financial reporting and listing issues of the Group. Mr. Wong graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong was a Non-executive Director and a member of the Remuneration Committee of HC International, Inc. (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited). Previously, Mr. Wong worked for Ernst & Young, an international accounting firm, for 6 years. Mr. Wong has over 33 years of experience in financial management and corporate administration.

# Corporate Governance Report

The Group is committed to promote the highest standards of corporate governance and to maintain sound and well-established corporate governance practices so as to enhance its transparency, accountability and corporate value to the shareholders of the Company (the "**Shareholders**").

The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the "**Code Provision(s)**") contained in Part 2 of Appendix C1 set out in the "Corporate Governance Code" (the "**Code**") to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 2023 (the "**Reporting Period**"), except the following deviations from certain Code Provisions with considered reasons as given below:

**Code Provision C.2.1** stipulates that 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.

Mr. GUO Wei, the Chairman of the board of directors of the Company (the "**Board**") has been taking up the dual role as Chairman of the Board and Chief Executive Officer of the Company since 8 June 2018. Mr. GUO Wei has extensive experience in business strategic development and management and is responsible for overseeing the whole business, strategic development and management of the Group. The Board believes that the dual role of Mr. GUO Wei will enable the consistency between the setting up and the implementation of the business strategy and benefit the Group and the Shareholders as a whole.

**Code Provision B.2.2** stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the amended and restated bye-laws of the Company adopted on 28 June 2023 (the "**New Bye-Laws**), at each annual general meeting one-third of the directors of the Company (the "**Directors**") for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, save that the Chairman of the Board or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation. Therefore, Mr. GUO Wei, the Chairman of the Board, shall not be subject to retirement by rotation. Given the existing number of Directors, not less than one-third of the Directors are subject to retirement by rotation at each annual general meeting, by which each Director (other than the Chairman of the Board) will retire by rotation once every three years at the minimum.

**Code Provision C.3.3** stipulates that directors should clearly understand delegation arrangements in place. Listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has not entered into any written letter of appointment with any of its non-executive Directors or independent non-executive Directors and their terms of office are not subject to a fixed term of service. However, the Board recognises that (i) the relevant Directors have already been subject to the laws and regulations applicable to directors of a company listed on the Stock Exchange, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its Shareholders; (ii) all of them are well established in their professions and/ or currently hold or have held directorships in other listed companies; and (iii) the current arrangement has been adopted by the Company for years and has proved to be effective. Therefore, the Board considers that the relevant Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

**Code provision C.1.6** stipulates that, among other things, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. During the year ended 31 December 2023, Mr. ZENG Shuigen, Miss NI Hong (Hope) and Dr. LIU Yun, John were unable to attend annual general meeting of the Company held on 28 June 2023 (the "**AGM**") due to other business commitments.

The Board is aware of this non-compliance and will continue to bring the importance of attending annual general meetings to the attention of the non-executive Directors.

**Code provision F.2.2** stipulates that the chairman of the Board should attend the annual general meetings of the Company, and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegates to attend. During the year ended 31 December 2023, Mr. GUO Wei was unable to attend the AGM due to other business commitments.

Mr. LIN Yang, an executive Director present at the AGM took the chair of the AGM pursuant to the New Bye-Laws of the Company to ensure an effective communication with the Shareholders thereat. Mr. GUO Wei is the chairman of the nomination committee of the Board and due to his absence at the AGM, Mr. WONG Man Chung, Francis, member of the Nomination Committee was invited to attend. Dr. LIU Yun, John is the chairman of the remuneration committee of the Board and due to his absence at the AGM, Mr. WONG Man Chung, Francis, member of the Remuneration Committee was invited to attend.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct for Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

## BOARD OF DIRECTORS

### Composition

As at the end of the Reporting Period, the Board comprised nine Directors, including two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. To the best knowledge of the Company, the Board members have no financial, business, family or other material/relevant relationships with each other.

On 28 March 2024, Mr. ZENG Shuigen resigned as Non-executive Director and Mr. LIU Jun Qiang was appointed as Non-executive Director. Further information regarding the appointment of Mr. LIU Jun Qiang is set out in the Report of Directors at page 128 of this annual report.

The Board has a coherent framework with clearly defined responsibilities and accountabilities to safeguard and enhance shareholder values and provide a robust platform to realize the strategy of the Group.

Biographical details of the Directors are set out under the heading "**Biographical Details of Directors and Company Secretary**" on pages 21 to 30 of this annual report.

### Role and Function

The Board takes responsibility for the formulation of the overall strategy and the leadership and control of the Group such as the Group's long term objectives and strategies, the approval of the Group's corporate and capital structure, financial reporting and controls, internal controls and risk management, material contracts, communication with the Shareholders, the Board membership and other appointments, remuneration of Directors and other key senior management, delegation of authority to Board committees and corporate governance matters. Senior management are responsible for the supervision and management of the daily operations of the Group and the implementation of the plans approved by the Board and report to the Board.

During the Reporting Period, an annual general meeting was held and the Board held four regular Board meetings at approximately quarterly intervals and two ad hoc Board meetings where the Directors attended the Board meetings either in person or by means of electronic communication.

The Board and the Nomination Committee have reviewed the contribution required from each Director to perform his/her responsibilities to the Company and are satisfied that each Director had been spending sufficient time in performing his/her responsibilities during the Reporting Period.

### Independent views available to the Board

To ensure independent views and input are available to the Board, the following mechanisms are implemented:

1. The Board requires that Independent Non-executive Directors provide written confirmation as to the factors affecting their independence provided under the Listing Rules.

2. In recruiting Independent Non -executive Directors, the Nomination Committee shall assess if the candidate(s) would be independent with reference to the relevant guidelines set out in the Listing Rules and also consider other factors, including but not limited to his/her character, integrity, cross-directorships and significant links with other Directors, time commitment, professional qualifications and relevant work experience.

3. Nomination committee shall review the structure, size and composition of the Board by taking into account of various aspects, including the Company's Board diversity policy ("**Board Diversity Policy**") and measurable objectives to achieve Board diversity, on an annual basis.

# Corporate Governance Report

4. The Directors may seek advice from external independent professional advisors at the Company's expense to perform their duties.

5. The Board shall also ensure that further re-appointment of any Independent Non-executive Director who has served on the Board for more than nine years is subject to a separate resolution to be approved by the Shareholders at the annual general meetings of the Company.

### Appointments and Re-election

The Board is empowered under the New Bye-Laws to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Only the qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their reputation for integrity, professional qualifications, experience and their possible contribution to the Group.

As disclosed above, neither Independent Non-executive Directors nor non-Executive Directors have entered into written letters of appointment with the Company. However, the relevant Directors have already been subject to the laws and regulations applicable to directors of a company listed on the Stock Exchange, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its Shareholders. Also, the terms of their appointment are governed by the retirement requirements and procedures set out in the New Bye-Laws.

### Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed five Independent Non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Dr. LIU Yun, John have been serving as Independent Non-executive Directors for more than nine years. During their tenure as Independent Non-executive Directors, the Board and the Nomination Committee consider that they have been contributing to the development of the Company's strategy and policies through providing independent, balanced and objective advice. Nor have they been involved in the daily management of the Company or have any relationships or circumstances which would otherwise interfere with the exercise of their independent judgment. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent based on the criteria set out in Rule 3.13 of the Listing Rules notwithstanding the length of their service.

### Relationship

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationships) between each other.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. GUO Wei, the Chairman of the Board, has been taking up the dual role as Chairman and Chief Executive Officer of the Company since 8 June 2018. Mr. GUO Wei has extensive experience in business strategic development and management and is responsible for overseeing the whole business, strategic development and management of the Group. The Board believes that the dual role of Mr. GUO Wei will enable consistency between the setting up and the implementation of the business strategy and benefit the Group and the Shareholders as a whole.

## Company secretary

The Company Secretary, whose appointment was approved by the Board, plays an important role in supporting the Board for ensuring good information flow within the Board and ensuring that the Board policy and procedures are followed. He is responsible for advising the Board on general duties and obligations of Directors and good corporate governance issues, and has facilitated induction and professional development of the Directors. He has day-to-day knowledge of the Company's affairs. During the Reporting Period, the Company Secretary had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 14 May 2001 with specific written terms of reference. The Audit Committee comprises three members and all of them are Independent Non-executive Directors. The Audit Committee is currently chaired by Mr. WONG Man Chung, Francis (who possesses the appropriate professional qualification or accounting or related financial management expertise), with Miss NI Hong (Hope) and Mr. KING William as members.

The latest Terms of Reference for Audit Committee adopted by the Board was effective on 21 December 2018 and is available on the websites of the Stock Exchange and the Company respectively.

The Audit Committee assists the Board in carrying out its oversight responsibilities in relation to financial reporting, risk management and internal control, and in maintaining a relationship with external auditors.

The Audit Committee is responsible for, among others, the following:

(i) monitoring the integrity of the financial statements of the Group;

(ii) reviewing the Group's financial controls, risk management and internal control systems;

(iii) reviewing the Group's financial and accounting policies and practices;

(iv) reviewing and monitoring the effectiveness of the Group's internal audit function and ensuring coordination between the internal and external auditors; and

(v) performing the Group's corporate governance function delegated by the Board.

### Corporate Governance Function

Under the Terms of Reference for Audit Committee now in place, the Audit Committee has been delegated by the Board to perform the following corporate governance functions:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Code and the disclosure in this report as set out under Appendix C1 of the Listing Rules.

During the Reporting Period, the Audit Committee held three meetings where the members attended either in person or by means of electronic communication.

For the Reporting Period, the Audit Committee has reviewed with the senior management and the external auditor of the Company (the "**Auditor**") their respective audit findings, the half-yearly and annual financial results before recommending them to the Board for consideration and approval, the accounting principles and practices adopted by the Group, legal and regulatory compliance, and reviewed the auditing, internal control, risk management, internal audit and financial reporting systems. The Board has, through the Audit Committee, conducted regular reviews on the effectiveness of the internal control and risk management systems of the Group and discussed matters related to corporate governance function during the Reporting Period.

For the corporate governance function, during the Reporting Period, the Audit Committee has reviewed the corporate governance policies of the Company and made corresponding recommendations to the Board, and reviewed the policies and practices on compliance with legal and regulatory requirements, monitored the training and continuous professional development of Directors and senior management, the code of conduct applicable to Directors and relevant employees of the Group and the Company's compliance with the Code and disclosure in this corporate governance report.

The Audit Committee has no disagreement with the Board on the re-appointment of the Auditor.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 31 August 2006 with specific written terms of reference. The Remuneration Committee comprises three members and all of them are Independent Non-executive Directors. The Remuneration Committee is currently chaired by Dr. LIU Yun, John, with Mr. WONG Man Chung, Francis and Mr. KING William as members.

The latest Terms of Reference for Remuneration Committee re-adopted by the Board was effective on 11 October 2022 and is available on the websites of the Stock Exchange and the Company respectively.

The Remuneration Committee assists the Board to assess and make recommendations on the compensation policy and compensation packages for the Directors and senior management.

The Remuneration Committee is responsible for, among others, the following:

(i) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and

(ii) making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, which includes benefits in kind, pension rights and compensation payments and on the remuneration of Non-executive Directors.

During the Reporting Period, the Remuneration Committee held one meeting where the members attended either in person or by means of electronic communication.

During the Reporting Period, the Remuneration Committee reviewed the current remuneration structure and packages of the Directors and the current remuneration packages of the executive Directors and senior management and recommended the Board to approve their respective packages and reviewed matters relating to share schemes of the Company under Chapter 17 of the Listing Rules.

Details of the Directors' emoluments for the Reporting Period are set out in note 9 to the financial statements.

The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

## NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 31 December 2021 with specific written terms of reference. The Nomination Committee comprises three members and majority of them are Independent Non-executive Directors. The Nomination Committee is currently chaired by Mr. GUO Wei, with Mr. WONG Man Chung, Francis and Mr. CHEN Timothy Yung-cheng as members.

The Terms of Reference for Nomination Committee adopted by the Board was effective on 31 December 2021 and is available on the websites of the Stock Exchange and the Company respectively.

The Nomination Committee is responsible for, among others, making recommendations on the appointment, re-appointment and succession plan of the Directors, reviewing the structure, size, composition and diversity policy of the Board and assessing the independence of Independent Non-executive Directors, as well as fulfilling the Group's corporate governance functions delegated by the Board.

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and process in relation to nomination and appointment of directors of the Company and aims to ensure the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the business and corporate strategy of the Group;
- contribution to the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- requirement for the Board to have independent directors in accordance with the Listing Rules and assessment of the independence of the candidates; and
- significant experience relevant to the business of the Group, willingness to devote sufficient time to discharge duties as a member of the Board.

When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the committee pursuant to the criteria set out in the Nomination Policy. Based upon the recommendation of the Nomination Committee, the Board deliberates and decides on the appointment.

During the Reporting Period, the Nomination Committee held one meeting where the members attended either in person or by means of electronic communication.

During the Reporting Period, the Nomination Committee reviewed the structure, size, composition and diversity of the Board and has reviewed the independence of the Independent Non-executive Directors and assessed the Independent Non-executive Directors' contribution. It has also reviewed the overall contribution and service made by retiring directors to the Group, the benefits of re-electing the retiring directors to the Group and considered the retiring Directors' level of participation and performance in the Board. The Nomination Committee made recommendations to the shareholders on the proposed re-election of Directors at the AGM.

## DIRECTOR'S ATTENDANCE RECORDS AT MEETINGS

The attendance of each Director at the following meetings during the Reporting Period is set out below:

| Board member | Committee members | | | Number of meetings attended/held | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Audit Committee | Remuneration Committee | Nomination Committee | Board Meeting | | Audit Committee | Remuneration Committe | Nomination Committee | Annual General Meeting |
| | | | | Regular | Ad Hoc | | | | |
| **Executive Directors** | | | | | | | | | |
| GUO Wei (Chairman and Chief Executive Officer) | - | - | Chairman | 2/4 | 1/2 | N/A | N/A | 1/1 | 0/1 |
| LIN Yang (Vice Chairman) | - | - | - | 4/4 | 2/2 | N/A | N/A | N/A | 1/1 |
| **Non-executive Directors** | | | | | | | | | |
| ZENG Shuigen *(Note)* | - | - | - | 3/4 | 2/2 | N/A | N/A | N/A | 0/1 |
| CONG Shan | - | - | - | 4/4 | 1/2 | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | | | | | |
| WONG Man Chung, Francis | Chairman | Member | Member | 4/4 | 2/2 | 3/3 | 1/1 | 1/1 | 1/1 |
| NI Hong (Hope) | Member | – | – | 4/4 | 2/2 | 3/3 | N/A | N/A | 0/1 |
| LIU Yun, John | – | Chairman | – | 4/4 | 1/2 | N/A | 1/1 | N/A | 0/1 |
| KING William | Member | Member | – | 4/4 | 2/2 | 3/3 | 1/1 | N/A | 1/1 |
| CHEN Timothy Yung-cheng | – | – | Member | 4/4 | 2/2 | N/A | N/A | 1/1 | 1/1 |

*Note:* Mr. ZENG Shuigen resigned as Non-executive Director on 28 March 2024

## DIRECTOR INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Newly appointed Directors will receive comprehensive induction on appointment to ensure understanding of the directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also organises and arranges seminars for and/or provides relevant reading materials to Directors to help ensure they are apprised of the roles, functions and duties of being a director of a listed company and the development of their knowledge on the regulatory updates whenever necessary or appropriate.

During the Reporting Period and up to the date of this annual report, the Company has provided training materials for all the then Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all those Directors. The Board is satisfied that the Directors have complied with code provision C.1.4 of the Code.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Company is committed to promoting diversity among the Board and has adopted a board diversity policy (the "**Board Diversity Policy**") effective on 20 August 2013. The Board Diversity Policy outlines the Board's commitment to fostering a corporate culture that embraces diversity and, in particular, focuses on its composition.

The Company, recognising and embracing the benefits of having a diverse Board, values increasing diversity at Board level which is perceived to be an essential element in achieving a sustainable and balanced development of the Company. In determining the Board composition that best suits the Company, a wide spectrum of aspects, including but not limited to gender, age, ethnicity and cultural background, skills, regional and industry experience, professional experience, length of service and other qualities of directors will be considered. All Board appointments shall be made on the basis of meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and business needs of the Company.

The Board is commissioned to monitor the implementation of the Board Diversity Policy and has the primary responsibility for identifying the suitably qualified candidates to the Board with regard to the Board Diversity Policy.

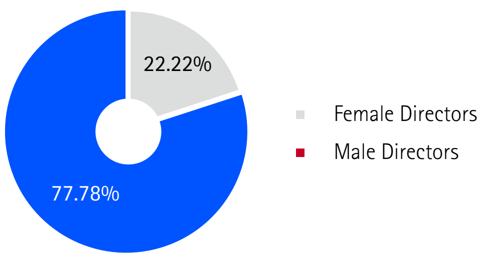
The Board is characterised by significant diversity, whether considered in terms of age, cultural and educational background, professional expertise and skills. The Board endeavours to steer forward and ensure that the Board has a balance of skills, experience and diversity of aspects appropriate to the requirements of the Company's business.

As at the end of the Reporting Period, the diversity of the Board is shown in the following graphic illustrations. Out of the nine Directors comprising the Board, two of them are female. Two of the nine Directors are Non-executive Directors and five of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process.

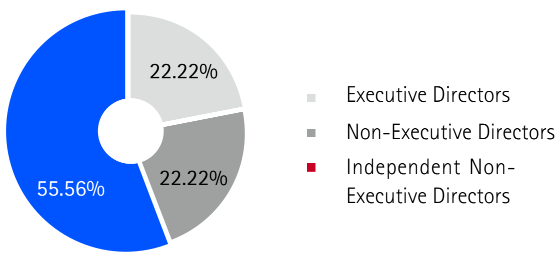


### Diversity of the Board as at the end of the Reporting Period

Gender




Role




The Board is satisfied with the diversity of the Board in view of the development and business needs of the Company. The Nomination Committee also considered that the Board was sufficiently diverse in term of gender and targeted to maintain the existing level of gender diversity. The Nomination Committee will regularly review the measurable objectives for achieving diversity of the Board.

While the Group recruits employees at all levels based on merits, it recognizes the importance of gender diversity and will continue to search for potential candidates to ensure there is a pipeline of male and female potential successors to the Board and the senior management.

## WORKFORCE GENDER DIVERSITY

Set forth below are the gender ratio in the Group's workforce in 2023:

| | Male | Female |
|---|---|---|
| Workforce (including senior management) | 76% | 24% |

The Company recognises the importance of maintaining gender diversity and recruits employees at all levels based on merits. In 2023, the proportion of female employees in the Group's workforce was 24%. Based on the existing composition of workforce and the nature of the information technology industry which is male workforce intensive, in order to enhance the gender diversity across the workforce of the Group, the Group has set a target to increase the proportion of female employees to one third by 2030. Such target shall be revisited based on the business development needs of the Group, expected size of each department, possible barriers and other relevant considerations.

## REMUNERATION OF AUDITOR

For the Reporting Period, remuneration to the Auditor was approximately RMB2,686,000 for audit services and approximately RMB135,000 for non-audit services on review relating to the financial statements of offering and issuance of Taiwan Depositary Receipts.

## RISK MANAGEMENT AND INTERNAL CONTROL

### I. Risk Management and Internal Control

#### *1. Risk Management and Internal Control Notions*

An effective and adequate risk management and internal control system is important for ensuring the realisation of the Group's strategic objectives. The risk management and internal control system should uphold the effective conduct of business activities, guarantee the truthfulness and fairness of accounting records, ensure the Group's compliance with relevant laws, regulations and policies, and safeguard the assets and interests of the Shareholders.

#### *2. Features and Effectiveness of Risk Management and Internal Control*

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's risk management and internal control systems and to safeguard shareholders' interests and the assets of the Group. Such systems are designed to manage, but not to remove, the risk of failure to achieve business objectives, provide reasonable (but not absolute) assurance for freedom from material misstatements or losses, and manage, but not eliminate, the risk of material errors in the objectives of the Group. Such responsibility is primarily performed by the Audit Committee, which conducts at least once annually, on behalf of the Board, reviews on whether the Group's risk management and internal control systems in respect of risk handling, financial accounting and reporting are effective on an ongoing basis, whether its operations are effective and efficient, and whether pertinent laws and regulations have been complied with and risk management functions have been fulfilled. The Audit Committee also monitors risks associated with the Group's accounting, internal audit, finance, staff qualifications and experience, operations and compliance. The Board also understands its overall responsibility for internal control, financial control and risk management, and reviews from time to time its effectiveness in this regard.

On behalf of the Board, the Audit Committee continuously reviews the risk management and internal control system. The review procedures include, but are not limited to, listening to the reports delivered by, among others, the business management teams, the Internal Audit Department, the Legal Department and the independent auditors, reviewing the various work reports and key indicator information, as well as discussing material risks with the senior management team.

For the year 2023, the Board is of the opinion that the Group's risk management and internal control system was both effective and adequate. Besides, the Board believes that the Group's accounting and financial reporting functions were performed by sufficient staff who were suitably qualified and experienced and who had received proper training and been adequately developed. The Board also believes that sufficient resources were allocated to the Group's internal audit function, which was performed by sufficiently qualified and experienced staff and for which the training programmes and budget were sufficient.

## II. Risk Management

### *1. Three-tier protection for risk management*

In order to ensure the effectiveness of the risk management and internal control system, the Group has adopted a three-tier protection model and, under the supervision and guidance of the Board, established the organisational structure for risk management and internal control. The Group's actual circumstances are also taken into account regarding the annual optimisation and refinement of the structure.

- **First line of protection — operations and management:** Mainly composed of the Group's functional and business departments at various levels, it is responsible for the day-to-day operations and management, and for the design and execution of the relevant control measures for countering risks.

- **Second line of protection — risk management:** Mainly composed of the respective risk management departments of the Business Groups, it is responsible for planning and carrying out the construction of the risk management and internal control system and, in accordance with the requirements of the risk management system, for organising, directing, coordinating and implementing the collection of risk-related information, risk identification, risk assessment and measures countering material risks at the respective Business Groups. As such, the second line of protection assists the first line of protection in establishing and refining the risk management and internal control system.

- **Third line of protection — independent protection:** Mainly composed of the Group's Internal Audit Department, it is responsible for supervising and assessing the risk management tasks of the Group, thereby ensuring the effectiveness of the risk management and internal control system.

### *2. Procedures for Identifying, Assessing and Managing Material Risks*

Below is an outline of the procedures employed by the Group for identifying, assessing and managing its material risks:

- **Risk identification and assessment:** Risks that may have a potential impact on the business and operations of the Group's various Business Units are identified, and a risk database is established and continuously updated; the assessment criteria that have been reviewed and approved by the management are used in the assessment of identified risks, during which the likelihood of their occurrence and their impact on the business are taken into account;

- **Risk-countering:** Through the comparison of risk assessment outcomes, risks are ranked by priority, and risk management strategies and internal control procedures are determined for preventing, avoiding or reducing risks; and

- **Risk monitoring and reporting:** Relevant risks are monitored on an ongoing and regular basis, and appropriate internal control procedures are guaranteed to be in place; in the event of any material change, the risk management policies and internal control procedures would be amended; and the risk monitoring results are reported to the Audit Committee and the management on a regular basis.

### *3. Material Risks of the Group and Response Measures*

During the year of 2023, the Group identified and assessed its material risks by means of the aforesaid risk management processes.

The Audit Committee assisted the Board in monitoring the Group's overall risk profile, and reviewed the changes in the nature and severity of the Group's material risks. The Audit Committee is of the opinion that the management took suitable measures for countering and managing the key risks such that they were maintained at levels acceptable to the Board.

With the constant changes in the scale, scope of operations and complexity of its businesses as well as in the external environment, the Group's risk profile may be subject to change. A brief account is given below of the material risks that are currently faced by the Group, of the changes in the material risks compared with the previous year and the reasons for such changes, and of the risk– countering measures that have been implemented.

The following table shows the top three material risks of the Group in 2023:

| Rank | Risks |
|---|---|
| 1 | Risk relating to economic downturn & industry changes |
| 2 | Risk relating to relying on major customers |
| 3 | Risk relating to market development |

Compared with 2022, the first three risks in 2023 have undergone some changes: the risk relating to economic downturn & industry changes has risen to the first risk; the risk relating to relying on major customers has risen from the third risk to the second risk; the risk relating to market development has risen to the third risk.

The analysis of changes in these material risks and the corresponding control measures taken by the Group are as follows:

- **Economic Downturn and Industry Changes**

  In December 2023, the Central Economic Work Conference pointed out that further promoting economic recovery and improvement requires overcoming certain difficulties and challenges. The main issues include insufficient effective demand, overcapacity in certain industries, weak social expectations, numerous hidden risks, bottlenecks in the domestic circulation, and increasing complexity, severity, and uncertainty in the external environment.

  Although there were challenges in the economic recovery in the year 2023 as mentioned above, the Group is confident in the long-term prospects of the Chinese economy and the vitality of the "digital" industry track. The "14th Five-Year Plan for the Big Data Industry" released by the Ministry of Industry and Information Technology mentioned that the industry (big data) will maintain a high-speed growth. By 2025, the estimated scale of the big data industry will exceed 3 trillion yuan, with an average annual compound growth rate of about 25%. A modernized big data industry system with strong innovation, high added value, and self-innovation will be basically formed. Therefore, there is tremendous potential in this industry track, and the future looks promising.

  The Group closely monitors changes in the economic environment and the industry, anticipates trends through regular market research and data analysis, and adjusts strategies and business plans in a timely manner. By empowering the government, finance, supply chain, and other industries with big data technology, the Group strategically focuses on optimizing non-strategic business scale, reducing reliance on specific industries or markets in a downward cycle to maintain stability. At the same time, the Group continuously optimizes operating costs, including reducing unnecessary expenses and lowering delivery costs, to ensure flexibility in coping with an economic downturn.

- **Customer Management**

  The Group has always emphasized cooperation with major customers. The industry prosperity, the lifecycle of the customers' products and the fluctuation in the customer business continuity will also have a certain impact on the Company's stable revenue growth.

  The analysis of the top 10 customers of the Group is as follows:

  1) In the past two years, the revenue from the Top 10 customers accounted for slightly more than one-fourth of the total revenue for the year, and remained stable overall;
  2) In the past two years, the revenue from the Top customer (NO.1) accounted for 7%-9% of the total revenue, and the risk of reliance on a single major customer was manageable;
  3) In the composition of major customers, there is a certain level of liquidity. In 2023, five new customers entered the Top 10.

| Year | % of Top 10 Customer Revenue |
|---|---|
| 2022 | 25.70% |
| 2023 | 26.84% |

In terms of customer management, the Group has established a major customer management team responsible for communication and relationship maintenance with major customers. It has established a regular reporting mechanism to summarize the operational information of major customers and conduct evaluation and analysis to identify potential risks in a timely manner. With a customer-oriented approach, the Group provided comprehensive products and personalized services, actively involving in customer business scenarios to increase customer stickiness and mitigate unexpected business risks. At the same time, it actively expanded its customer base and business areas, created multiple strategic customers, and diversified the risk of relying on individual major customers.

- **Market Development**

  The products, services, and market applications in the big data industry were widely used. The rapid iteration of various technologies and the entry and rapid growth of new competitors have intensified competitive risks. Intense market competition, as well as changes in labor and product costs, have also increased the difficulty of market development to a certain extent.

  The Group focused on empowering industries such as government, finance, and supply chain with big data technology. It accelerated the development of product lines and important solution businesses that lead the market in terms of scale, strengthened the advantages and improved weakness, and bridged gaps with competitors. It established a comprehensive marketing mechanism, innovated and expanded incentive mechanisms, and broadened channels for introducing business opportunities. Additionally, the Group enhanced the level of refined management, improved delivery capabilities and solidified competitive advantages. Furthermore, the Group actively explored overseas markets in the fields of smart supply chain and financial technology, further expanding the business scale in the market.

  In 2023, through strategic focus and market expansion, the Group added more than 2,000 new customers compared to the previous year, and the revenue from the new customers accounted for 17.4% of the total annual revenue, which was a remarkable result. In the future, the Group will continue to put more efforts to expand business opportunities, enhance market reputation, actively explore more customers and business areas so as to expand the achievements in market development.

Based on the findings of the review described above, the Board confirms, and the management has also confirmed to the Board, that the risk management and internal control system of the Group (in all material aspects including financial control, operational control and compliance control) is efficient and adequate, and has been in compliance with the provisions on risk management and internal control contained in the "Corporate Governance Code" through the year.

## III. INTERNAL CONTROL

### 1. *Internal Control System*

The Group has consistently focused on the construction of its internal control system. The management of the Group is responsible for designing, implementing, and maintaining the effectiveness of, its internal control system. The Board and the Audit Committee are responsible for exercising supervision and regulation over the appropriateness and effective implementation of the internal control measures introduced by the management.

The Group's internal control system delineates the parties' management responsibilities, authorisations and approvals in relation to key actions, and lays down specific written policies and procedures regarding material business processes. The communication of such system to the staff also makes up an important component thereof. The Group's policies covering its financial, legal and operational aspects represent the management standards in relation to its various business processes, and are to be strictly implemented by each of its staff members.

The Board establishes and maintains a good internal control system through the following principal procedures:

- Establishing a reasonable and effective organization structure with clear functions, responsibilities and authority;

- Laying down stringent procedures for budget preparation and budget management; formulating business plans and financial budgets annually; rationally adjusting the organisation structure based on business planning; ensuring the effective operation of the organisation; reviewing the implementation of budgets and making reasonable adjustment based on the latest conditions;

- The Internal Audit Department — independently assessing the comprehensibility and effectiveness of the monitoring of principal business, reporting its principal findings, with recommendations, to the Audit Committee on a half-yearly basis; and

- The Independent Auditor – for the audit of annual results, recommending ways to address some internal management areas which are correspondingly weak; the management making serious reviews, and making and submitting improvement proposals to the Audit Committee.

### *2. Annual assessment of internal control*

During the Reporting Period, the Internal Audit Department adopted a risk benchmarking approach focused on key processes and controls and reported the findings of internal audit to the Audit Committee on a semi-annual basis. Through the Audit Committee, the Board reviewed the effectiveness of the Group's internal control system. The internal control system covers all material controls, including financial, operational and compliance controls, risk management functions and the adequacy of resources, staff qualifications and experience, training programmes and budgets in relation to the accounting and financial reporting functions of the Group. During the Reporting Period, the Internal Audit Department did not identify any significant deficiency in internal control.

## DISCLOSURES ON INSIDE INFORMATION

The Company's management assesses the likely impact of any unexpected and significant event that may impact the price of the shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Board is responsible for approving and authorising the Directors to issue such announcements and/or circulars.

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 135 to 139 of this annual report.

## COMMUNICATION WITH SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with the Shareholders and the investment community.

The Company has adopted a Shareholders Communication Policy and the Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders and/or potential investors mainly in the following ways: (i) the holding of annual general meeting and special general meetings ("**SGM**"), if any; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group; (iii) the availability of latest information of the Group on the Company's website at https://www.dcholdings.com; and (iv) the holding of press conference(s) and meeting with investors and analysts from time to time. In addition, Shareholders may direct their enquiries or views as to any matters affecting the Group to the Company in accordance with procedures set out in the section headed "SHAREHOLDERS' RIGHTS" below.

Handling of enquiries put to the Board has also been set out in the Shareholders Communication Policy.

The Company believes that communicating with the Shareholders through its website is an efficient way of delivering information in a timely and convenient manner. Information on the Company's website will be continuously reviewed and updated to ensure that information is current, or appropriately dated and archived. During the Reporting Period, no material complaints have been received from the Shareholders. Shareholders Communication Policy is subject to regular review and the Board is satisfied with its implementation and effectiveness during the Reporting Period.

## SHAREHOLDERS' RIGHTS

The Company recognises the rights of Shareholders and encourages the Shareholders to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meeting. The general meeting provides an important opportunity for the Shareholders to express their views to the Board and management and to exercise the Shareholders' rights. Under the New Bye-Laws, the Shareholders have the rights to convene a SGM and put forward agenda items for consideration by the Shareholders as provided by the Companies Act 1981 of Bermuda. The New Bye-Laws have been uploaded onto the websites of the Stock Exchange and the Company respectively.

The Shareholders are encouraged to use their attendance at general meetings of the Company to ask questions about or comment on the results, operations, strategy, corporate governance and/or management of the Group. The Board members, in particular, either the Chairman or members of the Board committees, appropriate management executives, external Auditor and legal advisers, shall be available at general meetings to answer questions from the Shareholders.

Shareholders are welcomed to send enquiries and suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at general meetings. Proposals shall be sent to the Board and the Board may, in its sole discretion, consider if such proposals are appropriate and shall be put forward to the Shareholders for approval at the next annual general meeting or at a special general meeting to be convened by the Board, as appropriate.

Shareholders may send such correspondences to the following address via personal delivery, mail or courier to:

Digital China Holdings Limited

Investor Relations Department

31/F., Fortis Tower

77-79 Gloucester Road

Wanchai

Hong Kong

Email correspondences should be sent to ir@dcholdings.com.

## PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

The procedures for the Shareholders to propose a person for election as a Director are available for viewing on the Company's website.

## DIVIDEND POLICY

The Company has adopted a dividend policy effective on 21 December 2018, a summary of which is set out below:

1. The Board may declare and distribute dividends to the Shareholders.

2. The Company in general meetings may declare dividends in any currency, which must not exceed the amount recommended by the Board.

3. The Board may, subject to the Company's Memorandum of Association and New Bye-Laws then in effect, make recommendation to the Shareholders on the distribution of final dividends and may from time to time pay to the Shareholders interim dividends based on the financial position of the Company. Despite the aforesaid, there is no guarantee that any particular amounts of dividends will be distributed for any specific periods.

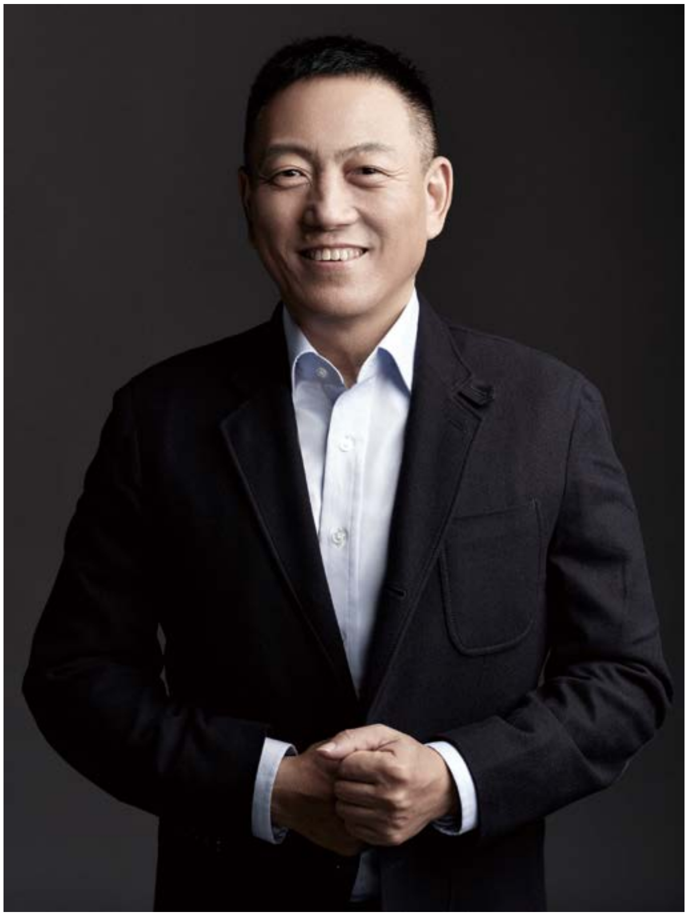
4. The Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant.

5. The Company's declaration and payment of dividends shall also comply with the Companies Act 1981 of Bermuda (as amended, supplemented or otherwise modified from time to time), the Memorandum of Association and New Bye-Laws of the Company as well as other applicable laws, rules and regulations in effect on the declaration and distribution of or otherwise in relation to dividends.

## AMENDMENTS TO CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Reporting Period, the bye-laws of the Company had been amended and the New Bye-Laws was adopted on 28 June 2023 at the annual general meeting for the purposes of (i) bringing the bye-laws of the Company in line with amendments to Listing Rules and applicable laws of Bermuda; (ii) providing the Company with more flexibility in relation to the conduct of its general meetings by gibing the option of attendance by electronic means; and (iii) making certain consequential and house-keeping amendments in line with the amendments to the bye-laws of the Company. The New Bye-Laws have been uploaded on to the websites of the Stock Exchange and the Company respectively.

# Environmental, Social and Governance Report



## Message from the Chairman

The year 2023 marked the first year after the pandemic, and the industry's significant recovery did not come as expected. Facing unprecedented competitive pressure and a more complex external environment, Digital China Holdings has risen to the challenge, forged ahead, and continuously advanced strategic implementation in various aspects, achieving gratifying results through continuous innovation and breakthroughs.

In terms of business development, DC Holdings adhere to the "Big Data + Artificial Intelligence" strategy and diligently sought incremental breakthroughs across various application scenarios for core big data products, resulting in sustained revenue growth from big data solutions. Notably, our concentrated efforts in the Jilin market bore fruit, securing pivotal projects. In the realm of digital supply chain transformation, we constructed extensive control towers for clients, offering comprehensive digital services and bolstering our technological edge—a strategic step toward advancing the "Enterprise CSO" strategy. As top domestic firms expanded globally, we strategically entered overseas markets, actively contributing to Hong Kong's digital governance and smart city development. Our business footprint extended from Southeast Asia to Belt and Road regions, including the Middle East and Africa, yielding significant growth. By aggregating resources from top clients across diverse industries—technology, finance, automotive, and retail FMCG—we've created ample room for continued in-depth development.

In terms of technology research and development, we have insisted on creating new products and continuously evolved our "Data and Cloud Fusion" technology framework and the "industry-academia-research" integration development model. We held the first "Data and Cloud Original" conference, launched the "2035 Laboratory" for discovery of new technologies in the future, and organized the third hackathon for renowned academic institutions. We have continuously increased R&D investment to accumulate new momentum for development. We have been selected as the top "Pacesetter" in Bank of China's financial technology standards for two consecutive years, jointly released the first national "Public Data Authorized Operation Platform Technical Requirements" standard, drafted the financial industry's first "Bank Core System Migration" white paper, and crafted the "Smart Park High-Quality Development and Standardization" publication. We have developed and launched products such as the "Urban Knowledge Graph Platform," "Public Data Operation Platform," " ShenQi Universal Communications," "Jiutian Lanyue Cloud-Native Financial PaaS Platform," and the new generation "Liuhe Shangjia Integrated Data Development Platform." Based on the results of the first prize of the National Invention Award, Yan Cloud DaaS has fully entered the industrial manufacturing industry. The Company has innovatively created the "City CTO" + "Corporate CSO" development model, providing governments and enterprises with a full chain of data intelligence solutions.

In terms of organizational culture, we have insisted on refreshing and implementing brand culture, focusing on team building and time management, and adhering to the requirement of "delivering results and nurturing talent." We have created a unique "Partner" mechanism and "DC Elite" talent development model, advocating the spirit of partners and an elite organizational culture, and encouraging employees to grow with the Company. The Company continues to promote sustainable talent training and incentive plans, providing customized training programs and diverse promotion channels for employees. At the same time, it intensifies efforts to attract outstanding market-oriented professional talents to stimulate organizational vitality; and continuously advances talent retention plans, improving the compensation and benefits system and incentive mechanisms to achieve stable and healthy human resource structure development. Notably, to better care for the growth of female employees and stimulate their potential, the Company has specifically established the "Wonderful Outstanding Women Club". This platform seeks to unite outstanding women from the Company and other sectors of society, offering them a space for communication, education, and personal development. The club strives to promote progress for women in all fields, including career success, family harmony, personal growth, and global awareness and to further the Company's efforts in diversity.

While continuously exceeding ourselves and achieving business and organizational growth through technological innovation, we have not forgotten our original intention and have insisted on giving back to society with high-quality services and leading technologies. In terms of green sustainable development, we have noticed the escalating risks of climate change and the challenges on the global carbon reduction path. We have conducted in-depth research on the threats and opportunities brought by climate change, actively responded to the United Nations Climate Action initiative, practiced the national "dual carbon" strategy, and continuously advanced layouts in green production, green R&D, and green office operations. In fulfilling social responsibilities, we have fully leveraged our own advantages to drive industrial revitalization and promote rural development, as well as infrastructure construction. We have carried out various types of industry-academia-research cooperation with universities to enrich and strengthen the combination of the Company's talent training system and the human resource system. In terms of corporate governance, we have continuously promoted the diversification of the board of directors, improved business ethics and compliance management frameworks and risk prevention measures, and comprehensively enhanced the Group's risk response capabilities.

During the year, DC Holdings won several awards, including "2023 Top 50 Digital Twin Solution Providers," "2023 Public Data Operation Innovation Award," "2023 Knowledge Graph Technology Innovation Award," "2023 Data Element Industry Development Leader," and "2023 Big Data Outstanding Service Provider," indicating that the Company's efforts in technological innovation and sustainable development have been recognized by all stakeholders in society.

In 2024, we will remain committed to our original vision, continue to forge ahead, focus on the value of all stakeholders and adhere to the path of sustainable development and business growth.

# Environmental, Social and Governance Report

## About this report

The "Digital China Holdings Limited Environmental, Social and Governance Report" (from now on referred to as the "Report") is prepared per the ESG Reporting Guidelines issued by The Stock Exchange of Hong Kong Limited in December 2019 and concerning the relevant rules of the United Nations 2030 Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI), to explain our ESG policy, as well as our work and achievements during the year, to a wide range of stakeholders.

In this report, " DC Holdings Limited ", "we", "our Group", and "the Company" mainly refer to " Digital China Holdings Limited." The report covers the ESG progress of Digital China Holdings Limited from January 1, 2023, to December 31, 2023. To ensure the completeness and continuity of the explanation, we have reviewed and extended some content on specific issues. Unless otherwise specified, the amounts shown in this report are in RMB. The report refers to the "Environmental, Social, and Governance Reporting Guidelines" of the Hong Kong Stock Exchange, the United Nations 2030 Sustainable Development Goals (SDGs), and the Global Reporting Initiative (GRI) standards. For related report index information, please refer to the appendix.

Appendix 1: ESG Goals and Key Performance Indicators

Appendix 2: Report Indicator Index

The online reading version of the report will be presented on the ESG page (ESG - Sustainability Reports - DC Holdings) of the Digital China Holdings Limited official website.

### • Reporting Principles and Scope

- **Materiality Principle**
  Considering the Group's strategy and operations, we identify the material areas reviewed in this report on economic, environmental, and social issues that affect the sustainability of the Company's business operations and are closely followed by various stakeholders. To this end, the Group maintains close communication with multiple stakeholders to assess the importance and ranking of ESG issues.

- **Quantitative Principle**
  This report will use data to show relevant environmental and social issues as much as possible, such as data on resource consumption and carbon emissions, as well as assumptions and calculation methods and reference bases for conversion.

- **Principle of Consistency**
  This report will disclose changes in statistical methods or key performance indicators, if any, or any other relevant factors affecting the comparison, to avoid misleading users of the report.

**Reporting scope** Unless otherwise specified,theinformation contained inthis report covers all subsidiaries of Digital chinaHoldings.

**Data Sources** All information and data quoted in this report are derived from the Company's official documents, audited company annual reports,and relevant data information that have been summarized and reviewed by the Company's functional departments.

### • Stakeholders

We understand the importance of stakeholder feedback on our ESG performance. Therefore, we communicate closely with our stakeholders to collect their views and suggestions on ESG. We also conduct open and transparent dialogue with stakeholders through different channels, including conferences, surveys, seminars, etc. The table below sets out the Group's key stakeholders, issues, and communication channels.

# Environmental, Social and Governance Report

| Stakeholders | Main topics | Primary communication channels |
|---|---|---|
| Government and regulatory bodies | Compliance, corporate governance | Meetings, written reports, visits, policy consultations, information disclosures |
| Shareholders and Investors | Business development, return on investment | Corporate disclosures, investor meetings, social media platform interactions |
| NGOs and the Media | Environmental Protection, compliance consulting, charity | Industry events, press conferences, social media platform interactions |
| Client | Product and service quality, privacy protection | Customer feedback, meetings, customer service hotline, real-time customer support |
| Employee | Training, welfare, career planning, healthy work environment | A trade union, employee assembly, DC Academy training mechanism, enterprise social platform, regular employee satisfaction survey feedback |
| Community and Public | Volunteering, charity, environmental protection | company website, company WeChat public account, media reports, irregular community/volunteer activities |
| Vendor | Fair cooperation and integrity | Meetings, regular evaluations, field visits |

Our Group attaches great importance to interactions with regulatory agencies, investors, and media (for interactions with other major stakeholders, please refer to the main text). In addition to strictly fulfilling information disclosure obligations in accordance with regulatory requirements, we have built communication platforms through various channels and methods, holding regular and irregular exchange meetings to allow government, investors, and media stakeholders to fully understand the Company's operating conditions and development direction. At the same time, the Company seriously listens to the opinions and suggestions of relevant parties, hoping to develop in a sustainable and healthy manner and give back to all stakeholders.

In 2023, the Company officially held more than 350 interactions with government, investors, and media, with over 5,000 participants.

**Maria Kwok, Chief Operating Officer of DC Holdings, led a team to meet with Jing Junhai, Secretary of the Jilin Provincial Party Committee, and other government leaders**

DC Holdings held an external technology product launch conference in Kunshan

DC Holdings hosted a meeting with investors, analysts, and media in Kunshan

DC Holdings held an Investor Open Day event in Shenzhen

# Environmental, Social and Governance Report

- ## Material ESG issues

Our Group fully recognizes the importance of listening to various opinions when promoting environmental, social, and corporate governance projects. In 2023, we not only discussed the importance of environmental, social, and governance issues with our stakeholders through the above communication channels but also understood the level of concern for related issues through online questionnaire surveys. At the same time, by referring to the sustainable development issues of excellent domestic and foreign peer companies, combined with the stakeholders' concerns about the Company's sustainable development, we ultimately formed the important issues of sustainable development for DC Holdings in this year, serving as the basis for the compilation of this report.


Assessment of the materiality of ESG issues





- ## Sustainability strategy

In terms of governance strategy, we have fully integrated ESG considerations into the Group's business operations and management as part of our corporate development strategy, with particular emphasis on our engagement with stakeholders, such as listening to our users, engaging with our partners, caring for and growing with our employees, and assuming greater social responsibility.

| | |
|---|---|
| **ESG Governance Strategy** | • Realizing the integration and unification of corporate and social values and actively exploring the path of sustainable development of enterprises<br>• Integrating ESG considerations into the Group's business operations and management as part of our corporate development strategy |
| **ESG Governance Objectives** | • Become a leader in ESG practice as a high-tech enterprise empowered by independent innovation,big data, and technology to empower core scenarios and to create more shared value with all stakeholders. |

- ## Sustainability governance structure

The Board of Directors of the Company is responsible for assessing and determining the ESG risks of the Group and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems to report on and be accountable to the Group's ESG strategy. The Board has regularly reviewed the Group's ESG strategy to review and ensure consistency with the Group's development strategy. The Board has been involved in the assessment, materiality ranking, and management of ESG-related matters, including risks to the Group's businesses, which can be found in "Materiality Issues on ESG" below.

In 2023, the Group's environmental, social, and governance risk management and internal control systems were effectively operational.

For the Company's environmental, social and governance (ESG) affairs, the Company has set up an ESG working group at the operational level. The group consists of representatives from the ESG Steering Committee, the Coordination Committee and relevant ESG business departments. The ESG working group is responsible for monitoring and reviewing ESG practices, information and affairs annually, ultimately collaborating to complete ESG reports.

Board of Directors, Authorization, Audit Committee

Supervising ESG Affairs of the Company

Work Group

ESG Steering Committee

Comprised of representatives from the Company's management,corporate secretary,and Investor Relations (IR) experts.

Responsible for leading the ESG working group; developing the Company's ESG strategy and priorities

ESG Collaboration Committee

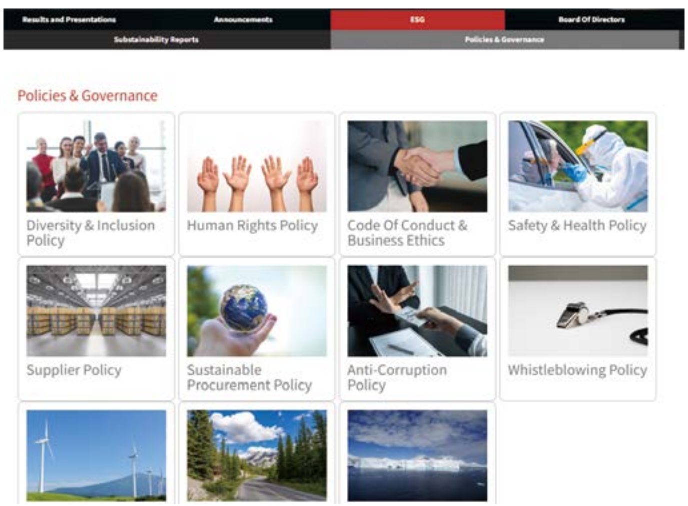
Support the ESG steering Team in carrying out their work, including reviewing ESG obiectives, collaborating with various business units and functional departments to develop action plans, and monitoring progress.

ESG Business Representatives

Based on their roles and expertise, drive the Company's ESG practices and regularly update the ESG collaboration Committee on the latest developments

- **Sustainable development of institutional and cultural development**

DC Holdings has set up a separate ESG column on its official website to display the Company's various policies and guidelines for sustainable development, as well as a separate annual ESG report.




ESG column on the official website of DC Holdings

# Environmental, Social and Governance Report

## Company profile

| | |
|---|---|
| Our mission | **Digital China** |
| Our vision | **Industry pioneer in big data technology** |
| Our values | **Customer success, value creation, excellence, and mutually beneficial outcomes** |

Digital China Holdings Limited was established in 2000 and listed on the Main Board of the Stock Exchange of Hong Kong in 2001 (stock code 00861. HK). Since its establishment, Digital China Holding's vision is of a "Digital China" and through the provision of IT infrastructure services, integrated IT services, smart city services, and then now to big data services, the Company adheres to the principle of "leading in concept, technology, and practice" and corporate values have always been clear with the ultimate vision of being a pioneer in big data technology.

At present, the Company is launching the empowerment of public data operations as a starting point, combining the core capabilities of digital intelligence technology innovation such as knowledge graph, operation research algorithm, and digital twin to provide full-chain solutions for the data assetization of the whole industry. Adopting the model of "City CTO + Enterprise CSO", it provides complete solutions and core technology products for the digital transformation of governments and enterprises from a global perspective.

The Company's technical system takes spatiotemporal big data and artificial intelligence as the core. We have independently developed intelligent digital products covering the whole life cycle of data elements. These products provide a series of product toolsets including data aggregation, data governance, data processing, data analysis and other functions to offer a one-stop data products and services. This empowers the whole chain of data resource, data productization and data commercialization. The Company's "City CTO" model extends beyond cities and delves into industries, facilitating the digital transformation of multiple industries and enterprises such as water utilities, transportation, education, environmental protection, and agriculture. We collaborate with local governments to enhance the level of digital governance and services in cities. The "enterprise CSO" model focuses on building an integrated supply chain intelligent decision platform that encompasses supply chain planning and design, plan management, and operational execution. Through data-driven decision-making and comprehensive solutions, we help enterprise customers reduce costs, increase efficiency, and empower their businesses.

Looking ahead, the Company will focus on core capacity building under the guidance of the "Overall Layout Plan for the Construction of Digital China", strive to become the best partner for the digital transformation of governments and enterprises, build a better digital world with science and technology, and help Digital China move to the forefront of the world.

• **2023 ESG performance of DC Holdings**

## Environmental: Protect Our Environment

Total Carbon Emissions: 11,000 tons, a 10% decrease compared to 2022.

Per Capita Carbon Emissions: 0.66 tons, a 17% decrease compared to the previous year.

Water Consumption: 80,000 tons, a 27% decrease compared to 2022.

Per Capita Water Consumption: 4.8 tons, a 34% decrease compared to the previous year.

Total Waste Generation: 1,366 tons, a 6.6% increase compared to 2022.

Per Capita Waste Generation: 0.08 tons, remains unchanged from the previous year.

Packaging Material Usage: 15,000 tons, a 5% decrease in per capita packaging material usage.

Environmental Compliance Rate: 100%

## Social: Support Employee Development

Employed 16,782 people globally, representing a 10% increase.

Total 4,014 female employees, accounting for 24% of the workforce. Female senior management accounts for 22%. The promotion rate for female employees is 32%. The Company has established the "WoW Club" to focus on the development of female employees.

The employee turnover rate is 22%, and it has been decreasing for three consecutive years.

"DC Elite" - A distinctive talent development mechanism; executives personally deliver lectures; the average training duration per person is approximately 11.95 hours, an increase of 2.6 hours compared to the previous year.

"Partner Program" - An enterprise cultural construction centered around the spirit of partnership.

7,412 employees joined the Employee Assistance Fund , and there have been 6 cases of successfully assisting employees

## Social: Stimulate Community Vitality

Cumulative donations of funds, materials, and services worth approximately 52.7 million yuan

Established ten Digital China Holding Hope Schools, maintained for nearly 21 years, benefiting over 15,500 students in total.

Organized 96 volunteer activities, contributing a total of over 3,800 volunteer hours.

Engaged in extensive cooperation and innovation with governments at all levels and over 650 financial institutions nationwide, serving millions of rural communities.

The Innovation Center has hosted over 8,000 visits.

Hosted nearly 200 events related to the integration of science, technology, and art, establishing cooperative relationships with over a hundred artists.

## Governance: Standardized Governance and Innovative Collaboration

Interacted with government, investors, and media in over 350 events, with participation from more than 5,000 individuals.

100% coverage of anti-corruption and integrity-themed training for employees.

100% signing rate of the "Cooperative Partner Integrity and Compliance Agreement" for non-original equipment suppliers.

We have a total of 14,210 technical research and development personnel, accounting for 85% of our workforce. We have invested 800 million yuan in research and development, representing a year-on-year growth of 11%. This growth has been sustained for three consecutive years.

We possess 2,787 independent intellectual property rights, showing a year-on-year growth of 8%. We have issued 76 different standards and currently have 37 projects under research and development.

The customer complaint rate stands at 0.39%, showing a slight decrease compared to the previous year. We are committed to addressing and resolving 100% of customer complaints in a timely manner.

# Environmental, Social and Governance Report

- **Significant ESG Awards in 2023**


2023 Data Element Potential Enterprise in China's Software and Information Services Industry

CCID、CSTC


IDC Global FinTech Top 100

IDC Global


2023 Knowledge Graph Technology Innovation Award

CIWEEK、eNet Research Institute、Deben Consulting Institute of Information Studies, CASS


ESG Innovation Enterprises

Forbes China

Top 10 Leading Enterprises in China's Software and Information Services Industry in 2023

Organizing Committee of China Software Conference


Best Service Provider for Financial Digital Transformation in China

APEC SME Center for IT Promotion
Internet Society of China


Public Data Operation Innovation Award

CIWEEK、eNet Research Institute、Deben Consulting Institute of Information Studies, CASS


Second Prize in the Data Development Track for Operator Big Data Application and Industry Collaborative Innovation Scenarios.

2023 Digital China Innovation Competition

2023 Award for Leading Financial Technology Enterprises

Shanghai Huangpu District Financial Services Office, "Financial Electronation" Magazine, East China Normal University Yangtze River Delta Financial Technology Research Institute, and Jiangsu Digital Finance Association


Top 100 Financial Technology Enterprises in China in 2023

Zhongguancun Internet Finance Institute Financial Technology Research Center


Open Source Task Challenge Track ModelScope Task Challenge Second Prize

The 6th Open Source Innovation Contest


KPMG China's Fintech 50 list

KPMG

# Environmental, Social and Governance Report

## Environment

Empower Green and Low-Carbon Development with Technology

Actively Response to Climate Change

Energy Saving, Emission Reduction, Consumption Reduction

Steady Progress Towards Carbon Neutrality



## 1.0 Environment

DC Holdings has strict management standards for environmental management. Our subsidiaries have certificated ISO14001 Standard Management System Certification (ISO14001 標準管理體系認證證書), ISO14001 Environmental Management System Certification (ISO14001 環境管理體系認證證書), ISO5001 Energy Management System (ISO5001 能源管理體系認證證書) and have achieved net zero certificates. DC Holdings integrates green development into its strategic development and daily operations, taking proactive responsibility for the environment by analyzing climate risks and opportunities, implementing energy saving and consumption reduction, conserving resources, reducing waste, and promoting green office practices.

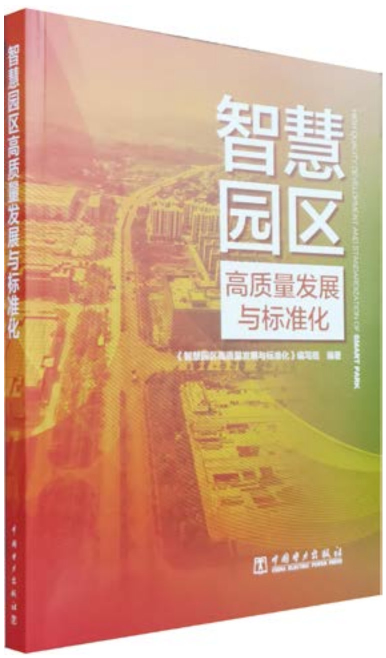
We focus on implementing energy conservation and environmental protection in our day-to-day operations to create a low-carbon, green, and environmentally friendly working model. At the same time, we have taken several actions to improve energy efficiency, reduce energy consumption and reduce harmful emissions and waste. In addition, we are committed to using technology and innovation to drive urban ecology and environmental protection. Through these various actions, we minimize the negative impact on the environment and climate change.

The environmental ESG topics this year includes protecting ecosystems, addressing climate change, reducing the use of packaging materials, conserving and purifying water resources, and reducing recycling waste. We will share recent progress from four directions: empowering green and low-carbon development with technology, actively response to climate change, advancing energy saving and emission reduction with digital intelligence technology, and steadily advancing carbon neutrality.

- **Empower Green and Low-Carbon Development with Technology**

  In 2023, our subsidiary companies have officially launched a low-carbon smart park visualized operation management solution on the solution section of Huawei Cloud official website. This has become one of the leading solutions for Huawei Cloud partners in the smart park sector.


Low-Carbon Smart Park Visualization Operation Management Platform




Based on the low-carbon smart park visualized operation management platform of Huawei Cloud, we can better meet the enterprise needs of energy management and carbon emission reduction, improve energy efficiency, and reduce environmental pollution. Our subsidiary companies, with their professional advantages in control of energy consumption intensity and total amount, have joined forces with Huawei Cloud to achieve a synergy effect in systems standardization, technology reduction, energy saving, emission reduction, efficient management, and green and low-carbon practices.

In addition, within the year, a book "High-Quality Development and Standardization of Smart Parks" has been published, which was jointly authored by more than 60 experts from 46 units, including the China Electronics Standardization Institute, Tongji University, and a subsidiary of DC Holdings. This book based on the transformation from traditional parks to smart parks, builds a standardized system for the development and needs of smart parks. It serves as an effective tool to guide the standardized construction of various types of smart parks.

The book also compiles the most cutting-edge and representative achievements in the development of smart parks, offering new ideas for the direction and path of high-quality development in the ongoing process of smart park transformation. This, in turn, promotes further development of smart parks and related industries.

In the future, the Company will focus on the carbon peak and carbon neutrality strategy to build a comprehensive ecosystem, to provide full-range digital management service solutions for governments, central state-owned enterprises, industrial parks, and industry users, becoming the best solutions of digital transformation.

**International Exchange on Technological Empowerment of Green and Low-Carbon Innovation**

On 21st June 2023, during the "Korean Innovative Enterprises Green and Low-Carbon Industry Special Session" co-hosted by the Korea Innovation Center (KIC China) and the Korea Trade-Investment Promotion Agency, a delegation of more than 20 Korean innovative entrepreneurs visited DC Holdings. They toured the Company's technological empowerment of green and low-carbon innovation achievements and exchanged with relevant responsible persons, laying a solid foundation for further deepening cooperation.

- **Actively Response to Climate Change**

In recent years, the risks and impacts of climate change are increasingly important. DC Holdings regards climate change as one of the key topics for sustainable development. We continuous to closely monitor the impact of climate change on our business, strategy, and finances. The corporate audit committee helps our board of directors to identify climate risks and opportunities related to our operations, and carries out climate risk management to control our greenhouse gas emissions, enhance our resilience under extreme weather conditions, achieve low-carbon operations, and contribute to the green and sustainable development of society.

This year, we have identified climate-related matters that may have a significant impact on the Group from two dimensions: physical risks and transition risks.

| Risk Categories | Consequences | Impacts | Responses Action |
|---|---|---|---|
| **Physical Risks** | | | |
| Acute | Typhoons, extreme precipitation, high temperature, freezing weather | Weather such as rainstorms and snow disasters may affect the continuity of our business operations; high temperatures or drought may lead to increased energy consumption in office buildings and data centers, rising operating costs | Daily heatstroke prevention and cooling in summer, heating and cold protection in winter, to be comfortable and avoid excessive energy consumption; emergency plans have also been made for the possible impact of disasters such as flood seasons and winter blizzards on production and life and the Company will issue early warnings and respond to minimize climate change and its impact on business operations |
| Chronic | Sustained high temperatures, sea level rise | In the long run, it will be highly unfavorable to the Company's operating environment. It may face adverse effects such as changing the functional area and site or increasing energy consumption. | Continue low-carbon investment, save energy, reduce emissions and consumption, and achieve the goal of "carbon neutrality" as soon as possible. |
| **Transition Risks** | | | |
| Policies and Legal | Energy structure and energy use, carbon pricing, environmental information disclosure | Increase environmental information disclosure and data transparency, such as energy consumption. | Maintain a collection of daily relevant information, and increase the publicity and training of appropriate policies and regulations. |
| Technology | Energy technology, green office, green packaging, transportation, etc. | May face problems with technology upgrading and product iteration | Increase research and investment in related technologies, gradually replace the use and operation of high-carbon products, and provide more low-carbon services and products |
| Market Preference | Loss of customers or loss of market share | Failure to achieve low-carbon transformation may lead to customer loss and market rate reduction, directly affecting the Company's revenue. | Understand customers' low-carbon needs promptly, increase clean energy procurement, provide lower-carbon services and products, and retain target customers. |

Additionally, based on the strategy and planning of our own business development, we have identified the following climate-related opportunities in five aspects: Resource Efficiency, Energy Sources, Products and Services, Market, and Adaptability.

| Opportunity Category | Measures to address opportunities |
|---|---|
| Resource Efficiency | Improve the efficiency of water resource utilization, use reclaimed water technology.<br>Use renewable materials for packaging.<br>Use more efficient transportation modes. |
| Energy Sources | Develop energy-saving and emission reduction plans, actively monitor energy usage data.<br>Use more low-emission green energy sources.<br>Participate in carbon trading markets. |
| Products & Services | Develop and/or expand low carbon emission products and services.<br>Consumer Preferences change |
| Market | Obtain government subsidies and other incentives.<br>Collaborate with universities on R&D.<br>Promote suppliers to improve materials and use environmentally friendly materials |
| Adaptability | Participate in renewable energy projects and adopt energy-efficient measures.<br>Increase alternative resources. |

# Environmental, Social and Governance Report

- **Empowering Energy Conservation and Emission Reduction with Digital Intelligence Technology**

***Construction of Digital Logistics Loop***

Logistics is a key pillar of the socio- economic system, yet it is also a significant challenge in global carbon reduction. Through long-term efforts and capability development, ITL, a subsidiary of DC Holdings, has become a builder of digital logistics loop and aims to become a leader in the future. We have specifically explored ways to achieve logistics carbon reduction and systemic transformation in five main processes: order processing, packaging, distribution, warehousing, and recycling. We collaborate with consumers and suppliers to optimize these processes through digital enhancements, energy transitions, and changes in packaging materials.

**Order Processing**

Intelligent integration of system orders, reduce the overall shipping volume by merging multiple orders pointing to the same address, thereby reducing unnecessary carbon emissions in subsequent packaging and transportation

**Packaging**

- Through effective measures such as adjusting the material model of packaging materials, the packaging material consumption per unit order was reduced by 5%;
- The proportion of recyclable materials accounts for 72% of the national packaging materials used

**Distribution**

- Monitoring vehicle loading rate to reduce the number of trips;
- Through the integration of system orders, delivery ruotes can be reasonably arranged in advance to shorten the entire delivery distance;
- Reduce the use of oil trucks and encourage downstream freight forwarders and dedicated lines to use electric energy vehicles

**Warehousing**

1. The main energy consumption of the warehouse is electricity. In order to reduce energy consumption, warehouse electricity management regulations have been formulated. Undertaken lighting renovation, using LED light source lamps instead of ordinary light sources;
2. Water, electricity and energy consumption actually dropped by 13.5%

**Recycling**

Unused packaging boxes or other discarded packaging materials (paper, wood) will be reused on the premise of ensuring customer satisfaction.

Some of the optimizations related to packaging materials include:

- Reusable Packaging Boxes: For specific categories such as new retail/instant retail products, we collaborate with customers to increase the use of reusable packaging boxes (rotating baskets and insulated boxes), with a cumulative use of 36,000 units, saving logistics packaging box usage.
- Packaging Material Adjustments: The Company has effectively reduced the material consumption per order by 5% through adjustments in packaging material types and specifications.
- Packaging Material Selection: The proportion of recyclable materials accounts for 72% of the total packaging materials used nationwide.

***Sustainable Park Construction***

The main property management Company of our Group's own buildings has obtained ISO14001 Environmental Management System Certification, ISO45001 Occupational Health and Safety Management System Certification, and ISO9001 Quality Management System Certification.

**Comprehensive energy-saving design of office buildings**

- Energy-saving calculations are conducted for walls, roofs, and windows, with corresponding measures taken to meet energy-saving standards. High-performance double-glazed windows with good sealing are used, and adjustable external shading devices are installed for non-balcony windows.
- Composite insulation wall panels or blocks are used for exterior walls, and the exterior and roof are light-colored.
- The overall layout and design of the building are primarily oriented towards the north-south direction (with some east-west orientation), taking advantage of winter sunlight and avoiding the prevailing winter winds.

### Daily energy-saving and consumption-reducing measures

- Publicity of Energy saving and consumption reduction, enhance employee awareness

    1. Carry out energy-saving publicity and education activities to strengthen individual energy-saving awareness
    2. Encourage rational use of electrical equipment, and turn off unnecessary power sources
    3. Strengthen the publicity of sustainable use of resources, and create a good atmosphere for energy conservation and emission reduction;
    4. Advocate the use of environmentally friendly materials and original accessories, and prohibit the use of high-pollution and high-energy-consuming accessories.

- Save electricity

    1. Scientific setting of power distribution room

       The power distribution room is set in the load center to reduce the length of low voltage side line and reduce the line loss. SCB11 epoxy resin cast dry-type power transformer is used, which has low load loss, economical operation and maintenance-free. The power supply can save at least 20% of the loss compared with the ordinary SCB9 series transformer.

    2. Optimization of air-conditioning operation and strengthen inspection

       On the premise of meeting staff needs and office comfort, optimize the operation of air conditioning and strengthen inspection: in strict accordance with municipal requirements, 26 degrees is the appropriate temperature, optimize the operation of the chiller unit in combination with the actual outdoor temperature and humidity, and check the temperature setting of the panel in the office area twice a day, which is not lower than the appropriate temperature.

    3. Scientific management of elevator transportation system

       Adjust the operation and management mode of the elevator, and achieve the goal of more energy saving through decentralized control, reasonable maintenance and scientific daily management.

    4. Optimization of Lighting Equipment Systems and Strengthen Inspections

       The main office buildings and warehouses use new low-power LED energy-saving lamps. We manage the lighting and equipment switches in all public areas by setting specific on/off times, assigning responsible departments and personnel, and strictly enforce lighting schedules to achieve energy-saving goals. Outdoor road and parking lot lighting is adjusted according to seasonal changes.

       a. In 2023, the Company replaced 1,815 LED energy-saving lamps in the main office building stairwells, saving over 30,000 kWh of electricity.

**Summary of the number of LED lamp replacements in 2023**

| Region | Total (pcs) | Office area (Unit) | Other public areas (units) |
|---|---|---|---|
| Beijing | 955 | 573 | 382 |
| Xian | 650 | 5 | 645 |
| Wuhan | 210 | 22 | 188 |

b. In 2023, we increased the frequency of evening light-off inspections, ensuring that office areas are not lit when no one is working overtime and the use of "everlasting lights" and "all-night lights" in server rooms is strictly prohibited.

c. The underground garage lighting has been equipped with an automatic lighting control system, which adjusts the brightness and duration of lighting based on light intensity and human activity, achieving a 95% energy-saving rate.

5. Water supply and drainage system

   The water supply uses frequency control technology to manage pump operations, and drainage is automatically controlled by liquid level, achieving 30% energy saving.

6. Ventilation system

   To achieve energy saving targets, the fresh air units are switched on with the outdoor temperature, for example, 10:00 – 15:00 in spring, 8:00 – 18:00 in summer, 10:00 – 17:00 in autumn, and not in winter.

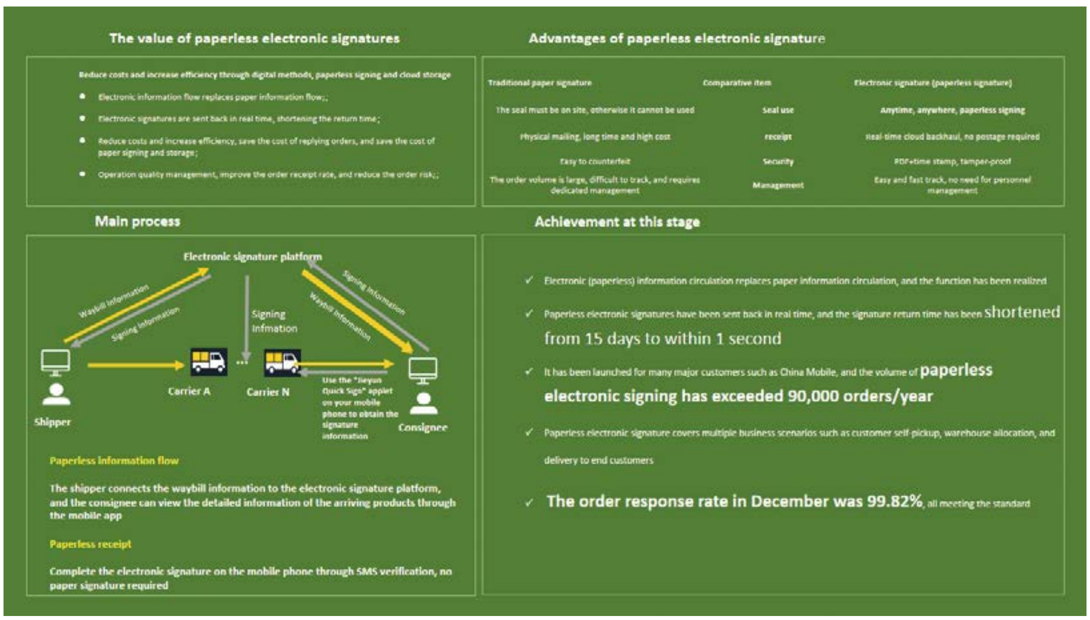
- Water Conservation

1. Some office buildings for domestic water supply are now using frequency conversion technology to control the operation of water pumps, and the drainage is automatically operated through liquid level control to achieve energy savings.
2. "Saving water" posters are posted at the sanitation in the public area. The water supply facilities are regularly inspected, and timely maintenance will be arranged if water is running, leaking, or dripping.
3. Regularly check valves and pipelines promptly.
4. Regularly check aging water supply pipelines, install or replace water-saving faucets and sanitary ware to prevent running, popping, dripping, or leaking of water, and eliminate the faults in time.
5. For the green plants and lawns in the Company's green belts, rainwater irrigation is encouraged to minimize water consumption.

- Paper Conservation

1. Digital intelligence supply chain, gradually promote paperless electronic signing

   The KingKooData supply chain big data application platform developed can significantly improve the overall efficiency of the entire supply chain, save resources and reduce energy consumption to the greatest extent. In the packaging process of the e-commerce warehouse, the most suitable carton model is selected according to the goods and quantity of each order through intelligent algorithms to reduce the consumption of cartons. At the same time, the developed electronic signing system allows customers only to sign electronically when signing for a receipt, thereby reducing paper consumption. In 2023, paperless electronic signatures were realized for 90,000 orders.



2. Promote paperless office

   The Group unifies the construction of information systems, realizes office automation, promotes conference solutions such as teleconferencing, video conferencing, and web conferencing, and promotes paperless reimbursement of electronic invoices to minimize the use of paper.

3. Discarded single-sided paper are recycled for secondary use if permitted.

**Daily emission reduction measures**

The actions adopted by the Group's main office buildings and warehouses include:

- Direct Carbon Emission Reduction

  1. Smart industry chain business has taken actions to reduce exhaust emissions by replacing vehicles, increasing loading rates, and intelligently arranging transportation routes to reduce exhaust emissions from logistics vehicles.
  2. Carry out vehicle loading rate monitoring to reduce the number of trips.
  3. Arrange distribution routes reasonably in advance through system orders to shorten the entire delivery distance.
  4. Encourage downstream forwarders and dedicated lines to use electric energy vehicles. For example, replace vehicles per the "National VI Vehicle Emission Standards" while encouraging partner carriers to use electric energy vehicles for delivery in urban areas. In FY2023, our logistics business in Beijing replaced two 4.2-meter transport vehicles, which can reduce vehicle exhaust emissions by 2,000 liters per year; the coverage rate of electric energy vehicles used in Beijing and Shanghai logistics in urban areas reaches 40%.

- Indirect Carbon Emission Reduction

  1. Strengthen energy-saving and emission reduction publicity to raise the awareness of all employees
     Encourage video conferences, online communication, etc., to reduce the frequency of business travel and encourage employees to use public transportation for green travel.
  2. Ensuring Office Air Quality
     The air quality of the office is ensured by cleaning the air conditioning and ventilation system, effectively operating the air filtration system, and testing the fresh air volume, inhalable particulate matter and the number of harmful germs in the air supply.
  3. Ensuring Building Sewage Discharge Compliance
     Regularly clean water tanks, septic tanks and other related equipment, conduct third-party professional testing at least once a year, and obtain a sewage discharge report.
  4. Ensuring Building Gas Emission Compliance
     Regularly replace the air purification filter material to ensure that the gas emission meets the national standards.

## *Protecting the Ecological Environment and Maintaining Biodiversity*

### Practices to protect the environment

- Environmentally friendly furniture is used in the office environment and dining environment to avoid air pollution
- Actively respond to the garbage classification policy

  Place different types of trash bins in office and other areas for separate collection and processing of various types of waste, minimizing environmental pollution. For example, the Digital Technology Plaza in the Beijing District implements a three-level management method for waste classification.

| | |
|---|---|
| Level 1 | Through publicity and education, we guide employees in each unit to consciously sort and place garbage at designated recycling points for the first time. |
| Level 2 | The cleaning staff of each unit conducts a second inspection and classification before placing it at the designated garbage collection point of the building property. |
| Level 3 | The property management company entrusts a professionally qualified clearing company to carry out the third sorting and classification process. |

**The Group's Digital Technology Plaza in Beijing implements three-level management measures for garbage classification**

- Waste Management in Work and Life

  Solid and hazardous waste generated at offices are cleaned and collected by each department at all times and delivered to designated locations. Kitchen waste and used oils are managed by selected disposal units of the sanitation department and treated centrally. The solid waste generated during logistics services is collected by workplace personnel before the end of each day and placed in designated bins according to classification markings.

| 2023 | liters/year | Estimated tonnage |
|---|---|---|
| Overall garbage | 2,765,448 | 1365 |

**Biodiversity Maintenance Practices:**

- On the 2023 Arbor Day, some of the company's parks organized enterprises to carry out tree planting activities, which increased the initiative of individual ecological protection.
- Hire a professional greening company to maintain the greening of the park.
- Continue to increase investment to upgrade and replant the existing green plants in the park.
- Intensify publicity efforts, post warm reminders in the building, and promote biodiversity through WeChat groups.

## • Steady Progress Towards Carbon Neutrality

As of 2023, several subsidiaries of the Group have obtained the "carbon neutrality" certificate and the ISO5001 Energy Management System Certification, marking an important step towards the goal of "carbon neutrality".

In 2023, the direct greenhouse gas emissions (Scope 1) was 348.11 tons, including fixed source combustion (such as natural gas usage) and mobile source emissions (fuel consumption of gasoline and diesel in logistics business-owned transportation vehicles). The net greenhouse gas emissions (Scope 2) due to purchased electricity and heat were 10,654.21 tons, primarily used for the operation of the Company's data centers, logistics warehouses, maintenance sites, and main office locations. The total greenhouse gas emissions (the sum of Scope 1 and 2) were 11,002.32 tons, a reduction of 1,204.82 tons compared to 2022, a decrease of 9.9%.

Scope 1:

Direct greenhouse gas CO2 emissions

2023: 348.11 tons,7% decrease from the previous year

Scope 2:

CO2 emissions from purchased electricity and heat

2023:10,654.21 tons, 10% decrease from the previous year

Scope 3:

No statistics yet. In 2023, we mainly encourage partners such as employees and suppliers to save energy and reduce emissions from the aspects of publicity and assessment.

In the last three years, the Group's performance related to carbon emissions are shown in the table below:

**Greenhouse gas emissions (mainly carbon dioxide CO2) and major wastes**

| Emissions & Waste | For the year ended 31 December | | |
|---|---|---|---|
| Type | 2023 | 2022 | 2021 |
| Total Greenhouse Gas Emissions (tons) | 11,002.32 | 12,207.14 | 13,808.03 |
| Direct greenhouse gas emissions (tons) | 348.11 | 374.10 | 431.83 |
| Gasoline (liters) | 7,395.43 | 14,324.30 | 22,184.68 |
| Equivalent to greenhouse gas emissions (tons) | 15.79 | 32.37 | 50.14 |
| Diesel (liters) | 22,776.33 | 29,787.72 | 40,297.28 |
| Equivalent to greenhouse gas emissions (tons) | 60.64 | 81.32 | 110.01 |
| Natural Gas ($m^3$) | 121,028.00 | 120,438.00 | 125,648.00 |
| Equivalent to greenhouse gas emissions (tons) | 271.68 | 260.41 | 271.68 |
| Total indirect greenhouse gas emissions (tons) | 10,654.21 | 11,833.03 | 13,376.21 |
| Purchased electricity (MWh) | 12,337.39 | 13,647.90 | 15,435.44 |
| Equivalent to greenhouse gas emissions (tons) | 10,654.21 | 11,833.03 | 13,376.21 |
| Greenhouse gas emissions per capita (tons/employee) | 0.66 | 0.80 | 0.94 |
| Hazardous Waste (tons) | 1.00 | 1.00 | 1.00 |
| Hazardous waste per capita (tons/employee) | 0.00006 | 0.00007 | 0.00007 |
| Amount of non-hazardous waste (tons) | 1,365.00 | 1,280.00 | 1,250.00 |
| Non-hazardous waste per capita (tons/employee) | 0.08 | 0.08 | 0.08 |

*Remarks:*

1. Based on the nature of our business, the main gas emissions of our Group are greenhouse gas emissions, originating from the use of fuel and purchased electricity and heat from fossil fuels.
2. Our Group's greenhouse gas inventory mainly consists of carbon dioxide. The greenhouse gas emissions data for the year ended December 31, 2023, are presented in carbon dioxide equivalents and are calculated based on the emission factors for the China regional grid baseline published by the Ministry of Ecology and Environment of the People's Republic of China in 2019, and the applicable coefficients in the Intergovernmental Panel on Climate Change (IPCC) national greenhouse gas inventory guidelines.
3. Over the past three years, our Group's greenhouse gas emissions (including direct and indirect emissions) have been decreasing year by year. In 2023, the total greenhouse gas emissions decreased by 9.9% compared to 2022. The main reasons include the Company's gradual replacement of LED light sources, continuous implementation of various energy-saving and emission reduction measures, and the consolidation of some logistics warehouses, resulting in a reduction of about 10% in purchased electricity in 2023 compared to 2022.
4. The consumption of gasoline and diesel mainly comes from the Company's own vehicles.
5. The consumption of natural gas is mainly used for heating and other equipment in the Company's buildings.
6. The types of hazardous waste generated in the operation of our Group's office buildings include waste toner cartridges and ink cartridges from printing devices, and waste batteries from some electrical devices. These hazardous wastes are managed centrally and handed over to qualified recycling units for recycling.

7. The types of non-hazardous waste generated in the operation of our Group's office buildings mainly include domestic garbage and non-hazardous office waste. Domestic garbage is handled by property management companies and kitchen waste recyclers, and cannot be measured separately. We estimate the office building's domestic garbage based on the "First *National Pollution Source Survey Urban Domestic Source Emission Coefficient Manual" published by the State Council.*

8. The number of employees in our Group over the past three years: 16,782 in 2023, 15,166 in 2022, and 14,744 in 2021. Over the past three years, due to the steady increase in the number of employees and the overall decrease in energy consumption, per capita energy consumption has shown a downward trend; per capita waste levels have remained stable.

**Energy consumption and use of water, steam, packaging materials**

| Index | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total energy consumption (MWh) | 13,799.21 | 17,264.53 | 18,964.13 |
| Direct Energy Consumption (MWh) | 1,461.81 | 1,630.10 | 1,869.45 |
| Of which: Gasoline (MWh) | 86.45 | 167.45 | 259.34 |
| Diesel (MWh) | 178.84 | 271.96 | 367.91 |
| Natural Gas (MWh) | 1,196.52 | 1,190.69 | 1,242.20 |
| Indirect energy consumption (MWh) | 12,337.39 | 15,634.43 | 17,094.67 |
| Including: Purchased electricity (MWh) | 12,337.39 | 15,634.43 | 17,094.67 |
| Total energy consumption per capita (MWh/employee) | 0.82 | 1.14 | 1.29 |
| Tap water consumption (tons) | 80,475.58 | 110,168.98 | 129,088.19 |
| Tap water consumption per capita (tons/employee) | 4.80 | 7.26 | 8.76 |
| Steam Consumption (tons) | 430.00 | 719.00 | 747.01 |
| Steam consumption per capita (tons/employee) | 0.03 | 0.05 | 0.05 |
| Total consumption of packaging materials (tons) | 15,179.00 | 23,122.00 | 25,244.00 |
| Average consumption per order (ton/order) | 0.00012 | 0.00013 | 0.00013 |

*Remarks:*

1. Our Group's water source comes from municipal tap water supply. In 2023, the tap water usage decreased by 29,693.41 tons compared to 2022, a reduction rate of 26.95%. The main reasons are the consolidation of some warehouses in the ITL business and various water-saving measures implemented by the Company, resulting in a decrease in water usage.

2. The steam used by our Group comes from municipal heating units; the consumption of natural gas is mainly for heating and other equipment in the Group's buildings.

3. The consumption of gasoline and diesel by our Group mainly comes from the Company's own vehicles. In 2023, the consumption of gasoline and diesel further decreased, while the consumption of natural gas remained stable; the direct energy consumption decreased by 168.29 megawatt-hours compared to 2022, a reduction rate of 10.32%.

4. Due to the reduction in purchased electricity and the decrease in gasoline and diesel consumption in 2023, the total energy consumption in this year decreased by 20.07% compared to 2022. The energy consumption is calculated based on the consumption of purchased electricity and fuel, as well as the conversion factors in the IPCC national greenhouse gas inventory guidelines, the "General Principles for Comprehensive Energy Consumption Calculation," and the "Emission Factors for the China Regional Grid Baseline for the 2019 Emission Reduction Projects" published by the Ministry of Ecology and Environment of the People's Republic of China.

5. The packaging materials used by our Group are mainly packaging boxes used in the digital supply chain business, and the amount of wood boxes used is so small that they are not included in the statistics. In 2023, the order volume using packaging materials decreased compared to 2022, with a total decrease of 7,943 tons in packaging material usage, mainly due to the decrease in business volume of companies like Cainiao; the average packaging material consumption per order decreased by 5%, mainly due to various environmental protection measures taken by the Company.

## 2.0 Society


**Society**

**Support Employee Development**

Equality and Inclusion
Employment and Human Rights Protection
Career Development and Training
Partnership Spirit and Corporate Culture
Occupational Health and Safety
Work-life Balance
Open Communication Channels



### • Support Employee Development

DC Holdings firmly believes that talents are an essential resource for the success of an enterprise and have played a vital role in the enterprise's development, rise, and transformation. The continuous success of DC Holdings is inseparable from the Company's professional ability and dedication of more than 10,000 employees. Therefore, we always adhere to the selection of talents guided by corporate culture and use corporate culture's power to unite employees and motivate every employee. The needs of our employees require a fair, equal, and conducive structure to attract more talents to join us. Here, every aspiring person can find a position that suits them, perform in this position, and achieve what one has set out to do while contributing to DC Holdings's development. The following will share the achievements of our Group in supporting employee development in the year 2023 from six aspects: equality and inclusion, employment and human rights protection, career development and training, occupational health and safety, work-life balance, and open communication channels.

#### *Equality And Inclusion*

We strictly abide by national laws and regulations and the basic principles and rights at work of the International Labor Organization, do not force labor, do not engage in employment discrimination, and respect the freedom of associations and the rights of trade union negotiations. We prohibit child labor in our business and supply chain, and all employees must be of legal age where the company operates. We insist treating all employees and job applicants equally and appointing merit-based talents. According to the Group's relevant policies, every employee and candidate is treated fairly in terms of recruitment, training, promotion, transfer, salary, incentives, benefits, etc., and will not be affected by age, gender, physical health, marital status, family status, race, skin color, nationality and other factors.

We adopt different recruitment channels to attract talent. We also encourage talent referrals and believe in creating an environment where our people feel comfortable at work and able to unleash their full potential.

As of the end of 2023, the Group had a total of 131 employees from Hong Kong, Macao, Taiwan and overseas. At DC Holdings, equality and inclusion are crucial both commercially and morally, helping us build trust with employees, customers, and the communities we serve. We are committed to creating an equal and diverse working environment, recognizing and appreciating the unique experiences and capabilities of each employee, thereby encouraging innovation and practicing ethics. At DC Holdings, we consolidate our long-term commitment to equality and inclusion through a series of policies, mechanisms, and incentive measures.

Digital Intelligent Supply Chain Overseas Warehouse Staff Group Photo



Both domestically and overseas, we are creating a more inclusive work environment for employees from various backgrounds and showcasing our diversity to customers and the public. This contributes to the thriving development of our business, community, and society. Our goal is to empower diverse groups to integrate into society and build an equal future.

## *Employment and Human Rights Protection*

### General Employment

For employees in China, DC Holdings enters into employment contracts with its people in strict compliance with the requirements of the Labour Law and other pertinent laws and regulations in China and makes contributions to social insurance funds, including pension, medical, unemployment, work injury and maternity funds, and the housing provident fund for the benefit of its employees by the requirements of the national policies. The Company also provides employees with one free physical examination benefit every year. Those with outstanding performance, as shown in their performance targets, will be awarded annual bonuses.

For employees in Hong Kong, Macau, Taiwan or oversea areas, the Company also abides by all local laws and international standards to ensure fair treatment of all our employees.

DC Holdings focuses on core strategic areas, optimizes human resource allocation, controls recruitment, and strengthens process management to improve operational efficiency and value creation. The Company continues to increase investment in human resources and capital to stay competitive in technology research and core areas. The foundation of the recruitment process is fairness. Strict selection criteria for candidates include written examinations and multiple rounds of interviews. Additionally, upon employment, they are required to undergo training, assessment, and periodic comprehensive evaluations. To enhance the efficiency of talent acquisition and position matching, we have implemented various talent recruitment channels, such as employee referrals, campus recruitment, social recruitment, school-enterprise cooperative talent training programs, and internship initiatives. We have implemented regulations in crucial stages such as recruitment and employment, prohibiting the use of child and forced labor.

*Case: New Talent Recruitment*

- *Overseas Internship Program: Attracted over 400 outstanding talents from both domestic and overseas to participate.*
- *Improving employment opportunities for the impoverished: Employed 43 employees from poverty-stricken areas.*
- *Collaborating with the Jilin Government for "Investment Attraction and Talent Introduction": Attracted over 50 well-known universities' talents to seek employment.*
- *School-Enterprise Cooperation for Talent Training: In collaboration with multiple schools in Changchun, we have cultivated students' live broadcast operation capabilities through internships and subsequent employment.*
- *Campus Hackathon: The contest has been conducted for three consecutive years since 2021, facilitating the discovery of high-potential talents.*

### Overseas Internship Program

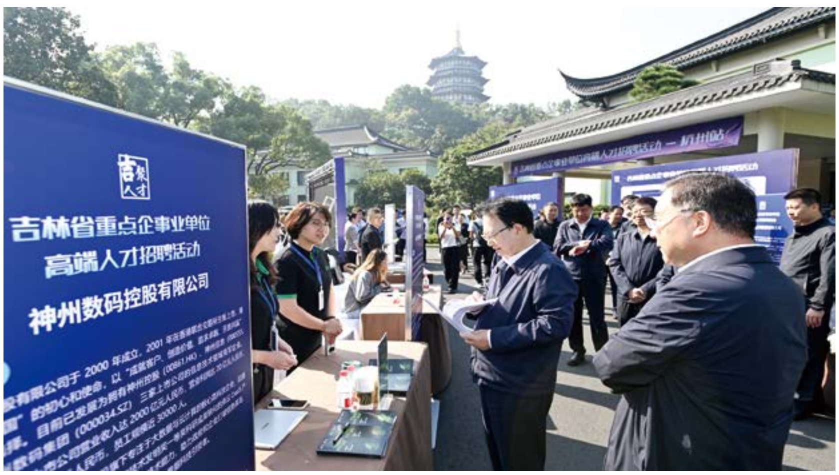
In 2023, DC Holdings launched its first overseas internship recruitment program, advancing our global talent strategy. Over 400 outstanding talents from home and abroad actively participated in the program, demonstrating the Company's emphasis on talent diversity and global perspectives. These interns have filled the Company with energy and creativity while demonstrating our commitment to diversity and inclusivity. We believe that these international talents will help the Company better adapt to global market changes and further promote the Company's sustainable talent development. Our program this year have seen applicants from universities all around the world, including Stanford, Imperial College, UC Berkley as well as here in Asia, including the University of Hong Kong, Peking University and Tsinghua University.

### Improving employment opportunities for the impoverished

The Company responds to the government's call and continues to make efforts in assisting key Groups with employment. By the end of 2023, the Company had cumulatively employed a total of 43 individuals from impoverished areas and completed the first declaration of tax exemption.

### Assisting Northeast China in Attracting Investment and Talent

In the second half of 2023, DC Holdings actively participated in the "Investment Attraction and Talent Introduction" activities organized by the Jilin Provincial Committee and the provincial government. The Company attended nine recruitment events in Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Tianjin, Guangdong, and other locations with the Jilin Provincial Party and Government delegation. These events created numerous key positions and provided excellent opportunities for Northeastern talents from the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, and other regions to return home for employment. Hundreds of outstanding graduates and mature high-end talents from over 50 prestigious universities attended the recruitment consultation and application process. The schools included Tsinghua University, Peking University, Fudan University, Shanghai Jiao Tong University, Zhejiang University, University of Science and Technology of China, Nanjing University, Southeast University, Nankai University, Shandong University, Tianjin University, and Shenzhen University, accumulating a rich talent reserve resource for the Company's future development.




**DC Holdings Collaborates with Jilin Government for "Investment Attraction and Talent Introduction" Event**

The talent drain in Northeast China has been quite prominent in recent years. To revitalize Northeast China, the Secretary of the Jilin Provincial Committee personally led a concentrated " Investment Attraction and Talent Introduction " activity, demonstrating the government's positive attitude toward talent resources. Jilin Provincial Committee Secretary Jing Junhai investigated the Company's development and recruitment progress during the activity. He praised the Company's business expansion and talent attraction efforts and expected it to show more development space and contribute to Jilin's economic revitalization.

### Building a New Model of School-Enterprise Cooperation

The Company has conducted in-depth exchanges in Jilin with over 10 universities and has established talent output channels in relevant departments of universities such as Northeast Normal University, Jilin University of Finance and Economics, Jilin Agricultural University, Changchun University Tourism College, Changchun University Guanghua College, and Jilin Animation Institute. We have established internship and employment training bases for college students diversely. Our initiatives include e-commerce live broadcasting operations' digitized talent internship program, the customized digital talent training program for third-year students, employment recommendations for fourth-year students, and priority hiring of outstanding graduates. These efforts aim to continuously cultivate practical talents for the Company.

**DC Holdings E-commerce Digital Talent – Intern Recruitment Lecture**

The school-enterprise cooperation project has currently held 5 large-scale talent dual selection fairs, with nearly 300 students attending and registering. A total of 83 people participated in online and offline interviews, and 23 have been employed. Several universities have expressed their desire to sign cooperation agreements with our Company and reach cooperation in areas such as cultural exchange, internship base construction, industrial college establishment, experimental base construction, technological achievement transformation, smart campus construction, and talent sharing and utilization.

### Continuously Promoting Campus Hackathon

Based on the successful hosting of the first campus hackathon of DC Holdings in 2021, the third hackathon in 2023 has created new milestones. With the theme of "Winning the Future with Intelligent Data," this competition aims to discover high-potential talents and high-quality projects from key universities in the era of the digital economy, attracting the attention and support from renowned universities, faculty, and industry leaders. Since its inception, the hackathon has garnered widespread attention and established itself as a benchmark event in the field of campus technology competitions. Many students strive to compete and achieve top results. The winning teams receive not only generous prizes, but also the opportunity to meet with company executives, conduct internships, and receive early admission offers.

In addition, DC Holdings has also set up an innovative ecosystem incubation fund. For outstanding teams and entrepreneurial projects in the competition, DC Holdings is willing to support exceptional students through funding, giving them a chance to realize their aspirations.

### Compensation And Benefits

We foster a performance-oriented corporate culture, with the goal of motivating employees, constantly improving their work enthusiasm, creativity, sense of ownership, and team cohesion. To attract and retain outstanding talents and ensure sustainable development, the Company has established a mechanism to recognize our people based on their performance and our fixed and variable pay compensations for different positions. Additionally, we have introduced a long-term incentive mechanism through equity incentives.

Our remuneration is tied to our "3P Compensation Approach," in which employees' pay is developed according to Position, Person, and Performance. We aim to offer fair and competitive salaries to our employees. Fixed and variable income would be regularly reviewed to support gender equity, changing the working environment, and complying with changing laws and regulations. To cope with the evolving talent and organization needs, we would also optimize our benefits portfolio to ensure it stays competitive and comprehensive.

Non-financial rewards attract, engage and retain our employees. Cash and benefits are generally intrinsic to our employees, and we offer a wealth of learning and development opportunities to help employees' career development and stabilize the organization's human resources.

In addition, we regularly recognize our employees who have contributed to the organization. For example, the Company has established awards such as "The outstanding Contribution Award," "Innovation Award," "Owner Award," "Excellent Employee," and "Excellent Manager" to publicly commend outstanding teams and individuals. Since 2022, we have added several awards, including "Excellent Partner" and "Excellent DC Elite Students," to encourage partners to innovate, take responsibility, and fully embody the spirit of partnership.

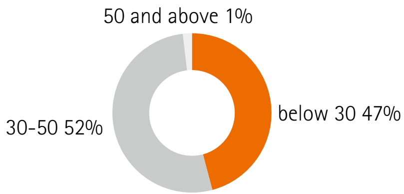

**Photos of recognized employees**

## Employees Overview

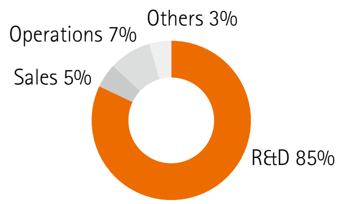
As of the end of 2023, the number of employees of DC Holdings was 16,782, an increase of about 10% compared with the number of 15,166 in the same period of 2022. The staff has mostly stayed the same, and the business development is stable.

In 2023, the division and proportion of employees of DC Holdings by age, profession, education, and gender were as follows:

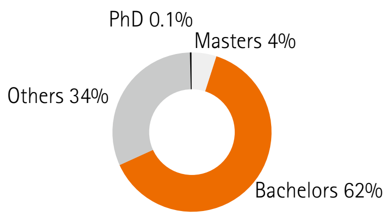
**By age**



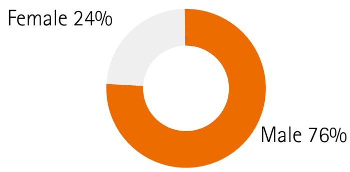

**By function**




**By academia**



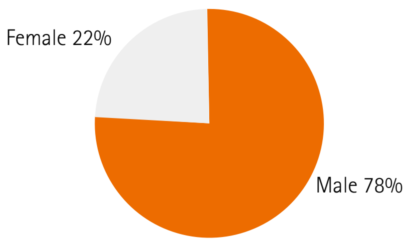

**By gender**




*Remarks:*

All of the above are full-time employees; for temporary employment due to business or project needs, the Group will cooperate with human resources companies to use outsourced personnel.

Among them, the proportion of senior executives by gender is as follows:



### Employee turnover and dismissal

There are various subjective and objective reasons for the departure and turnover of employees, and we are committed to ensuring that all withdrawals are handled consistently. When dealing with any resignation, we respect the rights of company employees and fully comply with the requirements of local laws and regulations.

For capable employees, the company will try its best to retain them and reduce the rate of churn. Suppose the work behavior of individual employees violates our rules and regulations and local laws and regulations. In that case, the company will take disciplinary action, report criticism, dismissal, or even transfer to judicial authorities, etc., depending on the situation.

In 2023, the overall employee turnover rate of the Group was 21.97%, a drop of 4% from 26.13% in 2022, which ensured the stability of the company's talents to a certain extent.

The comparison of turnover rate according to different classification standards (see table below) shows that the mobility of technical and sales personnel grouped by professional position is relatively high. The mobility of employees under 30 is relatively high by age group; the mobility of male employees is more elevated when grouped by gender.

| Criteria for division | | Turnover rate |
|---|---|---|
| By function | Sales | 27.05% |
| | R&D | 22.10% |
| | Operations | 18.18% |
| | Others | 17.57% |
| By gender | Male | 22.53% |
| | Female | 20.14% |
| By age | Below 30 | 25.25% |
| | 30 - 50 | 18.93% |
| | 50 and above | 13.66% |
| By region | Mainland | 22.07% |
| | Hong Kong, Macao, Taiwan and overseas | 6.43% |

### Female Employee Care

Women occupy a more significant position in the workplace and daily life in modern society. DC Holdings has specifically established the "Wonderful Outstanding Women Club" (WOW Club) to better support women's growth and potential. This platform seeks to unite outstanding women from the Company and other sectors of society, offering them a space for communication, education, and personal development. The club strives to promote progress for women in all fields, including career success, family harmony, personal growth, and global awareness.

As stated in the WOW Club recruitment order:


"WOW Club" Group Photo

*This club welcomes people of all ageslevels, and positions, with the only restriction being gender.*

*To apply for membership, you need to demonstrate exceptional achievements in a specific field.--*

*Outstanding Achievements*

*Independent Leadership*

*Expertise in a Specific Field*

*Exceptional Talent*

*Regardless, you must strive for excellence::*

*Strive forward and never give up!*

*Reject internal conflicts and refuse tosettle for a mediocre life!*

*Be courageous in exploring the unknownand daring to challenge yourself tobecome a better version of yourself!*


In addition, the Company provides benefits for female employees:

- Equal career development and promotion opportunities
- Equal welfare and benefits
- Paid maternity and parental leave
- A warm and private space for breastfeeding women

In 2023, the Company promoted 609 employees, including 196 females, accounting for 32% of the total promotions. The percentage exceeded the overall proportion of female employees, which stands at 24%.

## Development And Training

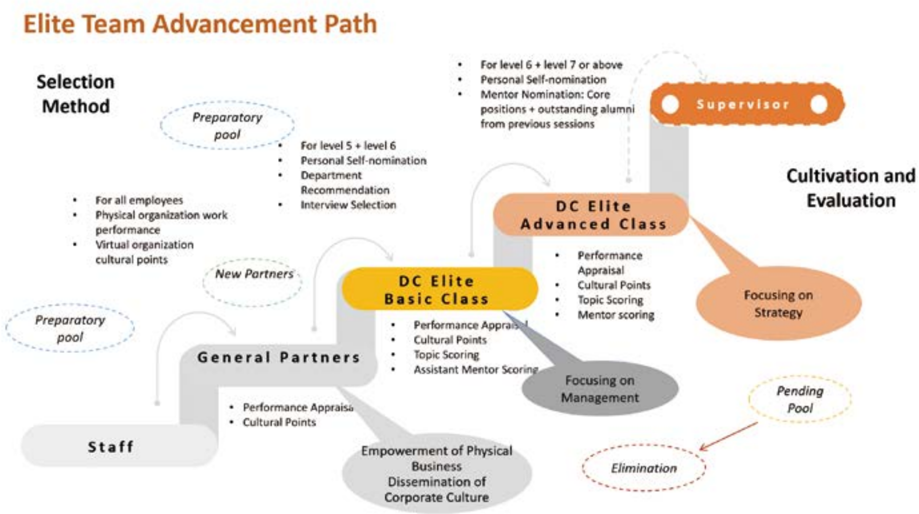
### Career development channel

At DC Holdings, we believe that talents are the most valuable resource of a company. To help employees effectively plan their careers, improve their professional ability and long-term work performance, as well as help the company effectively plan human resources, improve organizational capabilities and meet the company's strategic development needs, the company has established dual career development channels for employees, namely professional channels and management aisle. Through annual comprehensive evaluation and talent inventory, we will invest more resources and provide a higher platform for outstanding employees, allowing them to take on more job responsibilities, reach higher jobs, and exert more excellent value. We encourage employees to take the initiative to plan their career development and provide opportunities to develop upward in the channel, transfer between different positions in the track, and switch career development channels with the needs of the company and departments. We also provide a variety of forms for employee development, including training, giving challenging jobs, job rotation, joining the company's virtual organization to get more exercise opportunities, etc.

When evaluating employee promotion and issuing cadre appointments, we generally consider the following factors:

- Work performance of employees: We evaluate the work performance of employees in physical and virtual organizations, including values, work efficiency, sense of responsibility, teamwork spirit, innovation ability, etc.
- Employee skills and experience: We assess our employees' skills and experience to ensure they can perform in new positions.
- Departmental needs: We assess the personnel needs of each department to ensure that the promotion of employees will not hurt the company's operations.
- Fairness and justice: We adhere to the principle of fairness and justice to ensure employees' promotion opportunities are based on their performance and ability
- Career development needs of employees: We pay attention to the career development needs of employees to ensure that they are willing to improve their functional responsibilities and have the opportunity to achieve their career goals.

The comprehensive evaluation of these factors helps the company make fair and reasonable employee promotion decisions and provides employees with a complete career development channel.




Elite Team Advancement Path

Through the unique talent training mechanism, the Company provides a channel for like-minded employees to give full play to their intelligence and wisdom. It also provides a broader development space and platform for outstanding talents to stand out. In addition to the structure of the physical organization of DC Holdings, we also have some virtual organizations. They can break the departmental and business boundaries, have unlimited imagination, synergy, and creativity, and empower the physical organization. "DC Elite" is the representative of these virtual organizations.

**Management Talent Development Mechanism – "DC Elite"**

" DC Elite "was created in 2019, aiming to select management elites, build and improve the talent management system, cultivate the Company's future management pool and create an elite team with a common philosophy and values. " DC Elite" mainly adopts a project-based learning and mentorship model, with project topics as a focus. During the implementation of specific projects, it imparts trainees about the Company's advocated management philosophy, values, and cognitive thinking methods. Exceptional individuals are identified and developed during the project implementation phase. Mentors are senior executives of the Company, and trainees are middle and senior management selected through multiple rounds. The project topics cover practical projects related to the company's strategic direction, business innovation, organizational transformation, and talent strategy.

In 2023, the "DC Elite Phase III" model is further upgraded, with a more advanced classification and focus on the trainees. It becomes more practical by setting up basic classes and advanced classes, providing platform to employees with different starting points with their own opportunities to show their talents. The project training adopts a mixed-class system for both advanced and basic classes to jointly promote topics. On one hand, it enables different business units to interact through sufficient strategic communication, forming a high ideological and cognitive consensus, thus jointly promoting the implementation of strategy and organizational change. On the other hand, it also allows trainees from both classes to learn from each other and make progress together during the collaboration. In order to facilitate the rapid development and improvement of basic classes, the Company appoints four teaching assistants from the exceptional students of the previous two "DC Elite" to offer one year of specialized instruction. Additionally, it establishes a range of training formats, including a "junior class salon" and "one-on-one assistance from seniors," to comprehensively shape the management capabilities of basic classes.

"DC Elite" has formed a relatively mature and systematic operation mode through continuous exploration and practice. Following the success of the "DC Elite" model, the Company's professional lines have begun to learn from and imitate it. The Company has successively launched innovative talent development programs, including " DC Geek" for technical experts, "DC Finance" for financial professionals, and " DC Talent " for human resources specialists.


**"DC Elite Phase III" Graduation Ceremony – Advanced Class Group Photo**


**"DC Elite Phase III" Graduation Ceremony – Basic Class Group Photo**

With "DC Elite" as the core of its talent development model, the Company has not only innovated the traditional concept of talent development, selection and training mechanisms but also promote cultural dissemination and implementation.

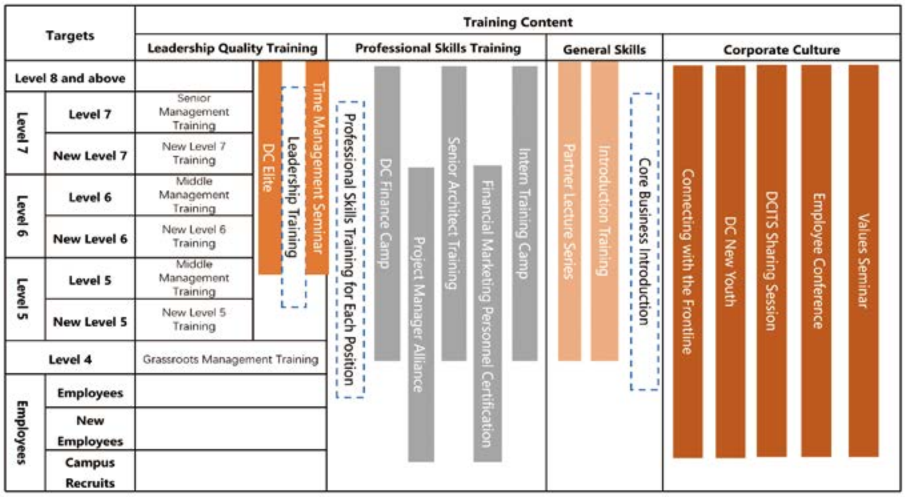
**Firstly, from the perspective of talent selection, "DC Elite" is conducive to comprehensively assessing and identifying talents.** The Company's management believes that excellent talents are consistent in words and deeds and can overcome obstacles. "DC Elite" serves as a training ground for practical experience and a platform for showcasing abilities, resembling a rigorous abilities training camp as well as a marathon with multiple tasks and a long duration. It incorporates the management's evaluation criteria for talents. A group of outstanding talents who align with the company's corporate culture and core values have been promoted and rotated into key positions.

**Secondly, from the perspective of talent cultivation, "DC Elite" facilitates rapid consensus-building and mental unification.** "DC Elite" is a process of assimilating management philosophies and values rather than a simple skills training program or a regular knowledge-sharing session. Trainees communicate frequently with executive mentors during project execution, breaking conventional thinking patterns. They learn and understand their mentors' problem-solving perspectives and approaches, while constantly improving their own thinking, positioning and work methods. They then apply, validate, and reflect on these enhancements during the project's implementation phase.

**Finally, from the perspective of cultural implementation, "DC Elite" members can well demonstrate the effect and spread the culture.** Each "DC Elite" trainee performs multiple roles and tasks in addition to their regular work, reflecting the Company's advocated entrepreneurial spirit and dedication. This influence extends to more colleagues, enabling the rapid and effective dissemination, promotion, and implementation of the corporate culture, thus providing a continuous source of new energy for the company's development.

### *Staff Training and Development*

As a company that strives for innovation, DC Holdings ensures that sufficient resources are allocated annually to provide various employee training. The design of our training system matches the career development path of employees in the company. The purpose of all training course design is to start from job responsibilities, to help employees be more competent at the corresponding development stage, and to improve better and develop faster. We organize critical new employee training so that they can better understand the company's business status, strategic goals, development history, and corporate culture and enhance employees' sense of cultural identity. Each company's business department designs and conducts professional business according to needs. We also use the online learning center to provide general skills training to help employees improve their functional ability and efficiency and enhance their professionalism. At the same time, employees can take the initiative to apply for professional skills training, management skills training, and professional certification examinations provided by external training institutions.




**Training System Overview**

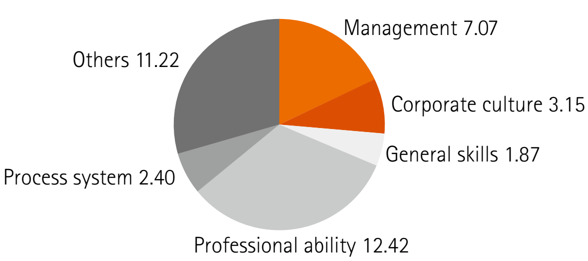
## New Employee Integration Mechanism

In addition to the standard "orientation" training, the Company has implemented Buddy and Mentor mechanisms to assist new employees in adapting to the workplace and enabling their better integration into the organization. The Buddy is mainly responsible for guiding new colleagues to familiarize themselves with the company's organizational structure, department and work environment, as well as to assist them in resolving work problems, alleviating frustration and awkwardness, and increasing their loyalty to the Company. The Mentor's main responsibility is to guide the development direction from the perspective of the Company's strategic level and development direction.

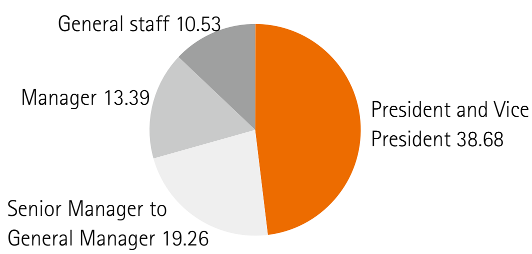
## Employee Training

In 2023, the total learning time of the company's employees exceeded 186,000 hours, with senior executives investing 390 hours in training as lecturers, and the overall employee training participation rate reached 94%. The training content covers leadership training, corporate culture training, general skills training, professional ability training, and process system dissemination, etc. We have organized special topics such as partner sharing, team management, new employee onboarding training, and financial management. The average training time per person was about 11.95 hours, 2.6 hours more than in 2022. In 2023, DC Holdings paid more attention to the improvement of employees' professional skills. The average training time for professional skills training increased by 3.67 hours compared to 2022, which improved employees' professional skills and enhanced work efficiency.

**Average training hours for different training components**




**Average training hours for different levels**



# Environmental, Social and Governance Report

### Executive Training

On the one hand, the Company provides project-based practical training to its core management team through organizations such as "DC Elite". On the other hand, the Company organized a special strategic management seminar in May 2023, with the Chairman and CEO Guo Wei serving as the instructor. More than 60 members of the core management team received training over the course of three days. The training focused on strategy and strategic management, with in-depth discussions and learning across three dimensions: "Strategic Design," "Strategic Execution," and "Strategic Review." Everyone reached a consensus on strategic layout, focusing on problem-solving through iterative discussions.

**DC Holdings Board Chairman and CEO Guo Wei Conducts Strategic Management Seminar Training for Executives**

## *Partner Spirit and Corporate Culture*

For over two decades, DC Holdings has adhered to the original aspiration and mission of "Digital China," upholding the principles of "leading in concept, technology, and practice." Guided by the values of " Customer success, value creation, excellence, and mutually beneficial outcomes," the Company is committed to becoming a leader in big data technology. In the era of the digital economy, to achieve this mission and vision, the company has been continuously innovating and accelerating transformation in organization, talent, and mechanisms guided by the spirit of "second entrepreneurship".

### "DC Partner"

The partner program aims to create an equal stage without limitations for outstanding talents, continuously promote the company's transformation, and continue to lead. The definition of "Partner" is Trust, Responsibility, Equal, Passion, Novel, Action, and Result. Through the "DC Holdings Partner Program," the Group has opened up new channels for employees' careers, enabling them to participate more deeply in the company's operation and management, and partners can dare to think and do. After you are willing to spend time and energy, share, and achieve with others, you will grow, get support, get motivated, and get promoted. The partner organization can enable each partner to share the dividends of the company's development in the long run.

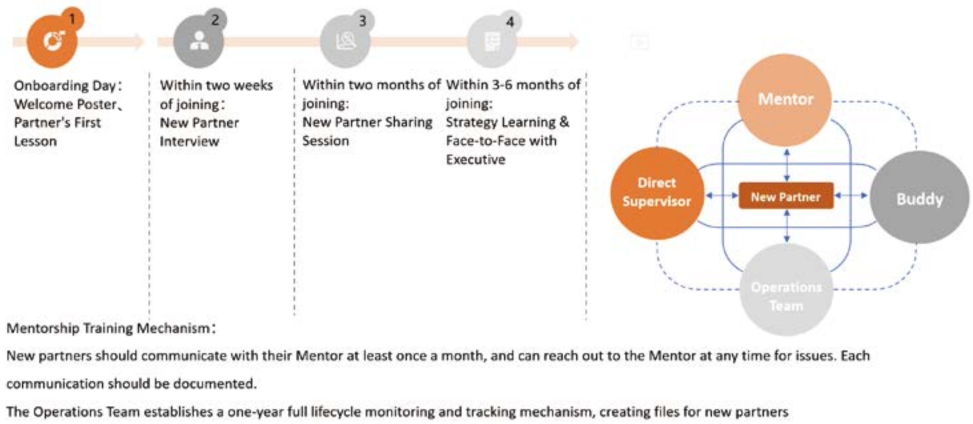
Since its launch in 2021, the Company has held five seasons of the "Partner Co-creation Competition" , targeting four key areas of "business opportunities, market value, culture, and talent". Each area is represented by a separate track, with different scoring criteria determined by the company's cultural values. The competition has well mobilized the enthusiasm and participation of partners, fully interpreting the spirit of proactiveness, willingness to take responsibility, embrace of change and team spirit.

In 2023, the company further elaborated on the profile of partners and detailed the evaluation criteria and scoring details for partners. During the launch event, outstanding "Excellent Partners" from the previous year were recognized and their stories were shared.

The " DC Partner " has made the company's culture and values tangible through various activities, providing employees with behavioral benchmarks to improve. The program has initially played a dual role in material and spiritual incentives, encouraging partners to reach consensus, co-create, co-govern, and share through the design of the partner organizational structure and operational model. The "DC Partner" is also conducive to further driving organizational change and innovation. Since exploration and innovation in the physical organization have a high trial-and-error costs, virtual organizations can iterate quickly and efficiently, summarizing experiences and providing problem-solving methodologies to the physical organization. Meanwhile, virtual organizations can mobilize and coordinate multiple resources more efficiently, truly solving practical problems, effectively empowering the physical organization. By driving change in physical organizations through the development of virtual organizations, the company ultimately achieves a harmonious integration of virtual and physical, aligning knowledge with action.


**2023 Partner Kick-off Meeting**

To facilitate the rapid integration of new partners into the company, the company has established a full lifecycle observation and empowerment mechanism for new partners. This enables them to quickly learn and understand the company's business and culture, allowing them to maximize their value in their roles.




**New Partner Full Life Cycle Observation and Empowerment Mechanism**

### Co-building "Double 11"

Co-building "Double 11" is one of the distinctive corporate cultures of DC Holdings and a true reflection of the partner spirit in practical business operations. As a third-party logistics service provider in China with the "Double 11" experiences in China, ITL faces numerous opportunities and challenges during this event every year. To embody the partner's spirit of positive progress, courage to take responsibility, embrace change, and team spirit, as well as ensure the successful completion of the "Double 11" task, all partners and employees from various functional departments actively sign up each year to support warehouses across the country. They immerse themselves in the front line of the warehouse, eating, living, and fighting with the front-line warehouse employees.

The annual "Double 11" support has become a major team-building event for DC Holdings. It not only ensures the successful completion of ITL logistic tasks but also promoting communication and exchange between departments. Moreover, during the support process, employees gain a deeper understanding of the warehouse workflow and actively contribute ideas and suggestions, which leads to the optimization of business processes.



**2023 "Double 11" Badge**

**2023 "Double 11" Kick-off Meeting**

### Fighting together for Two Decades

Since its establishment, DC Holdings has traversed over more than twenty years. The veteran employees who have been with the company for 20 years, have shouldered countless challenges and witnessed innumerable moments of growth. Every year, the company expresses its sincerest respect and gratitude to employees who have been with the company for ten to twenty years. The Company's continuous growth and success can be attributed to the diligent efforts and constant dedication of its workforce.


**Photo of Employees with 20 Years of Tenure**

## *Occupational Health and Safety*

The day-to-day operations of DC Holdings involve computer applications and paperwork documentation conducted in the office. While such activities do not involve significant risks against occupational safety and health, we are nevertheless committed to the protection of the occupational health and safety of employees. We have formulated an occupational health and safety policy to protect staff health and safety effectively. An affiliated company of DC Holdings has obtained the "ISO45001 Occupational Health and Safety Management System Certification".

According to the "Social Insurance Law of the People's Republic of China," the Group provides employees and their families with various health and safety-related insurance benefits, namely medical, commercial, accident, life, etc. We cooperate with professional medical institutions, provide employees with online consultation services for private doctors, and provide special insurance coverage for COVID-19 for employees who worked overseas during the epidemic. It better protects employees' health and improves their ability to cover risks. Only by enhancing and guaranteeing employees' occupational health and safety can productivity be effectively improved to achieve a win-win situation for both the organization and the employees.

The Digital China Employee Mutual Aid Foundation was established in 2008, effectively solving the difficulties of employees' sudden major diseases and accidental injuries. In 2023, through the Employee Mutual Aid Foundation, we will continue to implement the warm-hearted project to serve the needs of employees, actively help construct harmonious labor relations, and improve the employee happiness index. With the strong support and participation of employees, in 2023, 7,412 members joined the Employee Mutual Aid Fund, collecting membership fees of 889,400 yuan. In 2023, 9 cases of employee compensation applications were reviewed and approved, and six instances of employee assistance were completed, with a total of 87,200 yuan in claims.

In 2023, there were no work-related fatalities in the Group, and 12 work-related injuries resulted in a loss of 1,464 working hours.

We strictly abide by the laws and regulations regarding occupational health and safety where we operate. All staff is provided with necessary health and safety guides at our work premises. At the same time, regulations and measures for administering occupational health and safety contingencies have also been formulated. Employees are provided with a high-quality working environment.

**2023Company Fire Safety Training and Exercise**

- Air purification: fresh air purification systems are installed in office buildings, air purification filter materials are regularly replaced, and air-conditioning terminal equipment is cleaned and disinfected to ensure high-quality air in the office area
- Water safety: To ensure the safety and quality of drinking water and avoid secondary pollution, the pure bottled water in the office area has been changed to nanofiltration direct drinking water, and the brand has been selected from leading domestic enterprises
- Security and firefighting: equipped with 7*24 security guards and regularly maintain firefighting equipment and first aid equipment, as well as fire drills
- Amateur fitness: The gymnasium in the office building is open for free, with rowing machines, spinning bikes, table football, and other fitness facilities, encouraging employees to pay attention to health and keep fit after work
- Caring and caring: We have set up a warm private space for breastfeeding female employees on each floor and sent a special caring
- Emergency Response: In 2023, the Company's administration department invited the Beijing Red Cross to train employees for 8 hours in cardiopulmonary resuscitation and trauma first aid. The Beijing Red Cross issued first aid certificates to 16 employees who participated in the training


**Red Cross emergency rescue training**

### *Work-Life Balance*

In a diversified cultural environment, we encourage a culture of work-life balance. Encompassing the concept of "focusing on employee care, cultivating the concept of health, enhancing employees' sense of belonging." We put great emphasis on employee cultural activities. We regard developing and enriching employee cultural and sports activities as essential to supporting the company's development. We established swimming fitness clubs, badminton and basketball ball fitness clubs, choirs, as well as outdoor family days, fun sports events, badminton individual competitions, basketball team matches, and software park table tennis team competitions. These activities enrich the cultural and sports life of our employees, allowing them to maintain a balance between work and life amidst their busy schedules, while also ensuring their physical and mental health and enhancing team cohesion. The following table shows the regular events and competitions organized in the most recent year:

| No. | Category | Name | "Start Year" | Average Annual Participants (Total/ Operation Duration) | Operation Duration/ Number of Editions (As of 2023) | Participants in 2023 | Cumulative Participants |
|---|---|---|---|---|---|---|---|
| 1 | Employee Club | Employee Swimming Club | 2011 | 944 | 13 | 1042 | 12272 |
| 2 | | Employee Badminton Club | 2011 | 750 | 13 | 750 | 9750 |
| 3 | Employee Event | National Badminton Day Event | 2012 | 660 | 8 | / | 5280 |
| 4 | | "Beijing Area Employee Badminton Competition" | 2020 | 80 | 4 | 80 | 320 |
| 5 | | Soccer Team Competition | 2011 | 114 | 5 | / | 570 |
| 6 | | Basketball Team Competition | 2012 | 68 | 7 | 45 | 476 |
| 7 | | Employee Outdoor Family Day | 2017 | 100 | 6 | 100 | 600 |
| 8 | | Employee Outdoor Health Week | 2017 | 130 | 6 | 149 | 780 |
| Total | | | | | | 2166 | 30048 |

*Remark:* Some events are held every 2 years, such as football and basketball, and some group activities have been suspended during the pandemic.


**2023 Employee Family Outing**


2023 Employee Outdoor Sports Fitness Week


2023 Collective Birthday Celebration for Employees

2023 Company Badminton Individual Competition in Beijing


**2023 Company Basketball Team Competition**

### *Open Communication Channels*

DC Holdings encourages dialogue on an equal footing between superiors and subordinates. This sound, harmonious, candid interpersonal relationship and communication maintains a pleasant and mutually trusted working atmosphere to form the foundation of efficient collaboration. We could achieve progressive development within the company. The Company has established comprehensive communication channels. The employees' direct superiors, departments, and human resources department assist employees in job satisfaction, labor protection, career psychological counseling, and grievance handling. The Human Resources Department is responsible for collecting employee suggestions, and they would evaluate and follow up promptly.

In 2019, we decided to hold quarterly staff meetings, through which the management could share updated corporate strategies and business performance with all employees. Our employees actively participated in the communication, expressed their interests in the Company's future development, and treated staff meetings as an effective channel to understand the Company's strategy and business conditions. The Company also followed up and gave feedback on the questions and suggestions raised by our employees, such as changing the staff meeting format and establishing a critical talent pool. Through staff meetings, the Company could effectively cascade corporate goals and allow employees to understand the Company's core values and mission better. Employees could further review and develop their careers within the organization.  During the epidemic, the Company continues online staff gatherings. Employees actively participated and raised many questions online, and we could ensure continuous communication within the Company during the pandemic.


**2023 Q3 Employee Meeting Q&A Session**

At the beginning of 2023, the "Jointly Win" - DC Holdings 2023 Kick-off Meeting was held in Yanqing, Beijing. This was the first time in three years that DC Holdings held an offline kick-off meeting, which was attended by more than 240 people from all over the country, and other employees also participated online. The meeting systematically reviewed and summarized the past work, deeply analyzed the existing problems, allowed closer interaction among the participants, and built consensus, ignited passion, and accumulated tremendous strength for future development. At the same time, awards and recognition were given to outstanding partners and the best teams. This conference has united people's hearts, aligned thoughts, and pooled strength. Simultaneously, during the meeting, the employees demonstrated a high level of enthusiasm and interest, asking questions frequently, and the company's senior executives addressed the issues that the staff were concerned about one by one.

On June 1, 2023, the "Original Blooming" – DC Holdings' 22nd Anniversary and the closing ceremony of the Digital Cloud Original Conference was held at the Digital Technology Plaza in Beijing. Nearly a thousand employees gathered at the Digital Technology Plaza, with 9 major venues and employees from various offices participating online. The company's senior executives and tens of thousands of employees gathered to celebrate this historic moment.

**2023 Original Blooming Anniversary Celebration**

# Society

**Stimulate Community Vitality**

Industry-Academia-Research
Public Donations
Rural Revitalization
Technological Innovation &
Artistic Integration

- ## Stimulate Community Vitality

Since its establishment, DC Holdings has not only focused on its own business development but has also consistently paid attention to its social responsibility as a community member, valuing the stimulation of community vitality. The following will share the company's efforts and achievements in supporting industry-academia-research cooperation, education, and poverty alleviation-related public welfare donations in 2023, as well as in promoting rural revitalization and integrating technological innovation with art.

### *Assisting Industry-Academia-Research Cooperation*

For many years, DC Holdings has always paid attention to cooperation with universities and has established cooperative relationships with many well-known universities to carry out extensive research cooperation. DC Holdings also discovers and cultivates talents by hosting campus hackathons in cooperation with top domestic and foreign universities, allowing students in the ivory tower to gain exposure to actual corporate R&D work at an earlier stage.

#### Exchange with Tsinghua University PBC School of Finance

Financial technology and digital transformation have always been important topics of focus in the "Banker Advanced Executive Program" at Tsinghua University PBC School of Finance. In August 2023, before the start of the sixth module of the program, the participants of the fifth cohort visited a subsidiary of DC Holdings, which deeply engaged in financial digital transformation and had a discussion with industry experts on the trending topic of technology empowering finance.


**Visit to DC Holdings' Innovation Center by Tsinghua University PBC School of Finance**

During the exchange session, Huang Wanzhong, Chief Data Officer of the subsidiary company and Vice Chairman of the DAMA International Data Management Association China, gave a presentation titled " The Digital Sewerage Project: Challenges and Evolution of Data Governance and Data Asset Operations." Starting with the concept differences in data governance, he provided an in-depth analysis of the development direction and trends of data management and governance in China. He also showcased key cases in the financial and energy sectors, and elaborated on the explorations made by relevant enterprises in the frontier field of data value assessment.

Currently, there are many challenges in China regarding data rights confirmation, data value assessment, data trading, and cross-border data circulation. However, under the guidance of relevant national regulations and in combination with mature theories from both domestic and international sources, the Company's Data Research Institute has made certain achievements in key aspects such as data asset inventory, data management framework construction, and data asset operation. These efforts have resulted in cost reduction, efficiency improvement, and the maximization of data value during the processes of data migration, construction, and application.

### Empowering the First Logistics Industry Vocational Skills Competition in Henan Province

In March 2023, with the empowerment of the KingKooData System independently developed by the Group, the first Logistics Industry Vocational Skills Competition in Henan Province was successfully held at Henan College of Transportation. A total of 12 enterprise teams and 24 school teams participated in the competition, and the KingKooData System was directly selected by the Organizing Committee of the competition as the designated system for the competition.


**DC Holdings' Technical Support for the First Logistics Industry Vocational Skills Competition in Henan Province**

This will enable DC Holdings' technological products to be more widely popularized and applied. In the future, during actual teaching, the KingKooData System will also become the designated vocational teaching software for competition-based institutions and be integrated into the daily educational system. Learning to use this software product will become a standardized educational content in vocational skills training. This move will play a positive role in cultivating and assessing professional technical talents in the era of digital logistics and is an innovative practice within the Company's industry-academic-research application model.

This collaboration further extends the innovative model of "industry-academic-research" towards the "application" direction. It aims to implement innovative achievements into teaching practices at an earlier stage, empowering vocational skills education. By promoting the digital transformation and upgrading of enterprises from the talent source, the ultimate goal is to empower the development of the real economy at a deeper level.

## *Public Donations*

The Love Foundation of DC Holdings has been actively involved in various social public welfare activities, including earthquake relief, education assistance for poverty alleviation, and providing aid to those in need. Over the years, the foundation has donated funds, materials, and provided free services, totaling more than 52.7 million yuan by the end of 2023. These efforts highlight the positive energy of the company's corporate culture and its commitment to social responsibility.

| Donation Category | As of the end of 2023 |
|---|---|
| Educational donations | 1007 |
| Anti-epidemic donations | 2828 |
| Earthquake relief | 1327 |
| Assisting the Vulnerable | 116 |
| total | 5278 |

### Educational Assistance & Volunteer Services

Enabling children in poverty-stricken areas to receive an education is one of the main tasks of poverty alleviation work. It is also the means to block the intergenerational transmission of poverty. Since 2002, the Group has led its employees to jointly raise funds, established ten Hope Schools of DC Holdings in nine provinces, including Sichuan, Hubei, and Hebei, and has continued to pay attention to the development of Hope Schools, which have been maintained for nearly 21 years, accumulatively benefiting more than 15,500 students.

The Group's employees, who are enthusiastic about public welfare activities, actively participate in various themed volunteer actions, such as teaching assistance, elderly care, environmental protection, and epidemic prevention. Among them, in the Company's Hope Schools, caring volunteers involved in educational assistance have organized a total of 96 volunteer activities, contributing over 3,800 hours of volunteer service. In the future, the DC Holdings Love Foundation will establish a volunteer management mechanism to encourage more employees to participate in these activities.

| # | School Name | Completion time | No. of students | Operation Period (years) (to 2023) | Average class size | The cumulative no. of students benefited | No. of Volunteer Activities | Volunteer contribution Hours |
|---|---|---|---|---|---|---|---|---|
| 1 | Chengdu Fushun Hope Primary School | 2002.6 | 270 | 19 | 34 | 1494 | 25 | 1000 |
| 2 | Shanxi Lantian Hope Primary School | 2008.1 | 42 | 13 | 14 | 210 | 10 | 400 |
| 3 | Hubei Yanhe Hope Primary School | 2003.1 | 210 | 20 | 26 | 1198 | 15 | 600 |
| 4 | Hubei Badong Hope Primary School | 2005.11 | 768 | 18 | 55 | 3573 | 4 | 160 |
| 5 | Henan Cigudong Hope Primary School | 2007.7 | 201 | 16 | 34 | 711 | 14 | 560 |
| 6 | Qinhuangdao Hope Primary Schoo | 2007.8 | 308 | 16 | 39 | 2063 | 6 | 240 |
| 7 | Neimenggu Sanjianfang Hope Primary School | 2009.9 | 189 | 14 | 32 | 1021 | 2 | 80 |
| 8 | Hubei Zhangshi Hope Primary School | 2010.5 | 637 | 13 | 46 | 2845 | 6 | 240 |
| 9 | Chaoyang Ershijiazi Hope Primary School | 2010.9 | 326 | 13 | 33 | 1514 | 8 | 320 |
| 10 | Fujian Yongtaitangqian Hope Primary School | 2011.9 | 153 | 12 | 22 | 879 | 6 | 240 |
| | | | | | Total | 15508 | 96 | 3840 |

*Remarks:* 1&2 Hope Primary Schools in Chengdu and Lantian were withdrawn and merged in 2021.

In addition, the ITL has also raised 172 sets of gifts, including backpacks, calligraphy brush sets, hats and gloves, thermos cups, footballs, basketballs, and table tennis rackets, which were distributed to the children of Zhengzhou Cigudong Hope Primary School in the form of "blind boxes".

### *Digital Technology Empowering Rural Revitalization*

Digitally empowering rural revitalization through digital technology involves quantifying, labeling, and empowering various agricultural assets (such as rural land contract management rights, collective economic equity, and homestead land use rights) using new technological means. This process aims to achieve "digitalization of agricultural assets" and then symmetrically distribute these assets in the form of "data" to both the supply and demand sides through rural property rights trading platforms. This facilitates the moderate concentration and orderly flow of rural production factors, revitalizes assets, discovers greater value, and promotes increased income for farmers and village collectives. Furthermore, by aggregating the supply and demand sides of production and service through a digitized platform for socialized services, industries can be empowered to improve quality and efficiency. In this process, financial resources are introduced to further empower industries, constructing a large-scale agricultural industry Internet and realizing the "digitalization of agricultural assets," thereby empowering rural revitalization. This can be achieved through a three-step approach.

The first step is to establish a solid data foundation, which is a prerequisite for the digitalization of agricultural assets. Under the DC Holdings, a joint laboratory called the "Big Data Foundation Joint Laboratory" was established in collaboration with the Big Data Development Center of the Ministry of Agriculture and Rural Affairs. After several years of development, the "National Agricultural Big Data Foundation Platform + Agricultural Data Resource Catalog System" was launched. With this platform and system, we can achieve the integration of data aggregation, computation, application, and services for agriculture and rural areas. It allows for the accumulation of data assets and facilitates the transformation of agricultural and rural big data resources into data assets, enabling the "integration, connectivity, governance, and utilization" of agricultural and rural data. Through "integration" and "governance," we can consolidate and process data resources scattered throughout various stages, establish a solid data foundation for rural revitalization, and break down data barriers to achieve efficient sharing and orderly distribution of data resources. Through information interconnection and intercommunication among different departments, levels, and platforms, we can empower the integrated development of the agricultural industry from pre-production, production, to post-production, and deepen agricultural services. Currently, this platform has begun to be promoted nationwide.


**Agricultural and Rural Big Data Public Platform Foundation**

The second step is to establish service scenarios. Data can truly become a new production factor and realize data assetization only when it is applied in specific scenarios. This allows farmers to find it useful and enables the self-sustaining and continuous operation of agricultural digital transformation. For example, the Tianjin Rural Property Rights Exchange, in which we participated in construction and operation, has completed a total of 12,041 rural property rights transactions from its official operation in 2016 to the end of 2022, with a total transaction amount of 22.324 billion yuan and a land transaction area of 1.5498 million mu. The market's cumulative bidding rate for rural property rights transactions is 34.01%, with a premium rate of 11.08%, which has driven an increase in farmers' income of 1.06 billion yuan, benefiting approximately 256,700 households. Another example is the case of the Single-Product Full Industry Chain Big Data. By constructing the Single-Product Full Industry Chain Big Data, it enables the comprehensive management of local specialized agricultural products throughout the entire process. It provides multi-dimensional services such as production, decision-making, quality traceability, and credit support for various agricultural entities, empowering agricultural industry development and promoting the development of "primary industry extension, secondary industry connection, and tertiary industry high-end". In recent years, we have undertaken 22 national and local single-product projects, including national projects such as apples, tea, rubber, oilseeds, and live pigs, as well as projects like "Pu'er Tea" in Yunnan, Jinning flowers in Yunnan, "King Crab" in Xuyi, Crayfish in Xuyi, "Tanyang Gongfu" tea in Fu'an, and broccoli in Xiangshui.


**Single-Product Projects Built by Subsidiary Companies**

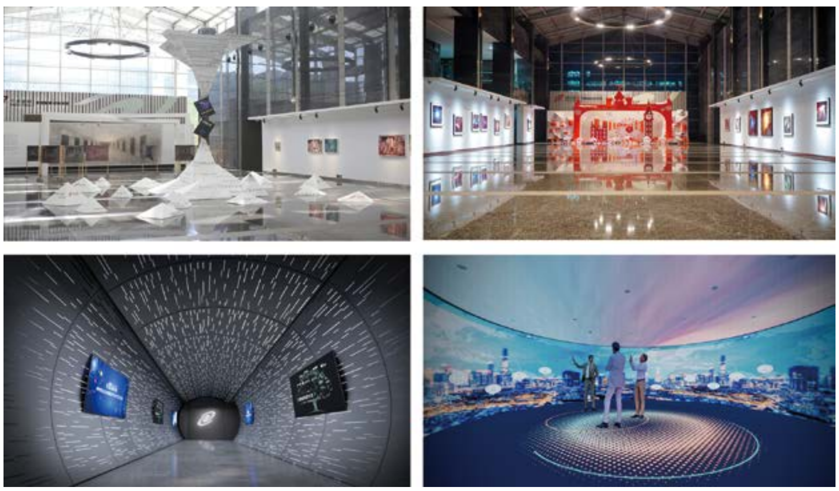
The third step is to introduce financial resources, which is a crucial factor for rural revitalization. The prosperity of industries is of utmost importance for rural revitalization, and it requires the infusion of financial resources. In the context of inclusive finance for agriculture, we have explored and launched the "Golden Bee" series of products, innovating a new model of "agricultural and rural scenario-based finance." Driven by new technologies and centered around unlocking the value of agricultural and rural data, we have collaborated extensively with governments at all levels, as well as various financial institutions nationwide. Together, we have explored models such as direct linkage between banks and farmers, direct linkage with agricultural insurance, village-wide credit granting, and agricultural industry chain finance, all aimed at promoting financial inclusion in agriculture. To empower rural revitalization through the integration of "data + finance," we are building a platform that aims to achieve the integration of asset contracting, bidding, winning bids, leasing, production, operation, and sales. The goal is to "reduce the financial burden on operators and minimize risks for financial institutions."

In the era of the digital economy, the disruptive innovation brought by the integration and innovation of "Digital Technology + Data Elements" will inevitably reconstruct new products, new models, and new business forms, release data value, and cultivate new engines and advantages for the digital economic development of various fields. In the field of rural revitalization, we have cooperated extensively and jointly innovated with governments and more than 650 financial institutions at all levels across the country, serving millions of agricultural groups nationwide and accumulating a wealth of innovative practices.

### *Technological Innovation and Artistic Integration*

DC Holdings Innovation Center adheres to the basic concept of collaborative innovation among technology, art, and design, driven by innovation and relying on the power of digitalization. It engages in space planning and management, exhibition display, design visualization, market activity coordination, brand image system management, cross-disciplinary integration of art and technology, and incubation and cultivation of technology and art talents. It is shaped into a platform that integrates DC Holdings' technological philosophy, innovative development, scenario applications, and practical achievements, serving as both a marketing innovation platform and a cutting-edge technology and art exchange platform. It harmoniously blends "information, ecology, intelligence" with "creation, development, sharing," empowering the digital development of enterprises.

As an important window for showcasing corporate brand image and business capabilities, the Innovation Center utilizes technologies such as intelligent interaction, VR, MR, etc., to create immersive and interactive exhibition experience spaces. It builds digital new scenarios, incubates talents in the intersection of technology and art, aggregates the latest strategies from various business ecological areas, and provides industry-specific exhibition solutions for corporate brands and businesses. The center presents the Company's leading concepts, cutting-edge technologies, and latest practices, helping the enterprise become a technology-leading big data and technology company. To date, it has hosted over 8,000 visits and successfully conducted multiple strategic releases and signing ceremonies.



**DC Holdings Innovation Center Artwork Display**

The Innovation Center also serves as an important showcase platform for cross-disciplinary activities in the fields of technology and art organized by DC Holdings. We actively promote excellent artistic culture and support the cultivation of young talents. We have established long-term and stable cooperative relationships with information colleges and art academies both domestically and internationally, attracting outstanding talents from home and abroad. We have set up funds, established prize pools, and built practical bases. Through organizing art exhibitions, trade shows, forums, lectures, salons, and charity events, we explore the unique aesthetic value of cutting-edge scientific and technological applications and contemporary art in China and support the growth and development of young talents. As of 2023, we have organized nearly 200 events of various kinds and established cooperative relationships with more than 100 artists.

# Governance

Transparent and Diverse Corporate Governance

Innovative Technology, Leading the Future

Customer-Centric, Continuous Empowerment

Supply Chain Eco-System Cooperative Development

## 3.0 Governance

- ### Transparent and Diverse Corporate Governance

Good corporate governance is the safeguard for DC Holdings to achieve stable business operations and the basic premise for comprehensively preventing compliance risks. As a Hong Kong-listed company, we strictly comply with relevant laws, regulations, and supervisory requirements for listed companies, adhere to business ethics, practice standardized operations with higher standards, maintain the good reputation and image of the enterprise, and share the development and operational achievements with the Company's shareholders and all stakeholders.

#### *Corporate Governance Structure*

DC Holdings has established a governance structure consisting of the shareholders' general meeting, the board of directors ("Board"), the board committees, and senior management, strictly complying with the requirements of the "Hong Kong Listing Rules", "Corporate Governance Code", and the Company's "Bye-Laws". The Company exercises its authorities and duties strictly in accordance with the governance structure through resolutions of the shareholders' general meeting, the Board, the board committees, and senior management. In 2023, the general meeting, the Board, the board committees, and senior management all strictly complied with the standardized operational rules and internal systems for management decision-making and operational supervision. For detailed information on the Company's corporate governance, please refer to the "Corporate Governance Report" in the "DC Holdings 2023 Annual Report."

##### Board Governance Structure

As at the date of this report, the Board of the Company has established three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, which are responsible for overseeing and inspecting the Group's affairs in specific areas and deciding on specific matters within the scope of the Board's authority. The Board provides advice and guidance to the management directly or through the board committees, including overseeing the Group's overall operations and financial performance, ensuring the effective operation of the Group's internal control and risk management systems, etc.

##### Board Diversity

The Company strives to promote diversity on the Board in terms of gender, culture, expertise, and other aspects. The members of the Board have extensive industry experience and professional capabilities in computer communications, business administration, telecommunications, network, economics and business management, auditing, taxation, law and other fields. The diversity of the Company's Board membership reflects the balance of gender, experience, background and expertise of the Board, which is conducive to enhancing the Board's comprehensive governance capabilities and insight capabilities, so as to make reasonable risk decisions and improve risk response capabilities.

### Board Capability Building

The Company encourages members of the Board to participate in various professional skills enhancement and compliance training, including special training on national policies, securities market laws and regulations, operating mechanisms, corporate systems, environmental and social-related topics (such as climate change), etc., to enhance the compliance awareness and ability of Board members to perform their duties. In 2023, the Company provided relevant training materials for Directors to enhance their understanding of the latest developments in legislation, regulatory rules and corporate governance.

### *Construct a diversified investor communication platform*

In 2023, our Group launched a comprehensive and investor-focused communication platform. We have established robust dialogue and interactive feedback channels with investors across Mainland China, Hong Kong and overseas.

To augment investor relations and diligently protect the rights of investors in listed entities, ensuring comprehensive access to information, participation opportunities, and supervisory capabilities, the Group has instituted a suite of refined measures within its investor relations framework. These efforts are designed to enhance service precision and operational efficiency for our investors.

Firstly, the core management team highly values and personally participates in investor management and maintenance. The management engages in market communication through various means such as shareholders' meetings, investor open days, proactive visits to investors, capital market conferences, telephone meetings, luncheons, and internet platforms. They convey the company's strategic deployments, technological achievements, operational performance, and other special matters to dispel market doubts and maintain the company's positive brand image in the capital markets.

Secondly, synchronized value delivery to domestic and international investors enhances the brand's influence in the capital market. We organized two offline Investor Open Day events in Shenzhen and Kunshan targeting Mainland investors. These events facilitated cordial face-to-face interactions between the management and investors, addressing their concerns and creating a lively atmosphere with positive feedback. For Hong Kong and overseas investors, we proactively engaged in multi-channel and high-frequency online and offline communications to achieve efficient value delivery, which was highly recognized and recommended by renowned Hong Kong stock commentators. We also significantly expanded our media communication channels, with a total of 24,810 broadcast instances in 2023, further amplifying our market presence and investor outreach.

Thirdly, digitalization empowers investor relations management. This year, the Company launched the IR flagship store, IR WeChat account, and IR mini-program. These tools help us improve value output channels, accurately refine our highlights and broadcast our value. The Company utilizes AI to build investor profiles for targeted and personalized services across various investor and shareholder groups. We also establish traffic entry points and leverages big data analytics to swiftly disseminate information, gather market feedback, and expand market influence.




二次创业

### *Internal Control and Risk Management*

#### Establishment and Implementation of Internal Control System

From the perspective of management objectives and internal control policies, DC Holdings has established a corporate management and internal control system covering all business segments of the Company's operations, including but not limited to social responsibility, human resources, funding activities, investment and financing management, procurement business, asset management, sales business, research and development, engineering projects, related party transactions, guarantee business, financial reporting, information disclosure management, budget management, subsidiaries management, and information system management. The Company builds a system platform and information technology system based on business processes. The Board bears the ultimate responsibility for the establishment, enhancement and effective implementation of the internal control system. Through the digital office system, DC Holdings links each business process node with the responsible person, achieving standardization and visualization of the entire internal control process. Since 2010, all the principal businesses of the Group have used the OA office system to achieve process approval control.

#### Three Lines of Protection in Risk Management

Since 2016, we have updated our risk management and internal control policies and established a three-line protection system, identified the roles and responsibilities of different stakeholders in risk management and internal control. It emphasizes that the management of each business unit is mainly responsible for the department's risk management and internal control. Once any fraud is discovered, the management of the relevant department should immediately improve the monitoring procedures to prevent the recurrence of such incidents. The risk management and internal control department has a designated team to provide internal control and risk management support for each business unit. The internal audit department also conducts continuous audits of principal businesses, timely and systematically inspects violations, identifies risks, and improves fraud risk management and internal control effectiveness.

| | |
|---|---|
| First line of protection **Business management** | Mainly composed of various business departments of the Group. It is responsible for daily operations and management, and designing and implementing relevant control measures to deal with risks. |
| Second line of protection **Risk control** | Mainly composed of the risk management functional departments of each business group. It is responsible for planning and carrying out the establishment of risk management and internal control system. It organizes, guides, coordinates and implements the risk information collection, risk identification, risk assessment and significant risk response implementation, etc. of each business group in accordance with the requirements of the risk management system and assists the first line of protection in establishing and enhancing its risk management and internal control system. |
| Third line of protection **Independent audit** | Mainly composed of the Group's internal audit department. It is responsible for supervising and evaluating the Group's risk management work and ensuring the effectiveness of the risk management and internal control system. |

In 2023, the Group's risk management evaluation project team also comprehensively evaluated the Company's principal risks. The main risk assessment procedures include risk identification, risk assessment, and risk responding. Among them, the assessment of compliance & corruption risks covered all the principal businesses of the Group, and no significant compliance & corruption risks have been identified or assessed in the current period.

## *Compliance Management*

To further strengthen the establishment of the compliance management system, establish a good business reputation, and enhance the Company's core competitiveness, in 2023, the Company's subsidiary passed the certification application and obtained the ISO37001 Anti-bribery Management System Certification.

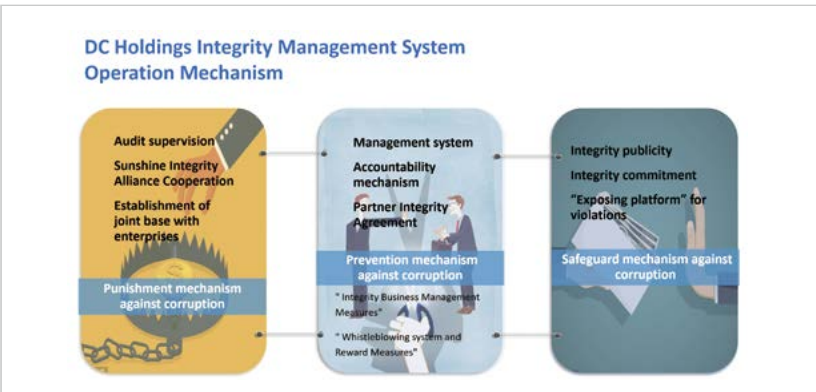
ISO37001 Anti-bribery Management System Certification is an international standard that ensures corporate compliance,enhances business ethics and obtains recognition from customers, suppliers, and related parties for the company's ethics and compliance by establishing an effective anti-bribery management system.


**The ISO37001 Anti-bribery Management System Certification obtained by the Company's subsidiary**

## *Integrity Management System of DC Holdings*

DC Holdings firmly believes that fairness, integrity, and cleanliness are the critical business assets of the Company. We strictly comply with relevant anti-corruption laws and regulations, advocate the values of integrity, enterprising spirit, collaboration and creativity. We have established a systematic anti-corruption and integrity system to detect and prevent corruption, bribery, or any other fraudulent activities, and continuously promote internal audit supervision and risk management. Although the Group is a non-financial institution, the risk management and internal control department closely monitor possible criminal activities, such as money laundering, in daily operations and do not overlook any suspicious transactions.

We continue to promote the establishment of the Company's integrity management system, creating a punishment mechanism against corruption, a prevention mechanism against corruption, and a safeguard mechanism against corruption through the Company's overall risk management, audit supervision, system process development, and integrity publicity.




**DC Holdings Integrity Management System Operation Mechanism**

### Anti-Fraud and Whistleblowing System

In 2023, the Group continued to promote the "DC Holdings Anti-corruption Policy" and the "DC Holdings Whistleblowing Policy," emphasizing the five red lines of clean business practices and conveying the message of zero tolerance for fraud to all employees, suppliers, and business partners. The "DC Holdings Anti-corruption Policy" advocates for employees to manage themselves with integrity and clarifies behavioral norms for employees. The "DC Holdings Whistleblowing Policy" encourages all employees, suppliers, and business partners to report any existing or potential fraud and irregularities.


**DC Holdings Clean Business Five Red Lines**

The whistleblowing policy clarifies that employees, suppliers, and business partners can openly and honestly report all kinds of fraud and irregularities through the whistleblowing mailbox: (dchaudit@dcholdings.com). The whistleblower will be rewarded at the same time if the losses can be recovered for the Group due to timely reporting. The Group's audit department will investigate the reported matters and the whistleblower's information will be kept strictly confidential.

### Fraud Inspection and Prevention

When a report of suspected fraudulent behavior is received, the audit department will be assigned to conduct an independent investigation. After the investigation, if an employee is confirmed to have accepted any form of kickback or engaged in bribery, they will be immediately dismissed, and if the case is serious, the Company will pursue legal responsibility; if a supplier or other business partner is found to have engaged in fraud or other irregular behavior during cooperation, the Group will put them in the blacklist and terminate cooperation, and if the case is serious, the Company will pursue legal responsibility. At the same time, for the business department with confirmed problems, corrective actions will be taken with the assistance of the risk management and internal monitoring department to address business risks or loopholes discovered during the investigation.

In 2023, we investigated one case of employee fraud and one case of employee violating the Company's policies, resulting in the dismissal of two employees.

To create a fair and healthy business environment, build a good supplier cooperation ecosystem, and convey our determination to combat fraud, by the end of 2023, the Group had signed the "Partner Integrity Agreement" with all non-OEM suppliers, promoting the spirit of integrity in cooperation, opposing commercial bribery, and building mutual relationships based on trust, honesty, frankness, and integrity. We are not aware of any commercial bribery by our suppliers. The Company also continuously strengthens legal and regulatory education against commercial bribery, carries out professional ethics promotion, establishes a positive atmosphere within the Company, and resolutely resists unhealthy trends, building a strong ideological and moral defense line for employees.

### Anti-corruption Publicity Training and Signing of the "Letter of Commitment" for Integrity and Honesty

To popularize anti-corruption, all employees of the Group receive classroom-based anti-corruption training when they join. In 2023, the audit department collaborated with the legal department, organized anti-corruption and integrity themed training, combining online and offline methods to ensure that all employees in each business unit participated and achieved 100% coverage.

At the Company's annual kick-off meeting, the legal and audit compliance departments respectively provided in-depth explanations of the Company's red lines and the "Clean Business Management Measures." After the meeting, participants discussed the behavioral norms and values of each position based on their job responsibilities. Department heads also represented all employees in a clean business oath ceremony, calling on all employees to move towards the future with positive energy.

**Discuss compliance with laws and regulations based on job responsibilities**


**The heads of each department of the Company took the oath of integrity on behalf of all employees**

At the same time, to ensure the effectiveness of the propaganda, the audit department adopted a combination of offline and online methods to conduct more in-depth anti-corruption and integrity propaganda for key employees in the supply chain business and government and corporate business. It introduced the Company's integrity and honest system operation mechanism and the seriousness of compliance with laws and regulations, focusing on publicizing the revised "Integrity Business Management Measures" and other related content.

**ITL Warehouse Anti-corruption Propaganda**



In 2023, the Audit Department organized all employees of the Company to re-sign the "Letter of Commitment" and "Confidentiality Agreement" for integrity and honesty, and the signing of this time innovatively adopted the form of electronic signature to facilitate management and archiving, and the overall signing rate reached 99.6% this year.

**Industry Integrity Alliance**

The Sunshine Integrity Alliance was jointly initiated and established by well-known enterprises in the industry such as JD.com, Tencent, Baidu, Lenovo and the Criminal Law Research Center of Renmin University of China, actively advocating corporate integrity management, creating a sunny and honest workplace atmosphere, promoting a culture of integrity and compliance, jointly creating a sunny and transparent business environment, jointly improving the performance ability of members' internal control departments and the professional ethics of employees, and helping enterprises develop their business. By 2023, the Sunshine Integrity Alliance has reached 850 members, and its influence in the industry has increased year by year.

The Group has been a member of the Sunshine Integrity Alliance for nearly 6 years, and as a member of the Sunshine Integrity Alliance, we shared data and information with the Alliance in terms of anti-fraud and other aspects, and jointly created a business environment for Sunshine Integrity: through the information security sharing mechanism, we exchanged and shared information security investigation experience, and jointly combated information security crimes; through information sharing, automatic identification and early warning of those who violated laws and regulations, the costs of violating laws and regulations were increased; through special training and seminars related to integrity and compliance, we exchanged and shared anti-fraud experience in the industry to build an integrity and compliance ecosystem.

- **Innovative Technology, Leading the Future**

***Technical/R&D Personnel Training Mechanism***

As an enterprise that focuses on technological innovation, we regard technical talents as important assets of the Company and attach great importance to the recruitment and training of technical talents. As at the end of 2023, the Group had 14,210 technical personnel, accounting for approximately 85% of the total workforce, of which 66% had a bachelor's degree or above.

Professional structure of the Company's employees

| Type of employee specialty | Number of employees | Percentage |
|---|---|---|
| Technical staff | 14210 | 85% |
| Sales staff | 852 | 5% |
| General Management | 1157 | 7% |
| Others | 563 | 3% |
| Total | 16782 | 100% |

Educational composition of technical personnel

| Educational composition of technical personnel | Number of employees | Percentage |
|---|---|---|
| Ph.D. | 9 | 0.06% |
| Master | 392 | 3% |
| Undergraduate | 8958 | 63% |
| Others | 4851 | 34% |
| Total | 14210 | 100% |

### Cradle of Technical Talent – "DC Geek"

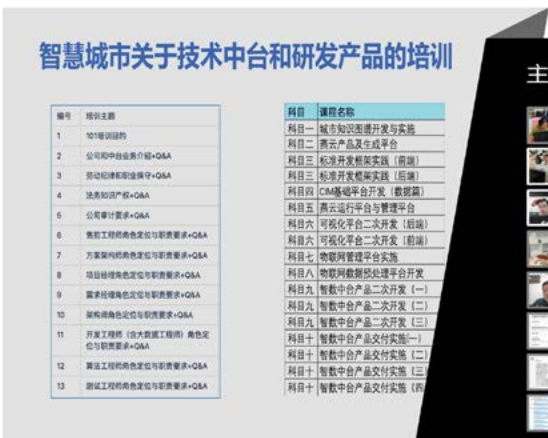
In 2020, the Group established the "DC Geek" to nurture technical talents. The annual technical meeting led by the "DC Geek" is not only a summary meeting of the Company's internal technical achievements, but also a technical exchange event for the whole Company and even the industry. In 2023, the Digital Cloud Force Conference and the 2023 TECH 5th Digital China Technology Annual Conference were grandly opened. At the opening ceremony, hundreds of scholars, technical experts, practitioners, and industry users who were committed to and concerned about the development of digital technology and digital industry gathered together to conduct in-depth dialogues and sharing on cutting-edge topics such as cloud native, digital native, big data, financial technology, and AIGC, explored the underlying logic of the digital era, stimulated the force of digital cloud native innovation, and contributed to China's modernization. In May 2023, the "New Breakthrough in the Intelligent Era - DC Holdings Innovation Technology Conference" was held in Kunshan, and the DC Holdings City Knowledge Graph Platform was simultaneously released, which attracted the attention of all parties and was reported by many media.


**Digital Cloud Force Conference**

In addition, in 2023, the campus hackathon of DC Holdings co-organized by "DC Geek" was a complete success. These technical events and activities provided another platform for the Group's employees to utilize their talents and continuously broadened their own career development channels.

### Technical Talent's Charging Station – "Technical Salon"

Within the Group, the Company's technical R&D personnel have set up a "Technical Salon" to hold technical training and technical exchange meetings from time to time, take the initiative to learn, share and learn from each other through teaching. In 2023, the technical platform completed the vocational skills training covering all platform employees, as well as the core product training of the platform at the operational level, which further consolidated the foundation and expanded the capabilities of technical personnel.




**Technical Platform Internal Training**


**Technical Seminars**

*Case: Growth of excellent technicians-Han Zezhong*

- *Master of Chinese Academy of Sciences*
- *Joined DC Holdings upon graduation, serving as a senior back-end development engineer for smart city business*
- *Key ongoing project - National Federation of Industry and Commerce project*
- *Highlight: Under pressure at multiple critical points of the project, not only did the performance optimization of the large-scale data graph (hundreds of millions of nodes) meets the customer's requirements, but also experienced rapid growth driven by the project: knowledge of graph models was expanded, capabilities in handling large-scale data processing were enhanced, and optimization skills in CYPHER were significantly improved.*

### Technical Talent's Arena – "Innovation Competition"

In 2023, at the "China Software Open-Source Innovation Competition," the "DC Wisdom Data Team" composed of Kong Lingyu and Chen Jinglin from DC Holdings won the second prize. This competition was hosted by the China Computer Federation under the guidance of the National Natural Science Foundation Committee's Information Science Department.

The competition was oriented to the "14th Five-Year Plan" open source ecological development strategy, and focused on the "bottleneck" software fields and open source software in the frontier technology areas of artificial intelligence, big data, chip design, and the Internet of Things, aiming to provide a platform for domestic open-source communities to show, communicate, and collaborate. It stimulated open-source innovation vitality, cultivated open-source talents, and contributed to the high-quality development of open-source ecological construction.


**The "DC Wisdom Data Team" won the second prize at the China Software Open-Source Innovation Competition**

The "DC Wisdom Data Team" from DC Holdings innovatively combined urban water knowledge with science popularization education, designing and developing the "Urban Water Knowledge Popularization Assistant." With outstanding performance, the team won the second prize in the Model Scope Challenge. DC Holdings' technical team, through participation in the "China Software Open-Source Innovation Competition," applied the achievements in urban water supply intelligent application to cross-domain innovative applications, providing a new way for science popularization education. As the technology related to large models continues to upgrade and iterate, new technological achievements will fundamentally disrupt the application scenarios across the industry, leading to the continuous emergence of various AI-native applications and further changing people's learning, working, and living styles. DC Holdings' leading capabilities and advanced concepts in related technical fields will play a significant leading role in this.

In addition, the DC Holdings technical team also won the second prize in the First Guangdong-Hong Kong-Macao Greater Bay Area Data Application Innovation Competition.


**Won the second prize in the First Guangdong-Hong Kong-Macao Greater Bay Area Data Application Innovation Competition**

DC Holdings has previously released the City Knowledge Graph Platform product, which can widely apply knowledge graph technology to various fields such as urban management and enterprise supply chains. In this innovative achievement, the team further expanded the scenario to the field of intelligent manufacturing, providing strong support for the digitalization and intelligence upgrading of the field. At the same time, DC Holdings has become a certified data merchant for several domestic data trading institutions, including Guangzhou and Shenzhen, and has carried out in-depth cooperation with several departments of the Hong Kong government. Through this competition, DC Holdings' leading technical strength in the Guangdong-Hong Kong-Macao Greater Bay Area will be further demonstrated, with a brighter market prospect. As the digitalization process in the Greater Bay Area continues to accelerate, the Company will also achieve more significant development.

### *R&D Investment*

In 2023, the Group's R&D investment totaled more than RMB800 million, representing a year-on-year increase of 11%, marking three consecutive years of growth. The data of R&D investment in the past three years are as follows (unit: RMB 10,000):

| Year | 2023 | 2022 | 2021 |
|---|---|---|---|
| R&D investment | 80,436.02 | 72,447.02 | 71,902.24 |

### *Intellectual Property Rights and Standard Compilation*

Innovation is the core competitiveness of the Group's business development, and intellectual property rights are an important carrier of innovation achievements. Intellectual property rights can not only serve as an important tool for enhancing business capabilities and benefits, investment capital, and future core products but also drive the standardized development of core industries such as the national new infrastructure, big data, smart cities, and financial technology.

### Intellectual Property Rights

As at the end of 2023, the Group had 2,787 intellectual property rights, including 2,369 software copyrights, 141 patents and 277 trademarks. In terms of quantity, it has reached a new level every year in the past three years, with an overall growth rate of about 24%.

| Year | Copyrights | Patents | Trademarks | Total |
|---|---|---|---|---|
| 2021 | 1836 | 130 | 283 | 2249 |
| 2022 | 2165 | 154 | 279 | 2598 |
| 2023 | 2369 | 141 | 277 | 2787 |

In 2023, DC Holdings focused on the "Big Data + Artificial Intelligence" strategy and dedicated to technology and operations in the field of data elements. We actively participated in formulating the first domestic standard for public data operation and has independently developed one of China's initial public data operation platforms that align with operational requirements. We have obtained corresponding patent technology and software copyright, and received digital business certifications from multiple key data trading institutions, continuously strengthening our data foundation. Meanwhile, we launched the industry's first city knowledge graph platform product. It can be combined with large artificial intelligence models to eliminate the illusion problems of large models, creating a credible industry intelligent assistant. Currently, it has been implemented in projects such as Changchun Smart Water Affairs and the National Federation of Industry and Commerce. We will continue to promote this technology in fields such as AI + Traditional Chinese Medicine, AI + New Materials, AI + Satellite Remote Sensing, etc., finding practical and feasible landing scenarios for cutting-edge artificial intelligence technology.

In our specialized field of digital supply chain, the Company has independently developed a supply chain software system that covers the entire supply chain. The system includes Order, Warehouse, Transportation, Expense Auditing, Supplier, and Labor Management Systems, alongside the KingKoo Data Big Data Management System. We are committed to creating a supply-chain integrated decision-making platform that encompasses supply-chain planning and design, planning management and operational execution. Furthermore, we continuously iterate and upgrade our software products, having recently added five new software copyrights.

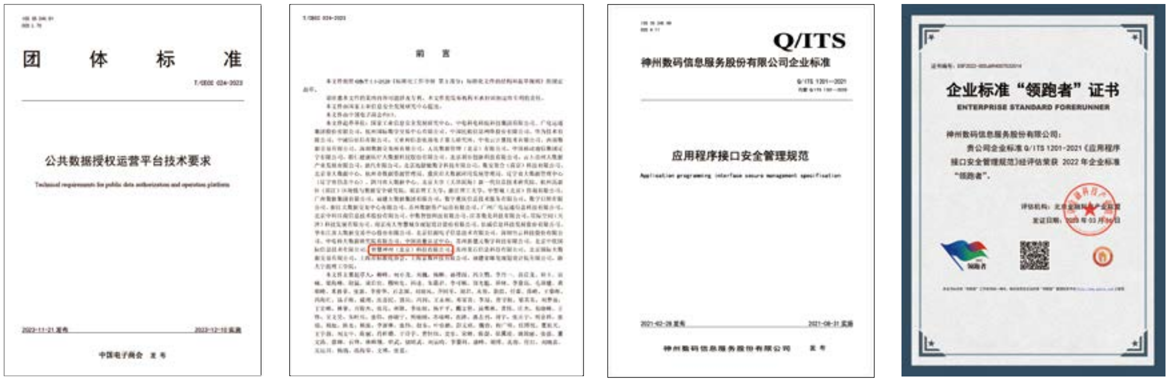
In the fintech sector, data asset management platforms empower financial institutions to unlock the value of data. The "Liuhe Shangjia" financial practice assists institutions in establishing a solid data foundation. Products like ModelB@nk5.0 and Sm@rtGalaxy4.0 continue to propel the digital transformation of the financial industry, supporting the development of the economy and society.

### Standard Compilation

In addition, the Group has led or participated in the compilation of numerous national standards and industry standards in the fields of big data, artificial intelligence, smart cities, smart parks, smart logistics, and fintech. This helps us secure a dominant position and exert significant influence in these fields. As of the end of 2023, DC Holdings and its subsidiaries have played a pioneering role or collaborated in the formulation of 128 standards. Of these, 76 standards have already been officially published, while 52 are currently working in progress.

*Case: Company's Achievements in Standard Compilation*

- *Participated in the compilation and successful publication of the first domestic "Technical Requirements for Public Data Authorized Operation Platforms". This milestone establishes operational standard guidance for the safe circulation and utilization of public data, thereby maximizing the value and effectiveness of data usage;*
- *Participated in the compilation and successful publication of the "Smart City Top-Level Design Guide", "Smart City Domain Knowledge Model Core Concept Model", and "Smart City SOA Standard Application Guide". These documents offer theoretical and practical guidance for the construction of a new generation of smart cities in the era of big data and artificial intelligence;*
- *Led the development of the industry's first architecture standard for internet open platforms, "Commercial Bank Internet Open Platform Architecture Specification." This standard serves as an important reference for commercial banks in building internet open platforms.*




**Company-Led or Participated Standards**

In the future, we will continue to promote intellectual property management, optimize online intellectual property maintenance to keep it running efficiently; focus on intellectual property capitalization and productization attempts to form a new business growth point for DC Holdings; continue to actively encourage innovation, increase intellectual property R&D and design; strengthen rights protection efforts, actively combat infringement, expand the influence and value of intellectual property, and actively participate in the advancement of national industry standardization to actively contribute to the development of China's high-tech technology.

- **Customer-Centric, Continuous Empowerment**

As a high-tech enterprise that empowers core scenarios with innovative big data technology and as the preferred digital transformation partner for many customers, the Company has always adhered to the tenet of "customer-centric, service-oriented," and is committed to providing customers with a high-standard services.

As of 2023, the logistics company under the Company provides partners with a complete solution for the entire industrial chain digital brain, including end-to-end supply chain, with the highest 5A logistics enterprise qualification in the logistics industry, AOE-certified enterprise, and ISO three-system certification. It has won authoritative awards from various logistics industry associations multiple times, and its capabilities and reputation are widely recognized by the industry. The financial technology company under the Company has ISO20000 Information Technology Service Management System certification, ITSS Information Technology Service Operation and Maintenance Capability Assessment Level 1, Information System Construction and Service Capability Assessment Level 4 (CS4), CMMI Level 5, and has established an ISO22301 Business Continuity Management System. In the field of smart city services, the Company was awarded "2023 Digital Economy Leading Enterprise," and Zhangzhou City, which uses the Company's core innovative technology services, was awarded "2023 Leading Smart City in China," marking the public recognition of the Company's innovative digital solutions.

***Continuously Enhancing Customer Satisfaction***

The Company has established a comprehensive customer service system through information technology, making the entire customer service process standardized, transparent, and efficient, ensuring "issues are accumulated, tracked, and responded to". Based on the actual business situation and changes in market development and customer needs, the company designs regular customer satisfaction surveys for different service types, striving to fully and truly understand customers' opinions and suggestions, which serve as an important basis for the Company's continuous service improvement.

In terms of the after-sales service system, the company provides customers with multiple channels for feedback and has a dedicated department to handle customer complaints and feedback. Customers can provide feedback and suggestions through the portal, service hotline, service personnel (engineers, customer/project managers, sales), WeChat, and APP. The dedicated department personnel promptly handle, closely monitor, and collaborative efforts are made to facilitate the swift resolution of issue and ensure the effective implementation of corrective measures. For logistics business, the Company also uses the original order return warehouse system for real-time monitoring, effectively reducing the risk of loss and customer complaints which improved customers' satisfaction rate, and continuously updating after-sales standards according to customer needs to effectively protect customer interests and efficiently handle after-sales matters.

The financial technology company under the Company conducted two customer satisfaction surveys in the first and second halves of 2023, with about 3,179 survey subjects, achieving a satisfaction rate of 96.3%. During the year, 43 production events were reported.

In 2023, total 20,000 customer complaints received by ITL business under the Company, a complaint establishment rate of 0.039%, slightly lower than the 0.04% in 2022.

Upon receipt of complaints, the customer service department resolving the problems and requests, then jointly with the operation department/quality management department will reviews the relevant processes, then formulates corresponding management standards and operating procedures to reduce or prevent similar issues from recurring.

## *Continuously Enhancing Quality Management Capability*

To ensure the Company provides high-quality services to customers, the Company continues to make multi-faceted enhancements, including obtaining international and national standard quality certifications and used the quality standards to build up quality management systems, and matching corresponding organizational guarantees.

### Quality Certification

The financial technology business has 59 quality, service, and safety accreditation (10 of which are obtained in 2023). Moreover, to better serve customers and fulfill social responsibility, the company also has 41 quality certifications for production, high-tech enterprise, credit rating, and carbon neutrality.

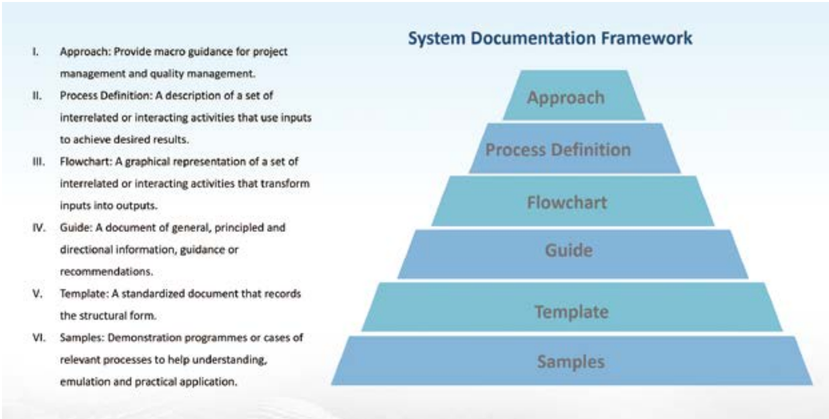
In 2023, the smart city service business reorganized and execute a series of  process standards after internal review, such as "Software Development Process Definition," "Software Development - Process Red and Yellow Card Inspection Report," "Configuration Management Process Definition," "Software Factory Test Process Specification," "Industry Review Process Definition," etc.. In addition, it also has ISO9001 (Quality Management System) Certification, ITSS3 (Information Technology Service Standard Level 3), and CMMI5, CMMI3.

ITL Business has the highest 5A logistics enterprise qualification in the logistics industry and passed the re-evaluation in 2023, with a total of 9 qualifications including AOE certified enterprise, ISO three-system certification, among which the medical device quality management system and food safety management system certifications were newly obtained in 2023. It has also won authoritative awards selected by various logistics industry associations multiple times, and its service capabilities and reputation are widely recognized by the industry.

### Quality Standards

In terms of quality standards, the company highly focused on R&D process, project delivery quality, and customer service quality and has strong internal control management awareness and capability . The Company has a well-developed PMBOK control system, which follows the standards of CMMI-5 and ISO9001. The scheme covers product quality management, product testing management, configuration management, project management, and process monitoring features for quality assurance. The Company establishes its project management and quality management system based on the standards of PMBOK, CMMI, CSMM, ISO, ITIL, as the guiding framework and management requirements for project management and quality management.

The project and quality management system documentation framework are as follows:




**Company Project and Quality Management System Documentation Framework**



### System Construction

In terms of system construction, we have built a service support system that matches customer's business perspective and a quality management system that runs through the whole delivery process. Internal and external collaborative and division of labor, the establishment of the corresponding project departments, the setting of project managers and customer service points, and transforming the demand into the internal project process. The internal operation system also set up corresponding contact person, project departments and the operation systems collaborate to provide the corresponding service plan and products to ensure the quality of service. During the service process, the customer needs and problems are timely responded and feedbacked, at the same time, monthly customer KPI indicators statistical analysis are performed and timely rectification of problematic issues are done to meet customer needs and enhance our customer experience.

### Organizational Safeguards

In terms of organizational support, we have also set up a relatively independent quality management department, through the three-level inspection form of headquarters spot check, daily platform quality inspection, and department self-inspection, we focus on operational indicators management, customer satisfaction management, quality audit management, and quality improvement design and continuous improvement to form an organization level and project level quality management system to achieve quantifiable full-process quality control.

*Case: Quality Management of Smart Logistics Business Project*

- *Before the introduction and implementation of the project, the customer department take the lead and cooperate with the operation and financial departments to carry out the new business launch planning;*
- *Set up a special project team, set up customer managers, business customer service, customer relationship, and transform customer needs into logistics operation requirements;*
- *Set contact person for different area, the project department and the operation system work together to design the corresponding service plan and products, and formulate the project operation SOP;*
- *Carry out project operation SOP training for operation personnel, so as to ensure the quality of service;*
- *In the process of service, we continue to pay attention to the satisfaction of customer needs, respond to customers in a timely manner in order to rectify problems in a timely manner;*
- *The project team conducts statistical analysis of customer KPI indicators on a regular basis (weekly/monthly/quarterly) to find potential problems and improve in a timely manner*
- *The delivery department and quality control department of the headquarters organize regular operation meetings every week to analyze the quality problems in the operation process, and formulate improvement measures and implementation plans;*
- *The headquarters quality control department formulate the warehouse inspection plan, perform inspection on the key risk of main projects such as the operation process, 6S management, and stock taking;*
- *Formulate improvement measures and implementation plans for the problems detected, and follow up the closed loop of problems;*
- *The account manager will give timely response and feedback to the customer's feedback in the form of regular return visits/visits to customers.*

## *Continuously Promoting Data Security Construction*

The company has taken big data technology as its core strategic direction for many years, and the importance of data security is obvious. Through continuous innovation and outstanding achievements in various related fields, DC Holdings has gained the trust of customers and partners in ensuring the continuous efforts to protect the data information security of itself and its customers.

DC Holdings' subsidiary participated in the formulation project of the "Data Security Governance Implementation Guide," which is one of the key standard projects by the National Internet Finance Association of China under the guidance of People's Bank of China. The standard specifies the framework, implementation, and outcome assessment of financial data security governance, clarifying the main content and methods of data security governance implementation. It is applicable to financial institutions providing financial products and services and provides references and guidance for their data security work. The following is a thank-you letter from the National Internet Finance Association of China to the Company:


中国互联网金融协会

感谢信

**Thank-you Letter from the National Internet Finance Association of China**

*Case: Subsidiary Obtains CCRC Security Qualification Certification*

*The CCRC (China Cybersecurity Review Technology and Certification Center) security certification is an important enterprise qualification in the field of information security services, widely recognized and cited by the industry. In 2023, a subsidiary of DC Holdings, under the strict supervision and assessment of CCRC, was awarded the CCRC risk assessment, security operation, and security integration level 3 service qualifications.*

*These three qualifications mark the company's authoritative certification and industry recognition in the field of information technology application innovation security services. It also signifies that the Company's information technology application innovation services have reached a new level in service standardization and technical capability professionalism.*

*The Company's information technology application innovation services "three protections and one evaluation" security service solution is designed strictly in accordance with technical standards, construction guidelines, assessment standards, and information technology application innovation policy. It adopted the information technology application innovation and confidential security protection equipment and systems and integrates a new generation of security frameworks and concepts to ensure reliability, trustworthiness, and availability. This provides customers with comprehensive security protection and control capabilities, helping them build a complete information technology application innovation security protection system.*

### Information & Data Security System Construction and Protection

In daily management and project execution, the group has always paid attention to data security and user privacy and has refined the systems for data security and customer/user information privacy protection. Technical and management measures have been formulated and implemented in personnel security, physical security, network security, application security, and log management, to a large extent ensuring the confidentiality, integrity, and utility of customer information. From the perspective of practical operation, for systems containing user data, all logins are subject to authorisation and approval and have an independent system operation account, which is subject to strict authority control. At the same time, all personnel who have access to critical data have signed confidentiality agreements and have received training in confidentiality and data security.

To further ensure information & data security, in 2023, a subsidiary of the Group established an Information Security Committee. The aim is to strengthen the information security work pattern and system construction through the work of the Information Security Committee, to form a good information security awareness among all employees, to form a barrier for information security, and to support the Company's steady and sustainable development.

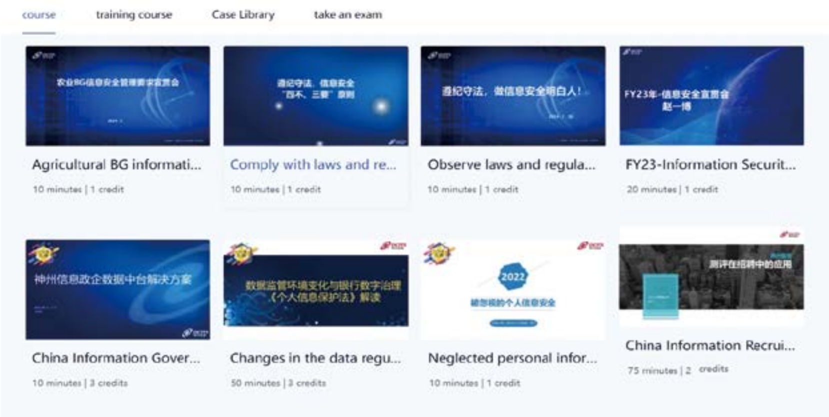
### Promotion and Training of Information & Data Security

- Focus on publicity and implementation

  To fully strengthen the information security awareness of the Company's employees, constantly enhance skill levels, and effectively prevent various type of information security risks, the company carried out publicity and implementation training on information security management requirements for key personnel throughout the year. The training introduced the information security management system in terms of organizational, personnel, physical, and technical control domains, and propagated in terms of application security, network security, and personnel security. All members of the first Information Security Committee and all financial R&D delivery personnel, totaling about 4,000 people, participated in this training.

- Daily Training

  In the Learning Centre on the company's homepage, we have set up course on information & data security, where employees can carry out online self-learning, in addition to irregular special training.




**Training Course Display in the Internal Learning Center of the Company**

- **Thematic training**

In 2023, the Company invited experienced data security experts in the industry to organize a special lecture on "Enhancing Data Security Awareness and Building Data Security Barriers". A total of more than 840 employees from key positions of the Company participated through online and offline, which played a good role in improving our personal awareness of prevention and control, further strengthening management, preventing and resolving information security risks, especially preventing and effectively avoiding data-related business risks.

**Lecture on information security**

### Information & Data Security Practices

In the Company's daily project management, there are clear standards and criteria for the operation of information & data security:

- In the customer demand research stage, clarify security requirements, output the demand research report with specific requirements and conduct feasibility analysis; when preparing the manual, based on the demand research report to make corresponding feedback and produce corresponding security designs, and confirm them through review.
- In the coding stage, follow security coding specifications and undergo security review, regularly back up, and any changes are reviewed and confirmed with customers.
- In the testing stage, in addition to conducting necessary functional and other tests, also perform defect monitoring, risk vulnerability scanning, access control, and other security tests on the system.
- In the trial operation stage, in addition to paying attention to the system's operational status and functional performance, also verify whether the customer's security requirements are met according to the demand research report.
- In the maintenance stage, focus on system security inspection after launched, perform regular patch upgrades, security reinforcement, and virus scanning, and output corresponding records.

## • Supply Chain Eco-System Cooperative Development

In terms of procurement management, the Group actively establishes a good and honest cooperative relationship with suppliers, ensuring the control of procurement costs and quality through a fair and just supplier evaluation system, thereby ensuring customer satisfaction. As of the end of 2023, the Company has established a relatively stable cooperative relationship with 1,996 well-known IT equipment and service manufacturers, including 3 overseas suppliers. Through strategic cooperation and alliances, the Group actively explores the path of industrial development and ecosystem construction, bringing advanced domestic and foreign technologies and products to users, providing users with a comprehensive solutions and high-quality, efficient services, together enhancing the overall influence of enterprises on the economy, society, and environment.

| Annual | Domestic | Overseas | Total |
|---|---|---|---|
| 2021 | 2009 | 17 | 2026 |
| 2022 | 1701 | 3 | 1704 |
| 2023 | 1993 | 3 | 1996 |

### *Work with Partners to Promote Ecological Construction*

#### Eco-Partner Conference

In 2023, DC Holdings held an eco-partner conference to empower the digital supply chain ecosystem. DC Holdings officially released the "1235" ecosystem strategy at the conference, which includes establishing a digital logistics supply chain service platform, two smart networks of hierarchical and graded eco-warehouse network and visual full-linkage network, and a "hub + channel + network" three-in-one logistics supply chain ecosystem service system and planned is to complete the strategic layout in 500 cities within the next three years.


**DC Holdings Eco-Partner Conference**

DC Holdings advocates doing things candidly, and at the conference, it released the "Sunshine Agreement," to resolutely eliminate any form of corruption in cooperation with ecological partners, bringing integrity culture to the industry's development. At the same time, DC Holdings signed strategic cooperation agreements with 7 partners to jointly promote ecosystem construction.

The Chief Operating Officer of DC Holdings expressed in her speech that DC Holdings is committed to empowering various scenarios with leading big data technology. DC Holdings always adheres to the ecological development concept of co-consultation, co-construction, co-creation, sharing, and coexistence, and will cooperate extensively and deeply with ecological partners in areas such as organizational development, talent training, system development, financial services, and capital cooperation, to create a full-network, full-linkage, integrated digital logistics supply chain.

### Delegation of General Managers of State-owned Enterprises in Jilin Province Visit

In July 2023, a delegation of general managers of state-owned enterprises in Jilin Province visited the DC Holdings Shenzhen headquarters, International Innovation Center. The delegation was led by Wang Gang, Deputy Director of the Jilin Provincial State-owned Assets Supervision and Administration Commission, including more than 50 people from the Jilin Provincial State-owned Assets Supervision and Administration Commission, Changchun Municipal State-owned Assets Supervision and Administration Commission, and the heads of major state-owned and city-owned enterprises. The visit was part of the on-site training of the delegation. The delegation visited the Innovation Center and listened to the sharing of DC Holdings' relevant representatives on strategic choices and enterprise management in the digital age.


**The general managers of a training course of state-owned enterprises in Jilin Province visited DC Holdings**

Mr. Victor Cheung, Vice President of DC Holdings extended a warm welcome to the delegation of the General Managers of State-owned Enterprises in Jilin Province, and hope for deeper cooperation with Jilin state-owned enterprises in the future, by replicating DC Holdings' experience model in Xi'an Hi-Tech Industrial Development Zone to Jilin.

Wang Gang, Deputy Director of the Jilin Provincial State-owned Assets Supervision and Administration Commission, expressed his gratitude for DC Holdings' hospitality and training arrangements. He said that as a leading high-tech enterprise, DC Holdings has made outstanding contributions to the construction of digital Jilin in recent years, and its achievements in digitalization, enterprise management, and other aspects are worth for studying by Jilin enterprises. With the deepening cooperation between Jilin Province, Changchun City, and DC Holdings, both sides will surely achieve more fruitful results.

The visit not only enhanced the mutual understanding between the enterprises directly owned by Jilin Provincial State-owned Assets Supervision and Administration Commission and DC Holdings but also laid a good foundation for cooperation between the parties in digital transformation and enterprise management. In the future, both parties will continue to strengthen communication and exchange, explore more cooperation opportunities, and jointly promote regional economic development.

### *Supplier Selection and Management Mechanism*

To protect the respective legal rights and interests of the Company and its suppliers in business dealings and to fully embody the fairness and justice of the cooperation spirit, the Company has established a comprehensive supplier management plan and process supervision mechanism. In selecting qualified suppliers, the Company usually inquires with at least three suppliers and considers both the cost, delivery cycle, and supplier's technical capabilities, etc. The Company strictly implements supplier admission criteria, verifies supplier credit and qualifications based on the duration of cooperation, order volume, and nature of demand, and strengthens the management level in intellectual property rights. New suppliers must provide the necessary qualification documents, the copyright of the related products and the intellectual property rights certification documents, and sign the "Partner Integrity and Honesty Agreement." The company closely monitors the performance of cooperative suppliers in the cooperation process and public information. Suppliers with any misconduct will be terminated and add to the supplier blacklist. By the end of 2023, nearly 40 suppliers had been added to the blacklist. During the year, no suppliers were terminated or not renewed due to corruption.

The company places great emphasis on risk prevention and control in the procurement process, establishing a transparent procurement and bidding process, and compiling a relatively comprehensive procurement management system, such as the "Project Procurement Supplier Management Regulations" and "Transportation Supplier Procurement Management Regulations," as well as supplier assessment systems. Under the requirements of the ISO quality management system and the internal control and compliance of listed companies, necessary control measures are taken to collect, track, and evaluate information on key aspects such as supplier delivery quality, delivery time, technical support, and after-sales services, to comply with the procurement process and quality control of procured goods.

### *Collaboration for Win-Win Results and Co-Creation of the Future*

The Company consistently advocates the cooperation concept of "work together for a win-win situation and create a better future" and actively signed cooperation clauses on "environmental protection and occupational health and safety maintenance" with suppliers. Factors such as environment, business integrity and ethics, work standards and practices (such as the prohibition of child labor), and occupational health and safety are incorporated into the supplier selection procedures and procurement decisions. The company promotes resource and energy conservation, environmental protection, and ensuring the health and safety of employees during cooperation with suppliers, and empower society's sustainable development.

## Appendix 1: the Group's ESG Objectives and Key Performance Indicators

### • The Group's ESG objectives

Medium and long-term ESG objectives

In 2023, the medium and long-term objectives reviewed by the Company's board of directors and management were shown in the table below:

| Key Performance Indicator type | Company's commitment | Medium and long-term objectives | Remarks/realization path |
|---|---|---|---|
| **Society** | | | |
| Diversity and inclusiveness | The Company is eclectic and attracts all kinds of outstanding talents. | By 2030, the proportion of female employees and executives in the Company will increase to 1/3 | In 2023, the proportion of female employees in the Company was 24%, the balance of female executives was 22% and the proportion of female employees promoted is 32%. |
| Community/ Public Welfare | The Company's Aixin fund and other public welfare organizations, the Company's rural revitalization projects, etc., help vulnerable groups obtain better education and technical resources. | By 2030, the Company's public welfare activities and technology-assisted agriculture projects will benefit the lives of 1 million people through general welfare projects and partners.<br><br>By 2030, at least one-quarter of employees will participate in corporate public welfare activities and charitable projects (including volunteer services and donations) | Public welfare activities organized by trade unions, businesses benefiting farmers, etc.<br><br>Public welfare activities and charity projects organized by the Company and its partners. |
| **Governance** | | | |
| Corporate Governance | The Company focuses on establishing long-term and sustainable business development and fully integrating ESG considerations into the Group's business operations and management. | In 2027 and beyond, including the strategic discussions on important ESG issues into the scope of meetings of the Company's audit committee, evaluate the progress of ESG projects, and assess the continued relevance of the project to the Company's long-term business strategy.<br><br>In 2027 and beyond, management will make recommendations to manage ESG risks and projects effectively.<br><br>In 2027 and beyond, regular updates on ESG issues will be provided to the board. | The board of directors has been regularly reviewing and evaluating ESG reports and related risks and will further strengthen them in the future. |
| Business ethics | The company's corporate culture upholds the highest standards of business ethics and complies with the laws and regulations of the countries in which it operates | In 2025 and beyond, we will continue to promote company-wide ethics and compliance through enhanced programs and training. | Relevant training is currently in progress. |
| Privacy protection | The Company commits to continuous improvement of its privacy protection practices. | In 2025 and beyond, the management and accountability mechanism of privacy impact assessment and privacy compliance review will be improved 2025. | The companies have established an Information Security Committee to implement tighter protection of data security, including private information |

# Environmental, Social and Governance Report

Specific ESG objectives and indicator system construction

| ESG Aspect/Target Type | Macro objectives | KPI | Specific objectives | Situation in 2023 |
|---|---|---|---|---|
| **Environment** | | | | |
| **Office environment level** | | | | |
| Essential management of office environment | Overall compliance with environmental management standards | Environmental Management System Certification | The property management company of the Company's office building has obtained the environmental management system certification. | Achieved[1] |
| Data Center | Minimize power consumption of self-owned data center | PUE does not exceed the standard | The average annual PUE of self-owned data centers does not exceed 1.5 | Achieved |
| | | Data center electricity consumption per year | Through continuous energy-saving measures to reduce the annual power consumption of the data | Not achieved[2] |
| | Minimize the environmental impact of waste from self-owned data centers | Harmless treatment of waste | Waste hard drives are 100% harmless after the destruction. | Achieved |
| | | | Qualified suppliers harmlessly treat 100% of the waste lead-acid batteries in the self-owned data center. | Achieved |
| Waste management | Minimize the environmental impact associated with waste generated from company operations. | Implement garbage classification management | The Company's office buildings in mainland China implement waste classification. | Achieved |
| | | Harmless treatment of waste | Harmless disposal of hazardous waste; recycling of harmless waste | Achieved |
| Energy | Minimize unit energy consumption and reduce carbon dioxide equivalent emissions from overall business activities | Electricity consumption per capita (kWh) | Through energy-saving renovations, the Company's self-owned office buildings and warehouses in mainland China have achieved a 5% reduction in per capita electricity consumption compared with the previous year. | Achieved |
| Water resource management | Minimize the environmental impact of the water and sewage discharges generated by the Company's business activities. | Per capita water consumption (tons) | The Company's self-owned office buildings and warehouses in mainland China achieved a 5% reduction in per capita water consumption compared to the previous year. | Achieved |
| | | Up to sewage discharge standard | The Company's sewage discharge test meets the national sewage discharge standards. | Achieved |
| **Product/service level** | | | | |
| Packing | Minimizing packaging material consumption in shipping or courier | Reduce unit volume or weight | Through good consolidation or other effective measures, the consumption of packaging materials per unit order is reduced by 5% per year. | Achieved |
| | Increased use of reused and recycled materials in packaging | Percentage of recyclable material | The proportion of cartons and wooden boxes accounts for more than 70% of the packaging materials, and the % increases every year. | Achieved |

| ESG Aspect/Target Type | Macro objectives | KPI | Specific objectives | Situation in 2023 |
|---|---|---|---|---|
| **Society** | | | | |
| Diversity and inclusiveness | The Company is eclectic and attracts all kinds of outstanding talents | The proportion of female employees and senior executives in the Company | With the expansion of the Company's business scale, the balance of female employees and senior executives in the Company will remain stable or increase year by year. | Achieved |
| Occupational health and safety | Provide a safe working environment and protect employees' physical and mental health | Zero employee fatalities and lost hours due to workrelated injuries | Taking 2022 as the base, maintain zero work-related fatalities and keep the number of work-related lost work hours from increasing. | Achieved |
| Community/Public Welfar | Help vulnerable groups obtain better resources and expand community influence. | Company donations and other public welfare activities and employee volunteer hours | Taking 2022 as the base, keep the annual Company donated public welfare activities and employee volunteer hours stable or increase year by year. | Achieved |
| **Governance** | | | | |
| **Customer service level** | | | | |
| High-quality customer service | Customer-centric continuously improves customer satisfaction through professional technical services and a comprehensive customer service system. | Customer satisfaction/ customer complaint rate | Keep customer satisfaction stable or increase year by year, and the complaint rate remains stable or decreases year by year. | Achieved |
| **Supply chain level** | | | | |
| Supplier performance | Monitor, promote, and minimize the environmental and social adverse impacts of the Company's suppliers | Certification | All cooperative suppliers should have qualified certification | Basically achieved[3] |
| | | Sign the "Partner Integrity Agreement" | All cooperative non-original suppliers should sign the "Partner Integrity Agreement" | Achieved |
| **Business ethics level** | | | | |
| Integrity and honesty | The Company advocates honesty and integrity internally and promotes it to external stakeholders to create a clean and honest working environment | Coverage of the anti-corruption and integrity training and signing the "Commitment Letter." | The Company conducts large scale anti-corruption and integrity promotions at least once a year, which covers all employees; more than 95% of the employees sign the "Commitment Letter." | Achieved |

*Remark:*

1. The properties in the main self-owned office parks in Beijing, Xi'an and Wuhan have ISO environmental management system certification;
2. In 2023, with the demand for AI computing power, big data and other services, the load of physical servers in data centers will be larger, and the overall energy consumption will increase compared with 2022.
3. The qualification certification of individual cooperative suppliers needs to be updated;
4. For details of other targets for 2023, please refer to the data in the ESG Key Performance Indicators Excerpt.

- **Extract of 2023 ESG Key Performance Indicators**

*Environmental Performance Indicators*

The following are some of the Group's environmental performance indicators, including using significant resources, greenhouse gas emissions, and waste data compiled per the "Environmental, Social, and Governance Reporting Guidelines". Unless otherwise stated, the data below cover the Group's main office buildings and data centers in Mainland China.

**Greenhouse gas emissions (mainly carbon dioxide CO2) and major wastes**

| **Emissions & Waste** | **For the year ended 31 December** | | |
|---|---|---|---|
| **Type** | **2023** | **2022** | **2021** |
| Total Greenhouse Gas Emissions (tons) | 11,002.32 | 12,207.14 | 13,808.03 |
| Direct greenhouse gas emissions (tons) | 348.11 | 374.10 | 431.83 |
| Gasoline (liters) | 7,395.43 | 14,324.30 | 22,184.68 |
| Equivalent to greenhouse gas emissions (tons) | 15.79 | 32.37 | 50.14 |
| Diesel (liters) | 22,776.33 | 29,787.72 | 40,297.28 |
| Equivalent to greenhouse gas emissions (tons) | 60.64 | 81.32 | 110.01 |
| Natural Gas ($m^3$) | 121,028.00 | 120,438.00 | 125,648.00 |
| Equivalent to greenhouse gas emissions (tons) | 271.68 | 260.41 | 271.68 |
| Total indirect greenhouse gas emissions (tons) | 10,654.21 | 11,833.03 | 13,376.21 |
| Purchased electricity (MWh) | 12,337.39 | 13,647.90 | 15,435.44 |
| Equivalent to greenhouse gas emissions (tons) | 10,654.21 | 11,833.03 | 13,376.21 |
| Greenhouse gas emissions per capita (tons/employee) | 0.66 | 0.80 | 0.94 |
| Hazardous Waste (tons) | 1.00 | 1.00 | 1.00 |
| Hazardous waste per capita (tons/employee) | 0.00006 | 0.00007 | 0.00007 |
| Amount of non-hazardous waste (tons) | 1,365.00 | 1,280.00 | 1,250.00 |
| Non-hazardous waste per capita (tons/employee) | 0.08 | 0.08 | 0.08 |

*Remarks:*

- Based on the nature of our business, the main gas emissions of our Group are greenhouse gas emissions, originating from the use of fuel and purchased electricity and heat from fossil fuels.
- Our Group's greenhouse gas inventory mainly consists of carbon dioxide. The greenhouse gas emissions data for the year ended December 31, 2023, are presented in carbon dioxide equivalents and are calculated based on the emission factors for the China regional grid baseline published by the Ministry of Ecology and Environment of the People's Republic of China in 2019, and the applicable coefficients in the Intergovernmental Panel on Climate Change (IPCC) national greenhouse gas inventory guidelines.
- Over the past three years, our Group's greenhouse gas emissions (including direct and indirect emissions) have been decreasing year by year. In 2023, the total greenhouse gas emissions decreased by 9.9% compared to 2022. The main reasons include the Company's gradual replacement of LED light sources, continuous implementation of various energy-saving and emission reduction measures, and the consolidation of some logistics warehouses, resulting in a reduction of about 10% in purchased electricity in 2023 compared to 2022.
- The consumption of gasoline and diesel mainly comes from the Company's own vehicles.
- The consumption of natural gas is mainly used for heating and other equipment in the Company's buildings.
- The types of hazardous waste generated in the operation of our Group's office buildings include waste toner cartridges and ink cartridges from printing devices, and waste batteries from some electrical devices. These hazardous wastes are managed centrally and handed over to qualified recycling units for recycling.
- The types of non-hazardous waste generated in the operation of our Group's office buildings mainly include domestic garbage and non-hazardous office waste. Domestic garbage is handled by property management companies and kitchen waste recyclers, and cannot be measured separately. We estimate the office building's domestic garbage based on the "First National Pollution Source Survey Urban Domestic Source Emission Coefficient Manual" published by the State Council.
- The number of employees in our Group over the past three years: 16,782 in 2023, 15,166 in 2022, and 14,744 in 2021. Over the past three years, due to the steady increase in the number of employees and the overall decrease in energy consumption, per capita energy consumption has shown a downward trend; per capita waste levels have remained stable.

Energy consumption and use of water, steam, packaging materials

| Index | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total energy consumption (MWh) | 13,799.21 | 17,264.53 | 18,964.13 |
| Direct Energy Consumption (MWh) | 1,461.81 | 1,630.10 | 1,869.45 |
| Of which: Gasoline (MWh) | 86.45 | 167.45 | 259.34 |
| Diesel (MWh) | 178.84 | 271.96 | 367.91 |
| Natural Gas (MWh) | 1,196.52 | 1,190.69 | 1,242.20 |
| Indirect energy consumption (MWh) | 12,337.39 | 15,634.43 | 17,094.67 |
| Including: Purchased electricity (MWh) | 12,337.39 | 15,634.43 | 17,094.67 |
| Total energy consumption per capita (MWh/employee) | 0.82 | 1.14 | 1.29 |
| Tap water consumption (tons) | 80,475.58 | 110,168.98 | 129,088.19 |
| Tap water consumption per capita (tons/employee) | 4.80 | 7.26 | 8.76 |
| Steam Consumption (tons) | 430.00 | 719.00 | 747.01 |
| Steam consumption per capita (tons/employee) | 0.03 | 0.05 | 0.05 |
| Total consumption of packaging materials (tons) | 15,179.00 | 23,122.00 | 25,244.00 |
| Average consumption per order (ton/order) | 0.00012 | 0.00013 | 0.00013 |

*Remarks:*

1. Our Group's water source comes from municipal tap water supply. In 2023, the tap water usage decreased by 29,693.41 tons compared to 2022, a reduction rate of 26.95%. The main reasons are the consolidation of some warehouses in the ITL business and various water-saving measures implemented by the Company, resulting in a decrease in water usage.

2. The steam used by our Group comes from municipal heating units; the consumption of natural gas is mainly for heating and other equipment in the Group's buildings.

3. The consumption of gasoline and diesel by our Group mainly comes from the Company's own vehicles. In 2023, the consumption of gasoline and diesel further decreased, while the consumption of natural gas remained stable; the direct energy consumption decreased by 168.29 megawatt-hours compared to 2022, a reduction rate of 10.32%.

4. Due to the reduction in purchased electricity and the decrease in gasoline and diesel consumption in 2023, the total energy consumption in this year decreased by 20.07% compared to 2022. The energy consumption is calculated based on the consumption of purchased electricity and fuel, as well as the conversion factors in the IPCC national greenhouse gas inventory guidelines, the "General Principles for Comprehensive Energy Consumption Calculation," and the "Emission Factors for the China Regional Grid Baseline for the 2019 Emission Reduction Projects" published by the Ministry of Ecology and Environment of the People's Republic of China.

5. The packaging materials used by our Group are mainly packaging boxes used in the digital supply chain business, and the amount of wood boxes used is so small that they are not included in the statistics. In 2023, the order volume using packaging materials decreased compared to 2022, with a total decrease of 7,943 tons in packaging material usage, mainly due to the decrease in business volume of companies like Cainiao; the average packaging material consumption per order decreased by 5%, mainly due to various environmental protection measures taken by the Company.

## *Social Performance Indicators*

In 2023, data related to the employees of the Group were as follows:

| Classification criteria | | Male | Female | Total | % |
|---|---|---|---|---|---|
| By age | Below 30 | 6007 | 1868 | 7875 | 46.93% |
| | 30 - 50 | 6586 | 2125 | 8711 | 51.91% |
| | Over 50 | 175 | 21 | 196 | 1.17% |
| | **Total** | **12768** | **4014** | **16782** | **100%** |
| By profession | Technical staff | 11496 | 2714 | 14210 | 84.67% |
| | Sales staff | 568 | 284 | 852 | 5.08% |
| | General Management | 326 | 831 | 1157 | 6.89% |
| | Others | 378 | 185 | 563 | 3.35% |
| | **Total** | **12768** | **4014** | **16782** | **100%** |
| By Qualification | Ph.D. | 12 | 3 | 15 | 0.09% |
| | Master | 318 | 301 | 619 | 3.69% |
| | Undergraduate | 7675 | 2715 | 10390 | 61.91% |
| | College & below | 4763 | 995 | 5758 | 34.31% |
| | **Total** | **12768** | **4014** | **16782** | **100%** |
| By Region | Mainland China | 12686 | 3965 | 16651 | 99.22% |
| | Hong Kong, Macao, Taiwan and overseas | 82 | 49 | 131 | 0.78% |
| | **Total** | **12768** | **4014** | **16782** | **100%** |

Among them, the proportion of senior executives by Gender is as follows:

| Senior executives by Gender | Number | % |
|---|---|---|
| Male | 312 | 78.45% |
| Female | 86 | 21.55% |
| Total | 398 | 100% |

Training statistics:

| Training classification | | Average training hours |
|---|---|---|
| By Rank | Senior manager to general manager | 38.68 |
| | President and Vice President | 19.26 |
| | Manager | 13.39 |
| | General staff | 10.53 |
| By Gender | Male | 11.82 |
| | Female | 12.37 |
| By Content | Professional training | 7.07 |
| | Corporate Culture | 3.15 |
| | Management development | 1.87 |
| | General skills | 12.42 |
| | Process & system training | 13.62 |

*Remarks:*

In 2023, the average training hours of various employees recorded in the Company's HR training system, online learning center, and cloud classroom are shown in the above table. Divided by rank, in addition to the regular training, more expatriate training and internal management training are offered to senior managers to general managers grade. Divided by gender, the average training hours of female employees are slightly higher than that of male employees, but there is no crucial difference in the training resources. Divided by content, we put more resources into professional training.

Staff turnover rate:

| 2023 | 2022 | 2021 |
|---|---|---|
| 21.97% | 26.13% | 30.22% |

| Classification | | Turnover rate |
|---|---|---|
| By Profession | Technical staff | 22.10% |
| | Sales staff | 27.05% |
| | General Management | 18.18% |
| | Others | 17.57% |
| By Gender | Male | 22.53% |
| | Female | 20.14% |
| By Age | Below 30 | 25.25% |
| | 30 - 50 | 18.93% |
| | Over 50 | 13.66% |
| By Region | Mainland of China | 22.07% |
| | Hong Kong, Macao, Taiwan and overseas | 6.43% |

*Remark:*

1. Employee turnover rate = number of turnovers/(number of people at the end of the year + number of turnovers during the year)*100%
2. In the past three years, the company's overall employee turnover rate has shown a downward trend, reflecting the company's efforts in recruiting, and retaining talent.





Work-related injuries and fatalities:

| Year | Criteria for division | Number | % | Lost working hours |
|---|---|---|---|---|
| 2023 | Work fatality | 0 | 0 | 0 |
| | Work injury | 12 | 0.07% | 1464 |
| 2022 | Work fatality | 0 | 0 | 0 |
| | Work injury | 15 | 0.099% | 7258 |

Accumulated community/public welfare data as of 2023:

| Accumulated as of 2023: |
|---|
| The Company has donated money, materials, and digital services worth about RMB 52.70 million in various social welfare activities. |
| The 10 "DC Holdings Hope Primary Schools" established by the Company have been maintained for nearly 21years, benefiting more than 15,500 students. |
| Our volunteers organized a total of 96 voluntary activities and contributed a total of more than 3,800 hours for our "DC Holdings Hope Primary Schools." |
| In the field of rural revitalization, the Company has carried out extensive cooperation and innovation with governments at all levels and more than 650 financial institutions across the country, serving millions of agriculture-related groups across the country. |
| The Company's innovation center has received more than 8,000 visits, and completed a number of strategic launches and signing ceremonies. |
| We held nearly 200 activities related to integrating technology and art and established cooperative relations with over 100 artists. |

## Governance Performance Indicators

Comparison of customer complaint rates in the last three years:

| Year | 2023 | 2022 | 2021 |
|---|---|---|---|
| Number of complaints (thousand) | 25.4 | 40 | 20 |
| Total order quantity (thousand) | 65800 | 95000 | 70000 |
| **%** | **0.039%** | **0.04%** | **0.05%** |

*Remark:* The number of complaints refers to the relevant data of the number of complaints in the business system, and the number of complaints is based on 2C business of ITL.

Comparison of intellectual property of the Group in the last three years:

| Year | Copyrights | Patents | Trademarks | Total |
|---|---|---|---|---|
| 2023 | 2369 | 141 | 277 | 2787 |
| 2022 | 2165 | 154 | 279 | 2598 |
| 2021 | 1836 | 130 | 283 | 2249 |

In addition, as of 2023, DC Holdings has led and participated in a total of 76 national standards and industry standards, and 37 are under research.

The data of the cooperative suppliers in the last three years are as follows:

| Year | Domestic | Overseas | Total |
|---|---|---|---|
| 2023 | 1993 | 3 | 1996 |
| 2022 | 1701 | 3 | 1704 |
| 2021 | 2009 | 17 | 2026 |

Supplier management & anti-corruption data in 2022 are as follows:

| Nature of the event | Coverage | Quantity |
|---|---|---|
| Sign the "Partner Integrity Agreement" with all non-original suppliers | 100% | |
| Blacklisted suppliers (currently accumulative) | | 40 |
| Suppliers who were blacklisted for fraudulent prosecution in the year | | 0 |
| Employees covered by anti-corruption training | 100% | |
| "Commitment Letter" signing rate | 99.6% | |
| Incident suspected relating to conflict of interest | | 2 |
| Personnel removed by the Company according to company regulations | | 2 |
| New persons involved in fraudulent prosecution in the year | | 1 |

## Appendix II: Index of Reporting Indicators

| Report Chapters | HKEX ESG Guidelines | GRI | SDGS |
|---|---|---|---|
| 1.0 Environmental | | | |
| Empower Green and Low-Carbon Development with Technology | A1,A1.6;A2,A2.4,A2.5;A3,A3.1 | 303-1;304-1,3-4-3;306-2,306-4 | |
| Actively Response to Climate Change | 44,A4.1 | |  |
| Empowering Energy Conservation and Emission Reduction with Digital Intelligence Technology | A1,A1.5,A1.6;A2,A2.3,A2.4,A2.5;A3,A3.1 | 302-4;303-1;305-1,305-2,305-3,305-5;308-1 | |
| Steady Progress Towards Carbon Neutrality | A1,A1.1,A1.2,A1.5;A2,A2.3;A4,A4.1;B5,B5.2,B5.3,B5.4 | 302-4;305-1,305-2,305-3,305-5;308-1 | |
| 2.0 Social | | | |
| Support Employee Development | | | |
| Equality and Inclusion | B1,B1.1;B4,B4.1 | 405-1;406-1,408-1;409-1 | |
| Employment and Human Rights Protection | B1,B1.1,B1.2;B4 | 401-1,401-2,401-3;408-1;409-1 | |
| Career Development and Training | B3,B3.1,B3.2 | 404-1,404-2 |  |
| Partnership Spirit and Corporate Culture | B1,B2,B3 | | |
| Occupational Health and Safety | B2,B2.1,B2.2,B2.3 | 403-1,403-3,403-4,403-5,403-6,403-7 | |
| Work-Life Balance | B2,B2.3 | 403-1,403-3,403-4,403-5,403-6,403-7 | |
| Open Communication Channels | B2,B3 | | |
| Stimulate Community Vitality | | | |
| Assisting Industry-Academia-Research Cooperation | B8,B8.1,B8.2 | | |
| Public Donations | B8,B8.1,B8.2 | |  |
| Digital Technology Empowering Rural Revitalization | B8,B8.1,B8.2 | | |
| Technological Innovation and Artistic Integration | B8,B8.1,B8.2 | | |
| 3.0 Governance | | | |
| Transparent and Diverse Corporate Governance | B7,B7.1,B7.2,B7.3 | 205-1,205-2,205-3;405-1 | |
| Technology Innovation: Leading the Future | B6,B6.3 | | |
| Customer-Centric, Continuous Empowerment | B6,B6.2,B6.4,B6.5 | |  |
| Supply Chain Eco-System Cooperative Development | B5,B5.2,B5.3,B5.4 | 308-1 | |
| Appendix 1: ESG KPI | | | |
| ESG KPI | A1.2;A2.1;A2.4;B1.1,B1.2;B2.1;B2.2;B5.1 | 204-1;302-1;302-3;303-5,305-1;305-2;305-3;305-4;403-9;403-10 | |

# Report of the Directors

The Directors of the Company submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

As a leading big data service enterprise, the Group's core business revolves around deploying spatial-temporal big data and artificial intelligence technologies, providing government and enterprise clients with a full-suite of big data products and solutions, software and operating services, systems integration and supply chain services. Details of the principal activities of the principal subsidiaries of the Group are set out in note 46 to the financial statements.

## RESULTS AND DIVIDENDS

On 30 August 2023, the Directors declared an interim dividend of HK1.0 cent per share (2022: HK2.3 cents per share) for the six months ended 30 June 2023 and which was paid on 16 October 2023.

The Group's profit for the year ended 31 December 2023 and the Group's financial position as at that date are set out in the financial statements on pages 140 to 245 of this annual report.

The board of Directors recommends the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2023 (2022: HK4.5 cents per ordinary share), subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 and market and business outlook are set out in the section headed "Management Discussion and Analysis" on pages 12 to 16 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report. A description of the Group's environmental policies and performance and compliance with relevant laws and regulations having significant impact on the Group's business can be found on pages 56 to 67 of this annual report.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 247 of this annual report. The five-year financial summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 14 to the financial statements.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2023 are set out in note 15 to the financial statements.

## SHARE CAPITAL

Details of movements, together with the reasons therefore, in the share capital of the Company during the year ended 31 December 2023 are set out in note 35 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act of Bermuda 1981, amounted to RMB755,150,000. In addition, the Company's share premium account, in the amount of RMB4,139,709,000, may be distributed in the form of fully paid bonus shares.

# Report of the Directors

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the amended and restated bye-laws of the Company adopted on 28 June 2023 ("**New Bye-Laws**") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

## PERMITTED INDEMNITY PROVISION

As provided by the New Bye-Laws, every Director shall be indemnified out of the Company's assets against any liability incurred by the Director, to the extent permitted by Bermuda law. Such permitted indemnity provision has been in force throughout the year ended 31 December 2023 and was in force at the time of approval of this report. The Company has arranged appropriate directors' and officers' liability coverage for the directors and officers of the Group.

## DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this report were:

### Executive Directors

Mr. GUO Wei (Chairman and Chief Executive Officer)

Mr. LIN Yang (Vice Chairman)

### Non-executive Directors

Ms. CONG Shan

Mr. LIU Jun Qiang  (Note 1)

Mr. ZENG Shuigen (Note 2)

### Independent Non-executive Directors

Mr. WONG Man Chung, Francis

Miss NI Hong (Hope)

Dr. LIU Yun, John

Mr. KING William

Mr. CHEN Timothy Yung-cheng

*Notes:*

1.Mr. LIU Jun Qiang was appointed as a Non-executive Director of the Company with effect from 28 March 2024.

2.Mr. ZENG Shuigen resigned as the Non-executive Director of the Company with effect from 28 March 2024.

In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Mr. LIU Jun Qiang, who was appointed as the Non-executive Director of the Company on 28 March 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 26 March 2024 , and Mr. LIU Jun Qiang has confirmed that he has understood his obligations as a director of the Company.

In accordance with Bye-Law 99 of the New Bye-Laws, Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng will retire from office by rotation.  In accordance with Bye-Law 102(B) of the New Bye-Laws, Mr. LIU Jun Qiang who was appointed as Director with effect from 28 March 2024 will hold office until the forthcoming annual general meeting of the Company.  All of the retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

## DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors required to be disclosed under Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rule(s)**") are set out below:

| Name of Director | Details of Changes |
|---|---|
| Mr. CHEN Timothy Yung-cheng | • Resigned as the Vice Chairman of Suirui Technology Limited in February 2024 |
| Mr. ZENG Shuigen | • Resigned as the Non-executive Director of the Company with effect from 28 March 2024 |
| Mr. LIU Jun Qiang | • Appointed as the Non-executive Director of the Company with effect from 28 March 2024 |

## DIRECTORS' SERVICE AGREEMENTS

Each of the Executive Directors of the Company have entered into a service agreement with the Company which shall continue in force unless and until terminated by (i) either the Company or the Director serving on each other of not less than three months' notice; or (ii) his retirement as a Director without being re-elected as a Director by the shareholders of the Company ("**Shareholder(s)**") in an annual general meeting in accordance with the New Bye-Laws; or (iii) in the event of the Director's default under the terms of the said service agreement.

None of the Directors of the Company proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than the statutory compensation).

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company which is not a contract of service with any director of the Company or person engaged in full-time employment of the Company was entered into or subsisted during the year ended 31 December 2023.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in notes 37 and 43 to the consolidated financial statements and the section headed "MAJOR CUSTOMERS AND SUPPLIERS" of this report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year ended 31 December 2023.

## RELATED PARTY TRANSACTIONS

The related party transactions disclosed in note 43 to the consolidated financial statements of the Group for the year ended 31 December 2023 did not constitute connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

# Report of the Directors

## SHARE OPTION SCHEME

The Company's share option scheme was adopted on 15 August 2011 (the "**2011 Share Option Scheme**"), with life span of ten years. Notwithstanding that the 2011 Share Option Scheme had expired in August 2021, the rights of the grantees under the 2011 Share Option Scheme continue to subsist. Details of the 2011 Share Option Scheme as well as movements in the share options during the year ended 31 December 2023 are set out in note 37 to the financial statements.

## RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme (the "**RSA Scheme**") on 28 March 2011 for the purpose of rewarding and motivating, among others, Directors (including executive and non-executive) and employees of the Company and its subsidiaries with the shares of the Company. Details of the RSA Scheme are set out in note 37 to the financial statements.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", "Restricted Share Award Scheme" of this report, no equity-linked agreements were entered into during or subsisted at the end of the year ended 31 December 2023.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Share Option Scheme" and "Restricted Share Award Scheme" of this report, at no time during or at the end of the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company and their associates in the shares of the Company ("**Share(s)**"), underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 the Directors and chief executive of the Company were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" adopted by the Company (the "**Model Code**") were as follows:

| Name of Director | Capacity | Personal interests | Corporate interests | Number of outstanding share options | Total (Note 1) | Approximate percentage of aggregate interests (%) (Note 7) |
|---|---|---|---|---|---|---|
| GUO Wei | Beneficial owner and interests of controlled corporations | 102,796,707 | 173,284,857 *(Note2)* | 67,116,974 *(Note3&4)* | 343,198,538 | 20.51 |
| LIN Yang | Beneficial owner | 3,571,734 | - | 14,448,974 *(Note3&4)* | 18,020,708 | 1.08 |
| WONG Man Chung, Francis | Beneficial owner | 720,000 *(Note5)* | - | 1,332,000 *(Note4)* | 2,052,000 | 0.12 |
| NI Hong (Hope) | Beneficial owner | 100,000 *(Note5)* | - | 1,332,000 *(Note4)* | 1,432,000 | 0.09 |
| LIU Yun, John | Beneficial owner | 100,000 *(Note5)* | - | 1,332,000 *(Note4)* | 1,432,000 | 0.09 |
| KING William | Beneficial owner | 100,000 *(Note5)* | - | 1,332,000 *(Note4)* | 1,432,000 | 0.09 |
| CHEN Timothy Yung-cheng | Beneficial owner | - | - | 500,000 *(Note6)* | 500,000 | 0.03 |

*Notes:*

1. All of the interests disclosed herein represent long position in the Shares.
2. These 173,284,857 Shares were beneficially held by Mr. GUO Wei's controlled corporations, Kosalaki Investments Limited ("**KIL**") and Digital China Group Co., Ltd. ( 神州數碼集團股份有限公司 ) ("**DCG**") (listed on the Shenzhen Stock Exchange) and its subsidiaries, Mr. GUO Wei is the sole shareholder and a director of KIL and is a substantial shareholder as to approximately 23.12% and also a director of DCG. Therefore, Mr. GUO Wei was deemed to be interested in the Shares in which such controlled corporations were interested.
3. On 25 January 2017, the 12,500,000 share options granted to Mr. GUO Wei and Mr. LIN Yang were adjusted to 13,116,974 share options as a result of the completion of right issue on 18 September 2017. These share options are exercisable from 25 January 2017 to 24 January 2025 at an exercise price of HK$6.394 per Share for subscription of ordinary Shares.
4. Representing 54,000,000 share options that were granted to Mr. GUO Wei and 1,332,000 share options that were granted to each of Mr. LIN Yang, Mr. WONG Man Chung, Francis, Miss NI Hong (Hope), Dr. LIU Yun, John and Mr. KING William on 13 July 2020 which remained outstanding as at 31 December 2023. These share options are exercisable from the date of satisfaction of certain conditions stated in the offer letter dated 13 July 2020 to 12 July 2028 at an exercise price of HK$6.60 per Share for subscription of ordinary Shares.
5. On 2 June 2020, 100,000 shares were granted to each of Mr. WONG Man Chung, Francis, Miss NI Hong (Hope), Dr. LIU Yun, John and Mr. KING William under the RSA Scheme, and were vested in January 2021 pursuant to the terms and conditions of the RSA Scheme.
6. Representing 500,000 share options that were granted to Mr. CHEN Timothy Yung-cheng on 16 July 2021 which remained outstanding as at 31 December 2023. These share options are exercisable from the satisfaction of certain conditions stated in the offer letter dated 16 July 2021 to 15 July 2029 at an exercise price of HK$4.82 per Share for subscription of ordinary Shares.
7. The approximate percentage of interests is based on the aggregate nominal value of the Shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under Section 352 of the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of 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 or short positions which the Directors and chief executive of the Company were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, to the best knowledge of the Directors, the following persons or corporations, not being a Director or chief executive of the Company, had the following interests and short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

| Name | Capacity | Number of Shares (Note 1) | Approximate percentage of aggregate interests (%) (Note 8) |
|---|---|---|---|
| Kosalaki Investments Limited | Beneficial owner | 114,876,857 *(Note2)* | 6.86 |
| Dragon City International Investment Limited | Beneficial owner | 175,554,500 | 10.49 |
| YIP Chi Yu | Interests of a controlled Corporation/ Interest of spouse | 175,554,500/ 2,325 *(Note3&4)* | 10.49 |
| HUANG Shaokang | Beneficial owner/ Interest of spouse | 2,325/ 175,554,500 *(Note3&4)* | 10.49 |
| Guangzhou City Infrastructure Investment Group Limited* (廣州市城市建設投資集團有限公司) ("**GZ Infrastructure**") | Interests of controlled corporations | 331,201,928 *(Note5a)* | 19.80 |
| Guangzhou City Investment Co., Ltd.* (廣州市城投投資有限公司)("**GZ Investment**") | Interests of controlled corporations | 331,201,928 *(Note5b)* | 19.80 |
| Guangzhou City Investment Jiapeng Industry Investment Fund Management Co., Ltd.* (廣州城投佳朋產業投資基金管理有限公司) ("**GZ Jiapeng**") | Interests of a controlled corporation | 299,760,000 *(Note5c)* | 17.92 |
| Guangzhou City Investment Jiazi Investment Partnership (Limited Partnership)* (廣州城投甲子投資合夥企業（有限合夥）) ("**GZ Jiazi**") | Beneficial owner | 299,760,000 *(Note5d)* | 17.92 |
| Guangzhou Radio Group Co., Ltd.* (廣州無線電集團有限公司)("**Guangzhou Radio Group**") | Interests of controlled corporations | 181,120,250 *(Note6)* | 10.83 |
| GRG Banking Equipment Co., Ltd.* (廣州廣電運通金融電子股份有限公司) ("**GRG Banking Corp.**") | Interests of controlled corporations | 181,120,250 *(Note7)* | 10.83 |
| Law Debenture Trust (Asia) Limited as Trustee of Digital China Holdings Limited's Restricted Share Award Scheme Trust | Trustee | 184,352,900 | 11.02 |

*Notes:*

1. All of the interests disclosed herein represent long position in the Shares.

2. Mr. GUO Wei, a director of the Company, is the sole shareholder and a director of KIL. The Shares registered in the name of KIL was also disclosed as the interest of Mr. Guo in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

3. Dragon City International Investment Limited ("**Dragon City**") is wholly owned by Ms. YIP Chi Yu ("**Ms. Yip**") and Mr. HUANG Shaokang ("**Mr. Huang**") is the spouse of Ms. YIP. By virtue of the SFO, Ms. Yip was deemed to be interested in the Shares in which Dragon City and Mr. Huang was interested.

4. Mr. Huang is the spouse of Ms. YIP. By virtue of the SFO, Mr. Huang was deemed to be interested in the Shares in which Ms. Yip was interested.

5. (a) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Infrastructure, on 28 January 2021, GZ Infrastructure was interested in 331,201,928 Shares in aggregate, of which, 299,760,000 Shares were held by GZ Jiazi and 31,441,928 shares were held by Suitong Hong Kong Company Limited*（穗通（香港）有限公司）("**Suitong HK**"). GZ Jiazi is owned as to 99.96% by GZ Investment and 0.04% by GZ Jiapeng, which is in turn wholly-owned by GZ Investment. Suitong HK is also wholly-owned by GZ Investment. GZ Investment is 80% owned by GZ Infrastructure and 20% owned by Guangzhou Industry Investment Fund Management Co. Ltd.*, ( 廣州產業投資基金管理有限公司 ) ("**GZ Industry Fund**") which is wholly-owned by GZ Infrastructure. By virtue of the SFO, GZ Infrastructure was deemed to be interested in the Shares in which GZ Jiazi and Suitong HK were interested.

   (b) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Investment, on 28 January 2021, GZ Investment was interested in 331,201,928 Shares in aggregate, of which, 299,760,000 Shares were held by GZ Jiazi and 31,441,928 Shares were held by Suitong HK. By virtue of the SFO, GZ Investment was deemed to be interested in the Shares in which GZ Jiazi and Suitong HK were interested.

   (c) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Jiapeng, on 28 January 2021, GZ Jiapeng was interested in the Shares in which GZ Jiazi was interested by virtue of the SFO.

   (d) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Jiazi, on 28 January 2021, GZ Jiazi was beneficially interested in 299,760,000 Shares.

6. Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by Guangzhou Radio Group on 16 February 2021, GRG Banking Corp., a company listed on The Shenzhen Stock Exchange and owned as to 52.96% by Guangzhou Radio Group, was interested in 181,120,250 Shares.

7. Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GRG Banking Corp. on 16 February 2021, GRG Banking Corp. was interested in 181,120,250 Shares of which 7,078,000 Shares were held by GRG Banking Equipment (HK) Co., Limited ( 廣電運通國際有限公司 ) which is wholly-owned by GRG Banking Corp..

8. The approximate percentage of interests is based on the aggregate nominal value of the Shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under Section 336 of the SFO.

* The English name of the company is a direct transliteration of its Chinese registered name.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons and corporations who had interests or short positions in Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

## DONATIONS

During the year ended 31 December 2023, the Group made donation of RMB410,000 (for the year ended 31 December 2022: RMB305,000).

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of revenue attributable to the Group's five largest customers was less than 30% (for the year ended 31 December 2022: less than 30%) of the Group's total revenue for the year ended 31 December 2023.

The aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 35% (for the year ended 31 December 2022: approximately 34%) of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 10% (for the year ended 31 December 2022: approximately 11%) for the year ended 31 December 2023.

On 1 July 2023, DC Cityverse Limited, an indirect non-wholly-owned subsidiary of the Company entered into a framework agreement (the "**Framework Agreement**") with Digital China Macao Commercial Offshore Limited ("**DCM**"), pursuant to which the Group agreed to purchase computer hardware and related services from DCM from time to time for a term of 3 years. DCM is an indirect wholly-owned subsidiary of Digital China Group Co., Ltd.( 神州數碼集團股份有限公司 ) ("**DCG**") (listed on the Shenzhen Stock Exchange). Mr. Guo Wei, the Chairman and Chief Executive Officer of the Company, is a director of DCG and holds approximately 23.12% equity interest in DCG as at 31 December 2023, and therefore is materially interested in the Framework Agreement and the transactions thereunder. The Framework Agreement was subsisting since the date thereof and up to 31 December 2023. DCM is one of the five largest suppliers of the Group for the year ended 31 December 2023.

Save as disclosed above, none of the Directors, any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest major customers or five largest suppliers.

A description of the Group's major customers and suppliers can be found on pages 108 to 116 of this annual report.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities during the Reporting Period.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 was audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2023 and up to the date of this report as required under the Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

No significant event of the Group after the reporting period and up to the date of this report.

Approved by the Board on 28 March 2024

***GUO Wei***

*Chairman*

# Independent Auditor's Report

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

**TO THE SHAREHOLDERS OF DIGITAL CHINA HOLDINGS LIMITED**
***(incorporated in Bermuda with limited liability)***

## Opinion

We have audited the consolidated financial statements of Digital China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 140 to 245, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

## Impairment assessment of goodwill

Refer to note 18 to the consolidated financial statements and the accounting policies on page 152.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2023, the carrying amount of the Group's goodwill was approximately RMB1,489,709,000. During the year ended 31 December 2023, impairment loss of goodwill of approximately RMB97,131,000 was recognised.<br><br>The management assessed goodwill for impairment by comparing the carrying amount of cash-generating units ("CGUs") to which goodwill has been allocated with the recoverable amount determined by assessing the value in use. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate.<br><br>We have identified the impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements and the selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact. | We performed the following audit procedures on the impairment assessment of goodwill:<br><br>• evaluated management's impairment assessment on the reasonableness of the selection of valuation model, and adoption of key assumptions and input data;<br><br>• evaluated the appropriateness of the assumptions, including the revenue growth rates and gross margin, against latest market expectation;<br><br>• evaluated the appropriateness of the discount rate employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources; and<br><br>• performed sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in revenue growth rate, and discount rate employed. |

## Estimate of expected credit losses ("ECL") of accounts and bills receivables and contract assets

Refer to notes 28 and 30 to the consolidated financial statements and the accounting policies on pages 162 to 164.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2023, the carrying amount of the Group's accounts and bills receivables was approximately RMB4,180,284,000, net of loss allowance of approximately RMB783,332,000 and contract assets of RMB3,598,309,000, net of loss allowance of approximately RMB419,235,000.<br><br>The Group has adopted ECL model to estimate the loss allowance of accounts and bills receivables and contract assets. Management performed periodic assessment on the sufficiency of loss allowance based on provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL.<br><br>The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as probability of default and forward looking information.<br><br>We have identified the estimation of ECL of accounts and bills receivables and contract assets as a key audit matter because of its significance to the consolidated financial statements and the corresponding uncertainty inherent in such estimates. | We performed the following audit procedures on assessing the loss allowance of accounts and bills receivables and contract assets:<br><br>• evaluated the design and implementation of key internal controls which govern credit control, debt collection and estimation of ECL;<br><br>• assessed, on a sample basis, whether items in the ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;<br><br>• evaluated techniques and methodology in the ECL model against the requirement of HKFRS 9;<br><br>• reviewed and assessed the application of the Group's policy for calculating the ECL; and<br><br>• assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluated whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance. |

## Revenue recognition from contracts with customers

Refer to note 6 to the consolidated financial statements and the accounting policies on pages 153 to 155.

**The key audit matter**

The Group's revenue from sales of goods is recognised at the point when the control of the goods is transferred to the customers while revenue from software development and technical service business is recognised over time with reference to the progress towards complete satisfaction of a performance obligation in accordance with output method or input method in accounting for its contract revenue. Significant management judgement is involved in using input method as based on the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

During the year, the Group recognised revenue over time and at a point in time amounted to approximately RMB8,896,057,000 and RMB9,043,602,000 respectively.

We have identified revenue recognition from contracts with customers using input method as a key audit matter because it is quantitatively significant to the consolidated financial statements as a whole, combined with judgement involved in determining the appropriate point to recognise revenue from the above types of revenues.

**How our audit addressed the key audit matter**

We performed the following audit procedures on the revenue recognition from contracts with customers using input method:

- evaluated the design, implementation and operating effectiveness of key internal controls over revenue recognition;
- assessed the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers;
- selected a sample of incomplete contracts as at year end and checked calculation of significant components of budgeted contract costs to supporting documents such as purchase orders of equipment and contracts with subcontractors;
- selected a sample of completed contracts during the year and checked the historical reliability of the budgeted contract costs; and
- re-performed on a sample basis the calculation of revenue recognised during the year based on the input method.

## Valuation of financial assets at fair value through other comprehensive income and at fair value through profit or loss

Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies on page 167 to 168.

**The key audit matter**

As at 31 December 2023, the carrying amounts of the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss were approximately RMB721,071,000 and RMB320,333,000 respectively.

During the year, the Group recognised fair value loss on financial assets at fair value through other comprehensive income of approximately RMB107,228,000 and fair value loss on financial assets at fair value through profit or loss of approximately RMB31,438,000.

The Group engaged external valuation specialists to perform valuations of significant investments where quoted market prices are not available.

We have identified the valuation of financial assets as a key audit matter because the carrying amounts of these financial assets are significant to the consolidated financial statements and significant management's judgements were involved in the choice of valuation methods and inputs in the fair value measurement of these financial assets.

**How the matter was addressed in our audit**

We performed the following audit procedures on the valuation of financial assets at fair value through other comprehensive income and at fair value through profit or loss for which quoted market prices are not available:

- assessed the competence, capability and objectivity of the relevant independent valuation specialists;
- assessed the appropriateness of the valuation methodologies;
- involved our valuation specialist to evaluate and assess the appropriateness of the valuation methodologies and the reasonableness of the key assumptions used in the valuations performed by the relevant independent valuation specialists;
- tested, on a sample basis, the accuracy and relevance of input data used by the relevant independent valuers based on the subscription price of latest round of financing of the equity interests and disposal value with the transactions of similar assets; and
- tested, on a sample basis, the arithmetical accuracy of calculations.

# Independent Auditor's Report

## Valuation of investment properties

Refer to note 15 to the consolidated financial statements and the accounting policies on page 159.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2023, the fair value of the investment properties was approximately RMB4,527,861,000, with a net fair value loss of approximately RMB448,548,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2023.<br><br>The Group engaged external valuation specialists to perform valuations of these investment properties at the end of the reporting period.<br><br>We have identified valuation of investment properties as a key audit matter because the carrying amounts of these investment properties are significant to the consolidated financial statements and significant management's judgements were involved in the choice of valuation methods and inputs in the fair value measurement of these investment properties. | We performed the following audit procedures on the valuation of investment properties:<br><br>• assessed the competence, capabilities and objectivity of the relevant independent valuation specialists;<br><br>• obtained an understanding of the valuation process and techniques adopted by the independent valuers to assess if they are consistent with the industry norms;<br><br>• involved our valuation specialist to evaluate and assess the reasonableness of the significant inputs and the accuracy of the source data used by the management and the independent valuers by comparing them, on a sampling basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties; and<br><br>• tested, on a sample basis, the arithmetical accuracy of calculations. |



## Other information

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

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

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

## Responsibilities of Directors of the Company and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lau Kai Wong.

**SHINEWING (HK) CPA Limited**
Certified Public Accountants
**Lau Kai Wong**
Practising Certificate Number: P06623

Hong Kong
28 March 2024

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

| | NOTES | 2023<br>RMB'000 | 2022<br>RMB'000<br>*(Re-presented)* |
|---|---|---|---|
| Revenue | 6 | **18,276,547** | 17,749,982 |
| Cost of sales and services | | **(15,595,691)** | (14,809,815) |
| Gross profit | | **2,680,856** | 2,940,167 |
| Other income and gains | 6 | **157,908** | 205,201 |
| Net gain on disposal of equity interests in associates | 7 | **37,069** | 7,490 |
| Selling and distribution expenses | | **(988,727)** | (1,080,081) |
| Administrative expenses | | **(398,040)** | (393,253) |
| Other expenses, net | 7 | **(945,434)** | (1,122,123) |
| Finance costs | 8 | **(117,923)** | (121,311) |
| Impairment loss of goodwill | | **(97,131)** | - |
| Fair value (loss) gain on investment properties | 15 | **(448,548)** | 152,819 |
| Impairment loss of other receivables | 29 | **(487,715)** | (4,615) |
| Impairment loss of interests in associates and joint ventures | 7 | **(496,956)** | - |
| Share of loss of associates and joint ventures | 7 | **(534,553)** | (83,483) |
| (Loss) profit before tax | 7 | **(1,639,194)** | 500,811 |
| Income tax expense | 11 | **(62,277)** | (34,315) |
| (Loss) profit for the year | | **(1,701,471)** | 466,496 |
| Attributable to: | | | |
| Equity holders of the parent | | **(1,833,689)** | 310,370 |
| Non-controlling interests | | **132,218** | 156,126 |
| | | **(1,701,471)** | 466,496 |
| (Loss) earnings per share attributable to equity holders of the parent (expressed in RMB per share) | 13 | | |
| Basic | | **(1.2330)** | 0.2060 |
| Diluted | | **(1.2330)** | 0.2038 |

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

| | *NOTE* | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| (Loss) profit for the year | | **(1,701,471)** | 466,496 |
| **Other comprehensive (expense) income** | | | |
| Other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences arising on translation of financial statements of foreign operations | | **(14,062)** | (15,647) |
| Share of other comprehensive (expense) income of associates | | **(41,750)** | 16,403 |
| Net other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods | | **(55,812)** | 756 |
| Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Net fair value changes on financial assets measured at fair value through other comprehensive income | | **(107,228)** | (122,463) |
| Income tax effect | 25 | **34,187** | 27,166 |
| Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods | | **(73,041)** | (95,297) |
| **Other comprehensive expense for the year, net of tax** | | **(128,853)** | (94,541) |
| **Total comprehensive (expense) income for the year** | | **(1,830,324)** | 371,955 |
| Attributable to: | | | |
| Equity holders of the parent | | **(1,964,310)** | 223,202 |
| Non-controlling interests | | **133,986** | 148,753 |
| | | **(1,830,324)** | 371,955 |

# Consolidated Statement of Financial Position

For the year ended 31 December 2023

| | NOTES | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **738,685** | 723,192 |
| Right-of-use assets | 16 | **162,439** | 173,395 |
| Investment properties | 15 | **4,527,861** | 4,975,169 |
| Goodwill | 18 | **1,489,709** | 1,586,840 |
| Other intangible assets | 19 | **235,580** | 197,782 |
| Interests in joint ventures | 20 | **43,729** | 63,166 |
| Interests in associates | 21 | **306,723** | 1,436,580 |
| Financial assets at fair value through other comprehensive income | 22 | **721,071** | 780,328 |
| Accounts receivables | 28 | **150,794** | 121,074 |
| Other receivables | 29 | **440,000** | 847,365 |
| Deferred tax assets | 25 | **231,112** | 251,399 |
| | | **9,047,703** | 11,156,290 |
| **Current assets** | | | |
| Inventories | 26 | **820,228** | 1,183,260 |
| Completed properties held for sale | 27 | **574,759** | 568,614 |
| Accounts and bills receivables | 28 | **4,029,490** | 3,743,787 |
| Prepayments, deposits and other receivables | 29 | **1,275,497** | 1,652,637 |
| Contract assets | 30a | **3,598,309** | 3,112,288 |
| Financial assets at fair value through profit or loss | 23 | **320,333** | 742,595 |
| Finance lease receivables | 24 | **25,412** | 31,405 |
| Restricted bank balances | 31 | **224,774** | 54,879 |
| Cash and cash equivalents | 31 | **2,883,308** | 2,522,006 |
| | | **13,752,110** | 13,611,471 |
| **Current liabilities** | | | |
| Accounts and bills payables | 32 | **3,952,012** | 3,490,296 |
| Other payables and accruals | 33 | **1,427,864** | 1,695,319 |
| Lease liabilities | 17 | **60,821** | 68,404 |
| Contract liabilities | 30b | **2,271,193** | 2,116,469 |
| Tax payables | | **67,009** | 74,295 |
| Interest-bearing bank and other borrowings | 34 | **1,401,935** | 1,832,046 |
| | | **9,180,834** | 9,276,829 |
| **Net current assets** | | **4,571,276** | 4,334,642 |
| **Total assets less current liabilities** | | **13,618,979** | 15,490,932 |

# Consolidated Statement of Financial Position

For the year ended 31 December 2023

| | NOTES | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | 34 | **1,881,487** | 1,783,612 |
| Deferred tax liabilities | 25 | **467,336** | 526,696 |
| Deferred income | 44 | **18,546** | 28,341 |
| Lease liabilities | 17 | **57,450** | 53,657 |
| Other financial liability | 45 | **828,155** | 786,155 |
| | | **3,252,974** | 3,178,461 |
| **Net assets** | | **10,366,005** | 12,312,471 |
| **Capital and reserves** | | | |
| Share capital | 35 | **163,826** | 163,826 |
| Reserves | 36 | **6,131,541** | 8,198,092 |
| Equity attributable to equity holders of the parent | | **6,295,367** | 8,361,918 |
| Non-controlling interests | | **4,070,638** | 3,950,553 |
| **Total equity** | | **10,366,005** | 12,312,471 |

The consolidated financial statements on pages 140 to 245 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

**GUO Wei**

*Director*

**LIN Yang**

*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

| | Attributable to equity holders of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium account | Capital reserve | Employee share trust | Employee share-based compensation reserve | Asset revaluation reserve | Investment revaluation reserve | Reserve funds | Exchange fluctuation reserve | Retained profits / (accumulated losses) | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023 | 163,826 | 4,139,709 | 1,595,003 | (826,355) | 237,974 | 610,610 | 4,233 | 646,092 | (179,777) | 1,970,603 | 8,361,918 | 3,950,553 | 12,312,471 |
| Loss for the year | - | - | - | - | - | - | - | - | - | (1,833,689) | (1,833,689) | 132,218 | (1,701,471) |
| Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax | - | - | - | - | - | - | (86,109) | - | - | - | (86,109) | 13,068 | (73,041) |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | - | - | - | - | - | - | (16,545) | - | (16,545) | 2,483 | (14,062) |
| Share of other comprehensive (expense) income of associates | - | - | (3,407) | - | - | - | (24,729) | - | 169 | - | (27,967) | (13,783) | (41,750) |
| Disposal of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | (17,067) | - | - | 17,067 | - | - | - |
| Total comprehensive (expense) income for the year | - | - | (3,407) | - | - | - | (127,905) | - | (16,376) | (1,816,622) | (1,964,310) | 133,986 | (1,830,324) |
| Share-based compensation | - | - | - | - | 20,459 | - | - | - | - | - | 20,459 | 7,798 | 28,257 |
| Capital contribution from non-controlling shareholders of subsidiaries (note 40(c)) | - | - | 982 | - | - | - | - | - | - | - | 982 | 32,768 | 33,750 |
| Contribution to employee shares trusts | - | - | - | (52,414) | - | - | - | - | - | - | (52,414) | - | (52,414) |
| Partial disposal of a subsidiary (note 40(a)) | - | - | 3,146 | - | - | - | - | - | - | - | 3,146 | 4,184 | 7,330 |
| Vesting of shares under the restricted share award scheme | - | - | - | 10,018 | (10,018) | - | - | - | - | - | - | - | - |
| Deregistration of subsidiaries (note40(d)) | - | - | - | - | - | - | - | - | - | - | - | (497) | (497) |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (58,154) | (58,154) |
| Transfer to reserve funds | - | - | - | - | - | - | - | 98,371 | - | (98,371) | - | - | - |
| Dividends paid (note 12) | - | - | - | - | - | - | - | - | - | (74,414) | (74,414) | - | (74,414) |
| At 31 December 2023 | 163,826 | 4,139,709 | 1,595,724 | (868,751) | 248,415 | 610,610 | (123,672) | 744,463 | (196,153) | (18,804) | 6,295,367 | 4,070,638 | 10,366,005 |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

| | Attributable to equity holders of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium account | Capital reserve | Employee share trust | Employee share-based compensation reserve | Asset revaluation reserve | Investment revaluation reserve | Reserve funds | Exchange fluctuation reserve | Retained profits / (accumulated losses) | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 | 163,820 | 4,139,368 | 1,601,051 | (765,913) | 216,358 | 610,610 | 67,153 | 559,762 | (159,027) | 1,950,303 | 8,383,485 | 3,900,760 | 12,284,245 |
| Profit for the year | - | - | - | - | - | - | - | - | - | 310,370 | 310,370 | 156,126 | 466,496 |
| Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax | - | - | - | - | - | - | (75,655) | - | - | - | (75,655) | (19,642) | (95,297) |
| Exchange differences arising on translation of financial statements of foreign operations | - | - | - | - | - | - | - | - | (21,104) | - | (21,104) | 5,457 | (15,647) |
| Share of other comprehensive income of associates | - | - | 1,003 | - | - | - | 8,234 | - | 354 | - | 9,591 | 6,812 | 16,403 |
| Disposal of financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 4,501 | - | - | (4,501) | - | - | - |
| Total comprehensive income (expense) for the year | - | - | 1,003 | - | - | - | (62,920) | - | (20,750) | 305,869 | 223,202 | 148,753 | 371,955 |
| Share-based compensation | - | - | - | - | 27,662 | - | - | - | - | - | 27,662 | 1,598 | 29,260 |
| Capital contribution from non-controlling shareholders of subsidiaries (note 40(c)) | - | - | 10,604 | - | - | - | - | - | - | - | 10,604 | 39,277 | 49,881 |
| Contribution to employee shares trusts | - | - | - | (66,413) | - | - | - | - | - | - | (66,413) | - | (66,413) |
| Exercise of share options | 6 | 341 | - | - | (75) | - | - | - | - | - | 272 | - | 272 |
| Deemed acquisition of additional interests in non-wholly-owned subsidiaries (note 40(b)) | - | - | (17,655) | - | - | - | - | - | - | - | (17,655) | (82,359) | (100,014) |
| Vesting of shares under the restricted share award scheme | - | - | - | 5,971 | (5,971) | - | - | - | - | - | - | - | - |
| Liquidation of a subsidiary (note 40(d)) | - | - | - | - | - | - | - | - | - | - | - | (13,870) | (13,870) |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | (43,606) | (43,606) |
| Transfer to reserve funds | - | - | - | - | - | - | - | 86,330 | - | (86,330) | - | - | - |
| Dividends paid (note 12) | - | - | - | - | - | - | - | - | - | (199,239) | (199,239) | - | (199,239) |
| At 31 December 2022 | 163,826 | 4,139,709 | 1,595,003 | (826,355) | 237,974 | 610,610 | 4,233 | 646,092 | (179,777) | 1,970,603 | 8,361,918 | 3,950,553 | 12,312,471 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| (Loss) profit before tax: | **(1,639,194)** | 500,811 |
| Adjustments for: | | |
| Finance costs | **117,923** | 121,311 |
| Share of loss of associates | **534,347** | 71,638 |
| Share of loss of joint ventures | **206** | 11,845 |
| Interest on bank deposits | **(13,674)** | (8,125) |
| Income from wealth management financial products | **(17,483)** | (31,478) |
| Deferred income recognised | **(16,194)** | (18,711) |
| Dividends income from financial assets at fair value through profit or loss | **(240)** | (510) |
| Dividends income from financial assets at fair value through other comprehensive income | **-** | (72) |
| Impairment loss of accounts and bills receivables, other receivables and contract assets | **652,690** | 129,279 |
| Impairment loss of goodwill | **97,131** | - |
| Impairment loss of interests in associates | **476,956** | - |
| Impairment loss of interests in joint ventures | **20,000** | - |
| Reversal of impairment of finance lease receivables | **-** | (579) |
| Loss (gain) on disposal of property, plant and equipment | **19** | (1,086) |
| Fair value loss (gain) on investment properties | **448,548** | (152,819) |
| Fair value loss on financial assets at fair value through profit or loss | **31,438** | 142,643 |
| Fair value loss on contingent consideration | **-** | 43,000 |
| Gain on disposal of equity interest in an associate | **(37,147)** | - |
| Loss (gain) on deemed partial disposal of equity interest in an associate | **78** | (3,292) |
| Gain on partial disposal of equity interest in an associate | **-** | (4,198) |
| Gain on deregistration of a joint venture | **(276)** | - |
| Gain on early termination of leases | **(91)** | (119) |
| Depreciation of property, plant and equipment | **52,947** | 68,523 |
| Depreciation of right-of-use assets | **97,161** | 109,814 |
| Amortisation of other intangible assets | **73,070** | 56,332 |
| (Reversal of) write-down of inventories | **(73,842)** | 49,698 |
| Share-based compensation | **28,257** | 29,122 |
| | **832,630** | 1,113,027 |
| Decrease in inventories | **436,874** | 889,994 |
| (Increase) decrease in completed properties held for sale | **(6,145)** | 3,934 |
| Increase in accounts and bills receivables | **(428,581)** | (614,719) |
| Decrease (increase) in prepayments, deposits and other receivables | **302,740** | (570,541) |
| Decrease in finance lease receivables | **5,993** | 7,410 |
| Increase (decrease) in accounts and bills payables | **461,716** | (111,336) |
| Decrease in other payables and accruals and deferred income | **(227,306)** | (44,896) |
| Increase in contract assets | **(544,127)** | (311,977) |
| Increase in contract liabilities | **154,724** | 192,788 |
| (Decrease) increase in restricted bank balances | **(169,895)** | 17,140 |
| Effect of foreign exchange rate changes, net | **(10,938)** | 16,436 |
| Cash generated from operations | **807,685** | 587,260 |
| Interest received | **12,905** | 8,038 |
| Mainland China income tax paid | **(74,449)** | (69,741) |
| **NET CASH FROM OPERATING ACTIVITIES** | **746,141** | 525,557 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | **(71,274)** | (30,083) |
| Proceeds from disposal of property, plant and equipment | **9,417** | 5,701 |
| Additions to other intangible assets | **(87,737)** | (63,440) |
| Net cash outflows on acquisition of subsidiaries | **-** | (59,000) |
| Proceeds from disposal of equity interest in an associate | **6,750** | - |
| Proceed from deregistration of a joint venture | **276** | - |
| Proceeds from partial disposal of equity interest in an associate | **-** | 2,597 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | **85,910** | 65,514 |
| Proceeds from disposal of financial assets at fair value through profit or loss | **828,311** | 917,276 |
| Proceed from partial disposal of a subsidiary | **7,330** | - |
| Dividend income from financial assets at fair value through profit or loss | **240** | 510 |
| Dividend income from financial assets at fair value through other comprehensive income | **-** | 72 |
| Dividends received from associates | **1,175** | 811 |
| Investments in associates | **(42,134)** | - |
| Purchase of financial asset at fair value through other comprehensive income | **(14,500)** | (2,400) |
| Purchase of financial assets at fair value through profit or loss | **(420,001)** | (885,440) |
| **NET CASH FROM (USED IN) INVESTING ACTIVITIES** | **303,763** | (47,882) |
| **FINANCING ACTIVITIES** | | |
| Exercise of shares options | **-** | 272 |
| New bank borrowings | **2,399,382** | 2,358,858 |
| Repayment of bank borrowings | **(2,738,191)** | (2,063,207) |
| Repayment of lease liabilities | **(89,904)** | (105,014) |
| Interest paid | **(75,923)** | (79,311) |
| Dividends paid | **(74,414)** | (199,239) |
| Dividends paid to non-controlling shareholders | **(58,154)** | (43,606) |
| Purchase of shares under the restricted share award scheme | **(52,414)** | (66,413) |
| Payments to acquire additional interests in non-wholly-owned subsidiaries | **-** | (100,014) |
| Contribution from non-controlling shareholders of subsidiaries | **-** | 49,881 |
| Distribution to non-controlling shareholder upon liquidation / deregistration of a subsidiary | **(497)** | (1,500) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(690,115)** | (249,293) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **359,789** | 228,382 |
| Cash and cash equivalents at beginning of year | **2,522,006** | 2,295,103 |
| Effect of foreign exchange rate changes, net | **1,513** | (1,479) |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | **2,883,308** | 2,522,006 |
| Analysis of components of cash and cash equivalents | | |
| Bank balances and cash | **2,879,308** | 2,508,006 |
| Non-pledged time deposits | **4,000** | 14,000 |
| Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of the cash flows | **2,883,308** | 2,522,006 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 1. GENERAL

Digital China Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to this annual report.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- provision of big data products and solution services, including sales of data software products and data solutions around digital cities, digital supply chain and fintech scenarios, etc.
- provision of software and operation business, including one-stop end-to-end supply chain operation service and software development, testing, operation and maintenance services, etc.
- provision of traditional and localization services, including system integration, e-commerce supply chain service, etc.

The consolidated financial statements were presented in Renminbi ("**RMB**"). Other than the Group's subsidiaries operated in the People's Republic of China (the "**PRC**") whose functional currencies are RMB, the functional currencies of the Company and other subsidiaries are Hong Kong dollars ("**HK$**").

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")



In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning on 1 January 2023:

| | |
|---|---|
| HKFRS 17(including the October 2020 and February 2022 amendments to 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 |
| Amendments to HKAS 12 | International Tax Reform-Pillar Two Model Rules |

Excepted as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

### Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

### Impact on application of Amendments to HKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under HKAS 12. There was no impact on the opening retained profits as at 1 January 2022. The key impact to the Group relates to the disclosures of the component of deferred tax assets and liabilities as disclosed in note 25.

### Amendments to HKFRSs issued but not yet effective

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[1] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[1] |
| Amendments to HKAS 21 | Lack of Exchangeability[2] |

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

### Amendments to HKFRSs issued but not yet effective (Continued)

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5(2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants***

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "**2020 Amendments**") clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the "**2022 Amendments**") further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill relating to an associate or a joint venture that included in the carrying amount of the investment is set out in "investments in associates and joint ventures" below.

### Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures. If the Group's share of the losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If an associate or a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's or joint venture's accounting policies conform to those of the Group when the associate's or joint venture's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the net investment in the associate or joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in consolidated financial statements only to the extent of investments in the associates or joint ventures that are unrelated to the Group. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. In applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

### Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Revenue from contracts with customers (Continued)

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Sales of software products business
- Software development and technical services business
- Supply chain operation and maintenance business
- System integration business
- E-commerce supply chain service business

Revenue from sales of software products business, e-commerce supply chain service business and system integration business are recognised at the point when the services are provided to the customers or when the control of the goods is transferred to the customers, generally on delivery of goods to customers.

Revenue from software development and technical services business and supply chain operation and maintenance business are recognised over time.

The Group recognised revenue over time by measuring the progress towards complete satisfaction of a performance obligation in accordance with output or input method.

Output method is applied to recognise revenue on the basis of direct measurements of the value of goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method is applied to recognise revenue from software development and technical services business on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In some circumstances when the outcome of a performance obligation could not be reasonably measured, the Group shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

#### *Contract assets and contract liabilities*

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

#### *Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Revenue from contracts with customers (Continued)

#### *Existence of significant financing component (Continued)*

For contracts where the period between payments and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services, and adjusting related receivables.

### Leasing

#### *Definition of a lease*

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

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

##### *Lease liabilities*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

##### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Leasing (Continued)

#### *The Group as lessee (Continued)*

*Right-of-use assets (Continued)*

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all leases.

*Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

#### *The Group as lessor*

The Group enters into lease agreements as a lessor with respect to its investment properties and certain equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases, measured using the interest rate implicit in the respective leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

*Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

### Borrowing costs

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

### Government grants

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

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

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

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the general principles above.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative expenses (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments of ownership interests of properties which includes both leasehold land and building elements, the entire properties are presented as buildings and included in property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties under fair value model.

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

| | |
|---|---|
| Buildings | Over the lease terms or 2% to 5%, whichever is shorter |
| Leasehold improvements | Over the lease terms or 20% to 33%, whichever is shorter |
| Fixtures and office equipment | 10% to 33% |
| Motor vehicles | 10% to 20% |

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### Intangible assets

#### *Intangible assets acquired separately*

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

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Intangible assets (Continued)

#### *Intangible assets acquired separately (Continued)*

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

#### *Patents and licences*

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three or five years.

#### *Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

#### *Systems software*

Purchased systems software is stated at cost less accumulated amortisation and any accumulated impairment losses, and is amortised on the straight-line basis over its estimated useful life of three or five years.

#### *Intangible assets acquired in a business combination*

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

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the normal course of business less all estimated costs of completion and costs necessary to make the sale.

### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors of the Company based on the prevailing market prices, on an individual property basis.

### Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

### Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

#### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

*Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item *(note 6)*.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Equity instruments designated as at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits (accumulated losses).

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

*Financial assets at FVTPL*



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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income and gains" and "Other expenses" line items. Fair value is determined in the manner described in note 48.

A financial asset is held for trading if:

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

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

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, finance lease receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts receivables, contract assets and finance lease receivables. The ECL on these financial assets are estimated using a provision matrix or individually based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Financial instruments(Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

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

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Financial instruments(Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

*Definition of default (Continued)*

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 720 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Financial instruments(Continued)

#### *Financial assets (Continued)*

*Derecognition of financial assets (Continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits (accumulated losses).

#### *Financial liabilities and equity instruments*

*Classification as debt or equity*

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

*Equity instruments*

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

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

*Financial liabilities*

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Redemption liability*

The obligation of the Group to purchase the equity instruments of a group entity at discretion of a third party (written put option) upon it becomes unconditional is classified as a financial liability (i.e. redemption liability).

The redemption liability is recognised initially at the present value of the redemption price. It is subsequently measured at amortised cost using the effective interest rate method.

The carrying amount of the redemption liability is reclassified as equity if the contract (written put option) expires without delivery.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Equity-settled share based payment transactions

*Share options and share awards granted to employees*

The fair value of services received determined by reference to the fair value of equity instruments granted at the date of grant is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (employee share-based compensation reserve).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of equity instruments, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an equity instrument, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of the equity instrument and lead to an immediate expensing of an equity instrument unless there are also service and/or performance conditions.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to ultimately vest based on assessment of a relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

When share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will continue to be held in employee share-based compensation reserve.

For RSA Scheme (as explained in note 37(b)), the considerations paid (including any related transaction costs) by the Company to purchase shares of the Company are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees. At the time when the award shares are vested, the difference on the amounts previously recognised in shares held for RSA Scheme and the amount recognised in employee share-based compensation reserve is transferred to retained profits (accumulated losses).

### Pension schemes

The Group operates a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (defined contribution scheme) operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories / completed properties for sale and value in use of goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

| | | |
|---|---|---|
| Level 1 | – | Quoted (unadjusted) market prices in active markets for identical assets or liabilities. |
| Level 2 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. |
| Level 3 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. |

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### Fair value measurement (Continued)

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

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

#### *Withholding tax arising from the distribution of dividends*

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distributions of dividends. No deferred tax liability on undistributed earnings had been provided at 31 December 2023 (2022: nil).

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties are subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event the investment properties are being disposed of, the Group may be liable to higher tax upon disposal considering the impact of enterprise income tax ("**EIT**") and land appreciation tax ("**LAT**").

#### *Consolidation of entities in which the Group holds less than a majority of voting rights*

The Group considers that it controls Digital China Information Service Group Company Ltd. (神州數碼信息服務集團股份有限公司) ("**DCITS**") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of DCITS with a 40.3% (2022: 40.51%) equity interest. Although the Group does not own a majority of the equity interests in DCITS, taking into account the Group's power to participate in the operational and financial activities of DCITS, distribution of key shareholders and their beneficial shareholders as well as historical voting patterns, and the existence of any contractual arrangement among the shareholders and/or their beneficial shareholders, if any, the directors of the Company are of the view that the equity holdings in DCITS are dispersed in a way that other shareholders have not organised and the practical risk to organise their holdings to outvote the Group in the shareholders' meetings of DCITS is remote so that the Group's voting rights are sufficient to give it the practical ability to direct the relevant activities of DCITS unilaterally. Therefore, the directors of the Company are of the view that the Company has de facto control over DCITS.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Critical judgements in applying accounting policies (Continued)

#### *Significant influence over associates*

*HC Group Inc. ("HCI")*

The Group considers that it has significant influence in HCI even though it owns 19.37% (2022: 19.37%) ownership interest and voting power taking into account 1) the Group is the single largest shareholder and such ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation on the board of directors; 3) right to participate in the policy-making process, including dividends and other distribution; and 4) the representative of the Group is a member of significant committees of HCI. There is no change in representation and composition of the board of directors during the years ended 31 December 2023 and 2022.

### Key sources of estimation uncertainty

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

#### *Recognition of share-based compensation expense*

The Group operates share-based incentive schemes as detailed in note 37 for the purpose of providing incentives and rewards to employees. The fair values of these equity instruments were valued by an independent valuer using the binomial model. These valuations require the Company to make estimates about certain key inputs, including the dividend yield, expected volatility, risk-free interest rate and expected life of options, and hence they are subject to uncertainty.

Besides, the grant of these equity instruments is conditional upon the satisfaction of specified vesting conditions, including service periods and performance conditions linked to financial performance measure. Judgement is required to take into account the vesting conditions and adjust the number of the equity instruments included in the measurement of share-based compensation expense.

The cumulative expense recognised for share-based incentive schemes at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

#### *Impairment assessment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2023, the carrying amount of goodwill is approximately RMB1,489,709,000 (2022: RMB1,586,840,000). Impairment loss of approximately RMB97,131,000 (2022: nil) was recognised during the year ended 31 December 2023. Details of the accumulated impairment and recoverable amount calculations are disclosed in note 18.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

*Fair value of financial assets measured at FVTPL and FVTOCI*

As described in note 48, the directors of the Company use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. As at 31 December 2023, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB721,071,000 (2022: RMB780,328,000). As at 31 December 2023, the carrying amount of the unlisted investments classified as financial assets at FVTPL was approximately RMB268,669,000 (2022: RMB664,298,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

*Estimated useful lives of property, plant and equipment, right-of-use assets and other intangible assets*

At the end of each reporting period, the directors of the Company review the estimated useful lives of property, plant and equipment, right-of-use assets and other intangible assets with finite useful life. The carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets with finite useful life as at 31 December 2023 is RMB738,685,000 (2022: RMB723,192,000), RMB162,439,000 (2022: RMB173,395,000) and RMB235,580,000 (2022: RMB197,782,000) respectively.

*Fair values of investment properties*

As at 31 December 2023, the Group's investment properties amounted to RMB4,527,861,000 (2022: RMB4,975,169,000). They are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market.

*ECL of accounts and bills receivables, other receivables and contract assets*

The impairment provisions for accounts and bills receivables and other receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

During the year ended 31 December 2023, impairment loss of accounts and bills receivables of approximately RMB106,869,000 was recognised (2022: RMB51,636,000) in the profit or loss. The carrying amount of accounts and bills receivables was approximately RMB4,180,284,000 (2022: RMB3,864,861,000), net of loss allowance of approximately RMB783,332,000 (2022: RMB709,792,000).

During the year ended 31 December 2023, impairment loss of deposits and other receivables of approximately RMB487,715,000 (2022: RMB4,615,000) was recognised in the profit or loss. The carrying amount of deposits and other receivables was approximately RMB1,119,064,000 (2022: RMB1,873,949,000), net of loss allowance of approximately RMB589,951,000 (2022: RMB102,236,000).

During the years ended 31 December 2023 and 2022, no impairment loss has been recognised in the profit or loss in respect of the loans to joint ventures. The carrying amount of loans to joint ventures was approximately RMB108,065,000 (2022: RMB230,565,000) without any loss allowance.

During the year ended 31 December 2023, impairment loss of contract assets of approximately RMB58,106,000 (2022: RMB73,028,000) was recognised in profit or loss. The carrying amount of contract assets was approximately RMB3,598,309,000 (2022: RMB3,112,288,000), net of loss allowance of approximately RMB419,235,000 (2022: RMB361,129,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### *Estimated impairment of property, plant and equipment, right-of-use assets and other intangible assets*

Property, plant and equipment, right-of-use assets and other intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for future development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of right-of-use assets, property, plant and equipment, and other intangible assets were RMB162,439,000, RMB738,685,000 and RMB235,580,000 (2022: RMB173,395,000, RMB723,192,000 and RMB197,782,000) respectively. Details of the impairment of right-of-use assets, property, plant and equipment, and intangible assets are disclosed in notes 16, 14 and 19, respectively. Further details are given in respective notes.

#### *Revenue recognition*

When the Group recognises revenue over time using the input method, based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligations of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on understanding of the performance of the contract and quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for onerous contract may arise.

For software development and technical services business, the Group either creates and enhances an asset that the customers controls or its customers simultaneously receives and consumes the benefits provided as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time using input method.

#### *Provision for obsolete inventories*

Management reviews the ageing analysis of inventories of the Group and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sales. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A considerable amount of judgement is required in assessing the ultimate realisation of these inventories. If the market conditions were to change, resulting in a change in provision for obsolete items, the difference will be recorded in the period it is identified.

During the year ended 31 December 2023, reversal of write-down of inventories (2022: write-down of inventories) of approximately RMB73,842,000 (2022: RMB49,698,000) was recognised in profit or loss. As at 31 December 2023, the carrying amount of inventories was approximately RMB820,228,000 (2022: RMB1,183,260,000).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### *Impairment assessment of interests in associates*

At the end of the reporting period, the directors of the Company review its interests in associates and identified if there is any indication that those assets may suffer an impairment loss. If an objective evidence of impairment exists, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections, price to book ratio and discount rates. Based on the estimated recoverable amounts, impairment loss of interests in associates of approximately RMB476,956,000 (2022: nil) was recognised in profit or loss. As at 31 December 2023, the carrying amount of interests in associates was approximately RMB306,723,000 (2022: RMB1,436,580,000), net of accumulated impairment loss of approximately RMB476,956,000 (2022: nil).

#### *Deferred tax*

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Certain entities of the Group were recognised as "High New Technology Enterprises" in Mainland China and entitled to a preferential corporate income tax rate of 15% for a three-year period. For the measurement of deferred tax assets and liabilities, judgement is required to determine whether these entities will continue to meet the criteria of "High New Technology Enterprises" and estimate the tax rates expected to be applied.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and amounts of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets and deferred tax liabilities at 31 December 2023 were approximately RMB231,112,000 (2022: RMB251,399,000) and RMB467,336,000 (2022: RMB526,696,000), respectively. The amount of unrecognised tax losses and certain deductible temporary differences at 31 December 2023 was approximately RMB2,674,202,000 (2022: RMB1,133,261,000). Further details are given in note 25.

#### *EIT*

The Group is subject to EIT in various regions. As a result of the fact that certain matters relating to the EIT have not been confirmed by the local tax bureaus, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for EIT. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the EIT and tax provisions in the period in which the differences realise.

#### *LAT*

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

## 5. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Segment information of the three business groups are summarised as follows:

(a) The Big Data Products and Solutions business segment: provides sales of data software products focused on spatial-temporal big data and artificial intelligence capabilities categorized in three product suites (Data Fabric, Data Hub, Digital Twin) as well as data solutions for core use cases namely city digital transformation, supply chain digital transformation and fintech.

(b) The Software and Operating Services business segment: provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilising cloud technology, automation and artificial intelligence. Such services provide important support for the continued deployment of big data products and solutions business.

(c) The Traditional and Localisation Services business segment: provides localization services via systems integration services as well as e-commerce supply chain services focused on integrated solutions, providing a vast sales channel which is critical for the Group's continued deployment of its big data products and solutions, as well as software and operating services. The segment also includes business related to investments, property sales and rental, as well as others.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results are evaluated based on the reportable segment (loss) profit, which is a measure of adjusted (loss) profit before tax. The segment results is measured consistently with the Group's (loss) profit before tax except that interest income, finance costs, unallocated corporate income and gains and unallocated corporate expenses are excluded from such measurement. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments excluding certain deferred tax assets, certain cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.
- all liabilities are allocated to operating segments excluding certain tax payables, certain interest-bearing bank and other borrowings, certain deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

## 5. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, results and assets, liabilities and certain other information for the Group's operating and reportable segments for the years ended 31 December 2023 and 2022.

| | Big Data Products and Solutions | | Software and Operating Services | | Traditional and Localisation Services | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Segment revenue: | | | | | | | | | | |
| External | **3,171,898** | 2,438,536 | **5,269,179** | 5,545,843 | **9,835,470** | 9,765,603 | **-** | - | **18,276,547** | 17,749,982 |
| Inter-segment | **44,117** | 48,351 | **65,445** | 88,913 | **32,429** | 36,947 | **(141,991)** | (174,211) | **-** | - |
| | **3,216,015** | 2,486,887 | **5,334,624** | 5,634,756 | **9,867,899** | 9,802,550 | **(141,991)** | (174,211) | **18,276,547** | 17,749,982 |
| **Segment gross profit** | **950,156** | 954,540 | **670,844** | 814,060 | **1,059,856** | 1,171,567 | | | **2,680,856** | 2,940,167 |
| **Segment results** | **(23,937)** | 32,809 | **315,033** | 358,708 | **(1,543,363)** | 521,487 | | | **(1,252,267)** | 913,004 |
| **Unallocated** | | | | | | | | | | |
| Interest income | | | | | | | | | **13,674** | 8,125 |
| Income and gains | | | | | | | | | **61,606** | 102,193 |
| Unallocated expenses | | | | | | | | | **(344,284)** | (401,200) |
| (Loss) profit from operating activities | | | | | | | | | **(1,521,271)** | 622,122 |
| Finance costs | | | | | | | | | **(117,923)** | (121,311) |
| (Loss) profit before tax | | | | | | | | | **(1,639,194)** | 500,811 |

*Note:* Before deducting research and development costs, amortisation of other intangible assets and impairment loss of goodwill, the Big Data Products and Solutions segment realises a segment profit of RMB558,715,000. This represents a year-on-year increase of 14% compared to the segment profit of RMB489,318,000 in the prior year.

| | Big Data Products and Solutions | | Software and Operating Services | | Traditional and Localisation Services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | **2,833,483** | 2,589,333 | **4,055,139** | 3,760,474 | **11,542,277** | 14,121,099 | **18,430,899** | 20,470,906 |
| Unallocated assets | | | | | | | **4,368,914** | 4,296,855 |
| Total assets | | | | | | | **22,799,813** | 24,767,761 |
| Segment liabilities | **1,223,933** | 923,603 | **1,551,889** | 1,421,977 | **4,433,334** | 4,495,306 | **7,209,156** | 6,840,886 |
| Unallocated liabilities | | | | | | | **5,224,652** | 5,614,404 |
| Total liabilities | | | | | | | **12,433,808** | 12,455,290 |

## 5. SEGMENT INFORMATION (CONTINUED)

| | Big Data Products and Solutions | | Software and Operating Services | | Traditional and Localisation Services | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Other segment information: | | | | | | | | | | |
| Depreciation of property, plant and equipment | **2,866** | 4,009 | **25,905** | 40,380 | **10,301** | 11,798 | **13,875** | 12,336 | **52,947** | 68,523 |
| Depreciation of right-of-use assets | **3,345** | - | **61,205** | 77,510 | **497** | 497 | **32,114** | 31,807 | **97,161** | 109,814 |
| Amortisation of other intangible assets | **18,806** | 24,547 | **2,012** | 2,001 | **8,413** | 592 | **43,839** | 29,192 | **73,070** | 56,332 |
| Addition to non-current assets (note) | **94,520** | 63,214 | **81,807** | 62,813 | **53,603** | 7,000 | **49,149** | 11,199 | **279,079** | 144,226 |
| Impairment of accounts and bills receivables, other receivables and contract assets | **63,228** | 76,007 | **14,254** | 38,751 | **575,208** | 14,521 | **-** | - | **652,690** | 129,279 |
| Reversal of impairment of finance lease receivables | **-** | - | **-** | - | **-** | (579) | **-** | - | **-** | (579) |
| (Reversal of) provision for inventories | **(227)** | 232 | **(3,556)** | 4,097 | **(70,059)** | 45,369 | **-** | - | **(73,842)** | 49,698 |
| Share of (profit) losses of associates | **(5,239)** | 11,053 | **(223)** | 18 | **539,809** | 60,567 | **-** | - | **534,347** | 71,638 |
| Share of losses (profit) of joint ventures | **-** | - | **1,452** | 4,089 | **(1,246)** | 7,756 | **-** | - | **206** | 11,845 |
| Government grants | **(16,869)** | (32,496) | **(37,885)** | (41,033) | **(7,915)** | (5,720) | **(33,982)** | (24,329) | **(96,651)** | (103,578) |
| Fair value loss (gain) on investment properties | **-** | - | **-** | - | **449,348** | (147,219) | **(800)** | (5,600) | **448,548** | (152,819) |
| Loss (gain) on deemed partial disposal of equity interests in associates | **-** | - | **-** | - | **78** | (3,292) | **-** | - | **78** | (3,292) |
| Gain on disposal of equity interest in an associate | **(37,147)** | - | **-** | - | **-** | - | **-** | - | **(37,147)** | - |
| Gain on partial disposal of equity interest in an associate | **-** | (4,198) | **-** | - | **-** | - | **-** | - | **-** | (4,198) |
| Impairment loss on goodwill | **97,131** | - | **-** | - | **-** | - | **-** | - | **97,131** | - |
| Impairment loss of interests in associates | **-** | - | **-** | - | **476,956** | - | **-** | - | **476,956** | - |
| Impairment loss of interests in joint ventures | **-** | - | **-** | - | **20,000** | - | **-** | - | **20,000** | - |
| Interests in associates | **27,997** | 126,191 | **85,333** | 85,230 | **193,393** | 1,225,159 | **-** | - | **306,723** | 1,436,580 |
| Interests in joint ventures | **-** | - | **18,389** | 19,840 | **25,340** | 43,326 | **-** | - | **43,729** | 63,166 |
| Interest income on bank deposits# | **-** | - | **-** | - | **-** | - | **(13,674)** | (8,125) | **(13,674)** | (8,125) |
| Finance costs# | **-** | - | **-** | - | **-** | - | **117,923** | 121,311 | **117,923** | 121,311 |
| Income tax expense# | **-** | - | **-** | - | **-** | - | **62,277** | 34,315 | **62,277** | 34,315 |

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

# Interest income on bank deposits, finance costs and income tax expense are regularly provided to the CODM but not included in the measurement of segment profit or loss.

### Geographical information

Since over 90% of the Group's revenue from external customers is generated in Mainland China (based on location of customers) and over 90% of the non-current assets of the Group (except for interests in associates) are located in Mainland China (based on location of assets), no geographical information is presented.

### Information about major customers

During the years ended 31 December 2023 and 2022, there was no revenue derived from transactions with a single external customer which individually contributed over 10% of the Group's revenue for the respective year.

## 6. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue arising on the sale of goods after allowances for returns and trade discounts; provision of services, net of value-added tax and government surcharges; and rental income received and receivable from investment properties for the year.

An analysis of the Group's revenue and other income and gains is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major products or services lines: | | |
| Sales of software products business | **145,955** | 174,764 |
| Software development and technical service business | **6,619,675** | 5,540,698 |
| Supply chain operation and maintenance business | **2,276,382** | 2,574,374 |
| Systems integration business | **5,956,260** | 6,360,494 |
| E-commerce supply chain service business | **2,729,485** | 2,535,910 |
| Others | **211,902** | 199,500 |
| Total revenue from contract with customers | **17,939,659** | 17,385,740 |
| Revenue from other sources | | |
| Rental income from investment properties under operating lease | **323,395** | 339,908 |
| Financial services business | **13,493** | 24,334 |
| Total revenue from other sources | **336,888** | 364,242 |
| Total revenue | **18,276,547** | 17,749,982 |

### (i) Revenue from contracts with customers

*Disaggregation of revenue by timing of recognition*

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| At a point in time | **9,043,602** | 9,270,668 |
| Over time | **8,896,057** | 8,115,072 |
| | **17,939,659** | 17,385,740 |

## 6. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### (i) Revenue from contracts with customers (Continued)

*Transaction price allocated to the remaining performance obligations for contracts with customers*

As at 31 December 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB8,287,776,000 (2022: RMB6,558,155,000). The amount represents revenue expected to be recognised from system integration business and software development and technical service business.

The Group will recognise this revenue as the service is completed, which is expected to occur within three (2022: three) years. Other revenue from contracts with customers is expected to be recognised within one year.

### (ii) Other income and gains

| | *Note* | **2023**<br>**RMB'000** | 2022<br>RMB'000<br>*(Re-presented)* |
|---|---|---|---|
| **Other income** | | | |
| Government grants | 44 | **96,651** | 103,578 |
| Interest on bank deposits | | **13,674** | 8,125 |
| Income from wealth management financial products | | **17,483** | 31,478 |
| Dividends income from financial assets at FVTOCI | | **-** | 72 |
| Dividends income from financial assets at FVTPL | | **240** | 510 |
| Compensation | | **-** | 40,231 |
| Others | | **20,217** | 21,207 |
| | | **148,265** | 205,201 |
| **Gains** | | | |
| Exchange gain, net | | **9,367** | - |
| Gain on deregistration of a joint venture | | **276** | - |
| Total other income and gains | | **157,908** | 205,201 |

## 7. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax is arrived at after charging (crediting):

| | **2023**<br>**RMB'000** | 2022<br>RMB'000<br>*(Re-presented)* |
|---|---|---|
| Employee benefit expense (including directors' and chief executives' remuneration (note 9)): | | |
| Fees, salaries and allowances | **2,838,790** | 2,550,117 |
| Share-based compensation | **28,257** | 29,122 |
| Pension scheme contributions[1] | **270,665** | 233,405 |
| Other benefits | **430,841** | 394,767 |
| | **3,568,553** | 3,207,411 |
| Loss (gain) on deemed partial disposal of equity interests in associates (*note 21(ii)*) | **78** | (3,292) |
| Gain on disposal of equity interest in an associate (*note 21(i)*) | **(37,147)** | - |
| Gain on partial disposal of equity interest in an associate (*note 21(iii)*) | **-** | (4,198) |
| | **(37,069)** | (7,490) |
| Share of loss of associates | **534,347** | 71,638 |
| Share of loss of joint ventures | **206** | 11,845 |
| | **534,553** | 83,483 |
| Impairment loss of interests in associates | **476,956** | - |
| Impairment loss of interests in joint ventures | **20,000** | - |
| | **496,956** | - |
| Amount of inventories recognised as an expense | **8,153,480** | 8,358,422 |
| Auditor's remuneration | **2,821** | 2,745 |
| Loss (gain) on disposal of property, plant and equipment | **19** | (1,086) |
| Depreciation of property, plant and equipment | **52,947** | 68,523 |
| Depreciation of right-of-use assets | **97,161** | 109,814 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties[2] | **33,373** | 25,302 |
| Research and development costs (excluding amortisation of other intangible assets) | **738,542** | 665,110 |
| Amortisation of other intangible assets | **73,070** | 56,332 |
| (Reversal of) write-down of inventories | **(73,842)** | 49,698 |
| Impairment loss of accounts and bills receivables and contract assets | **164,975** | 124,664 |
| Reversal of impairment loss of finance lease receivables | **-** | (579) |
| Fair value loss on financial assets at fair value through profit or loss | **31,438** | 142,643 |
| Net exchange loss | **-** | 34,693 |
| Others | **11,251** | 49,562 |
| | **945,434** | 1,122,123 |

1 At 31 December 2023 and 2022, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years.

2 During the year ended 31 December 2023, the Group recognised rental income of approximately RMB323,395,000 (2022: RMB339,908,000).

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Interest on bank and other borrowings | **52,725** | 53,786 |
| Interest on discounted bills | **16,741** | 17,834 |
| Interest on lease liabilities | **6,457** | 7,691 |
| Interest on other financial liability | **42,000** | 42,000 |
| | **117,923** | 121,311 |

## 9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Fees | **1,355** | 1,290 |
| Other emoluments: | | |
| Salaries and allowances | **7,889** | 7,997 |
| Performance related bonus | **1,822** | 1,322 |
| Pension scheme contributions | **79** | 155 |
| Share-based compensation | **-** | 7,155 |
| | **9,790** | 16,629 |
| | **11,145** | 17,919 |

*Note:*

Salaries and allowances, performance related bonus and pension scheme contributions as shown in the above table represent the consolidated total amount of salaries and allowances and performance related bonus received / receivable by executive and non-executive directors paid by DCITS, subsidiaries of the Company, and the Company itself with the exception for share-based compensation which is not a cash payment to the directors, but rather a non-cash item representing the fair value of the options granted to the directors recognised in accordance with the relevant accounting standard.

## 9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Fees** | **Share-based compensation** | **Total** | Fees | Share-based compensation | Total |
| | **RMB'000** | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| For the Company: | | | | | | |
| Mr. WONG Man Chung, Francis | **271** | **-** | **271** | 258 | 154 | 412 |
| Miss NI Hong (Hope) | **271** | **-** | **271** | 258 | 154 | 412 |
| Dr. LIU Yun, John | **271** | **-** | **271** | 258 | 154 | 412 |
| Mr. KING William | **271** | **-** | **271** | 258 | 154 | 412 |
| Mr. CHEN Timothy Yung-cheng | **271** | **-** | **271** | 258 | 145 | 403 |
| | **1,355** | **-** | **1,355** | 1,290 | 761 | 2,051 |

### (b) Executive directors, non-executive directors and the chief executives

| | **Fees** | **Salaries and allowances** | **Performance related bonus** | **Share-based compensation** | **Pension scheme contributions** | **Total remuneration** |
|---|---|---|---|---|---|---|
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **2023** | | | | | | |
| Executive directors: | | | | | | |
| Mr. GUO Wei | | | | | | |
| From DCITS | **-** | **4,800** | **1,822** | **-** | **16** | **6,638** |
| From entities in the Group other than DCITS | **-** | **-** | **-** | **-** | **-** | **-** |
| Mr. LIN Yang | | | | | | |
| From DCITS | **-** | **-** | **-** | **-** | **-** | **-** |
| From entities in the Group other than DCITS | **-** | **3,089** | **-** | **-** | **63** | **3,152** |
| | **-** | **7,889** | **1,822** | **-** | **79** | **9,790** |
| Non-executive directors: | | | | | | |
| Ms. CONG Shan[2] | **-** | **-** | **-** | **-** | **-** | **-** |
| Mr. ZENG Shuigen | **-** | **-** | **-** | **-** | **-** | **-** |
| | **-** | **-** | **-** | **-** | **-** | **-** |
| | **-** | **7,889** | **1,822** | **-** | **79** | **9,790** |

## 9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

### (b) Executive directors, non-executive directors and the chief executives (Continued)

| | Fees RMB'000 | Salaries and allowances RMB'000 | Performance related bonus RMB'000 | Share-based compensation RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Executive directors: | | | | | | |
| Mr. GUO Wei | | | | | | |
| From DCITS | - | 4,915 | 1,322 | - | 16 | 6,253 |
| From entities in the Group other than DCITS | - | - | - | 6,240 | - | 6,240 |
| Mr. LIN Yang | | | | | | |
| From DCITS | - | - | - | - | - | - |
| From entities in the Group other than DCITS | - | 3,082 | - | 154 | 139 | 3,375 |
| | - | 7,997 | 1,322 | 6,394 | 155 | 15,868 |
| Non-executive directors: | | | | | | |
| Mr. PENG Jing[1] | - | - | - | - | - | - |
| Ms. CONG Shan[2] | - | - | - | - | - | - |
| Mr. ZENG Shuigen | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | 7,997 | 1,322 | 6,394 | 155 | 15,868 |

*Note:*

Share-based compensation is not a cash payment to the directors, but rather a non-cash item, representing the fair value of the options granted to the directors recognised in accordance with the relevant accounting standard. 81,000,000 share options and 2,000,000 share options at the exercise price of HK$6.60 per share were granted to Mr. Guo Wei and Mr. Lin Yang respectively on 13 July 2020. 13,116,974 share options at the exercise price of HK$6.394 per share were granted to each of Mr. Guo Wei and Mr. Lin Yang on 25 January 2017.

1. Resigned on 30 August 2022

2. Appointed on 30 August 2022

Mr. GUO Wei is the chief executive of the Company.

The performance related bonus is determined by the Group having regard to the director's performance and the prevailing market conditions.

Neither the chief executive nor any of the directors waived any emoluments in both years.

## 10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2022: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2022: three) individuals were as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Salaries and allowances | **5,741** | 6,069 |
| Performance related bonuses | **2,254** | 1,684 |
| Share-based compensation | **11** | 28 |
| Pension scheme contributions | **376** | 443 |
| | **8,382** | 8,224 |

Their emoluments were within the following bands:

| | Number of employees 2023 | 2022 |
|---|---|---|
| HK$2,000,001 to HK$2,500,000 | **1** | - |
| HK$2,500,001 to HK$3,000,000 | **1** | 2 |
| HK$3,000,001 to HK$3,500,000 | **-** | - |
| HK$4,000,001 to HK$4,500,000 | **1** | 1 |
| | **3** | 3 |

## 11. INCOME TAX EXPENSE

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Current – PRC | | |
| EIT | | |
| Charge for the year | **52,915** | 59,392 |
| Under (over)-provision in prior years | **4,336** | (182) |
| LAT | **4,696** | 172 |
| | **61,947** | 59,382 |
| Current – Hong Kong | | |
| Charge for the year | **5,216** | 20 |
| Deferred tax *(note 25)* | **(4,886)** | (25,087) |
| Total tax charge for the year | **62,277** | 34,315 |

(a) PRC EIT represents tax charged on the estimated assessable profits arising in Mainland China. In general, the Group's subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25% except for certain subsidiaries which are entitled to preferential tax rates.

(b) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

(c) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% of the estimated assessable profits.

(d) The share of tax charge attributable to joint ventures of approximately RMB1,449,000 (2022: tax credit RMB1,422,000) and the share of tax charge of attributable to associates of approximately RMB2,821,000 (2022: RMB9,639,000) are included in "Share of loss of associates and joint ventures" in the consolidated statement of profit or loss.

## 11. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the (loss) profit before tax per consolidated statement of profit or loss as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| (Loss) profit before tax | **(1,639,194)** | 500,811 |
| Tax at the applicable tax rate of 25% (2022: 25%) | **(409,799)** | 125,203 |
| Income tax on concessionary rates | **(24,112)** | (41,425) |
| Adjustments in respect of current tax of previous periods | **4,336** | (182) |
| Profits and losses attributable to joint ventures and associates | **133,639** | 20,871 |
| Tax effect of unused tax losses not recognised | **74,293** | 77,484 |
| Super-deduction of research and development expenses | **(90,312)** | (72,460) |
| Income not subject to tax | **(33,450)** | (25,895) |
| Expenses not deductible to tax | **59,388** | 18,405 |
| Tax losses utilised from previous periods | **(41,901)** | (28,742) |
| Temporary difference not recognised (utilised from) previous periods | **385,499** | (39,116) |
| LAT | **4,696** | 172 |
| Tax charge at the Group's effective rate | **62,277** | 34,315 |

Details of deferred tax are set out in note 25.

## 12. DIVIDENDS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Dividends paid during the year: | | |
| 2023 Interim dividends (HK1.0 cent per share) | **13,770** | - |
| 2022 Final dividends (HK4.5 cents per share) | **60,644** | - |
| 2022 Interim dividends (HK2.3 cents per share) | **-** | 32,237 |
| 2021 Final dividends (HK13 cents per share) | **-** | 167,002 |
| | **74,414** | 199,239 |

Subsequent to the end of the reporting period, the directors of the Company recommend the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2023 to the shareholders of the Company ("**Shareholders**"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**2024 AGM**"), the proposed final dividend is expected to be paid on or about 16 July 2024.

The final dividend proposed after the reporting period has not been recognised as liabilities in the consolidated financial statements.

## 13. (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share is based on the (loss) profit for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue less shares held under the RSA Scheme of 1,487,154,911 (2022: 1,506,786,693) during the year.

The calculation of the diluted (loss) earnings per share is based on the (loss) profit for the year attributable to equity holders of the parent with an adjustment on effect of dilutive potential shares of a subsidiary. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue less shares held under the RSA Scheme during the year, as used in the basic (loss) earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares related to the Group's share-based incentive schemes into ordinary shares.

The calculations of the basic and diluted (loss) earnings per share are based on the following data:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| (Loss) earnings | | |
| (Loss) profit for the year attributable to equity holders of the parent, used in basic (loss) earnings per share calculation | **(1,833,689)** | 310,370 |
| Effect of dilutive potential ordinary shares of a subsidiary | **-** | (1,963) |
| (Loss) earnings for the purpose of diluted (loss) earnings per share | **(1,833,689)** | 308,407 |

| | **Number of shares** | |
|---|---|---|
| | **2023** | 2022 |
| **Shares** | | |
| Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic (loss) earnings per share calculation | **1,487,154,911** | 1,506,786,693 |
| Effect of dilutive potential ordinary shares: | | |
| Share-based incentive schemes | **-** | 6,216,761 |
| Weighted average number of shares during the year used in the diluted (loss) earnings per share calculation | **1,487,154,911** | 1,513,003,454 |

The computation of diluted loss per share for the year ended 31 December 2023 does not assume the exercise of the dilutive potential ordinary shares related to the Group's share-based incentive schemes into ordinary shares since their exercise would result in a decrease in loss per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2023: | | | | | | |
| Cost | 740,199 | 109,330 | 487,184 | 6,747 | 4,561 | 1,348,021 |
| Accumulated depreciation | (129,425) | (87,904) | (401,209) | (6,291) | - | (624,829) |
| Net carrying amount | 610,774 | 21,426 | 85,975 | 456 | 4,561 | 723,192 |
| At 1 January 2023, net of accumulated depreciation | 610,774 | 21,426 | 85,975 | 456 | 4,561 | 723,192 |
| Additions | 5,049 | 32,931 | 36,481 | 1,129 | 733 | 76,323 |
| Disposals | - | (631) | (8,773) | (32) | - | (9,436) |
| Transfers | - | 773 | - | - | (773) | - |
| Depreciation provided for the year | (16,122) | (10,168) | (26,361) | (296) | - | (52,947) |
| Exchange realignment | 1,514 | 26 | 34 | (21) | - | 1,553 |
| At 31 December 2023, net of accumulated depreciation | 601,215 | 44,357 | 87,356 | 1,236 | 4,521 | 738,685 |
| At 31 December 2023: | | | | | | |
| Cost | 746,980 | 140,102 | 339,680 | 6,085 | 4,521 | 1,237,368 |
| Accumulated depreciation | (145,765) | (95,745) | (252,324) | (4,849) | - | (498,683) |
| Net carrying amount | 601,215 | 44,357 | 87,356 | 1,236 | 4,521 | 738,685 |

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022: | | | | | | |
| Cost | 735,989 | 101,818 | 498,207 | 10,175 | 4,106 | 1,350,295 |
| Accumulated depreciation | (113,098) | (78,109) | (387,924) | (9,110) | - | (588,241) |
| Net carrying amount | 622,891 | 23,709 | 110,283 | 1,065 | 4,106 | 762,054 |
| At 1 January 2022, net of accumulated depreciation | 622,891 | 23,709 | 110,283 | 1,065 | 4,106 | 762,054 |
| Additions | - | 7,313 | 21,854 | 2 | 914 | 30,083 |
| Disposals | - | (33) | (4,244) | (338) | - | (4,615) |
| Transfers | - | 459 | - | - | (459) | - |
| Depreciation provided for the year | (15,982) | (10,195) | (42,072) | (274) | - | (68,523) |
| Exchange realignment | 3,865 | 173 | 154 | 1 | - | 4,193 |
| At 31 December 2022, net of accumulated depreciation | 610,774 | 21,426 | 85,975 | 456 | 4,561 | 723,192 |
| At 31 December 2022: | | | | | | |
| Cost | 740,199 | 109,330 | 487,184 | 6,747 | 4,561 | 1,348,021 |
| Accumulated depreciation | (129,425) | (87,904) | (401,209) | (6,291) | - | (624,829) |
| Net carrying amount | 610,774 | 21,426 | 85,975 | 456 | 4,561 | 723,192 |

At 31 December 2023, the Group's property, plant and equipment with net carrying amount of approximately RMB72,286,000 (2022: RMB228,712,000) were pledged to secure certain bank loans of the Group (note 34).

## 15. INVESTMENT PROPERTIES

The movements in the Group's investment properties and the reconciliation of level 3 fair value measurement on a recurring basis are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Fair value | | |
| As at 1 January | **4,975,169** | 4,822,350 |
| Addition | **1,240** | - |
| Net (loss) gain in fair value recognised in profit or loss | **(448,548)** | 152,819 |
| As at 31 December | **4,527,861** | 4,975,169 |

The Group's investment properties are situated in Mainland China and are held under medium term operating leases to earn rentals or for capital appreciation.

The directors of the Company have determined that the investment properties consist of one class of asset, commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 and 2022 based on valuations performed by Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch, APAC Asset Valuation and Consulting Limited and PG Advisory, independent professionally qualified valuers not connected to the Group, at approximately RMB4,527,861,000 (2022: RMB4,975,169,000) on an open market, existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 41.

At 31 December 2023, the Group's investment properties with a carrying value of RMB3,347,553,000 (2022: RMB3,830,302,000) were pledged to secure certain bank loans of the Group (note 34).

An analysis of the Group's investment properties that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Levels 1 to 3 based on the degree to which the inputs to fair value measurements is observable is as follows:

| | (Level 1)<br>RMB'000 | (Level 2)<br>RMB'000 | (Level 3)<br>RMB'000 | Fair value<br>2023<br>Total<br>RMB'000 |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Commercial properties | - | - | 4,527,861 | 4,527,861 |

## 15. INVESTMENT PROPERTIES (CONTINUED)

| | (Level 1) RMB'000 | (Level 2) RMB'000 | (Level 3) RMB'000 | Fair value 2022 Total RMB'000 |
|---|---|---|---|---|
| Recurring fair value measurement for: | | | | |
| Commercial properties | - | - | 4,975,169 | 4,975,169 |

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2023 and 2022.

The following table gives information about how the fair values of the investment properties as at 31 December 2023 and 2022 are determined (in particular, the valuation techniques and inputs used):

| | Valuation techniques and key inputs | Significant unobservable inputs | Range or weighted average 2023 | 2022 |
|---|---|---|---|---|
| Completed investment properties-Commercial properties | Discounted cash flow method – by taking into account the current rents and the reversionary potential of the tenancies | Estimated rental value (per s.q.m. and per month)(RMB) | **From 20 to 353** | From 21 To 338 |
| | | Long term vacancy rate | **From 5% to 20%** | From 5% to 20% |
| | | Discount rate | **From 5% to 6.5%** | From 5% to 6.5% |
| | Market comparison approach - by reference to recent selling price of comparable properties and adjusted to reflect the size and location of the property | Discount on size and location | **From 1% to 5%** | From 1% to 5% |

The Group has determined that the highest and best use of the commercial properties at the measurement date is their current use in estimating the fair value of the properties. There have been no other changes from the valuation technique used in the prior year.

A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the discount rate and an opposite change in the long term vacancy rate.

A significant increase (dercrease) in the discount on size and location in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

## 16. RIGHT-OF USE ASSETS

Movement of the Group's right-of-use assets is as below:

| | Land<br>RMB'000 | Building<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 44,720 | 189,633 | 234,353 |
| Additions | - | 50,703 | 50,703 |
| Write-off | - | (1,847) | (1,847) |
| Depreciation | (1,143) | (108,671) | (109,814) |
| At 31 December 2022 and 1 January 2023 | **43,577** | **129,818** | **173,395** |
| Additions | **-** | **90,648** | **90,648** |
| Write-off | **-** | **(4,443)** | **(4,443)** |
| Depreciation | **(1,143)** | **(96,018)** | **(97,161)** |
| At 31 December 2023 | **42,434** | **120,005** | **162,439** |

As at 31 December 2023 and 2022, right-of-use assets of RMB42,434,000 (2022: RMB43,577,000) represent land use rights located in the PRC.

As at 31 December 2023, the Group's land use rights with a carrying value of approximately RMB12,761,000 (2022: RMB13,149,000) were pledged to secure certain bank loans of the Group (note 34).

The Group has lease arrangements for buildings (office properties and warehouse). The lease terms generally ranged from two to five years.

## 17. LEASES

### (i) Lease liabilities

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Non-current | **57,450** | 53,657 |
| Current | **60,821** | 68,404 |
| | **118,271** | 122,061 |

| Amounts payable under lease liabilities | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within one year | **60,821** | 68,404 |
| After one year but within two years | **35,394** | 30,690 |
| After two years but within five years | **22,056** | 22,967 |
| | **118,271** | 122,061 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(60,821)** | (68,404) |
| Amount due for settlement after 12 months | **57,450** | 53,657 |

During the year ended 31 December 2023, the Group entered into a number of new lease agreements for building and recognised lease liabilities of RMB90,648,000 (2022: RMB50,703,000).

## 17. LEASES (CONTINUED)

### (ii) Amounts recognised in profit or loss

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Expense relating to short-term leases | **5,881** | 3,254 |
| Depreciation of right-of-use assets | **97,161** | 109,814 |
| Interest on lease liabilities | **6,457** | 7,691 |

### (iii) Others

At 31 December 2023 and 2022, the Group did not have committed lease agreements that were not yet commenced.

During the year ended 31 December 2023, the total cash outflow for leases amounted to RMB102,242,000 (2022: RMB115,959,000).

During the year ended 31 December 2023, the Group early terminated certain lease contacts, the respective right-of-use assets and lease liabilities of RMB4,443,000 (2022: RMB1,847,000) and RMB4,534,000 (2022: RMB1,966,000) respectively are derecognised accordingly and the related profit on early termination of RMB91,000 (2022: RMB119,000) is recognised in the profit or loss.

*Restrictions or covenants on leases*

As at 31 December 2023, lease liabilities of RMB118,271,000 (2022: RMB122,061,000) are recognised with related right-of-use assets of RMB120,005,000 (2022: RMB129,818,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 18. GOODWILL

The amount of goodwill capitalised as an asset, arising from the acquisition of subsidiaries, was as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cost | | |
| At 1 January and 31 December | **2,080,120** | 2,080,120 |
| Impairment: | | |
| At 1 January | **493,280** | 493,280 |
| Impairment loss recognised during the year | **97,131** | - |
| At 31 December | **590,411** | 493,280 |
| Net carrying amount | **1,489,709** | 1,586,840 |



For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Rural information services | **460,114** | 526,572 |
| Mobile network optimisation and big data services for communications | **872,377** | 872,377 |
| Data integration and management software sales | **70,877** | 70,877 |
| Agricultural internet of things services | **19,824** | 19,824 |
| Technical services | **16,684** | 16,684 |
| Agricultural internet services | **29,000** | 59,673 |
| Cloud services | **20,833** | 20,833 |
| Total | **1,489,709** | 1,586,840 |

### Impairment testing of goodwill

#### *Rural information services CGU*

During the year ended 31 December 2023, the Group recognised an impairment loss of RMB66,458,000 (2022: nil) in relation to goodwill arising on acquisition of 北京中農信達信息技術有限公司 as the actual results did not meet the management's expectations.

## 18. GOODWILL (CONTINUED)

### Impairment testing of goodwill (Continued)

#### *Rural information services CGU (Continued)*

The recoverable amount of the rural information services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.18% (2022: 11.93%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (2022: 2%).

#### *Mobile network optimisation and big data services for communications CGU*

The recoverable amount of the mobile network optimisation and big data services for communications CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.54% (2022: 12.29%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.3% (2022: 2.4%).

#### *Data integration and management software sales CGU*

The recoverable amount of the data integration and management software sales CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 16% (2022: 16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2022: 3%).

#### *Agricultural internet of things services CGU*

The recoverable amount of the agricultural internet of things services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.60% (2022: 11.19%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (2022: 2%).

#### *Technical services CGU*

The Group has two CGUs related to technical services. The recoverable amount of the technical services CGU is determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to cash flow projections are ranging from 10.96% and 16.5% (2022: 11.50% and 16.5%) and cash flows beyond the five-year period are extrapolated using growth rate ranging of 1.5% and 2.5% (2022: 2% and 3%).

#### *Agricultural internet services CGU*

During the year ended 31 December 2023, the Group recognised an impairment loss of RMB30,673,000 (2022: nil) in relation to goodwill arising on acquisition of 神州土地（北京）信息技術有限公司 as the actual results did not meet the management's expectations.

The recoverable amount of the agricultural internet services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13.05% (2022: 13.99%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (2022: 2%).

#### *Cloud Services CGU*

The recoverable amount of the Cloud Services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.99% (2022: 12.46%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (2022: 2%).

## 18. GOODWILL (CONTINUED)

### Impairment testing of goodwill (Continued)

*Key assumptions*

Key assumptions were used in the value in use calculations, the following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The increase in budgeted gross margin will increase the value in use of a CGU, vice versa.

Discount rate – The discount rate used reflects specific risks relating to the CGU. The increase in discount rate will decrease the value in use of a CGU, vice versa.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the individual CGU to exceed the recoverable amount of the individual CGU.



## 19. OTHER INTANGIBLE ASSETS

| | Patents and licences | Deferred development costs | Systems software | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023: | | | | |
| Cost | 21,623 | 58,337 | 390,087 | 470,047 |
| Accumulated amortisation and impairment | (17,141) | - | (255,124) | (272,265) |
| Net carrying amount | 4,482 | 58,337 | 134,963 | 197,782 |
| Cost at 1 January 2023, net of accumulated amortisation and impairment | 4,482 | 58,337 | 134,963 | 197,782 |
| Additions | - | 61,455 | 49,413 | 110,868 |
| Amortisation provided for the year | (231) | - | (72,839) | (73,070) |
| Transfers | - | (51,453) | 51,453 | - |
| At 31 December 2023 | 4,251 | 68,339 | 162,990 | 235,580 |
| At 31 December 2023: | | | | |
| Cost | 21,623 | 68,339 | 490,953 | 580,915 |
| Accumulated amortisation and impairment | (17,372) | - | (327,963) | (345,335) |
| Net carrying amount | 4,251 | 68,339 | 162,990 | 235,580 |

## 19. OTHER INTANGIBLE ASSETS (CONTINUED)

| | Patents and licences RMB'000 | Deferred development costs RMB'000 | Systems software RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2022: | | | | |
| Cost | 21,623 | 64,429 | 320,555 | 406,607 |
| Accumulated amortisation and impairment | (16,907) | - | (199,026) | (215,933) |
| Net carrying amount | 4,716 | 64,429 | 121,529 | 190,674 |
| Cost at 1 January 2022, net of accumulated amortisation and impairment | 4,716 | 64,429 | 121,529 | 190,674 |
| Additions | - | 57,307 | 6,133 | 63,440 |
| Amortisation provided for the year | (234) | - | (56,098) | (56,332) |
| Transfers | - | (63,399) | 63,399 | - |
| At 31 December 2022 | 4,482 | 58,337 | 134,963 | 197,782 |
| At 31 December 2022: | | | | |
| Cost | 21,623 | 58,337 | 390,087 | 470,047 |
| Accumulated amortisation and impairment | (17,141) | - | (255,124) | (272,265) |
| Net carrying amount | 4,482 | 58,337 | 134,963 | 197,782 |

## 20. INTERESTS IN JOINT VENTURES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Share of net assets | **44,345** | 43,782 |
| Goodwill on acquisition | **19,384** | 19,384 |
| | **63,729** | 63,166 |
| Less: accumulated impairment | **(20,000)** | - |
| | **43,729** | 63,166 |

The details of the Group's balances with joint ventures are disclosed in notes 28, 29, 32 and note 33.

All the joint ventures have been accounted for using the equity method in these consolidated financial statements.

In the opinion of the directors of the Company, all joint venture of the Group are not individually material and to give details of other joint ventures would result in particulars of excessive length.

The following table illustrates the aggregate financial information and carrying amount of the Group's interests in joint ventures that are not individually material and are accounted for using the equity method:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's interests in joint ventures | **43,729** | 63,166 |
| Share of the joint ventures' loss for the year | **(206)** | (11,845) |
| Share of the joint ventures' total comprehensive expense for the year | **(206)** | (11,845) |

During the year ended 31 December 2023, a joint venture which engaged in rural technology development business incurred substantial operating loss. The management of the Group conducted a review on the recoverable amount of its interest in this joint venture by reference to cash flow forecast and considered an impairment loss of RMB20,000,000 is recognised for the year ended 31 December 2023 (2022: nil).

During the year ended 31 December 2023, the Group deregistered its entire equity interest in a joint venture with carrying amount of nil (2022: nil), for cash consideration of approximately RMB276,000 (2022: nil) and the resulted gain on deregistration of a joint venture of approximately RMB276,000 (2022: nil) has been recognised in profit of loss.

## 21. INTERESTS IN ASSOCIATES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Share of net assets | **462,733** | 1,026,882 |
| Goodwill on acquisition | **320,946** | 409,698 |
| | **783,679** | 1,436,580 |
| Less: accumulated impairment | **(476,956)** | - |
| | **306,723** | 1,436,580 |
| Analysed into: | | |
| Unlisted shares | **253,264** | 690,245 |
| Shares listed in Hong Kong | **53,459** | 746,335 |
| | **306,723** | 1,436,580 |

The Group's interests in all the associates are held through the subsidiaries of the Company.

All the associates have been accounted for using the equity method in the consolidated financial statements.

The details of the Group's balances with associates are disclosed in notes 28 and 32.

As at 31 December 2023 and 2022, particulars of the Group's material associate is as follows:

| Name | Place of incorporation/ registration and business | Particular of issued share capital/ registered capital | Percentage of ownership interest attributable to the Group 2023 | 2022 | Principal activities |
|---|---|---|---|---|---|
| HCI* | Cayman Islands/ Mainland China | RMB120,977,000 | 19.37% | 19.37% | Provision of B-to-B e-commerce services |

The above table lists the associate of the Group which, in the opinion of the directors of the Company, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

* In the opinion of the directors of the Company, the Group has significant influence over HCI in which the Group owns less than 20% of voting right. The basis of judgement is disclosed in note 4.

Listed on the Main Board of The Stock Exchange of Hong Kong Limited. The management of the Group conducted a review on the recoverable amount of its interest in HCI by reference to the higher of value in use and fair value less cost of disposal of the associate and considered an impairment loss of RMB320,659,000 is recognised for the year ended 31 December 2023 (2022: nil), taking into account the actual result of HCI and its subsidiaires. Goodwill relating to HCI included in the carrying amount of approximately RMB53,459,000 (2022: RMB746,335,000) is approximately nil (2022: RMB294,919,000).

## 21. INTERESTS IN ASSOCIATES (CONTINUED)

### Significant changes in interest in associates

*(i) 神州數碼融信雲技術服務有限公司 ("Rongxin Cloud")*

Up to the date of disposal of Rongxin Cloud in 2023, the Group owns 19% equity interest in Rongxin Cloud through DCITS, a non wholly-owned subsidiary. During the year ended 31 December 2023, the Group disposed of 1.5% equity interest in Rongxin Cloud at an aggregate consideration of RMB13,500,000. There was change in representation and composition of the board of directors of Rongxin Cloud following the resignation of the Group's sole representative in the board of directors of Rongxin Cloud. Accordingly, the Group was not able to exercise significant influence over Rongxin Cloud since then.

After completion of the disposal, the equity interest of Rongxin Cloud held by the Group decreased from 19% to 17.5% and Rongxin Cloud ceased to be an associate of the Group. The retained interest at fair value of RMB118,992,000 had been accounted for as a financial asset at FVTOCI for medium to long-term strategic purpose. Details of the fair value measurement are set out in note 48. The resulted gain on disposals of interest in Rongxin Cloud of approximately RMB37,147,000 had been recognised in profit or loss and was calculated as follow:

| | RMB'000 |
|---|---|
| Proceeds from disposal | 13,500 |
| Plus: fair value of investment retained (17.5%) | 118,992 |
| Less: carrying amount of 19% investment on the date of loss of significant influence | (95,345) |
| Gain recognised | 37,147 |

*(ii) Deemed partial disposal of equity interest in an associate*

During the year ended 31 December 2023, the Group's interest in one of its associates was diluted from 15% to 12.75% due to the capital injections by the other equity holders. Following the capital injections, the Group continues to exercise significant influence over the associate and therefore it remains as associate of the Group. The Group recorded a loss on deemed partial disposal of approximately RMB78,000 in profit or loss.

During the year ended 31 December 2022, the Group's interest in another associate was diluted from 21.32% to 20.31% due to the capital injections by the other equity holders. Following the capital injections, the Group continues to exercise significant influence over the associate and therefore it remains as associate of the Group. The Group recorded a gain on deemed partial disposal of approximately RMB3,292,000 in profit or loss.

*(iii) Partial disposal of equity interest in an associate*

During the year ended 31 December 2022, the Group disposed of its equity interest in an associate with an aggregate carrying amount of approximately RMB9,401,000 for a cash consideration of approximately RMB13,599,000 and the resulted gain on partial disposal of equity interest in an associate of approximately RMB4,198,000 has been recognised in profit or loss. The Group's interest in the associate was diluted from 21% to 19% and the Group is able to appoint one out of five directors in the associate. Accordingly, the Group is able to exercise significant influence over the associate. There was no partial disposal during the year ended 31 December 2023.

*(iv) Additional contributions to associates*

During the year ended 31 December 2023, the Group made additional contributions to various associates with an aggregate amount of approximately RMB42,134,000 (2022: nil).

## 21. INTERESTS IN ASSOCIATES (CONTINUED)

### (v) Financial information of associates

The following table illustrates the summarised financial information in respect of HCI, that is material to the Group and is accounted for using equity method:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Current assets | **2,481,140** | 4,559,924 |
| Non-current assets | **444,370** | 1,819,306 |
| Current liabilities | **(1,889,979)** | (3,346,436) |
| Non-current liabilities | **(1,790)** | (32,793) |
| Net assets | **1,033,741** | 3,000,001 |
| Less: Non-controlling interests | **(624,866)** | (669,511) |
| Net assets attributable to shareholders of the associate | **408,875** | 2,330,490 |
| Revenue | **18,552,843** | 16,893,705 |
| Loss for the year attributable to shareholders of the associate | **(1,829,540)** | (224,306) |
| Other comprehensive expense for the year | **(69,963)** | (36,625) |
| Total comprehensive expense for the year | **(1,899,503)** | (260,931) |

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Net assets of the associate | **408,875** | 2,330,490 |
| Proportion of the Group's ownership interest in HCI | **19.37%** | 19.37% |
| Goodwill | **294,919** | 294,919 |
| | **374,118** | 746,335 |
| Less: accumulated impairment | **(320,659)** | - |
| Carrying amount of the Group's interest in HCI | **53,459** | 746,335 |

## 21. INTERESTS IN ASSOCIATES (CONTINUED)

### (v) *Financial information of associates (Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's investments in associates that are not individually material, net of accumulated impairment | **253,264** | 690,245 |
| Share of the associates' loss for the year | **(180,793)** | (22,949) |
| Share of the associates' other comprehensive (expense) income for the year | **(23,087)** | 14,633 |
| Share of the associates' total comprehensive expense for the year | **(203,880)** | (8,316) |
| Dividend received from associates during the year | **1,175** | 811 |





During the year ended 31 December 2023, the management of the Group conducted a review on the recoverable amount of its interests in certain associates by reference to price to book ratio or cash flow forecast and recognised an impairment loss of RMB156,297,000 for the year ended 31 December 2023 (2022: nil).

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Equity instruments designated as at FVTOCI** | | |
| Unlisted equity investments | **721,071** | 780,328 |

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the fair value of these investments are disclosed in note 48.

During the year ended 31 December 2023, the Group has disposed certain unlisted equity investments at consideration of RMB85,910,000 (2022: RMB65,514,000).

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Financial assets measured at FVTPL** | | |
| Listed equity securities | **51,664** | 78,297 |
| Unlisted wealth management financial products (note) | **268,669** | 664,298 |
| | **320,333** | 742,595 |

During the year ended 31 December 2023, the Group has disposed certain listed equity securities at consideration of RMB80,386,000 (2022: nil). At the date of disposal, the fair value of such investment is RMB80,386,000 (2022: nil).

Details of the fair value of these investments are disclosed in note 48.

*Note:*

The wealth management financial products as at 31 December 2023 and 2022 were acquired from reputable banks or financial institutions in the PRC. These financial products are with short maturities ranging from 3 months to 6 months and thus are classified as current assets.

## 24. FINANCE LEASE RECEIVABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Finance lease receivables | **32,506** | 38,499 |
| Less: loss allowance | **(7,094)** | (7,094) |
| | **25,412** | 31,405 |

The Group provides finance leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. The Group's finance lease arrangements do not include variable payments.

## 24. FINANCE LEASE RECEIVABLES (CONTINUED)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Net finance lease receivables: | | | | |
| Due with one year | **30,898** | 36,928 | **25,412** | 31,405 |
| Less: unearned finance income | **(5,486)** | (5,523) | | |
| Present value of minimum lease payment receivables | **25,412** | 31,405 | | |

The movement in the loss allowance of finance lease receivables is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At the beginning of year | **7,094** | 7,673 |
| Reversal of impairment loss | **-** | (579) |
| At the end of the year | **7,094** | 7,094 |

The directors of the Company estimate the loss allowance on finance lease receivables individually at the end of the reporting period at an amount equal to lifetime ECL under the simplified approach. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of the pledged equipment held over these finance lease receivables, the directors of the Company made allowance for impairment of finance lease receivables of approximately RMB7,094,000 (2022: RMB7,094,000) as at 31 December 2023.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

As at 31 December 2023 and 2022, finance lease receivables were secured over the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

## 25. DEFERRED TAX

The following is the analysis of the deferred tax assets and liabilities, after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Deferred tax assets | **231,112** | 251,399 |
| Deferred tax liabilities | **(467,336)** | (526,696) |
| | **(236,224)** | (275,297) |

The movements in deferred tax assets and liabilities during the year are as follows:

| | Asset provisions | Revaluation of properties | Assets Revaluation | Right-of-use assets | Lease liabilities | Others | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 | 142,600 | (384,087) | (52,756) | (17,020) | 17,137 | (33,562) | (327,688) |
| Deferred tax credited (charged) to profit or loss *(note 11)* | 58,669 | (38,205) | 6,624 | 6,161 | (5,941) | (2,221) | 25,087 |
| Deferred tax credited directly to equity | - | - | - | - | - | 138 | 138 |
| Deferred tax credited to other comprehensive income | - | - | 27,166 | - | - | - | 27,166 |
| As at 31 December 2022 | **201,269** | **(422,292)** | **(18,966)** | **(10,859)** | **11,196** | **(35,645)** | **(275,297)** |
| Deferred tax (charged) credited to profit or loss *(note 11)* | **(6,448)** | **44,048** | **27** | **(10,473)** | **10,575** | **(32,843)** | **4,886** |
| Deferred tax credited to other comprehensive income | **-** | **-** | **34,187** | **-** | **-** | **-** | **34,187** |
| As at 31 December 2023 | **194,821** | **(378,244)** | **15,248** | **(21,332)** | **21,771** | **(68,488)** | **(236,224)** |

The Group's tax losses arising in Mainland China of RMB856,418,000 (2022: RMB723,671,000) which are due to expire within five years for offsetting against future taxable profits of the subsidiaries in which the losses arose, have not been recognised as deferred tax assets. Certain deductible temporary differences of RMB1,817,784,000 (2022: RMB409,590,000) and the aforesaid tax losses have not been recognised as deferred tax assets since they have arisen in subsidiaries that have been making losses for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the reporting period, the undistributed earnings of subsidiaries which deferred tax liabilities have not been recognised was RMB1,523,777,000 (2022: RMB1,277,480,000). No liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 26. INVENTORIES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Trading stock | **820,228** | 1,183,260 |

## 27. COMPLETED PROPERTIES HELD FOR SALE

The Group's completed properties held for sale are situated in Mainland China and are stated at lower of cost or net realisable value.

## 28. ACCOUNTS AND BILLS RECEIVABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Receivables at amortised cost comprise** | | |
| Accounts and bills receivables | **4,963,616** | 4,574,653 |
| Less: loss allowance | **(783,332)** | (709,792) |
| Total | **4,180,284** | 3,864,861 |
| **Analysis by:** | | |
| Current portion | **4,029,490** | 3,743,787 |
| Non-current portion | **150,794** | 121,074 |
| | **4,180,284** | 3,864,861 |

At as 1 January 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB3,968,036,000.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 720 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. No customers represent more than 5% of the total accounts and bills receivables balance as at the end of the reporting periods. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances. Accounts and bills receivables are non-interest bearing.

Included in accounts and bills receivables is amount due from a customer of RMB150,794,000 (2022: RMB121,074,000), net of loss allowance of RMB5,020,000 (2022: RMB2,881,000), of which will be settled after 12 months from the end of the reporting period as per agreed repayment schedule. The effective interest rate of this receivable is 4.20% to 7.19% (2022: 7.19%) per annum.

## 28. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

The following is an aged analysis of accounts and bills receivables net of allowance for impairment of accounts and bills receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 30 days | **2,546,878** | 2,090,733 |
| 31 to 60 days | **213,040** | 196,663 |
| 61 to 90 days | **69,317** | 80,762 |
| 91 to 180 days | **262,229** | 579,322 |
| 181 to 360 days | **376,664** | 328,216 |
| Over 360 days | **712,156** | 589,165 |
| | **4,180,284** | 3,864,861 |

The Group measures the loss allowance for accounts and bills receivables at an amount equal to lifetime ECL under the simplified approach. The expected credit losses on accounts and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group recognised lifetime ECL for accounts and bills receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

**As at 31 December 2023**

| | Weighted average expected loss rate<br>% | Gross carrying amount<br>RMB'000 | Loss allowance<br>RMB'000 | Net amount<br>RMB'000 |
|---|---|---|---|---|
| **Individually** | 100% | 49,188 | 49,188 | - |
| **Collectively** | | | | |
| Current (not past due) | 2% | 3,157,301 | 65,514 | 3,091,787 |
| Less than 90 days past due | 6% | 365,441 | 21,025 | 344,416 |
| 91 to 180 days past due | 8% | 233,382 | 19,768 | 213,614 |
| 181 to 360 days past due | 20% | 408,503 | 83,301 | 325,202 |
| 361 to 720 days past due | 52% | 423,262 | 217,997 | 205,265 |
| More than 721 days past due | 100% | 326,539 | 326,539 | - |
| | | 4,963,616 | 783,332 | 4,180,284 |

## 28. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

**As at 31 December 2022**

| | Weighted average expected loss rate | Gross carrying amount | Loss allowance | Net amount |
|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 |
| **Individually** | 100% | 104,790 | 104,790 | - |
| **Collectively** | | | | |
| Current (not past due) | 2% | 2,748,461 | 61,572 | 2,686,889 |
| Less than 90 days past due | 6% | 501,687 | 28,170 | 473,517 |
| 91 to 180 days past due | 8% | 299,396 | 23,216 | 276,180 |
| 181 to 360 days past due | 20% | 257,552 | 51,723 | 205,829 |
| 361 to 720 days past due | 45% | 404,934 | 182,488 | 222,446 |
| More than 721 days past due | 100% | 257,833 | 257,833 | - |
| | | 4,574,653 | 709,792 | 3,864,861 |

The movements in loss allowance of accounts and bills receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At the beginning of year | **709,792** | 666,255 |
| Impairment losses recognised | **106,869** | 51,636 |
| Write-off as uncollectible | **(32,057)** | (8,727) |
| Exchange realignment | **(1,272)** | 628 |
| At the end of year | **783,332** | 709,792 |

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies (note 43(b)) of approximately RMB20,313,000 (2022: RMB41,677,000), net of loss allowances of RMB44,954,000 (2022: RMB25,355,000), RMB2,064,000 (2022: RMB4,977,000), net of loss allowances of RMB1,900,000 (2022: RMB2,473,000) and RMB43,284,000 (2022: RMB58,948,000), net of loss allowances of RMB1,352,000 (2022: RMB710,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

## 29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | *Notes* | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| Deposits and other receivables | (i) | **1,709,015** | 1,976,185 |
| Less: loss allowance | | **(589,951)** | (102,236) |
| | | **1,119,064** | 1,873,949 |
| Prepayments | (ii) | **488,368** | 395,488 |
| Loans to joint ventures | (iii) | **108,065** | 230,565 |
| | | **1,715,497** | 2,500,002 |
| Analysis by: | | | |
| Current portion | | **1,275,497** | 1,652,637 |
| Non-current portion | | **440,000** | 847,365 |
| | | **1,715,497** | 2,500,002 |

*Note:*

(i) As at 31 December 2023, included in Group's prepayments, deposits and other receivables were loan receivables with carrying amount of approximately RMB524,410,000 (2022: RMB1,006,125,000), that were secured by the properties of the borrowers. Out of the loan receivables were amount of approximately RMB440,000,000 (2022: RMB847,365,000), that are not expected to be realised within 12 months from the end of the reporting period as the realisation of the collaterals are expected to be completed in 2025. As such, these balances were classified as non-current assets. For the remaining balance of approximately RMB84,410,000 (2022: RMB158,760,000), they were classified as current assets as the collaterals are expected to be realised within 12 months from the end of the reporting period.

During the year ended 31 December 2023, impairment loss of loan receivables of approximately RMB480,612,000 was recognised (2022: nil) in the profit or loss.

(ii) As at 31 December 2023, included in the Group's prepayments, deposits and other receivables were amounts due from related companies of the Group of approximately RMB61,379,000 (2022: RMB58,831,000).

(iii) At 31 December 2023, included in the Group's prepayments, deposits and other receivables are loans of approximately RMB108,065,000 (2022: RMB230,565,000) to a joint venture of the Group, which are unsecured, bears interest at 4.52% (2022: 4.52%) per annum and are repayable within one year from the end of the reporting period.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The movements in loss allowance of other receivables are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At the beginning of year | **102,236** | 97,621 |
| Impairment losses recognised | **487,715** | 4,615 |
| At the end of year | **589,951** | 102,236 |

Details of impairment assessment of deposits and other receivables are set out in note 49.

For the purposes of impairment assessment for loans to joint ventures, the director of the Company considered these loans to have low credit risk. Accordingly, the loss allowance is measured at an amount equal to 12-month ECL which is considered not significant after taken into account the historical repayment history and the financial strength of the joint ventures.

## 30. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Contract assets | **4,017,544** | 3,473,417 |
| Less: loss allowance | **(419,235)** | (361,129) |
| | **3,598,309** | 3,112,288 |

As at 1 January 2022, contract assets amounted to RMB2,873,339,000.

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of services provided. The contract assets are transferred to accounts and bills receivables when the rights become unconditional upon completion of services and acceptance by the customer.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL under the simplified approach. The movements in loss allowance of contract assets are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At the beginning of year | **361,129** | 288,101 |
| Impairment losses recognised | **58,106** | 73,028 |
| At the end of year | **419,235** | 361,129 |

## 30. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

### (b) Contract liabilities

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Receipt in advance | **1,838,120** | 1,842,737 |
| Due to contract customers | **433,073** | 273,732 |
| Total contract liabilities | **2,271,193** | 2,116,469 |

As at 1 January 2022, contract assets amounted to RMB1,923,681,000.

Contract liabilities include advances received to render services and unfulfilled performance obligation for contract customers.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB2,116,469,000 (2022: RMB1,923,681,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.



## 31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cash and bank balances | **3,104,082** | 2,562,885 |
| Time deposits | **4,000** | 14,000 |
| | **3,108,082** | 2,576,885 |
| Less: Restricted bank balances | **(224,774)** | (54,879) |
| Cash and cash equivalents | **2,883,308** | 2,522,006 |

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB2,844,786,000 (2022: RMB2,432,554,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 32. ACCOUNTS AND BILLS PAYABLES

The following is an aged analysis of accounts and bills payables presented based on the invoice date at the end of the reporting period.

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 30 days | **2,006,503** | 1,541,516 |
| 31 to 60 days | **433,038** | 106,654 |
| 61 to 90 days | **129,945** | 69,054 |
| Over 90 days | **1,382,526** | 1,773,072 |
| | **3,952,012** | 3,490,296 |

The average credit period on purchases of goods is ranging from 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2023, included in the Group's accounts and bills payables were amounts due to joint ventures, associates and related companies of the Group of approximately RMB1,266,000 (2022: RMB1,357,000), RMB45,265,000 (2022: RMB52,579,000) and RMB145,552,000 (2022: RMB71,883,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

## 33. OTHER PAYABLES AND ACCRUALS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Other payables | **624,275** | 704,963 |
| Accruals | **400,645** | 587,538 |
| Payroll payables | **401,416** | 400,863 |
| Deferred income *(note 44)* | **1,528** | 1,955 |
| | **1,427,864** | 1,695,319 |

Included in the Group's other payables are amounts due to joint ventures and related companies of RMB5,000,000 (2022: RMB5,000,000 ) and RMB21,484,000 (2022: RMB16,071,000) respectively.

At 31 December 2023 and 2022, other payables are unsecured and non-interest-bearing and have an average term of three months.

## 34. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Bank loans, unsecured | **529,061** | 816,165 |
| Bank loans, secured | **2,688,050** | 2,755,993 |
| Other borrowing | **66,311** | 43,500 |
| | **3,283,422** | 3,615,658 |
| Analysed for reporting purpose as: | | |
| Current | **1,401,935** | 1,832,046 |
| Non-current | **1,881,487** | 1,783,612 |
| | **3,283,422** | 3,615,658 |

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Bank loans repayable (based on scheduled repayment dates set out in the loan agreements dates): | | |
| Within one year | **1,335,624** | 1,788,546 |
| In the second year | **323,845** | 395,483 |
| In the third to fifth years, inclusive | **426,240** | 732,241 |
| Beyond five years | **1,131,402** | 655,888 |
| | **3,217,111** | 3,572,158 |
| Other borrowing repayable: | | |
| Within one year | **66,311** | 43,500 |
| | **3,283,422** | 3,615,658 |

## 34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **RMB'000** | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Bank loans, unsecured | **2.65-4.90** | **2024** | **529,061** | 1.48-4.35 | 2023 | 816,165 |
| Bank loans, secured | **3.65-4.80** | **2024** | **580,000** | 1.45-5.80 | 2023 | 775,930 |
| Current portion of long term bank loans, secured | **4.35-5.30** | **2024** | **226,563** | 1.48-5.64 | 2023 | 196,451 |
| Other borrowing | **2.20-15** | **2024** | **66,311** | 15 | 2023 | 43,500 |
| | | | **1,401,935** | | | 1,832,046 |
| **Non-current** | | | | | | |
| Bank loans, secured | **4.30-5.30** | **2025-2037** | **1,881,487** | 1.48-5.64 | 2024-2036 | 1,783,612 |
| | | | **3,283,422** | | | 3,615,658 |



The ranges of effective interest rates on the Group's bank borrowings are as follows:

| | **2023** | 2022 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **2.65%-5.30%** | 2.50%-5.80% |
| Variable-rate borrowings | **4.30%-5.30%** | 1.45%-5.64% |

As at 31 December 2023, the Group's borrowings carrying interest at floating rates and fixed rates amounted approximately to RMB2,003,611,000 (2022: RMB1,929,556,000) and RMB1,279,811,000 (2022: RMB1,686,102,000) respectively.

As at 31 December 2023 and 2022, the Group's bank and other borrowings are not subject to the fulfillment of covenants.

*Notes:*

(a) Certain of the Group's bank and other borrowings are secured by:

(i) mortgages over the buildings, which had an aggregate carrying value at the end of the reporting period of RMB72,286,000 (2022: RMB228,712,000) (note 14);

(ii) mortgages over investments properties, which had an aggregate carrying value at the end of the reporting period of RMB3,347,553,000 (2022: RMB3,830,302,000) (note 15);

(iii) mortgage over the land use rights, which had an aggregate carrying value at the end of the reporting period of RMB12,761,000 (2022: RMB13,149,000) (note 16); and

(iv) The Group's borrowings of approximately RMB830,000,000 (2022: RMB866,000,000) provided by certain financial institutions were secured by 183,184,000 (2022: 194,770,000) ordinary shares issued by DCITS with an aggregate fair value of RMB2,068,147,000 (2022: RMB2,097,673,000) as at 31 December 2023.

(b) At 31 December 2022, except for the bank borrowings of RMB294,417,000 (2023: nil) and RMB53,953,000 (2023: nil) are denominated in Hong Kong dollars and United States dollars, respectively, the remaining bank and other borrowings are denominated in RMB.

## 35. SHARE CAPITAL

| | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|
| Authorised: | | |
| 2,500,000,000 (2022: 2,500,000,000) ordinary shares of HK$0.1 (2022: HK$0.1) each | **250,000** | 250,000 |

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 2023: 1,673,607,386 (2022: 1,673,607,386) ordinary shares of HK$0.1 (2022: HK$0.1) each | **163,826** | 163,826 |

A summary of the movements in the Company's issued share capital and share premium account during the years ended 31 December 2023 and 2022 is as follows:

| | Number of ordinary shares in issue | Issued capital RMB'000 | Share premium account RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| 1 January 2022 | 1,673,526,386 | 163,820 | 4,139, 368 | 4,303,188 |
| Exercise of share options *(note 37)* | 81,000 | 6 | 341 | 347 |
| 31 December 2022 and 2023 | 1,673,607,386 | 163,826 | 4,139,709 | 4,303,535 |

Save as disclosed above, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023 and 2022.

## 36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

### Asset revaluation reserve

The asset revaluation reserve represents cumulative gains and losses arising on property revaluation as a result of the change in use from owner-occupied properties to investment properties. Such items will not be reclassified to profit or loss in subsequent periods.

### Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in unlisted equity instruments of the Group and associates designated at FVTOCI.

### Reserve funds

Reserve funds are reserves set aside in accordance with the relevant PRC regulations applicable to the Group's subsidiaries in Mainland China. These reserve funds can be used to offset accumulated losses but are not be distributable in the form of cash dividends.

### Capital reserves

The capital reserve represents primarily the effects from change in shareholders' equity arising on group re-organisation and change in the Group's ownership interest in subsidiaries without losing control.

## 37. SHARE-BASED INCENTIVE SCHEMES

### Share-based Incentive Schemes of the Company

#### *(a) Share Option Scheme*

The share option scheme of the Company was adopted on 15 August 2011 (the "**2011 Share Option Scheme**").

The 2011 Share Options Scheme has a life span of ten years and has expired on 14 August 2021. Since then, no further share options can be granted under the 2011 Share Option Scheme.

The principal terms of the 2011 Share Option Scheme are as follows:

*(I) Purpose*

The 2011 Share Option Scheme seeks to recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons (as defined below) to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with the qualified persons whose contributions are or may be beneficial to the growth of the Group.

*(II) Qualified persons*

Any part-time or full-time employee or officer or director (including executive, non-executive or independent non-executive directors) of any member of the Group or of any associated company, or any supplier, partner, customer, joint venture partner, strategic alliance partner, distributor, professional adviser of, or consultant or contractor to, any member of the Group, or the trustee of any trust pre-approved by the board of directors of the Company, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons.

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### (a) Share Option Scheme (Continued)

*(III) Maximum number of shares*

As the 2011 Share Option Scheme had expired on 14 August 2021, there would not be any further grant of option thereunder. The maximum number of shares of the Company available for issue under such scheme was 129,124,888 (2022: 165,535,878), which represent 7.72% (2022: 9.89%) of share capital of the Company in issue as at the date of the annual report.

*(IV) Maximum entitlement of each qualified person*

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted under the 2011 Share Option Scheme and any other share option schemes of the Company to each qualified person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors of the Company (except when the independent non-executive director is the grantee of such options).

Any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must, in addition to obtaining the approval of the independent non-executive directors of the Company, be approved by the shareholders of the Company in a general meeting if such proposed grant of share options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to such substantial shareholder or independent non-executive director during the 12-month period up to and including the date of such grant of options, would (i) entitle that relevant person to receive more than 0.1% of the total issued share capital of the Company for the time being; and (ii) represent an aggregate value in excess of HK$5,000,000 based on the closing price of the shares of the Company on the Stock Exchange at the date of such grant.

*(V) Timing for exercise of options*

The period during which an option may be exercised in accordance with the terms of the 2011 Share Option Scheme shall be the period set out in the relevant offer letter, provided that such period must expire on the date falling on the tenth anniversary of the offer date.

*(VI) Acceptance of offers*

An offer of the grant of an option shall be accepted by the grantee on or before the last date for acceptance of such offer as set out in the relevant offer letter, which must not be more than 28 business days from the relevant offer date. A consideration of HK$1.00 shall be received by the Company on acceptance of each offer.

*(VII) Basis for determination of the subscription price*

The subscription price shall be the highest of (a) the closing price of the shares on the offer date; (b) the average of the closing prices of the shares for the five business days immediately preceding the offer date; or (c) the nominal value of a share.

*(VIII) Life of Share Option Scheme*

The 2011 Share Option Scheme shall remain valid and effective for a period of ten years commencing from 15 August 2011, being the date on which the scheme was deemed to take effect in accordance with its terms and had expired on 14 August 2021.

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(a) Share Option Scheme (Continued)*

The following tables show the movements in the Company's share options granted under the 2011 Share Option Scheme according to dates of grant during the years ended 31 December 2023 and 2022, respectively:

| | Number of share options | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Outstanding as at 1/1/2023 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31/12/2023 | Exercise price per share HK$ | Closing price immediately before the date of grant HK$ | Weighted average closing price of shares immediately before the date of share options being exercised during the year HK$ | Date of grant | Exercisable period | Notes |
| Directors | | | | | | | | | | | | |
| GUO Wei | 13,116,974 | - | - | - | - | 13,116,974 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i),(ii) |
| GUO Wei | 81,000,000 | - | - | - | (27,000,000) | 54,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| LIN Yang | 13,116,974 | - | - | - | - | 13,116,974 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i),(ii) |
| LIN Yang | 2,000,000 | - | - | - | (668,000) | 1,332,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| WONG Man Chung, Francis | 2,000,000 | - | - | - | (668,000) | 1,332,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| NI Hong (Hope) | 2,000,000 | - | - | - | (668,000) | 1,332,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| LIU Yun, John | 2,000,000 | - | - | - | (668,000) | 1,332,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| KING William | 2,000,000 | - | - | - | (668,000) | 1,332,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| CHEN Timothy Yung-cheng | 1,000,000 | - | - | - | (500,000) | 500,000 | 4.82 | 4.81 | - | 16/7/2021 | (vi) | (vii) |
| Other employees | 5,981,340 | - | - | - | - | 5,981,340 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i),(ii) |
| Other employees | 1,999,000 | - | - | - | - | 1,999,000 | 4.818 | 4.87 | - | 21/5/2018 | 21/5/2019-20/5/2026 | (iii) |
| Other employees | 4,802,600 | - | - | - | (335,000) | 4,467,600 | 4.32 | 4.26 | - | 28/3/2019 | 28/3/2020-27/3/2027 | (iii) |
| Other employees | 2,000,000 | - | - | - | - | 2,000,000 | 4.04 | 3.95 | - | 2/9/2019 | 2/9/2020-1/9/2027 | (iii) |
| Other employees | 4,844,990 | - | - | - | (399,990) | 4,445,000 | 4.17 | 4.16 | - | 27/4/2020 | 27/4/2021-26/4/2028 | (iii) |
| Other employees | 1,319,000 | - | - | - | - | 1,319,000 | 4.48 | 4.27 | - | 11/6/2020 | 11/6/2021-10/6/2028 | (iii) |
| Other employees | 11,600,000 | - | - | - | (3,916,000) | 7,684,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| Other employees | 1,512,000 | - | - | - | - | 1,512,000 | 6.60 | 6.54 | - | 13/7/2020 | 13/7/2021-12/7/2028 | (iii) |
| Other employees | 5,190,000 | - | - | - | (580,000) | 4,610,000 | 5.44 | 5.37 | - | 31/3/2021 | 31/3/2022-30/3/2029 | (iii) |
| Other participants | 1,000,000 | - | - | - | - | 1,000,000 | 5.44 | 5.37 | - | 31/3/2021 | (viii) | (viii),(x) |
| Other employees | 6,053,000 | - | - | - | (340,000) | 5,713,000 | 4.48 | 4.10 | - | 28/7/2021 | 28/7/2022-27/7/2029 | (iii) |
| Other participants | 1,000,000 | - | - | - | - | 1,000,000 | 4.48 | 4.10 | - | 28/7/2021 | (ix) | (ix),(x) |
| In aggregate | 165,535,878 | - | - | - | (36,410,990) | 129,124,888 | | | | | | |
| Exercisable at the end of the year | | | | | | 117,583,888 | | | | | | |
| Weighted average exercise price (HK$) | 6.209 | - | - | - | 6.450 | 6.130 | | | | | | |

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(a) Share Option Scheme (Continued)*

| | Number of share options | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Outstanding as at 1/1/2022 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31/12/2022 | Exercise price per share HK$ | Closing price immediately before the date of grant HK$ | Weighted average closing price of shares immediately before the date of share options being exercised during the year HK$ | Date of grant | Exercisable period | Notes |
| Directors | | | | | | | | | | | | |
| GUO Wei | 13,116,974 | - | - | - | - | 13,116,974 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i), (ii) |
| GUO Wei | 81,000,000 | - | - | - | - | 81,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| LIN Yang | 13,116,974 | - | - | - | - | 13,116,974 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i), (ii) |
| LIN Yang | 2,000,000 | - | - | - | - | 2,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| WONG Man Chung, Francis | 2,000,000 | - | - | - | - | 2,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| NI Hong (Hope) | 2,000,000 | - | - | - | - | 2,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| LIU Yun, John | 2,000,000 | - | - | - | - | 2,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| KING William | 2,000,000 | - | - | - | - | 2,000,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| CHEN Timothy Yung-cheng | 1,000,000 | - | - | - | - | 1,000,000 | 4.82 | 4.81 | - | 16/7/2021 | (vi) | (vii) |
| Other employees | 5,981,340 | - | - | - | - | 5,981,340 | 6.394 | 6.73 | - | 25/1/2017 | 25/1/2017-24/1/2025 | (i), (ii) |
| Other employees | 1,999,000 | - | - | - | - | 1,999,000 | 4.818 | 4.87 | - | 21/5/2018 | 21/5/2019-20/5/2026 | (iii) |
| Other employees | 5,003,600 | - | - | - | (201,000) | 4,802,600 | 4.32 | 4.26 | - | 28/3/2019 | 28/3/2020-27/3/2027 | (iii) |
| Other employees | 2,180,000 | - | (60,000) | - | (120,000) | 2,000,000 | 4.04 | 3.95 | 4.50 | 2/9/2019 | 2/9/2020-1/9/2027 | (iii) |
| Other employees | 5,494,990 | - | (19,000) | - | (631,000) | 4,844,990 | 4.17 | 4.16 | 4.60 | 27/4/2020 | 27/4/2021-26/4/2028 | (iii) |
| Other employees | 2,020,000 | - | (2,000) | - | (699,000) | 1,319,000 | 4.48 | 4.27 | 4.82 | 11/6/2020 | 11/6/2021-10/6/2028 | (iii) |
| Other employees | 13,000,000 | - | - | - | (1,400,000) | 11,600,000 | 6.60 | 6.54 | - | 13/7/2020 | (iv) | (v) |
| Other employees | 1,670,000 | - | - | - | (158,000) | 1,512,000 | 6.60 | 6.54 | - | 13/7/2020 | 13/7/2021-12/7/2028 | (iii) |
| Other employees | 6,350,000 | - | - | - | (1,160,000) | 5,190,000 | 5.44 | 5.37 | - | 31/3/2021 | 31/3/2022-30/3/2029 | (iii) |
| Other participants | 1,000,000 | - | - | - | - | 1,000,000 | 5.44 | 5.37 | - | 31/3/2021 | (viii) | (viii), (x) |
| Other employees | 6,759,000 | - | - | - | (706,000) | 6,053,000 | 4.48 | 4.10 | - | 28/7/2021 | 28/7/2022-27/7/2029 | (iii) |
| Other participants | 1,000,000 | - | - | - | - | 1,000,000 | 4.48 | 4.10 | - | 28/7/2021 | (ix) | (ix), (x) |
| In aggregate | 170,691,878 | - | (81,000) | - | (5,075,000) | 165,535,878 | | | | | | |
| Exercisable at the end of the year | | | | | | 112,033,078 | | | | | | |
| Weighted average exercise price (HK$) | 6.181 | - | 4.081 | - | 5.295 | 6.209 | | | | | | |

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### (a) Share Option Scheme (Continued)

The following tables summarise the movements in the share options granted under the 2011 Share Option Scheme (by each class of grantees) during the years ended 31 December 2023 and 2022, respectively:

| | Number of share options | | | | | |
|---|---|---|---|---|---|---|
| **Class of grantees** | **Outstanding as at 1 January 2023** | **Granted during the year** | **Exercised during the year** | **Cancelled during the year** | **Lapsed during the year** | **Outstanding as at 31 December 2023** |
| **Directors** | **118,233,948** | **-** | **-** | **-** | **(30,840,000)** | **87,393,948** |
| **Other employees** | **45,301,930** | **-** | **-** | **-** | **(5,570,990)** | **39,730,940** |
| **Sub-total** | **163,535,878** | **-** | **-** | **-** | **(36,410,990)** | **127,124,888** |
| **Other participants (*Note (x)*)** | **2,000,000** | **-** | **-** | **-** | **-** | **2,000,000** |
| **Total** | **165,535,878** | **-** | **-** | **-** | **(36,410,990)** | **129,124,888** |

| | Number of share options | | | | | |
|---|---|---|---|---|---|---|
| Class of grantees | Outstanding as at 1 January 2022 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31 December 2022 |
| Directors | 118,233,948 | - | - | - | - | 118,233,948 |
| Other employees | 50,457,930 | - | (81,000) | - | (5,075,000) | 45,301,930 |
| Sub-total | 168,691,878 | - | (81,000) | - | (5,075,000) | 163,535,878 |
| Other participants (*Note (x)*) | 2,000,000 | - | - | - | - | 2,000,000 |
| Total | 170,691,878 | - | (81,000) | - | (5,075,000) | 165,535,878 |

*Notes:*

(i) As a result of the rights issue which was completed on 18 September 2017, the exercise price was adjusted from HK$6.71 to HK$6.394 under the 2011 Share Option Scheme, and the numbers of outstanding share options were adjusted accordingly.

(ii) All options granted under the 2011 Share Option Scheme are exercisable in whole or in part at anytime during the exercisable period.

(iii) The options granted under the 2011 Share Option Scheme are subject to a vesting period of five years with 20% becoming exercisable on the first anniversary, 20% on the second anniversary, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary of the respective dates of grant.

(iv) Exercisable period is from the date of satisfaction of certain conditions to 12 July 2028. For details of the conditions please refer to Note (v).

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### (a) Share Option Scheme (Continued)

(v) The vesting and exercise of the share options shall be conditional upon the Group's audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2020, 2021 and 2022 as set out in the relevant grant letters (if any). As certain of the conditions had been satisfied, the relevant portion of the share options was vested on the respective relevant dates.

(vi) Exercise period is from the date of satisfaction of certain conditions to 15 July 2029. For details of the conditions please refer to Note (vii).

(vii) The vesting and exercise of the share options shall be conditional upon the Group's audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2021 and 2022 as set out in the relevant grant letters (if any). As certain of the conditions had been satisfied, the relevant portion of the share options was vested on the relevant date.

(viii) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 30 March 2029.

(ix) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 27 July 2029.

(x) Other participants mean service providers who provide services to the Group.

No share options were granted to participants other than these set out in the tables above.

Share options granted to the participants under the 2011 Share Option Scheme do not confer rights on the holders to dividends or to vote at general meetings.

The fair values of the share options granted under the 2011 Share Option Scheme during the year ended 31 December 2023 was nil (2022: nil) in aggregate.

During the year ended 31 December 2023, RMB4,061,000 (2022: RMB14,867,000) was recognised as share option expenses.

No share option was granted during 2022 and 2023 under the 2011 Share Option Scheme.

As at 31 December 2023, the Company had 129,124,888 (2022: 165,535,878) share options outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 129,124,888 (2022: 165,535,878) additional ordinary shares of the Company and additional share capital of approximately RMB12,912,000 (2022: RMB14,592,000) and share premium of approximately RMB778,580,000 (2022: RMB891,432,000) (before issue expenses and transfer of employee share-based compensation reserve).

At the date of approval of these financial statements, the Company had 128,924,888 (2022: 165,380,878) share options outstanding under the 2011 Share Option Scheme, which represented approximately 7.70% (2022: 9.88%) of the Company's shares in issue as at that date.

During the years ended 31 December 2022 and 2023, no option is available for grant under the 2011 Share Option Scheme.

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(b) Restricted Share Award Scheme ("RSA Scheme")*

The RSA Scheme was adopted on 28 March 2011 for the purpose of rewarding and motivating, among others, directors (including executive and non-executive) and employees of the Company and its subsidiaries (the "**Participants**") with the shares of the Company. The RSA Scheme is intended to attract and retain the best available personnel, and encourage and motivate the Participants to work towards enhancing the value of the Group and the Company's shares by aligning their interests with those of the shareholders of the Company. The RSA Scheme shall be valid and effective from the date of adoption until termination by the Board in accordance with the rules constituting the RSA Scheme.

Pursuant to the RSA Scheme, existing shares of the Company will be purchased by the trustee of the RSA Scheme from the market at the prevailing market price or at price within a specified price range out of cash contributed by the Group and be held in trust for the relevant Participants until such shares are vested with the relevant Participants in accordance with the provisions of the RSA Scheme. The shares of the Company granted under the RSA Scheme and held by the trustee until vesting are referred to as the restricted share units ("**RSUs**") and each RSU shall represent one ordinary share of the Company.

Pursuant to the rules of the RSA Scheme, no amount is payable on acceptance of the RSUs granted there under. Further, there is no limit on the maximum number of restricted shares which may be granted under the RSA Scheme to a particular Participant at any one time or in aggregate.

Neither the Participants nor the trustee may exercise any of the voting rights in respect of any RSUs that have not yet been vested.

The Board may, at its sole discretion, determine which eligible participant(s) shall be entitled to receive grants of the RSUs under the RSA Scheme, together with the number of shares to which each selected eligible participant shall be entitled, and make the relevant grant of the RSUs to the selected eligible participants under the RSA Scheme, subject to such conditions as the Board may deem appropriate at its discretion. The RSUs would vest in a selected Participant in accordance with a vesting schedule which shall be determined by the Board in its sole discretion.

The Company shall comply with the relevant Listing Rules when granting the RSUs. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(b) Restricted Share Award Scheme ("RSA Scheme") (Continued)*

The following tables show the movements in the RSUs under the RSA Scheme according to dates of grant during the years ended 31 December 2023 and 2022, respectively:

| | Number of RSUs | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Outstanding as at 1/1/2023 | Granted during the year | Vested during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31/12/2023 | Closing price Immediate before the date of grant | Weighted average closing price of shares immediately before the vesting date for shares vested during the year | Date of grant | Notes |
| | | | | | | | HK$ | HK$ | | |
| **Five highest paid employees** | | | | | | | | | | |
| Employees | 300,000 | - | (60,000) | - | - | 240,000 | 3.95 | 5.39 | 30/6/2022 | (i) |
| Employees | - | 5,000 | - | - | - | 5,000 | 3.89 | - | 31/3/2023 | (ii) |
| Employees | - | 100,000 | - | - | - | 100,000 | 3.03 | - | 30/6/2023 | (i) |
| Sub-total | 300,000 | 105,000 | (60,000) | - | - | 345,000 | | | | |
| **Other grantees** | | | | | | | | | | |
| Other employees | 540,000 | - | (180,000) | - | - | 360,000 | 4.30 | 5.39 | 7/5/2020 | (i) |
| Other employees | 3,000,000 | - | (750,000) | - | (270,000) | 1,980,000 | 5.37 | 5.39 | 31/3/2021 | (i) |
| Other employees | 3,577,000 | - | (715,400) | - | (316,000) | 2,545,600 | 3.95 | 5.39 | 30/6/2022 | (i) |
| Other participants | 220,000 | - | (44,000) | - | - | 176,000 | 3.95 | 5.39 | 30/6/2022 | (i), (iii) |
| Other employees | 66,000 | - | (64,000) | - | - | 2,000 | 3.95 | 5.39 | 30/6/2022 | (ii) |
| Other participants | 7,000 | - | (7,000) | - | - | - | 3.95 | 5.39 | 30/6/2022 | (ii), (iii) |
| Other employees | 210,000 | - | (42,000) | - | (40,000) | 128,000 | 3.15 | 5.39 | 30/9/2022 | (i) |
| Other employees | 2,000 | - | (2,000) | - | - | - | 3.15 | 5.39 | 30/9/2022 | (ii) |
| Other employees | 357,000 | - | (71,400) | - | (160,000) | 125,600 | 3.70 | 5.39 | 7/12/2022 | (i) |
| Other employees | 21,300 | - | (21,300) | - | - | - | 3.70 | 5.39 | 7/12/2022 | (ii) |
| Other participants | 200,000 | - | (40,000) | - | - | 160,000 | 3.70 | 5.39 | 7/12/2022 | (i), (iii) |
| Other employees | - | 55,000 | - | - | - | 55,000 | 3.89 | - | 31/3/2023 | (i) |
| Other employees | - | 27,000 | - | - | - | 27,000 | 3.89 | - | 31/3/2023 | (ii) |
| Other employees | - | 1,934,000 | - | - | (278,000) | 1,656,000 | 3.03 | - | 30/6/2023 | (i) |
| Other participants | - | 50,000 | - | - | - | 50,000 | 3.03 | - | 30/6/2023 | (i), (iii) |
| Other employees | - | 2,160,000 | - | - | - | 2,160,000 | 2.49 | - | 30/9/2023 | (i) |
| Other employees | - | 167,000 | - | - | - | 167,000 | 2.13 | - | 7/12/2023 | (i) |
| Sub-total | 8,200,300 | 4,393,000 | (1,937,100) | - | (1,064,000) | 9,592,200 | | | | |
| Total | 8,500,300 | 4,498,000 | (1,997,100) | - | (1,064,000) | 9,937,200 | | | | |

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(b) Restricted Share Award Scheme ("RSA Scheme") (Continued)*

| | Number of RSUs | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Outstanding as at 1/1/2022 | Granted during the year | Vested during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31/12/2022 | Closing price Immediately before the date of grant HK$ | Weighted average closing price of shares immediately before the vesting date for shares vested during the years HK$ | Date of grant | Notes |
| Five highest paid employees | | | | | | | | | | |
| Employees | 280,000 | - | (70,000) | - | - | 210,000 | 4.30 | 4.95 | 7/5/2020 | (i) |
| Employees | 600,000 | - | (120,000) | - | - | 480,000 | 5.37 | 3.60 | 31/3/2021 | (i) |
| Employees | 100,000 | - | (100,000) | - | - | - | 5.37 | 3.60 | 31/3/2021 | (ii) |
| Employees | - | 400,000 | - | - | - | 400,000 | 3.95 | - | 30/6/2022 | (i) |
| Sub-total | 980,000 | 400,000 | (290,000) | - | - | 1,090,000 | | | | |
| Other grantees | | | | | | | | | | |
| Other employees | 520,000 | - | (130,000) | - | (60,000) | 330,000 | 4.30 | 4.95 | 7/5/2020 | (i) |
| Other employees | 3,530,000 | - | (706,000) | - | (304,000) | 2,520,000 | 5.37 | 3.60 | 31/3/2021 | (i) |
| Other employees | 57,000 | - | (57,000) | - | - | - | 5.37 | 3.60 | 31/3/2021 | (ii) |
| Other participants | 6,000 | - | (6,000) | - | - | - | 5.37 | 3.60 | 31/3/2021 | (ii), (iii) |
| Other employees | 46,000 | - | (46,000) | - | - | - | 6.03 | 4.95 | 22/4/2021 | (ii) |
| Other participants | 8,000 | - | (8,000) | - | - | - | 6.03 | 4.95 | 22/4/2021 | (ii), (iii) |
| Other employees | - | 3,647,000 | - | - | (170,000) | 3,477,000 | 3.95 | - | 30/6/2022 | (i) |
| Other participants | - | 220,000 | - | - | - | 220,000 | 3.95 | - | 30/6/2022 | (i), (iii) |
| Other employees | - | 69,000 | (1,000) | - | (2,000) | 66,000 | 3.95 | 3.11 | 30/6/2022 | (ii) |
| Other participants | - | 7,000 | - | - | - | 7,000 | 3.95 | - | 30/6/2022 | (ii), (iii) |
| Other employees | - | 362,000 | - | - | (152,000) | 210,000 | 3.15 | - | 30/9/2022 | (i) |
| Other employees | - | 2,000 | - | - | - | 2,000 | 3.15 | - | 30/9/2022 | (ii) |
| Other employees | - | 357,000 | - | - | - | 357,000 | 3.70 | - | 7/12/2022 | (i) |
| Other employees | - | 21,300 | - | - | - | 21,300 | 3.70 | - | 7/12/2022 | (ii) |
| Other participants | - | 200,000 | - | - | - | 200,000 | 3.70 | - | 7/12/2022 | (i), (iii) |
| Sub-total | 4,167,000 | 4,885,300 | (954,000) | - | (688,000) | 7,410,300 | | | | |
| Total | 5,147,000 | 5,285,300 | (1,244,000) | - | (688,000) | 8,500,300 | | | | |

*Notes:*

(i) Such RSUs are subject to a vesting period of five years with 20% being vested in January of the first year, 20% in January of the second year, 20% in January of the third year, 20% in January of the fourth year and 20% in January of the fifth year after the respective dates of grant.

(ii) Such RSUs are being vested in January of the first year after the respective dates of grant.

(iii) Other participants represented service providers who provide services to the Group.

(iv) No performance targets were set for RSUs shown in the above tables

## 37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

### Share-based Incentive Schemes of the Company (Continued)

#### *(b) Restricted Share Award Scheme ("RSA Scheme") (Continued)*

The following tables summarise the movements in the RSUs granted under the RSA Scheme to directors, other employees and other participants during the year ended 31 December 2023 and 2022, respectively:

| | Number of RSUs | | | | | |
|---|---|---|---|---|---|---|
| **Class of grantees** | **Outstanding as at 1 January 2023** | **Granted during the year** | **Vested during the year** | **Cancelled during the year** | **Lapsed during the year** | **Outstanding as at 31 December 2023** |
| Directors | - | - | - | - | - | - |
| Other employees | 8,073,300 | 4,448,000 | (1,906,100) | - | (1,064,000) | 9,551,200 |
| Sub-total | 8,073,300 | 4,448,000 | (1,906,100) | - | (1,064,000) | 9,551,200 |
| Other participants (*Note (i)*) | 427,000 | 50,000 | (91,000) | - | - | 386,000 |
| Total | 8,500,300 | 4,498,000 | (1,997,100) | - | (1,064,000) | 9,937,200 |

| | Number of RSUs | | | | | |
|---|---|---|---|---|---|---|
| Class of grantees | Outstanding as at 1 January 2022 | Granted during the year | Vested during the year | Cancelled during the year | Lapsed during the year | Outstanding as at 31 December 2022 |
| Directors | - | - | - | - | - | |
| Other employees | 5,133,000 | 4,858,300 | (1,230,000) | - | (688,000) | 8,073,300 |
| Sub-total | 5,133,000 | 4,858,300 | (1,230,000) | - | (688,000) | 8,073,300 |
| Other participants (*Note (i)*) | 14,000 | 427,300 | (14,000) | - | - | 427,000 |
| Total | 5,147,000 | 5,285,300 | (1,244,000) | - | (688,000) | 8,500,300 |

*Note (i):* Other participants represented service providers who provide services to the Group.

The fair values of the RSUs granted under the RSA Scheme at granted date during the current year amount to approximately RMB11,695,000 (2022: RMB18,019,000). The fair value of RSUs was determined by the closing price of the Company's common stock on the date of grant.

During the current year, the Group recognised the total expenses of RMB11,690,000 (2022: RMB11,803,000) in relation to RSUs granted by the Company.

## 38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As at 31 December 2023, the Group's indirect equity interests in DCITS was 40.30% (2022: 40.51%), the Group still retained its rights to nominate three out of the five non-independent directors of the board of directors of DCITS. Taking into account the Group's power to participate in the operational and financial activities of DCITS, distribution of key shareholders and their beneficial shareholders as well as historical voting patterns, and the existence of any contractual arrangement among the shareholders and/or their beneficial shareholders, if any, the directors of the Company are of the view that the equity holdings in DCITS are dispersed in a way that other shareholders have not organised and the practical risk to organise their holdings to outvote the Group in the shareholders' meeting of DCITS is remote so that the Group's voting rights are sufficient to give it the practical ability to direct the relevant activities of DCITS unilaterally. Therefore, the directors of the Company are of the view that the Company still retains de facto control over DCITS. Further details are included in note 4.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

| | **2023** | 2022 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | |
| DCITS | **59.70%** | 59.49% |

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit for the year allocated to non-controlling interests: | | |
| DCITS and its subsidiaries | **106,711** | 128,395 |
| Accumulated balances of non-controlling interests at the reporting date: | | |
| DCITS and its subsidiaries | **3,701,764** | 3,567,357 |

## 38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any intragroup eliminations:

| | DCITS and its subsidiaries | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Revenue and other income | **12,094,885** | 12,016,291 |
| Total cost and expenses | **(11,920,259)** | (11,800,349) |
| Profit for the year | **174,626** | 215,942 |
| - attributable to equity holders of DCITS and subsidiaries | **178,290** | 215,254 |
| Total comprehensive income for the year | **274,494** | 150,885 |
| - attributable to equity holders of DCITS and subsidiaries | **278,159** | 150,197 |
| Dividend paid to non-controlling interest | **(18,476)** | (23,126) |
| Current assets | **10,249,060** | 9,724,083 |
| Non-current assets | **2,495,084** | 2,588,520 |
| Current liabilities | **6,277,696** | 6,002,304 |
| Non-current liabilities | **114,632** | 153,650 |
| Net cash from operating activities | **234,928** | 201,251 |
| Net cash from (used in) investing activities | **282,447** | (33,606) |
| Net cash used in financing activities | **(219,965)** | (24,692) |
| Net increase in cash and cash equivalents | **297,410** | 142,953 |

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | | | Non cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 1 January 2023 | Financing cash flows | Finance costs incurred | New lease recognised | Termination of lease | Exchange realignment | 31 December 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | **3,615,658** | **(338,809)** | **-** | **-** | **-** | **6,573** | **3,283,422** |
| Interest payable | **-** | **(69,466)** | **69,466** | **-** | **-** | **-** | **-** |
| Lease liabilities | **122,061** | **(96,361)** | **6,457** | **90,648** | **(4,534)** | **-** | **118,271** |
| Other financial liability | **786,155** | **-** | **42,000** | **-** | **-** | **-** | **828,155** |
| | **4,523,874** | **(504,636)** | **117,923** | **90,648** | **(4,534)** | **6,573** | **4,229,848** |

| | | | Non cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | 1 January 2022 | Financing cash flows | Finance costs incurred | New lease recognised | Termination of lease | Exchange realignment | 31 December 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | 3,281,454 | 295,651 | - | - | - | 38,553 | 3,615,658 |
| Interest payable | - | (71,620) | 71,620 | - | - | - | - |
| Lease liabilities | 178,338 | (112,705) | 7,691 | 50,703 | (1,966) | - | 122,061 |
| Other financial liability | 744,155 | - | 42,000 | - | - | - | 786,155 |
| | 4,203,947 | 111,326 | 121,311 | 50,703 | (1,966) | 38,553 | 4,523,874 |

## 40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

### (a) Partial disposal of equity interest in a subsidiary without loss of control

*北京神州數碼信息技術服務有限公司 ("DC Information Technology")*

In September 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of 10% of its equity interest in DC Information Technology at a cash consideration of approximately RMB7,330,000. DC Information Technology was an indirect non-wholly owned subsidiary of the Group. The Group's interest in DC Information Technology was 36% upon the disposal, which represented the major shareholder and control two-third of seats in the board of directors of DC Information Technology.

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately RMB3,146,000 was charged to capital reserve.

### (b) Deemed acquisition of additional interests in non-wholly-owned subsidiaries

During the year ended 31 December 2022, DCITS repurchased in aggregate 9,280,391 shares from the public at an aggregate consideration of approximately RMB100,014,000, represented 0.94% of DCITS's issued capital as at 31 December 2022. This resulted in an increase of the Group's equity interest in DCITS by 0.38%.

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately RMB17,655,000 was charged to capital reserve.

### (c) Release of restricted shares and exercise of share options of DCITS

4,985,200 (2022: 3,909,285) share options of DCITS have been exercised during the year ended 31 December 2023. This resulted in a dilution of the Group's equity interest in DCITS by 0.21% (2022: 0.16%) and resulted in an increase in non-controlling interests of approximately RMB32,768,000 (2022: RMB39,277,000) and an increase in equity attributable to owners of the parent of approximately RMB982,000 (2022: RMB10,604,000).

A schedule of the aggregated effect of the above deemed disposal of interest in DCITS without loss of control is as follow:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Carrying amount of non-controlling interest | **32,768** | 39,277 |
| Consideration received from non-controlling interests | **(33,750)** | (49,881) |
| | **(982)** | (10,604) |

The transactions set out in note (b) and note (c) above resulted the change of the Group's equity interest in DCITS from 40.51% to 40.30% (2022: 40.29% to 40.51%).

### (d) Others

During the year ended 31 December 2023, certain insignificant subsidiaries have been liquidated / deregistered and resulted in a decrease in non-controlling interest of RMB497,000 (2022: RMB13,870,000) and net cash outflow of RMB497,000 (2022: RMB1,500,000).

## 41. OPERATING LEASE ARRANGEMENT

### The Group as lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms of ranging from one to ten years. The terms of the leases generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Within one year | **220,867** | 201,209 |
| In the second year | **119,303** | 126,451 |
| In the third year | **67,610** | 67,409 |
| In the fourth year | **37,342** | 36,641 |
| In the fifth year | **29,734** | 22,707 |
| After five years | **92,269** | 80,911 |
| | **567,125** | 535,328 |

## 42. COMMITMENTS

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Contracted, but not provided for, in the consolidated financial statements: | | |
| Land and buildings | **3,360** | - |
| Capital contributions payable to joint ventures | **81,580** | 21,580 |
| Capital contributions payable to associates | **9,510** | 20,472 |
| Capital contributions payable to financial assets at FVTOCI | **429** | 429 |
| | **94,879** | 42,481 |

## 43. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties:

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties:

| | *Notes* | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|---|
| **Transactions with joint ventures** | | | |
| Sales of products to joint ventures | (i) | **364** | - |
| Provision of services to joint ventures | (ii) | **-** | 683 |
| Purchases of products from joint ventures | (iii) | **-** | 116 |
| Provision of services from joint ventures | (ii) | **306** | - |
| Interest income on loans to joint ventures | (v) | **8,655** | 10,296 |
| **Transactions with associates** | | | |
| Sales of products to associates | (i) | **7,036** | 13,090 |
| Purchases of products from associates | (iii) | **-** | 723 |
| Provision of services to associates | (ii) | **1,785** | 3,539 |
| Provision of services by associates | (ii) | **360,790** | 379,856 |
| Rental income from associates | (iv) | **5,486** | 5,582 |
| **Transactions with related companies (*note (vi)*)** | | | |
| Sales of products to related companies | (i) | **21,741** | 18,964 |
| Provision of services to related companies | (ii) | **400,013** | 440,043 |
| Purchases of products from related companies | (iii) | **693,643** | 382,326 |
| Provision of services by related companies | (ii) | **134,903** | 58,129 |
| Rental income from related companies | (iv) | **51,827** | 50,755 |

*Notes:*

(i) The sales were made with reference to the listed price and conditions offered to the major customers of the Group.

(ii) The prices for the provision of services were determined at rates mutually agreed between the Group and the corresponding related parties.

(iii) The purchases were made at prices mutually agreed between the Group and the corresponding related parties with reference to the listed price and conditions offered by the related parties to their major customers.

(iv) The rental income was determined at rates mutually agreed between the Group and the corresponding related parties with reference to the market rental.

(v) The interest income is calculated with reference to market interest rates and included in revenue from financial services business.

(vi) Digital China Group Co., Ltd. and its subsidiaries are the related companies of the Group, as Mr. GUO Wei, the Chairman and key management personnel of the Company, exerts significant influence to Digital China Group Co. Ltd.

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances with related parties:

(i) Details of the Group's accounts and bills receivables with the joint ventures, associates and other related parties as at the end of the reporting period are included in note 28.

(ii) Details of the loans to the joint ventures included in the Group's prepayments, deposits and other receivables as at the end of the reporting period are included in note 29.

(iii) Details of the Group's accounts and bills payables and other payables with the joint ventures and associates and other related parties as at the end of the reporting period are included in note 32 and 33 respectively.

(iv) Digital China Group Co., Ltd. and its subsidiaries are the related companies of the Group, as Mr. GUO Wei, the Chairman and key management personnel of the Company, exerts significant influence to Digital China Group Co. Ltd.

### (c) Compensation of key management personnel

The remuneration of key management personnel (executive directors) of the Company during the year was as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Short term employee benefits | **9,711** | 9,319 |
| Share-based compensation | **-** | 6,394 |
| Post-employment benefits | **79** | 155 |
| | **9,790** | 15,868 |

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Further details of directors' and the chief executives' emoluments are included in note 9.

## 44. DEFERRED INCOME AND GOVERNMENT GRANTS

| | RMB'000 |
|---|---|
| As at 1 January 2022 | 24,775 |
| Government grants obtained | 24,232 |
| Credit to profit of loss | (18,711) |
| As at 31 December 2022 and 1 January 2022 | **30,296** |
| Government grants obtained | **5,972** |
| Credit to profit of loss | **(16,194)** |
| As at 31 December 2023 | **20,074** |

## 44. DEFERRED INCOME AND GOVERNMENT GRANTS (CONTINUED)

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current *(note 33)* | **1,528** | 1,955 |
| Non-current | **18,546** | 28,341 |
| | **20,074** | 30,296 |

Government grants of approximately RMB96,651,000 (2022: RMB103,578,000) have been recognised as other income in the current year. Various government grants have been received for VAT refunds for the sale of self-developed software products approved by the tax authority in the People's Republic of China ("**PRC**"), the development of software products in Mainland China, and the investments in specific provinces in Mainland China for compensation of operating costs.

During the year ended 31 December 2023, deferred income of approximately RMB16,194,000 (2022: RMB18,711,000) has been recognised as other income upon fulfilment of the conditions attaching to these government assistances.

The remaining government grants recognised during the year ended 31 December 2023 of approximately RMB80,457,000 (2022: RMB84,867,000) represented government grants received for which there are no unfulfilled conditions and other contingencies attaching to these government assistances.

## 45. OTHER FINANCIAL LIABILITY

Pursuant to the capital contribution from non-controlling interest of 神旗數碼有限公司 ("Shenqi Digital") (formerly known as 因特睿科技有限公司 ) to the consolidated financial statements, a put option has been granted by 神州數碼軟件有限公司 (" DC Software ") (being an indirect wholly-owned subsidiary of the Company), to the Investors.

If any of the triggering events occurs during the period when the Investors hold equity interest in Shenqi Digital and before the listing of Shenqi Digital, the Investors shall be entitled to require the Group to purchase all or part of their equity interest in Shenqi Digital at the put price before 31 March 2026:

The key triggering events include:

(i) the change of registered and tax registration address of Shenqi Digital to the Changchun Jingyue Hi-Tech Industry Development Zone not being completed within six months from the Investors' payment of the First Installment (or such later date as agreed by the Investors) due to reasons other than on the part of the Investors;

(ii) Shenqi Digital not being listed before 31 December 2025, or DC Software or the Company having expressly or by conduct abandoned the arrangements or works relating to the proposed listing of Shenqi Digital;

The Company will act as a guarantor in favour of the Investors to guarantee the performance of such repurchase obligations of DC Software under the supplemental agreement.

The put price ("Redemption Price") is calculated at the amount paid by the Investors under the Capital Injection plus an interest of 6% per annum less the aggregate amount actually received by the Investors from any cash dividend declared and paid by Shenqi Digital or cash indemnity paid by DC Software and/or the Company during the period when the Investors hold equity interest in Shenqi Digital.

The put option constitutes a contract that contains an obligation for the Group to purchase its own equity instruments and gives rise to a redemption financial liability recognised at the present value of the Redemption Price and subsequently measured at amortised cost.

## 45. OTHER FINANCIAL LIABILITY (CONTINUED)

The movements in the redemption financial liability are as follow:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At the beginning of year | **786,155** | 744,155 |
| Interest expense | **42,000** | 42,000 |
| At the end of year | **828,155** | 786,155 |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

| Name | Place of incorporation / registration and operation | Legal form | Issued ordinary / registered share capital | Percentage of equity attributable to the Company 2023 Direct | Percentage of equity attributable to the Company 2023 Indirectly | Percentage of equity attributable to the Company 2022 Direct | Percentage of equity attributable to the Company 2022 Indirectly | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Digital China (BVI) Limited | British Virgin Islands | N/A | US$5,125 | 100 | - | 100 | - | Investment holding |
| Digital China Limited | Hong Kong | N/A | HK$2 | - | 100 | - | 100 | Investment holding |
| E-Olympic International Limited | British Virgin Islands | N/A | US$1 | - | 100 | - | 100 | Patent holding |
| Grace Glory Enterprises Limited | British Virgin Islands | N/A | US$1 | - | 100 | - | 100 | Investment holding |
| Instant Technology Logistics Limited | PRC/Mainland China | Limited liability company | RMB100,000,000 | - | 87.2 | - | 87.2 | Provision of logistics services |
| Talent Gain Developments Limited | British Virgin Islands | N/A | US$1 | - | 100 | - | 100 | Investment holding |
| Digital China Software Limited | PRC/Mainland China | Limited liability company | US$200,000,000 | - | 100 | - | 100 | Investment holding |
| Digital China Xi'an Industrial Co., Limited | PRC/Mainland China | Limited liability company | RMB300,000,000 | - | 100 | - | 100 | Development and construction of Science and Technology Park |
| Digital China (Nanjing) Information and Technology Park Limited | PRC/Mainland China | Limited liability company | HK$367,000,000 | - | 100 | - | 100 | Development and construction of Science and Technology Park |
| Tianjin Digital China Financing Lease Co., Ltd. | PRC/ Mainland China | Limited liability company | US$30,000,000 | - | 100 | - | 100 | Finance lease business |

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

| Name | Place of incorporation / registration and operation | Legal form | Issued ordinary / registered share capital | Percentage of equity attributable to the Company | | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | 2023 | | 2022 | | |
| | | | | Direct | Indirectly | Direct | Indirectly | |
| Cellular Investments Limited | Hong Kong | N/A | HK$1 | - | 100 | - | 100 | Investment holding |
| DC Cityverse Limited | Hong Kong | N/A | HK$400 | - | 82.99 | - | 100 | Data processing and manpower outsourcing services |
| Shenqi Digital | PRC/ Mainland China | Limited liability company | RMB120,964,997 | - | 82.99 | - | 82.99 | Data integration and management software sales |
| DCITS | PRC/ Mainland China | Limited liability company | RMB983,653,713 | - | 40.30* | - | 40.51* | Systems integration services, software development and technical services |
| Beijing Zhongnong Xinda Information Technology Limited | PRC/ Mainland China | Limited liability company | RMB100,000,000 | - | 40.30** | - | 40.51** | Surveying service software sales |
| Digital China Advanced Systems Limited | Hong Kong | N/A | HK$531,750,000 | - | 40.30** | - | 40.51** | Systems integration services |
| Nanjing Howso Technology Co., Ltd. ("Howso Technology") | PRC/ Mainland China | Limited liability company | RMB102,340,000 | - | 40.26** | - | 40.47*** | Network optimisation services |
| 北京雲核網絡技術有限公司 | PRC/ Mainland China | Limited liability company | RMB13,333,333 | - | 40.30** | - | 40.51** | Provision of cloud application system services |
| 昆山鹿鳴置業有限公司 | PRC/ Mainland China | Limited liability company | RMB50,000,000 | - | 100 | - | 100 | Property investment and development |
| 神州投資有限公司 | PRC/ Mainland China | Limited liability company | US$100,000,000 | - | 100 | - | 100 | Investment holding |
| 神州數碼（武漢）科技園有限公司 | PRC/ Mainland China | Limited liability company | RMB50,000,000 | - | 100 | - | 100 | Development and construction of Science and Technology Park |

* DCITS, a Shenzhen listed company, is accounted for as a subsidiary of the Group even though the Group has only a 40.30% (2022: 40.51%) equity interest in this company based on the factors explained in notes 4 and 38 to the consolidated financial statements. As at 31 December 2023, certain borrowings of the Group were secured by 183,184,000 (2022: 194,770,000) ordinary shares issued by DCITS with an aggregate fair value of RMB2,068,147,000 (2022: RMB2,097,673,000).

** These companies are wholly-owned subsidiaries of DCITS and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

*** Howso Technology is 99.90% owned subsidiary of DCITS and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Accounts and bills receivables | **4,180,284** | 3,864,861 |
| Financial assets included in prepayments, deposits and other receivables | **1,018,639** | 1,640,372 |
| Finance lease receivables | **25,412** | 31,405 |
| Restricted bank balances | **224,774** | 54,879 |
| Cash and cash equivalents | **2,883,308** | 2,522,006 |
| | **8,332,417** | 8,113,523 |
| **Financial assets at FVTPL** | | |
| Listed equity securities | **51,664** | 78,297 |
| Unlisted wealth management financial products | **268,669** | 664,298 |
| | **320,333** | 742,595 |
| **Financial assets at FVTOCI** | | |
| Unlisted equity investments designated as FVTOCI | **721,071** | 780,328 |

### Financial liabilities

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Accounts and bills payables | **3,952,012** | 3,490,296 |
| Financial liabilities included in other payables and accruals | **1,015,728** | 1,220,131 |
| Interest-bearing bank and other borrowings | **3,283,422** | 3,615,658 |
| Other financial liability | **828,155** | 786,155 |
| | **9,079,317** | 9,112,240 |

## 48. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

*Assets measured at fair value:*

As at 31 December 2023:

| | Fair value hierarchy | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Financial assets at FVTPL | | | | |
| -Listed equity securities | **51,664** | **-** | **-** | **51,664** |
| -Unlisted wealth management financial products | **-** | **-** | **268,669** | **268,669** |
| Financial assets at FVTOCI | | | | |
| -Unlisted equity investments | **-** | **-** | **721,071** | **721,071** |

As at 31 December 2022:

| | Quoted prices in active markets (Level 1) RMB'000 (Restated) | Significant observable inputs (Level 2) RMB'000 (Restated) | Significant unobservable inputs (Level 3) RMB'000 (Restated) | Total RMB'000 (Restated) |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| -Listed equity securities | 78,297 | - | - | 78,297 |
| -Unlisted wealth management financial products | - | - | 664,298 | 664,298 |
| Financial assets at FVTOCI | | | | |
| -Unlisted equity investments | - | - | 780,328 | 780,328 |

There were no transfers between all levels of fair values during the year ended 31 December 2023 and 2022.

## 48. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (Continued)

The fair values of the wealth management products and unlisted equity investments were determined using the income approach or market approach and the significant unobservable inputs included discount rates, lack of marketability discount, growth rates, price to book ratio and enterprise value to sales. The lower the discount rates and the lack of marketability discount or the higher the growth rates, the price to book ratio and the enterprise value to sales, the higher the fair value.

The Group engaged an external valuation specialist to perform valuation of these investments where quoted market prices are not available. The management of the Group has discussion with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Reconciliation of Level 3 fair value measurements of financial assets at FVTPL and financial assets at FVTOCI on recurring basis:

| | Unlisted wealth management financial products RMB'000 | Unlisted equity investments RMB'000 |
|---|---|---|
| As at 1 January 2022 | 763,871 | 963,672 |
| Acquisition | 885,440 | 2,400 |
| Redemption | (918,276) | (65,514) |
| Total losses in profit or loss | (66,737) | - |
| Total losses in other comprehensive income | - | (122,463) |
| Exchange alignment | - | 2,233 |
| As at 31 December 2022 and 1 January 2023 | **664,298** | **780,328** |
| Acquisition | **420,001** | **14,500** |
| Redemption | **(747,925)** | **(85,910)** |
| Transfer from interest in an associate (*note 21(i)*) | **-** | **118,992** |
| Total gains in profit or loss | **(67,705)** | **-** |
| Total losses in other comprehensive income | **-** | **(107,228)** |
| Exchange alignment | **-** | **389** |
| As at 31 December 2023 | **268,669** | **721,071** |

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts and bills receivables, other receivables, finance lease receivables, restricted bank balances, cash and cash equivalents, financial assets at FVTPL, financial assets at FVTOCI, accounts and bills payables, other payables, interest-bearing bank and other borrowings and other financial liability. The main purpose of these financial instruments is to raise finance for the Group's capital expenditure and operations. The Group has various other financial assets and liabilities such as accounts and bills receivables and accounts and bills payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk, currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates and foreign exchange rates.

### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank and other borrowings with floating interest rates. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. It is the Group's policy to keep a balanced portfolio of its borrowings to manage both the cash flow and fair value interest rate risk

At 31 December 2023, the Group's interest-bearing borrowings of RMB2,003,611,000 (2022: RMB1,929,556,000) bore interest at floating rates.

The Group currently did not have any interest hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to its bank balances and time deposits. No sensitivity analysis is presented as the Group's bank balances were short-term in nature and charges in interest rate are not expected to have significant impact to the Group.

At 31 December 2023, the Group's interest-bearing bank balances and time deposits of RMB2,879,308,000 (2022: RMB2,508,006,000) and RMB4,000,000 (2022: RMB14,000,000) bore interest at floating rates respectively.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2022: 100 basis points) increase (decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

| | **Increase (decrease) in basis points** | **(Increase) decrease in loss before tax for the year RMB'000** |
|---|---|---|
| **31 December 2023** | | |
| Borrowings with floating interest rates | **100** | **(20,036)** |
| Borrowings with floating interest rates | **(100)** | **20,036** |

| | Increase (decrease) in basis points | Increase (decrease) in profit before tax for the year RMB'000 |
|---|---|---|
| **31 December 2022** | | |
| Borrowings with floating interest rates | 100 | (19,296) |
| Borrowings with floating interest rates | (100) | 19,296 |

## 49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Currency risk

The Group's foreign currency exposures mainly arise from net monetary liabilities in currencies other than the functional currencies of approximately RMB102,276,000 (2022: RMB109,109,000) as at 31 December 2023.

The sensitivity analysis below demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in respective functional currency exchange rates, with all other variables held constant of the Group's (loss) profit before tax. 1% (2022: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

If respective functional currency weakens/strengthens 1% against respective foreign currency and all other variables were held constant, the Group's (loss) profit before tax for the year ended 31 December 2023 would decrease/increase by approximately RMB1,023,000 (2022: RMB1,091,000). This is mainly attributable to the Group's exposure to foreign currency on its bank balances, accounts receivables, accounts payables and bank borrowings.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange should the need arise.

### Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank balances, accounts and bills receivables, contract assets, finance lease receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For accounts and bills receivables, contract assets and finance lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables except for loan receivables with carrying amount of approximately RMB524,410,000 (2022: RMB1,006,125,000) in note 29(i), the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Management considered loans to joint ventures to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and wealth management products is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Since the Group only trades with recognised and creditworthy third parties, there is no requirement for collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by industry sector and customer.

## 49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other available sources of finances. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | | | 2023 | | |
|---|---|---|---|---|---|
| | **On demand or within 1 year** | **1 to 5 years** | **Over 5 years** | **Total** | **Carrying amount** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Accounts and bills payables | **3,952,012** | **-** | **-** | **3,952,012** | **3,952,012** |
| Financial liabilities included in other payables and accruals | **1,015,728** | **-** | **-** | **1,015,728** | **1,015,728** |
| Interest-bearing bank and other borrowings | **1,423,472** | **844,606** | **1,624,932** | **3,893,010** | **3,283,422** |
| Other financial liability | **-** | **922,626** | **-** | **922,626** | **828,155** |
| | **6,391,212** | **1,767,232** | **1,624,932** | **9,783,376** | **9,079,317** |
| Lease liabilities | **64,311** | **60,330** | **-** | **124,641** | **118,271** |

| | | | 2022 | | |
|---|---|---|---|---|---|
| | On demand or within 1 year | 1 to 5 years | Over 5 years | Total | Carrying amount |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Accounts and bills payables | 3,490,296 | - | - | 3,490,296 | 3,490,296 |
| Financial liabilities included in other payables and accruals | 1,220,131 | - | - | 1,220,131 | 1,220,131 |
| Interest-bearing bank and other borrowings | 1,859,692 | 1,297,393 | 916,060 | 4,073,145 | 3,615,658 |
| Other financial liability | - | 922,626 | - | 922,626 | 786,155 |
| | 6,570,119 | 2,220,019 | 916,060 | 9,706,198 | 9,112,240 |
| Lease liabilities | 72,631 | 57,551 | - | 130,182 | 122,601 |

## 49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank and other borrowings, accounts and bills payables, other payables and accruals, lease liabilities, less cash and cash equivalents and restricted bank balances. Capital represents equity attributable to equity holders of the parent. The gearing ratios as at the end of the reporting periods were as follows:

| | Group | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Interest-bearing bank and other borrowings | **3,283,422** | 3,615,658 |
| Accounts and bills payables | **3,952,012** | 3,490,296 |
| Other payables and accruals | **1,427,864** | 1,695,319 |
| Lease liabilities | **118,271** | 122,061 |
| Less: Cash and cash equivalents | **(2,883,308)** | (2,522,006) |
| Less: Restricted bank balances | **(224,774)** | (54,879) |
| Net debt | **5,673,487** | 6,346,449 |
| Equity attributable to equity holders of the parent | **6,295,367** | 8,361,918 |
| Total capital | **6,295,367** | 8,361,918 |
| Total capital and net debt | **11,968,854** | 14,708,367 |
| Gearing ratio | **47%** | 43% |

## 50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **-** | - |
| Investments in subsidiaries | **1,773,725** | 1,728,757 |
| | **1,773,725** | 1,728,757 |
| **Current assets** | | |
| Prepayments, deposits and other receivables | **271,972** | 41,183 |
| Amounts due from subsidiaries | **2,902,342** | 3,300,210 |
| Cash and cash equivalents | **2,326** | 7,423 |
| | **3,176,640** | 3,348,816 |
| **Current liabilities** | | |
| Other payables and accruals | **13,742** | 13,155 |
| Amounts due to subsidiaries | **386,562** | 646,365 |
| Dividend payable | **213** | 198 |
| Interest-bearing bank borrowings | **195,561** | 262,855 |
| | **596,078** | 922,573 |
| **Net current assets** | **2,580,562** | 2,426,243 |
| **Total assets less current liabilities** | **4,354,287** | 4,155,000 |
| **Non-current liability** | | |
| Interest-bearing bank borrowings | **-** | 31,562 |
| **Net assets** | **4,354,287** | 4,123,438 |
| **Capital and reserves** | | |
| Issued capital | **163,826** | 163,826 |
| Reserves (note) | **4,190,461** | 3,959,612 |
| **Total equity** | **4,354,287** | 4,123,438 |

## 50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

*Note:* Movements in reserves

| | Share premium account RMB'000 | Contributed surplus RMB'000 | Employee share trust RMB'000 | Employee share-based compensation reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 4,139,368 | 500,541 | (765,913) | 186,764 | (432,469) | 333,748 | 3,962,039 |
| Loss and total comprehensive expense for the year | - | - | - | - | - | (38,004) | (38,004) |
| Exchange difference arising on translation of financial statement from functional currency to presentation currency | - | - | - | - | 274,293 | - | 274,293 |
| Dividends paid | - | - | - | - | - | (199,239) | (199,239) |
| Share-based compensation | - | - | - | 26,670 | - | - | 26,670 |
| Exercise of share options | 341 | - | - | (75) | - | - | 266 |
| Contribution to employee shares trusts | - | - | (66,413) | - | - | - | (66,413) |
| Vesting of shares under the restricted share award scheme | - | - | 5,971 | (5,971) | - | - | - |
| At 31 December 2022 and1 January 2023 | **4,139,709** | **500,541** | **(826,355)** | **207,388** | **(158,176)** | **96,505** | **3,959,612** |
| Profit and total comprehensive income for the year | **-** | **-** | **-** | **-** | **-** | **232,518** | **232,518** |
| Exchange difference arising on translation of financial statement from functional currency to presentation currency | **-** | **-** | **-** | **-** | **114,969** | **-** | **114,969** |
| Dividends paid | **-** | **-** | **-** | **-** | **-** | **(74,414)** | **(74,414)** |
| Share-based compensation | **-** | **-** | **-** | **10,190** | **-** | **-** | **10,190** |
| Contribution to employee shares trusts | **-** | **-** | **(52,414)** | **-** | **-** | **-** | **(52,414)** |
| Vesting of shares under the restricted share award scheme | **-** | **-** | **10,018** | **(10,018)** | **-** | **-** | **-** |
| At 31 December 2023 | **4,139,709** | **500,541** | **(868,751)** | **207,560** | **(43,207)** | **254,609** | **4,190,461** |

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus can be distributed to the shareholders, provided that the Company will be able to pay its liabilities as they fall due, and subsequent to the distribution, the aggregate amount of its total liabilities as well as the issued share capital and premium is less than the realisable value of its assets.

The employee share-based compensation reserve comprises the fair value of options or RSUs granted under the share-based incentive schemes which are yet to be exercised, as further explained in the accounting policy for employee benefits in note 3 to the consolidated financial statements.

## 51. CONTINGENT LIABILITIES

Patent Infringement Lawsuit Against Digital China Jinxin (Beijing) Techlogy Co., Ltd.

In March 2016, Shenzhen Yihua Computer Co., Ltd. (hereinafter referred to as "Yihua") initiated legal proceedings against Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter referred to as "OKI") and Digital China Jinxin (Beijing) Technology Co., Ltd. (hereinafter referred to as "DC Jinxin") in a patent infringement dispute. Yihua alleged that the defendants had violated its proprietary rights by infringing upon five utility patents. The patent numbers involved in the five cases are ZL201420112570.5, ZL201210385756.3, ZL201420060123.X, ZL200910108145.2, and ZL201420020564.7. Pursuant to the alleged infringements, Yihua sought judicial relief, demanding that OKI desist from the manufacturing, marketing, andpromisingsales of the products in question, while DC Jinxin was enjoined from selling and promising the saleof suchproducts. Additionally, Yihua claimed monetary compensation for economic losses and reasonable expensesincurred in the protection of its rights, totaling RMB7 million from both OKI and DC Jinxin.

In January 2019, the Shenzhen Intermediate People's Court of Guangdong Province issued the first-instancejudgment for the five cases, ordering OKI to desist from the production and sale of the infringingproductsand compensate RMB4.4 million. The judgement also ordered DC Jinxin to halt the sales and not topromisesales of such products and to compensate Yihua RMB1 million. The judgment dismissed all other claimsadvanced by Yi Hua.

OKI and DC Jinxin filed an appeal against the first-instance judgment. In December 2020, the SupremePeople's Court rendered a civil ruling, which held that the five cases had failed to scrutinize the "OEM Supply Agreement" between OKI and Yi Hua. The Supreme People's Court determined that the initial factualfindings were unclear and affected the infringement assessment. Consequently, it vacated the first-instancejudgment and ordered a retrial. Yihua withdrew the litigations in November 2023.

However, in December 2023, Yihua filed a legal action with the Shenzhen Intermediate People's Courtagainst OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB275.3 million. As at 31 December 2023, only notifications of filing had been received while no court session had been scheduled. Based on the advice from the legal advisor, it is less likely for DC Jinxin to fail in defending these cases.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2023.

## 52. COMPARATIVE FIGURES

Comparative figures in relation to the fair value changes on investment properties and impairment of other receivables have been presented in a single line item "Fair value (loss) gain on investment properties" and "Impairment loss of other receivables" respectively in the consolidated statement of profit or loss to conform with the current year's presentation. The reclassifications had no financial effect on the amounts stated in the consolidated statement of financial position and therefore the consolidated statement of financial position as at 1 January 2022 is not presented.

# Particulars of Properties

Investment properties as at 31 December 2023:

| Location | Usage | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Digital China Xi'an Science and Technology Park, No.20 Zhangba 4th Street, Xi'an Gaoxin Technology Development District, Xi'an, Shaanxi Province, The PRC | Office building | Medium term lease | 100% |
| Digital China Wuhan Science and Technology Park, North of Da Shu Road East, East of Guang Gu Road, Wuhan Donghu Technology Development District, Wuhan, Hubei Province, The PRC | Office building | Medium term lease | 100% |
| Digital China Nanjing Science and Technology Innovation Park, Qilin Street, Jiangning District, Nanjing, Jiangsu Province, The PRC | Office building | Medium term lease | 100% |
| Digital China Chongqing Science and Technology Park, No. 24 and 26, Science and Technology Innovation Park, Hong Hu Road West, Yubei District, Chongqing Province, The PRC | Office building | Medium term lease | 100% |
| Digital China Kunshan Logistics Park, No. 1 Shuang He Road, Dian Shan Hu Town, Kunshan City, Jiangsu Province, The PRC | Logistics and storage | Medium term lease | 100% |
| Digital China Shenyang Logistics Park, No. 2 Cangchudongyi Street, Hunnan District, Shenyang, Liaoning Province, The PRC | Logistics and storage | Medium term lease | 100% |
| Digital China Wuhan Logistic Park, No. 61 Gaoxin 4th Street Road, Donghu Technology Development District, Wuhan, Hubei Province, The PRC | Logistics and storage | Medium term lease | 100% |
| Digital China Jinan Logistics Park, No. 1459–2 Keyuan Road, Sun Town, High-tech Industrial Development Zone, Jinan, Shandong Province, The PRC | Logistics and storage | Medium term lease | 100% |
| Digital China Technology Plaza, No. 9 Shangdi Jiu Street, Haidian District, Beijing, The PRC | Office building | Medium term lease | 100% |
| Beijing Digital China Building, 4-9/F. and 18/F., No. 16 Suzhou Street, Haidian District, Beijing, The PRC | Office building | Medium term lease | 100% |

# Five Year Financial Summary

## RESULTS

| | **Year ended 31 December 2023 RMB'000** | Year ended 31 December 2022 RMB'000 | Year ended 31 December 2021 RMB'000 | Year ended 31 December 2020 RMB'000 | Year ended 31 December 2019 RMB'000 |
|---|---|---|---|---|---|
| REVENUE | **18,276,547** | 17,749,982 | 17,104,557 | 17,498,974 | 15,699,784 |
| (LOSS) PROFIT BEFORE TAX | **(1,639,194)** | 500,811 | 952,081 | 1,012,782 | 489,715 |
| Income tax expense | **(62,277)** | (34,315) | (139,065) | (157,269) | (86,176) |
| (LOSS) PROFIT FOR THE YEAR | **(1,701,471)** | 466,496 | 813,016 | 855,513 | 403,539 |
| Attributable to: | | | | | |
| Equity holders of the parent | **(1,833,689)** | 310,370 | 592,364 | 551,028 | 270,104 |
| Non-controlling interests | **132,218** | 156,126 | 220,652 | 304,485 | 133,435 |
| | **(1,701,471)** | 466,496 | 813,016 | 855,513 | 403,539 |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | **Year ended 31 December 2023 RMB'000** | Year ended 31 December 2022 RMB'000 | Year ended 31 December 2021 RMB'000 | Year ended 31 December 2020 RMB'000 | Year ended 31 December 2019 RMB'000 |
|---|---|---|---|---|---|
| TOTAL ASSETS | **22,799,813** | 24,767,761 | 24,451,357 | 23,687,228 | 22,814,239 |
| TOTAL LIABILITIES | **12,433,808** | 12,455,290 | 12,167,112 | 12,048,883 | 11,596,134 |
| NON-CONTROLLING INTERESTS | **4,070,638** | 3,950,553 | 3,900,760 | 3,671,462 | 3,240,943 |
| | **6,295,367** | 8,361,918 | 8,383,485 | 7,966,883 | 7,977,162 |

# Company Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. GUO Wei (Chairman and Chief Executive Officer)
Mr. LIN Yang (Vice Chairman)

### Non-executive Directors

Ms. CONG Shan
Mr. LIU Jun Qiang

### Independent Non-executive Directors

Mr. WONG Man Chung, Francis
Miss NI Hong (Hope)
Dr. LIU Yun, John
Mr. KING William
Mr. CHEN Timothy Yung-cheng

## COMPANY SECRETARY

Mr. WONG Chi Keung

## REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Fortis Tower
77-79 Gloucester Road
Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China Limited
China CITIC Bank Corporation Limited
Industrial and Commercial Bank of China Limited
East West Bank

## LEGAL ADVISORS

*As to Hong Kong law:*
Chiu and Partners
Cleary Gottlieb Steen & Hamilton (Hong Kong)

*As to Bermuda law:*
*Appleby*

## AUDITOR

SHINEWING (HK) CPA Limited

## SHARE REGISTRARS

### Bermuda

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

### Hong Kong

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## PLACE OF LISTING OF SHARES AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 00861

Taiwan Stock Exchange Corporation
Taiwan Depository Receipts
Stock Code: 910861

## WEBSITE

www.dcholdings.com

神州控股
DC Holdings

www.dcholdings.com

封面圖片來源：藝術家嶽曉旭