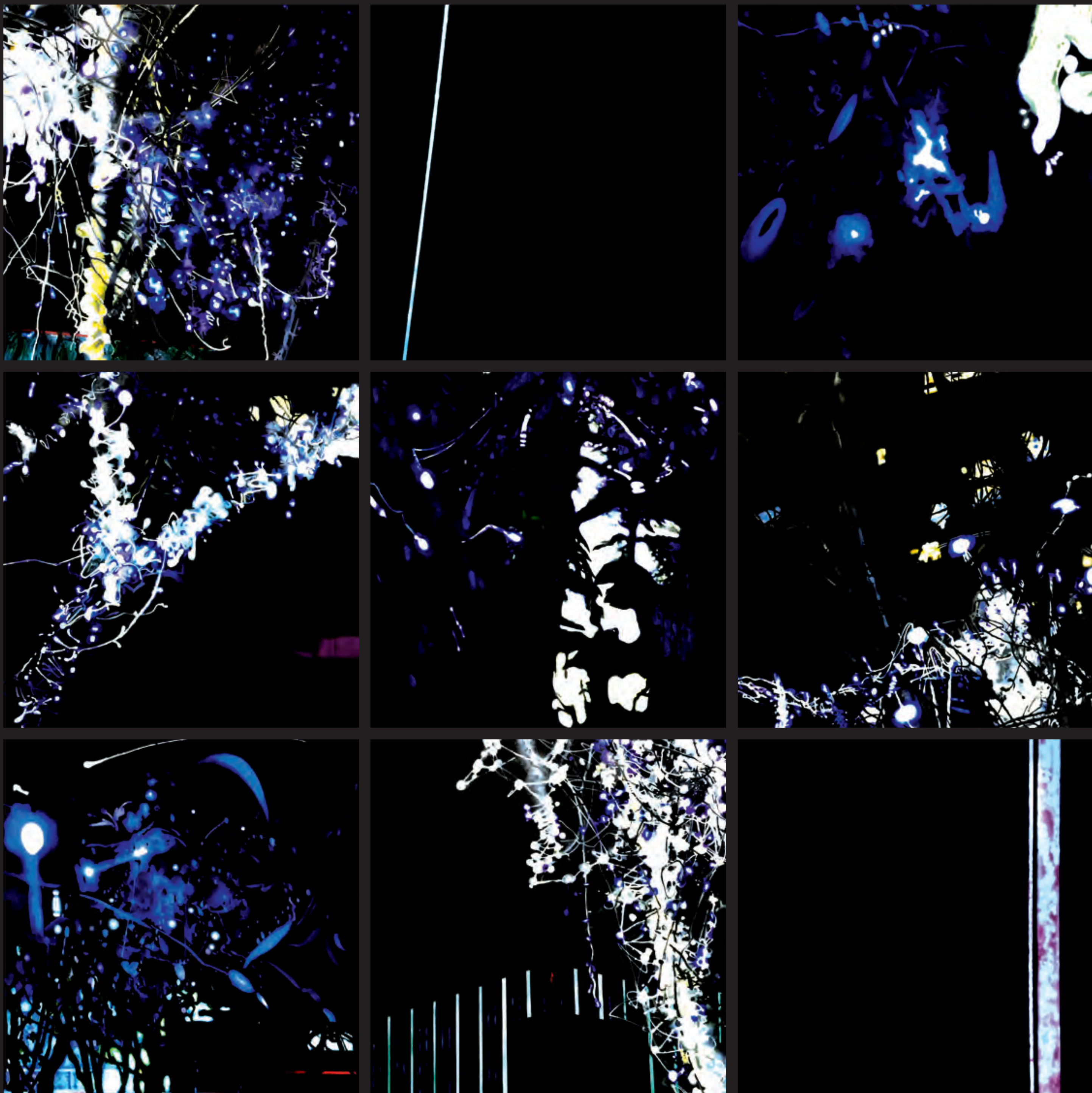
ANNUAL REPORT 2021 年報

Stock Code 股份代號:00861

神州控股 DC Holdings

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



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

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).

For over 20 years, we have always taken "Digitalizing China" as our mission, adhering to our corporate culture of responsibility, passion, innovation, and creating shared value. We have continuously made breakthroughs in innovation over the last two decades, first from I.T. infrastructure and integrated services, to smart city services, through to big data services. Through this advancement, we have always been committed to empowering the digitalization of cities and industries with best-in-class products and solutions, thereby building a better digital world with technology.

Currently, we strive to become a leading big data technology enterprise, focusing on spatial-temporal big data and artificial intelligence technology, and strive to build a spatial-temporal data architecture through our three main product suites namely Digital Fabric, Digital Hub and Digital Twin. The product suites enable us to tap and expand our core verticals namely supply chain, smart cities, fintech and incubation.

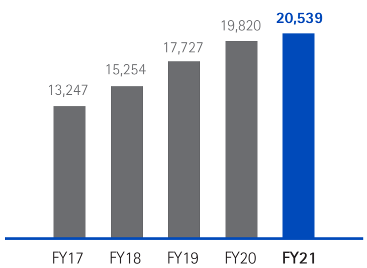
We currently provide a full-suite of big data products and solutions for government and enterprise customers. By adopting our innovative big data products and solutions algorithm library, we empower the development of the digital economy in China and improve its citizen's livelihoods, bringing China's digital economy to the forefront of the world.

Financial Highlights

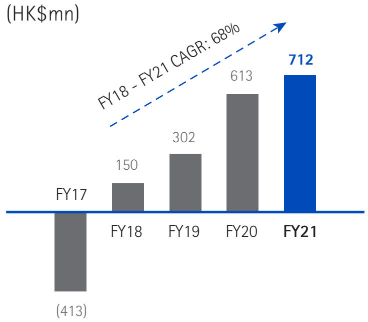
For the year	FY2021 HK$ mn	FY2020 HK$ mn	Year-on-year change %
Revenue	**20,539**	19,820	3.6%
- Of which, revenue from Big Data Products and Solutions	**2,329**	1,936	20.3%
Profit Attributable to Equity Holders of the Parent (before share based payment expenses)	**818**	676	21.0%
Profit Attributable to Equity Holders of the Parent	**712**	613	16.1%
Earnings per Share (HK cents)	**46.4**	37.7	22.9%
Dividend per Share (HK cents)	**15.0**	13.6	10.3%
At Year-end			
Total assets	**29,601**	28,021	5.6%
Shareholder's funds	**10,159**	9,430	7.7%
Financial Ratio			
Return on Equity (%)[1]	**16.5%**	14.2%	2.2%
Interest Cover (times)	**8.9**	8.7	2.3%
Total Interest Bearing Debts to Shareholder's Funds Ratio (%)	**0.39**	0.46	-15.2%

(1) Return on Equity is calculated as profit attributable to equity holders of parent divided by Shareholder's funds less investment properties.

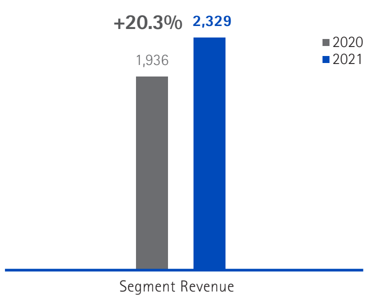
Revenue
(HK$mn)



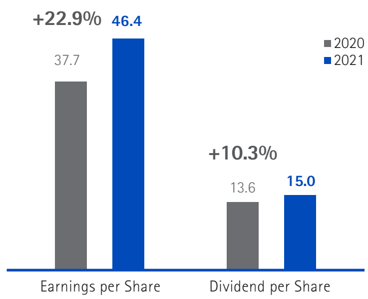
Profit For The Year Attributable To Equity Holder Of Parent
(HK$mn)



Big Data Business Segment
(HK$mn)



Earnings And Dividend Per Share
(HK cents)



Key Events

2021

5 January
DC Holdings won the bid for the Changchun City Digital Brain Construction Project for a Inter-system Deep Web Data Mining service platform

6 January
DC Holdings won the bid for the third-phase data mining platform project within a Smart City Project in Xinjiang.

7 January
DC Holdings won the bid for the unified network management technical service project in Yangpu District, Shanghai.

22 January
Won the bid for the service project for information resource sharing and exchange in Hebei District, Tianjin.

6 February
Huang Runqiu, Minister of Ecology and Environment, and his delegation went to Yanqing District, Beijing to inspect the preparation works of the Winter Olympics and the Winter Paralympics, in which DC Holdings participated in the project

20 February
Won the bid for the informatization construction project of Nanjing Liuhe Economic and Technological Development Zone.

24 March

DC Holdings held a signing ceremony with the Yanbian Prefecture People's Government and the Yanji Municipal People's Government to jointly build a digital industry ecosystem.

6 April

Our subsidiary, DCITS, entered into a strategic cooperation with Tsinghua University to jointly release three A.I. technological innovations.

7 April

Won bid for the Smart Binyang project in Binyang County, Nanning City, Guangxi Province.

12 April

DC Holdings won the bid for the "Smart Tangshan" video and data fusion project in Tangshan City.

27 April

DC Holdings and China Mobile International signed a memorandum of strategic cooperation to jointly expand the trillion-dollar overseas digital economy market.

Key Events

21 May
Maria Kwok, COO of DC Holdings, was invited to speak at the 2021 Industry-City China Mayor's Forum.

25 May
Jing Junhai, Secretary of the Jilin Province, and Han Jun, Deputy Secretary of the Jilin Province, met with Maria Kwok, COO of DC Holdings, and her delegation in Changchun City.

1 June
"Transformation — The 20th Anniversary Celebration of DC Holdings' IPO" was held in Beijing. The Company's executives and employees gathered online to celebrate this historic moment.

12 August

The "TECH Digital China 2021 Technology Annual Conference" jointly sponsored by DC Holdings, DCITS, and Digital China Group was launched online and lasted for three months.

October

DCITS entered the national-level financial technology demo zone and simultaneously built the financial technology innovation center exhibition area.

13 October

DCITS established a strategic cooperation with the National Institute of Finance and Economics from the Chinese University of Science and Technology to establish a "Digital Intelligent Decision-Making Joint Laboratory", where the combination of industry and research will initiate joint project innovation.

22 October

Wholly-owned subsidiary, ITL, won the bid for China Unicom Huasheng Communication, and becomes the sole logistics services company in the industry to serve the three major domestic telecommunication operators.

October 26

DC Holdings won the bid for the Changchun Jingyue City Information Model platform project to build an urban smart base.

Key Events

October 28

Launch of DC Holdings ITL Dianshan Lake flagship warehouse, with full deployment of our proprietary "Human-Machine 4.0" robotics system.

3 November

DC Holdings and Tencent Cloud executed a strategic cooperation agreement to jointly assist customers in their digital transformation process.

5 November

DC Holdings won the bid for the "12345" government service project in Nankai District, Tianjin.

12 November

"Cross-Border • Partnership • Creating our Future"-DC Holdings 2021 Campus Geek Competition was officially launched.

7 December

DC Holdings and JD Technology executed a strategic cooperation agreement to jointly build a new digital ecosystem for the industry.

9 December

DC Holdings won the bid for the data center service construction project in Wujiang District, Suzhou City. Previously, DC Holdings has also successively won bids for the construction of the first, second and third phases of the overall Wujiang big data platform.

2022

4 February

DC Holdings' smart environmental protection solutions provided high-quality environmental protection for the successful hosting of the 2022 Beijing Winter Olympics.

Awards

2021

2021年度信创产业领军企业100强

排行	企业	备注
1	华为	综合
2	龙芯中科	芯片
3	联通数科	数字科
4	中国长城	综合
5	中国电子云	云产品及
6	金山办公	办公软
7	用友网络	ERP软
8	麒麟软件	操作系
9	奇安信	信息安
10	兆芯	芯片
11	景嘉微	芯片
12	兆易创新	存储
13	长江存储	存储
14	神州控股	综合
15	紫光股份	综合

On 28th December, 2021, DC Holdings was ranked 14th amongst China's top 100 digitization services enterprises

On 24th December, 2021, DC Holdings was ranked 7th amongst China's top 100 technology services companies

2021年度技术公司100强

RK	企业	行业属性
1	比亚迪	汽车
2	京东方	物联网
3	宁德时代	电气设备
4	海康威视	安防设备
5	大疆创新	无人机
6	中芯国际	电子
7	神州控股	信息技术
8	亚信科技	信息技术
9	汇川技术	电气设备
10	隆基股份	电气设备

On 22th December, 2021, DC Holdings was ranked 11th amongst China's top 100 enterprises involved in digitalization initiatives

2021年度数字化转型推动企业100强

RK	企业	iB	iF	综
1	华为	92.38	91.52	91.95
2	阿里巴巴	91.06	92.12	91.59
3	腾讯	90.41	92.15	91.28
4	中兴通讯	92.23	90.32	91.28
5	联通数科	89.53	92.68	91.11
6	海康威视	90.28	91.71	91.00
7	天翼云	89.17	92.49	90.83
8	太极股份	90.73	90.92	90.83
9	用友	90.84	90.64	90.74
10	佳都科技	89.67	90.74	90.21
11	神州控股	91.47	88.77	90.12
12	移动云	89.31	90.47	89.89
13	百度	89.77	89.52	89.65
14	亚信科技	89.62	88.70	89.16
15	联想	89.22	88.60	88.91

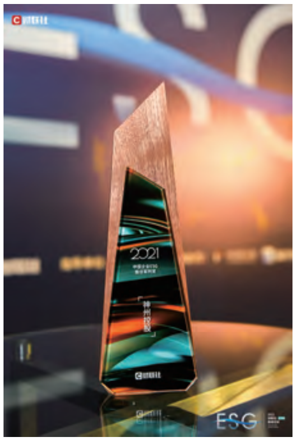
On 18th December, 2021, DC Holdings was awarded the "Leading Enterprise" designation for Digital Twin within the Big Data segment

2021电子政务与智慧城市解决方案提供商TOP100排行

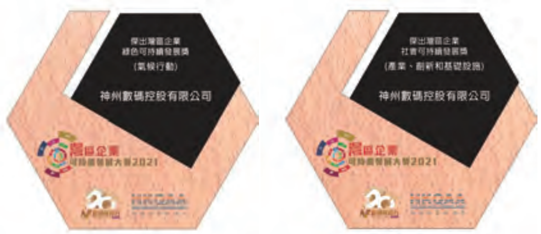
RK	企业	备注
1	中国移动	1个物联网平台、1个城市运营管理中心、1个数据中台、N个应用
2	中国联通	联通智慧城市感知云
3	中国电信	云网深度融合+数字能力集聚+安全能力集聚
4	腾讯	从公共服务的数字化向经济社会的全面数字化升级
5	阿里巴巴	为城市治理现代化提供决策支持和精细化管理能力
6	百度	城市洞察、城市治理、产业发展、民生服务等领域
7	华为	一个城市数字平台+一个智慧大脑+N个智慧应用
8	联想	“设备+云”和“基础设施+云”
9	中兴通讯	综合通信信息解决方案提供商
10	中国长城	为城市管理的数据共享与交换提供快捷通道
11	神州控股	以自主创新核心技术赋能产业数字化转型和数字经济发展
12	海康威视	以视频为核心的智能物联网解决方案和大数据服务提供商
13	平安智慧城市	全面助推新时代数字政府、数字经济、数字社会、数字生态发展
14	太极股份	推动一体化智慧政务服务体系建设
15	中国普天	智慧城市整体解决方案
16	新华三	“芯–云–网–边–端”全产业链
17	浪潮软件	基础设施、平台软件、数据信息和应用软件的整体解决方案
18	中软国际	软件与信息技术服务
19	大华股份	以视频为核心的智慧物联解决方案提供商和运营服务商
20	科大讯飞	用人工智能建设美好城市

On 16th December, 2021, DC Holdings ranked 11th amongst China's top 100 smart city solution providers

On 15th December, 2021, DC Holdings was awarded "Outstanding Enterprise" within the China Software industry, Big Data category



On 19th October, 2021, DC Holdings was awarded the best ESG enterprise by the 2021 China Software Conference



On 15th October, 2021, DC Holdings was awarded both "Outstanding Green Sustainability Enterprise" and "Outstanding Social Sustainability Enterprise" amongst Greater Bay Area companies

On 14th October, 2021, DC Holdings was awarded IDC's 2021 Asia Pacific Smart City Award's "Outstanding" designation for its work in Tangshan and Zhangzhou

Awards

2021 AIoT TOP100

RK	企业	备注
1	华为	物联网整体解决方案
2	海尔智家	智慧家庭解决方案提供商
3	海康威视	视频为核心的AIoT解决方案及产品
4	京东方	端口器件、智慧物联、智慧医工
5	小米集团	智能硬件与AIoT生态
6	阿里巴巴	成立AIoT创新中心，探索AIoT技术应用场景
7	科大讯飞	智能语音、智慧城市、智慧教育解决方案和产品
8	TCL集团	智能家居
9	大华股份	以视频为核心的智慧物联解决方案和运营
10	神州控股	大数据运营、智慧城市、智慧产业链、智慧医疗
11	佳都科技	智慧交通、智慧城市解决方案
12	广电运通	智能终端、运营服务及大数据解决方案

On 13th October, 2021, DC Holdings was ranked 10th within China's 2021 AIoT top 100 rankings

On 16th September, 2021, DC Holdings was ranked 7th within Beijing's top 100 Technology Private Enterprises

On 16th September, 2021, DC Holdings was ranked 19th within Beijing's top 100 Technology Private Enterprises with regards to Corporate Social Responsibility

On 16th September, 2021, DC Holdings was ranked 28th within Beijing's top 100 Private Enterprises

On 29th July, 2021, ITL was awarded as 2021's "Influencer Brand" for Digital Economies at the 2021 CFS Sustainable Business Conference

On 8th July, 2021, ITL was awarded the best pioneering use case for logistics digitalization

On 24th June, 2021, ITL was awarded both "2021 Outstanding Technology Enabler" and "2021 Outstanding Brand Recognition"

On 16th June, 2021, DC Holdings was recognized as one of 2021 Big Data Industry's Leading Enterprises

2021推动中国数字化转型TOP100

RK	企业简称	落地	创新	综合
1	华为	93.78	93.01	93.40
2	阿里巴巴	93.08	92.84	92.96
3	腾讯	93.73	92.07	92.90
4	中兴通讯	92.90	91.90	92.40
5	神州控股	92.84	91.85	92.35
6	用友网络	92.04	92.60	92.32
7	海康威视	92.81	91.72	92.27
8	太极集团	93.46	90.75	92.11
9	上海电气	91.42	92.22	91.82
10	海尔智家	91.31	90.86	91.09

On 15th June, 2021, DC Holdings was ranked 5th within China's top 100 enterprises involved in China's digitalization efforts

Awards

On 5th June, 2021, DC Holdings was awarded the 2021 best Carbon Neutral use case by China's CLS Media

In May 2021, ITL was awarded the 2021 best digital logistics provider award

On 15th April, 2021, DC Holdings was ranked 3rd within the top 200 solutions providers for government digitalization

2021活力数字政府方案商200

S/N	企业	品基	动力	创新	综
1	华为	94.38	93.69	97.71	95.26
2	科大讯飞	96.01	94.99	94.35	95.12
3	神州控股	94.18	96.09	94.66	94.98
4	中科曙光	95.66	93.98	95.07	94.90
5	海康威视	95.53	91.60	96.12	94.42
6	联想	91.85	94.57	94.31	93.58
7	联通数科	90.76	93.67	95.04	93.16
8	中兴通讯	92.05	93.56	92.75	92.79
9	中国软件	90.52	93.62	93.79	92.64
10	腾讯	92.54	93.67	91.21	92.47

On 19th April, 2021, DC Holdings was ranked 2nd within the top 50 enterprises for informization services in 2020

2020年度50家特色电子政务提供商

RK	企业	备注	技术	市场	特色	综
1	华为	为政府工作人员提供统一工作平台、协同监管系统	96.07	97.63	97.20	96.97
2	神州控股	以自主创新核心技术赋能数字化转型	91.51	95.66	99.82	95.66
3	中科曙光	以科技创新助力"数字中国"建设	94.57	91.44	96.28	94.10
4	中科软	为政府相关领域提供技术研发和集成服务工作	93.50	86.00	98.88	92.79
5	浪潮	致力于智慧政府、企业云、垂直行业云建设	95.79	98.03	81.77	91.86
6	平安智慧城市	"1+N+1"智慧城市一体化平台	92.15	91.43	90.97	91.52
7	烽火通信	电子政务内网信息化系统建设方案	96.11	81.04	96.14	91.10
8	致远互联	政府部门及相关单位统一协同办公平台	95.03	92.26	85.58	90.96
9	东软集团	以软件技术为核心提供行业解决方案	89.83	94.20	84.79	89.61
10	华宇软件	用新一代的法律科技推动新时代的法律服务	97.36	83.09	86.73	89.06

On 12th March, 2021, DC Holdings was awarded the Enterprise of the Year for 2020, under the big data software and services category

2020年度中国信创TOP500

RK	企业	研发	开拓性	场景	综合
1	华为	99.59	99.50	99.00	99.36
2	中芯国际	98.50	99.30	98.50	98.77
3	中科曙光	97.24	98.70	98.90	98.28
4	中国软件	97.84	98.90	98.00	98.25
5	阿里巴巴	99.20	97.40	97.80	98.13
6	中兴通讯	98.97	96.80	98.40	98.06
7	神州控股	96.88	98.30	98.20	97.79
8	南瑞集团	98.17	97.80	97.20	97.72
9	禅软	97.80	97.64	97.50	97.65
10	中国系统	97.79	97.86	97.20	97.62
11	紫光集团	97.02	97.84	97.98	97.61
12	中国长城	96.94	97.96	97.89	97.60
13	百度	96.79	97.81	97.78	97.46
14	同方股份	96.76	97.76	97.77	97.43
15	海康威视	96.66	97.75	97.73	97.38
16	科大讯飞	96.52	97.72	97.62	97.29
17	平安科技	96.48	97.65	97.51	97.21

On 11th February, 2021, DC Holdings was ranked 7th within the top 500 enterprises for China digitalization solutions providers in 2020

On 11th February, 2021, DC Holdings was awarded the best new economy company by the 2020 Caitong Media's 5th annual Hong Kong companies awards

Chairman's Statement

Mr. GUO Wei

Dear Shareholders of Digital China Holdings,

Looking back on 2021, the world experienced profound changes, with the Covid-19 epidemic not showing signs of abating combined with uncertainty around the global geo-political landscape. Despite such challenging conditions, all employees of the Group persisted with their shared goal of "Lead Ahead" through all aspects of our businesses including technology development, marketing efforts and business results. While difficult conditions lie ahead of us, the Group shall continue to progress towards its objective of becoming a leading big data technology enterprise. In 2021, the Group celebrated its 20th anniversary of its initial public offering. Having survived the ups and downs across two decades and having come out more resilient, we are extremely confident in achieving our goals and remain optimistic in our continued technological and business advancement.

AN UNPRECEDENTED ERA OF OPPORTUNITY

Currently, a wave of digitalization and technological upgrades is sweeping across the globe. With this, attention around the world has been on the technological revolution behind the transformation of various industries and therefore the continued rapid development of a digital economy has become a global consensus. In China, the "14th Five-Year Plan for Development of a Digital Economy" or "the Plan" has presented a RMB10 trillion market opportunity for the Group. We, as the pioneers of a "Digital China", will continue to steadfastly promote the long-term mission of the Group which is the full development of a digital economy and we will capitalize on this once-in-a-lifetime opportunity.

The key purpose of the Plan is to fully crystalize the value of data. It is widely believed that data, as a new core economic output in China, will be essential to the development of a digital economy. It is therefore crucial to bring out the full value behind data, optimize existing digital infrastructure and further promote digital transformation across different industries.

As a big data technology enterprise with the mission of "Digitalizing China", we have focused on the execution of our big data service strategy and through utilizing our core use cases in city digital native transformation, supply chain digital native transformation and fintech, we are able to invest further research and development on our core product suites, shifting from customization-centric to standardization-centric. For over two decades, we have served a wide range of government and enterprise customers and this has enabled us to achieve a deep understanding and insight into the process of digital transformation for a variety of China's core industries. Through this process, we have accumulated a vast knowledge base and expertise behind use cases, a variety of data technical capabilities as well as a robust network of partners, forming a strong moat around the Group's business and future development.

THE PATH OF EVOLUTION IN OUR BUSINESS

In 2021, the Group focused on spatial-temporal big data and A.I. technologies with an objective to build a spatial-temporal core data platform which consisted of our three major product suites: Data Fabric, Data Hub and Digital Twin. These products are deployed through our core use cases in city digital native transformation, supply chain digital native transformation and fintech, providing our government and enterprise clients a full range of big data products and solutions which in turn empower cities and industries to digitally upgrade and utilize technology to facilitate better policy and business outcomes.

Despite multiple challenges and difficulties in the past year, the Group was able to successfully execute on a series of optimization initiatives resulting in significant improvements in the Group's overall operation quality and management efficiency. All three key business segments of big data products and solutions, software and operating services, as well as traditional services have shown breakthroughs and improvements.

Our big data products and solutions business provide sales of data software products focused on spatial-temporal big data and artificial intelligence capabilities, as well as data solutions for core use cases. As a past recipient of the highest China national accolade in technology (First Prize of National Technological Invention Award), we remain confident in our ability to innovate and therefore in 2021, we officially roll out our three major product suites: Data Fabric, Data Hub and Digital Twin.

In Jilin Province in China, we have successfully executed the creation of an intelligent "city brain" which will assist the government in a variety of aspects related to city management and ultimately create a digital twin city. We believe that our Digital Twin represents a fundamental technology underpinning the Metaverse and as such, the breakthrough we have achieved through executing our first use case has pushed us one step ahead in this direction. In Beijing, we were able to assist in the successful hosting of the 2022 Beijing Winter Olympics by creating a smart environmental protection and monitoring platform in Yanqing District. The platform is a smart environmental protection system that is able to provide deep data analysis via 3D monitoring, comprehensive environmental analysis and big data predictive analytics. With the growing attention towards Digital Twin and environmentally-friendly solutions, coupled with tailwinds brought by the release of favorable policies in China, we believe our products and solutions will be successfully replicated in more cities and therefore allow us to contribute better to society.

The software and operating business segment provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilizing cloud technology, automation and artificial intelligence. Such services provide important support for the continued roll-out of our big data products and solutions business. The traditional services business segment provides 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.

INNOVATION IN THE ROAD AHEAD

While there is still much uncertainty around the world, there is no question in our mind that the era of digital transformation is already upon us. Countries, industries, enterprises and even individuals are now subject to ever-changing developments in the world of technology and we strongly believe the notion of digital native transformation will permanently change the way we think about technology and bring about a new chapter in world history.

To make sure we fully capitalize on this opportunity, the Group has made a series of adjustments and preparations. One key development we had made was around our overall talent management approach and we have created a three-in-one talent development program which utilizes new management programs such as the "Partner" initiative whereby promising talent would be given forms of equity compensation, "DC Academy" as a rigorous training program for young and upcoming management candidates as well as "Geek Games" which is our interpretation of a "hackathon" and finally "Campus Ambassador" which host students from top universities around the world who promote our brand and business. This three-in-one talent development system help crystalize our core corporate culture and further promote sustainable development of our talent pool. We are also reshaping our brand and culture, so that our employees share a common vision and value, and form a motivated elite team.

As the value of data as a resource increases over time, we believe that the Group's long-term strategic positioning and effort will pay off. Going forward, we will utilize different methods such as equity incentives and dividends, so that we ensure every employee, every shareholder who supports and believes in the vision set out by the Group can reap the benefits of the Group's development together.

TAKING CHINA'S DIGITAL ECONOMY TO THE GLOBAL STAGE

Looking forward into the future, we will continue to accelerate the deployment of our big data service strategy and continue to strengthen our three product suites of Data Fabric, Data Hub and Digital Twin. These products will assist in data interconnection, integration and governance of multi-source data and through our products, we can utilize the Digital Twin to integrate the physical world with the digital world.

On this basis, we will continue to vigorously develop artificial intelligence technology with spatial-temporal knowledge mapping and spatial-temporal analysis algorithms as our core new technologies. By building a big data product and solution matrix of "spatial-temporal core data platform + artificial intelligence + innovative use cases", we will empower more innovative use cases such as intelligent city brains, digital trade, fintech, and cyber villages. We will continue to respond to environmentally friendly initiatives such as carbon neutrality and we are mindful of strengthening our own energy conservation efforts and reduce emissions. We will also continue to use technological means and green supply chain services to help society in energy conservation and emission reduction, and build an environmentally friendly digital world.

In order to accelerate the commercialization process of big data products and solutions, the Group will increase stickiness of existing customers through continuous improvements in service quality and leverage on our partnership, so as to empower the digital economy industry and become a leader in big data technology field. As China's digital economy moves to the forefront of the world, we will continue to create greater value for our shareholders and the wider society.

1. OPERATION OVERVIEW

Our big data strategy reached a milestone in our roadmap and operating results saw significant improvement

Throughout 2021, the Group has focused heavily on its core big data and A.I. technology to build an all-encompassing big data product suite and service capability, utilizing the Group's three main product suites: Data Fabric; Data Hub; and Digital Twin. While each of these product categories consist of both standardized and customized products, they serve both the Group's government and enterprise clients through several key use cases, in particular city digital native transformation, supply chain digital native transformation and fintech. During the reporting period and despite headwinds such as the continuous spread of the COVID-19 epidemic as well as global macroeconomic uncertainty, the Group's business continued to thrive with consolidated revenues of approximately HK$20.5 billion, representing a new record high over the past 5 years and representing a 4% growth compared to the prior period. Gross profits reached approximately HK$3.8 billion, representing an improvement of 12% compared to the prior period. With the Group's strategic focus on its big data business, coupled with superb execution, quality and cost control, net profit attributable to equity holders of the parent was approximately HK$711.6 million, representing an increase of 16% compared to the prior period. After excluding the effect of share-based payment expenses and non-controlling interests, net profit attributable to equity holders of the parent was approximately HK$818.1 million, representing a robust year-on-year increase of 21%.

The Group's innovative developments and exploration efforts in in the field of digital economies have been highly recognized by the industry where the Group was awarded a variety of awards from different entities including "#5 in 2021 Top 100 Enterprises Promoting China's Digital Transformation", "2021 Top 100 Ranked AIoT Enterprise", "2021 Big Data Leading Enterprise", "2021 Digital Twin Leading Enterprise", "Outstanding Greater Bay Area Enterprise Green Sustainable Development Award", "2021 Chinese Enterprise ESG Best Case Award" as well as and many other awards and accolades. In addition to these awards and accolades, the Group's track record and credentials have enabled it to have an active participation in policy and standard setting within the digitalization space in China. The Group participated in the compilation of the "Guidelines for the Construction of Smart Parks Based on the City Information Model (CIM)" led by the China National Standardization Technical Committee for Intelligent Buildings and Residential Areas and the "Standardization of Digital Twin Deployment" white paper led by the China National Information Technology Standardization Technical Committee as well as others such as "Digital Twin Standardization" white paper, "Development and Utilization of Government Affairs Data" research paper, "Smart Park Evaluation Index System Standards" white paper, and "Smart Park Development" research paper. With its clear credentials and involvement behind policy and standard setting, the Group has attracted partnership interest across a variety of parties and most notably, the Group has reached a strategic cooperation with both Tencent Cloud and JD Technology to jointly fuel the development of China's digital economy.

2. STRATEGY IMPLEMENTATION AND EXECUTION

Shifting away from customization-centric to standardization-centric for big data products

As a big data technology enterprise with the core mission of "Digitalizing China", the Group has been servicing government and enterprise clients for over two decades and possess a deep understanding and insight into the digital transformation of China's industries. Over this period, we have accumulated rich experience in application scenarios, data resources, technical capabilities and ecosystem partners, thereby building ourselves a business moat for the Group's future development.

Since crystalizing its big data products and solutions strategy in 2018, the Group has established a clear technology roadmap and throughout the years have implemented a variety of initiatives to reach key milestones on this roadmap. By leveraging the Group's advantages across its core use cases in city digital native transformation, supply chain digital native transformation and fintech, the Group has been able to accelerate the evolution of its big data product research and development efforts from previously customization-centric to now standardization-centric. During the reporting period, the Group's big data products and solutions have continued to mature and as a result, the Group has successively launched three major product suites: Data Fabric, Data Hub, and Digital Twin and received increased client recognition and endorsement. In conjunction with these products, the Group has also refined various solutions for different use cases enabling further development of new applications. Throughout this process and during the reporting period, the Group's business model and revenue structure have seen significant changes and therefore, information around our segment disclosure has been updated to reflect such changes to highlight the performance of different products, solutions and services. The Group now is structured as three distinct business segments namely Big Data Products and Solutions; Software and Operating Services; and Traditional Services:

The Big Data Products and Solutions business represents the core growth driver behind the Group's current business. The Group will continue to increase investment in research and development, and utilize new technology and products to drive further revenue growth in this segment;

The Software and Operating Services business represents a key support pillar for our overall big data business development and strategy. We rely on our software products, solutions and operating services to improve our service quality and improve our overall customer stickiness, reinforcing a robust customer base for the up-selling of our big data products and solutions while also promoting quality business growth; and

The Traditional Service business serves as an important channel to promote the implementation of our overall strategy. Leveraging on the vast ecosystem network, the Group is able to better filter and assess clients with strong up-sell potential and focus on developing such clients over time.

We believe the new segment business presentation will help shareholders, investors, potential investors and readers of our disclosures to better understand the Group's overall strategic direction, growth momentum, and business strategy.

3. BUSINESS SEGMENT ANALYSIS

Rapid growth in big data revenue and significant improvement in profitability

During the reporting period, the Group focused on deployment of its big data products and solutions, accelerated the process of product standardization, and continued to strengthen its focus on key cities, industries and clients while ensuring the Group continued to also expand its new client portfolio. As part of this focus, the Group had actively optimized revenue contribution from its Traditional Services segment, focusing instead on growing its new business segment of big data products and solutions.

a) *Big Data Products and Solutions segment saw explosive growth via standardization; specifically for products only, gross profit margins recorded 83% while revenues increased by 102% year-on-year*

The Big Data Product and Solutions business offers big data software products, as well as data solutions for core application scenarios. During the reporting period, revenue from big data products and solutions was approximately HK$2.49 billion, representing an increase of 28% compared to the prior period. Gross profit was approximately HK$833.9 million, representing an increase of 38% compared to the prior period. Through the continuous growth of this new business segment, revenue contribution of this segment as a percentage of total Group revenue rose to 12% during the reporting period. Of which, sales of big data products represented approximately HK$353 million, representing an increase of 102% compared to the prior period while gross profit margins were 83%, sales of big data solutions represented approximately HK$2.14 billion, representing an increase of 20% compared to the prior period while gross profit was approximately HK$541 million, representing an increase of 17% compared to the prior period. To support such business growth, the Group continued to increase its research and development investment which recorded approximately HK$497 million during the reporting period, representing an increase of 20% compared to the prior period. Of which, 403 new intellectual property rights and patents were developed by the Group, bringing the total number of patents owned by the Group to 2,249, representing an increase of 22% compared to the prior period.

The proprietary big data products developed by the Group can be divided into three major product suites: Data Fabric; Data Hub and Digital Twin:

The Data Fabric product suite primarily houses our "Yan Cloud Data-as-a-Service" ("**Yan Cloud DaaS**") product as well as our "Sysnet" (data service management) product. Of which, Yan Cloud DaaS was awarded the First Prize of National Technological Invention Awards in 2019 and has the unique capability of enabling the process of data consolidation while not having any access of the original source code behind the application(s) and no support from the original application manufacturer, all while ensuring minimal communication costs as well as short development cycles. For example in Yanqing District in Beijing, the Group executed a project for the Beijing 2022 Winter Olympics and Winter Paralympics whereby through constructing a "one network, one platform, two centre" data infrastructure for the government the Group was able to provide deep data analysis via 3D monitoring, comprehensive environmental analysis and big data predictive analytics. During the reporting period, together with strong growth, the product suite also recorded robust profitability, with gross profit margins reaching 92%.

The Data Hub product suite primarily focuses on five product packages, namely data management, data governance, data intelligence, data sharing and data security which process, sort and analyse data across government affairs, enterprise operations, IoT as well as the internet to provide a more comprehensive, safe and reliable data service for governments and businesses. Within one of our key use cases, supply chain digital native transformation, our product "KingKoo Data" provides entire supply chain data management capabilities. By automatically accessing our proprietary supply chain algorithm library, KingKoo Data is able to generate warehouse route optimization, inventory replenishment predictions, sales forecast analysis and others. Through a variety of methods, we are able to help enterprise clients improve their decision-making process to generate better business outcomes such as cost reduction and increase in operating efficiencies. Within fintech, a key sub-vertical has been agriculture, whereby we had developed an integrated solution that allows the creation of a "platform+data+service" model to enable digital transformation initiatives within broader activities such as rural revitalization, and harvest management to name a few. During the reporting period, thanks to the increased standardization of our Data Hub product suite, the Group acquired more than 168 new clients, with revenues reaching approximately HK$273 million, representing an increase of 115% compared to the prior period while gross profit margins reached 81%.

The Digital Twin product represents the newest addition to our product suite, where this product suite represents a critical infrastructure for city digitalization initiatives as well as an important core competency in relation to the future development of the Metaverse. During the report period, the Group achieved an important breakthrough through the successful deployment of a City Information Model (CIM) platform in the Jingyue High Tech Industrial Zone in Changchun City, Jilin province. The CIM platform utilizes spatial-temporal data to construct a digital twin for the physical city, allowing for in-depth and real-time data analyses. In essence, we were able to adopt the "City CTO" role and be involved in aspects around planning, construction, management and servicing of the city functions. Some of the aspects that have already been implemented include smart construction sites, intelligent pipe networking and also energy conservation. By providing data analyses to our client, we improve their overall decision-making process, allowing for better resource allocation for the city and optimization of overall output.

b) *Software and Operating Services business grew steadily with significant improvement in overall profitability, segment results grew 62% compared to the prior period*

The Software and Operating Services business provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilizing cloud technology, automation and artificial intelligence. Such services provide important support for the continued roll-out of our big data products and solutions business. During the reporting period, revenue from Software and Operating Services reached approximately HK$6.64 billion, representing an increase of 12% compared to the prior period. This segment's revenues accounted for 32% of the total revenue of the Group, and gross profit during the reporting period reached approximately HK$1.34 billion, of which:

Revenues from supply chain-related operating services reached approximately HK$2.63 billion, representing an increase of 21% compared to the prior period. Focusing on key accounts and core clients coupled with data-driven insights on client management, profitability was significantly higher than the industry average and gross profit margins reached 21%. The top 50 clients contributed nearly 75% of the profit while the overall client portfolio of the Group saw 62% of clients showing an increase in share of wallet, and 75% of the projects achieved an increase in net profit from a project level.

Revenues from software development and technical services reached approximately HK$4.02 billion, representing an increase of 7% compared to the prior period, with gross profit margins of 20%. Due to the continued outbreak of the epidemic, overall project delivery cycles have been delayed. In response, the Group has adopted control measures, adjusted our response strategies in a timely manner, and continued to explore our client's digital transformation needs and satisfying those needs through upgrades from our product and solution suite.

c) *The Traditional Service business saw a strategic contraction on some of the low gross profit margin businesses whereby revenue contribution to the Group's total revenue decreased by 3% whilst gross profits increased by 16% year-on-year through business improvement*

The Traditional Service business provides 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. In addition, Traditional Services also include other operations such as equity investments and property rental and sales. During the reporting period, the Group's focus on expanding its big data product and solution business meant that low-margin businesses such as Traditional Services were de-prioritized and therefore revenue contribution from Traditional Services to the Group decreased compared to the prior period. Revenues reached approximately HK$11.78 billion, and its revenue contribution to the Group decreased from 60% to 56% while gross profit for the reporting period was approximately HK$1.59 billion representing an increase of 16% compared to the prior period, of which:

E-commerce supply chain continued to see optimization in its overall client portfolio and continued to shed low-margin businesses. While revenues decreased by 26%, gross profit margins increased by 2% and more importantly, we saw conversion of approximately 25% of clients who were previously e-commerce supply chain clients expanding their purchases to our big data products and solutions as well as software and operating services.

The systems integration business provided the Group with a solid foundation to build its big data business. During the reporting period, sales contracts for systems integration totalled to over HK$1 billion, including clients from regulatory bodies, policy banks, large national banks and other financial institutions.

4. BUSINESS OUTLOOK

Focus on spatial-temporal big data and artificial intelligence to empower more innovative use cases

The speed, range, and depth of influence is driving an unprecedented pace for the development of a digital economy. According to the "14th Five-Year Plan — Big Data Industry Development Plan" from the Ministry of Industry and Information Technology in China, the annual compound growth rate of China's big data industry has exceeded 30%, where the overall market size for the big data industry by 2025 is expected to exceed RMB3 trillion, representing an annual compound growth rate of approximately 25%. As data in China becomes the fifth core factor of production, the development of spatial-temporal big data and A.I. technology will continue to provide ample opportunities for understanding the relationship between "people", "items" and "space" in the real world. While the current epidemic has yet to end, and the uncertainty of the overall macro environment continued to be high, the Group has seen the importance of big data technology in epidemic prevention and economic risk management, and truly believe that we can only remain competitive in the market so long as our proprietary technology continues to be a core element of the Group's business.

Looking forward, the Group will continue to accelerate the deployment of our big data products and services, continue to strengthen the training of professional and technical personnel, and build a more complete research and development capability. In terms of research and development, we will further refine our three major product suites which are Data Fabric, Data Hub and Digital Twin. The integration and governance data will allow the further deployment of Digital Twin to connect the real world and the digital world. On this basis, the Group will also vigorously develop artificial intelligence technologies focused on spatial-temporal knowledge mapping and analysis algorithms, with an aim to build out a comprehensive analytical capability integrating both elements of space and time. By building a more comprehensive big data product and solution suite, it will enable more innovative use cases such as intelligent city brains, digital trade, cyber villages, and digital RMB currencies.

In order to accelerate the commercialization process of big data products and solutions, the Group will increase stickiness of existing clients through focusing on improvements in service quality, so as to achieve rapid revenue growth from the Group's big data products and solutions business and continuously expand market share.

The management team is of the view that the Group's strategic choices will pay off in the long run. The continuous rapid growth of the overall big data industry will serve as a tailwind to drive the Group's big data business and continue to improve the Group's overall profit profile. Facing unprecedented development opportunities coupled with a new start off the Group's 20th anniversary of its Hong Kong initial public offering, the Group will continue to execute its strategies, strengthen its core capabilities, speed up development, improve management efficiency, and improve return on investment, creating greater value for our shareholders and society as a whole, allowing shareholders, clients and employees to share the fruits of our labour.

5. UPDATE ON THE SETTLEMENT PLANS REGARDING CERTAIN WEALTH MANAGEMENT PRODUCTS PURCHASED BY THE GROUP (THE "WMP")

As at 31 December 2021, the outstanding unpaid principal of the WMP was approximately HK$1,976 million (RMB1,632 million). The Group has obtained the right to proactively dispose of the ultimate underlying assets involved in the WMP and has set up disposal plans and specific action plans.

Despite the significant impacts brought by the outbreak of the COVID-19 pandemic on the progress of all aspects of work, the Group pushed forward with the disposal of the real estate residential project (the amount of the principal and interest involved is approximately HK$234 million (RMB193 million)) in accordance with the action plans. The asset restructuring procedure has been substantially completed. Following the completion of the transfer of the operation and management rights of the project, the Group will be able to recover the outstanding amount from the sale proceeds. Based on the current market value of the assets of the project, it is expected that the proceeds can fully cover the Group's claims in the project.

The remaining ultimate underlying assets of the WMP, which involves investments in a market and a commercial complex, amounts to approximately HK$1,742 million (RMB1,439 million). In accordance with the realisation and repayment plans, certain supporting facilities in the properties have been upgraded with a view to improving the valuation in preparation for subsequent sale. At the same time, the Group had been actively negotiating the sale with interested parties. During the reporting period, the court has confirmed that the Group has priority over approximately HK$1,174 million (RMB970 million) of its claims, which further clarified the priority nature of such debts and provided legal basis for accelerating the settlement of such debts. The Group will continue to pursue execution according to the action plans. Further announcement will be made by the Company as and when appropriate in the event of any material development on the action plans.

Based on its judgment of the recoverable amount of the relevant ultimate underlying assets of the WMP and understanding of the progress of disposal of assets, the Company's management is of the view that the corresponding amount of the WMP as set out in the financial statements of the Group as of 31 December 2021 is reasonable and appropriate.

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 HK$29,601 million at 31 December 2021 which were financed by total liabilities of approximately HK$14,734 million, non-controlling interests of approximately HK$4,708 million and equity attributable to equity holders of the parent of approximately HK$10,159 million. The Group's current ratio at 31 December 2021 was 1.46 as compared to 1.40 at 31 December 2020.

During the year ended 31 December 2021, capital expenditure of approximately HK$147 million was mainly incurred for the additions of property, plant and equipment and other intangible assets.

As at 31 December 2021, the Group had cash and bank balances of approximately HK$2,779 million, of which about approximately HK$2,731 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.39 at 31 December 2021 as compared to 0.46 at 31 December 2020. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately HK$3,974 million (31 December 2020: approximately HK$4,379 million) and equity attributable to equity holders of the parent of approximately HK$10,159 million (31 December 2020: approximately HK$9,430 million).

At 31 December 2021, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in US dollars HK$'000	Denominated in Hong Kong dollars HK$'000	Denominated in Renminbi HK$'000	Total HK$'000
Current				
Interest-bearing bank borrowings, unsecured	294,963	200,000	281,134	776,097
Interest-bearing bank borrowings, secured	–	66,179	928,085	994,264
Other borrowings	–	–	52,676	52,676
	294,963	266,179	1,261,895	1,823,037
Non-current				
Interest-bearing bank borrowings, secured	–	38,569	2,112,012	2,150,581
Total	294,963	304,748	3,373,907	3,973,618

Certain of the Group's bank borrowings of:

1. Approximately HK$2,321 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 HK$4,798 million at 31 December 2021; and

2. Approximately HK$823 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 128,884,000 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 HK$1,985 million at 31 December 2021.

Included in the Group's current and non-current bank borrowings of approximately HK$350 million and HK$2,151 million respectively are long-term loans repayable from year 2022 to 2036. As at 31 December 2021, approximately HK$2,042 million and HK$1,932 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 2021 amounted to approximately HK$13,990 million, of which approximately HK$2,265 million were in long-term loan facilities, approximately HK$6,345 million were in trade lines and approximately HK$5,380 million were in short-term and revolving money market facilities. At 31 December 2021, the facility drawn down by the Group was approximately HK$2,258 million in long-term loan facilities, approximately HK$1,305 million in trade lines and approximately HK$1,582 million in 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

As at 31 December 2021, the Group did not have material contingent liabilities.

Commitment

At 31 December 2021, the Group had the following commitments:

	HK$'000
Contracted, but not provided for, in the consolidated financial statements:	
Capital contributions payable to joint ventures	**32,187**
Capital contributions payable to associates	**29,680**
Capital contributions payable to financial assets at fair value through other comprehensive income	**519**
	62,386

Events After the Reporting Period

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

Human Resources and Remuneration Policy

At 31 December 2021, the Group had 14,744 full-time employees (31 December 2020: 14,399). 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 28.19% in staff costs to approximately HK$3,579 million for the year ended 31 December 2021 as compared to approximately HK$2,792 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.

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 HK$1,335 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 2021	Actual application for the year ended 31 December 2021	Un-utilised amount as at 31 December 2021	Expected to be utilised by 31 December 2022
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
(i) Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	782	(485)	(3)	294	294
(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	183	(183)	–	–	–
(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	286	(286)	–	–	–
(iii) General working capital purposes	84	(84)	–	–	–
Total	1,335	(1,038)	(3)	294	294

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 2021, an aggregate of HK$1,041 million has been utilised from the Net Proceeds.

As at 31 December 2021, the un-utilised Net Proceeds from the Rights Issue amounted to approximately HK$294 million. In 2021, due to the impact of the COVID-19 epidemic, the investment atmosphere was relatively sluggish, and the management of the Company became more cautious in investing in mergers and acquisitions. Therefore, only a relatively small amount from the un-utilised Net Proceeds was used during the year ended 31 December 2021. With the re-emergence of the COVID-19 epidemic in parts of China and around the world, it is expected that the un-utilised Net Proceeds would not be fully utilised by 30 June 2022, which is the expected timeline as previously disclosed by the Company. 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 currently expected that the un-utilised Net Proceeds will be fully utilised by 31 December 2022.

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 and 31 December 2020 of the Company.

Biographical Details of Directors and Company Secretary

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. GUO Wei

Mr. GUO Wei, aged 59, 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 on of the 50 Most Powerful Business People in China by Fortune Magazine (Chinese version) in 2011 and 2012.

Mr. Guo is currently the Chairman of Digital China Information Service Company Ltd., as well as its Chairman of the Strategic Committee and member of the Nomination Committee. He is also the Chairman and the President and members of the Strategic Committee and the 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 was 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, The Shanghai Stock Exchange and The New York 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 34 years of experience in business strategy development and business management.

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LIN Yang

Mr. LIN Yang, aged 55, 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 Company Ltd. (listed on The Shenzhen Stock Exchange). He joined the Legend group in 1990 and has over 31 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).

NON-EXECUTIVE DIRECTORS

Mr. PENG Jing

Mr. PENG Jing, aged 35, has been a Non-executive Director of the Company since 27 December 2017. Mr. Peng serves as the Vice General Manager of Guangzhou City Investment Co., Ltd. and the Chairman of Guangzhou City Investment Micro Loan Co., Ltd. Mr. Peng received a Bachelor's Degree in Literature from Guangzhou University in 2008 and received a Master's Degree in Business Administration from Guangdong University of Finance and Economics in 2017.

Mr. Peng has served several large listed financial institutions and state-owned conglomerates, and has had nearly 14 years' experience on financial investment and financing experience since 2008. During the period, he was responsible for bank credit, trade finance, international business and corporate financial investment. He has established several companies to invest in funds, finance lease, small loans, urban infrastructure construction and investment operation management, as well as the development of emerging industries. In recent years, he has focused on financial investment and financing, participated in the establishment of big data funds and construction funds, and participated in the relevant investment projects of the group's smart cities.

Mr. ZENG Shuigen

Mr. ZENG Shuigen, aged 44, has been a Non-executive Director of the Company since 30 June 2020. Mr. Zeng serves as the vice general manager of Guangzhou Smart City Investment Operation Co. Ltd. and the Vice Secretary and General Manager of party branch and Director of Guangzhou Urban Planning Technology Development Services Department Co., Ltd. and the legal representative and chairman of Guangzhou City Investment Ziguang Cloud 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Man Chung, Francis

Mr. WONG Man Chung, Francis, aged 57, 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 34 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 and Greenheart Group 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 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 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 and a member of the Audit Committee and the Strategy and Investment Committee of GCL-Poly Energy Holdings 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 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 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

Miss. NI Hong (Hope)

Miss. NI Hong (Hope), aged 49, 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 Director of Zhihu Inc, a NASDAQ-listed company (NASDAQ: ZH) and Ucloundlink Group Inc., a NASDAQ-listed company (NASDAQ: UCL) and also an Independent Non-executive Director, member of Remuneration Committee and Nomination Committee of Acotec Scientific Holdings Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited), and re-designated as a Non-executive Director (before re-designation, she was an Executive Director and the Chief Investment Officer) of Cogobuy Group (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.

Dr. LIU Yun, John

Dr. LIU Yun, John, aged 58, 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. 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.

Mr. KING William

Mr. KING William, aged 55, was appointed as an Independent Non-executive Director of the Company with effect from 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.

Mr. CHEN Timothy Yung-cheng

Mr. CHEN Timothy Yung-cheng, aged 65, was appointed as an Independent Non-executive Director of the Company with effect from 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; the vice Chairman of Suirui Technology Limited* (隨銳科技股份有限公司) (a company delisted from the National Equities Exchange and Quotations (stock code: 835990) on 16 June 2021) since February 2019; An independent non-executive director (currently also 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. 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 Qingdao Haier Company Limited* (青島海爾股份有限公司, currently known as Haier Smart Home Company Limited, 海爾智家股份有限公司), 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 and 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. 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.

COMPANY SECRETARY

Mr. WONG Chi Keung

Mr. WONG Chi Keung, aged 55, 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 GROUP INC. (formerly known as HC International, Inc., 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 31 years of experience in financial management and corporate administration.

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's corporate governance practices are based on the principles, code provisions and certain recommended best practices set out in the "**Corporate Governance Code and Corporate Governance Report**" (the "**Code**") and contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

During the year ended 31 December 2021 (the "**Reporting Period**"), the Company has complied with the code provisions (the "**Code Provision(s)**") set out in the Code throughout the Reporting Period, except the following deviations from certain Code Provisions with considered reasons as given below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer 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 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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All of the Non-executive Directors of the Company were not appointed for any specific term. Since all Directors (save for the Chairman of the Board or the Managing Director) are subject to retirement by rotation at each annual general meeting in accordance with the new bye-laws of the Company (the "**New Bye-Laws**") and shall be eligible for re-election, the Board considers that the retirement of Directors by rotation at each annual general meeting in accordance with the New Bye-Laws has given the Shareholders the right to approve the continuation of the service of the Directors.

Code Provision A.4.2 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 New Bye-Laws, at each annual general meeting one-third of 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, 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 of the Company, 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 D.1.4 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 its any Non-executive Directors or Independent Non-executive Directors. 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 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.

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 10 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.

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 27 to 36 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.

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

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 professional qualifications, experience and their possible contribution to the Group.

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. 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.

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.

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 Ms. NI Hong (Hope) and Mr. KING William as members.

The latest Terms of Reference for Audit Committee re-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 function:

(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 14 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 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 discussed auditing, internal control, risk management and financial reporting matters. The Board has, through the Audit Committee, conducted regular reviews on the effectiveness of the internal control system 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, 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 selection, appointment, resignation or dismissal 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 1 April 2012 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 two meetings where the members attended either in person or by means of electronic communication.

For the Reporting period, the Remuneration Committee has reviewed the current remuneration structure and packages of the Executive Directors and senior management, and has recommended the Board to approve their respective packages.

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 latest 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.

During the Reporting Period before the establishment of the Nomination Committee, the Board reviewed the structure, size, composition and diversity of the Board and recommended the addition of new board member, and has reviewed the independence of the independent non-executive directors, 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 Board made recommendations to the shareholders on the proposed re-election of Directors at the annual general meeting of the Company held on 30 June 2021.

DIRECTOR'S ATTENDANCE RECORDS AT MEETINGS

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

Board members	Committee members		Number of meetings attended/held				
	Audit Committee	Remuneration Committee	Board Meeting Regular	Board Meeting Ad Hoc	Audit Committee	Remuneration Committee	Annual General Meeting
Executive Directors							
GUO Wei *(Chairman and Chief Executive Officer)*	–	–	4/4	5/5	N/A	N/A	1/1
LIN Yang *(Vice Chairman)*	–	–	4/4	5/5	N/A	N/A	0/1
Non-executive Directors							
PENG Jing	–	–	1/4	1/5	N/A	N/A	0/1
ZENG Shuigen	–	–	2/4	1/5	N/A	N/A	0/1
Independent Non-executive Directors							
WONG Man Chung, Francis	Chairman	Member	4/4	5/5	3/3	2/2	1/1
NI Hong (Hope)	Member	–	4/4	4/5	3/3	N/A	1/1
LIU Yun, John	–	Chairman	4/4	2/5	N/A	2/2	1/1
KING William	Member	Member	4/4	5/5	1/1 *(Note 1)*	2/2	1/1
CHEN Timothy Yung-cheng (appointed as Director on 16 July 2021)	–	–	2/2 *(Note 2)*	2/2 *(Note 2)*	N/A	N/A	N/A

Notes:

1. As Mr. KING William was appointed as a member of the Audit Committee with effect from 16 July 2021, his attendance was stated by reference to the number of Audit Committee Meetings held during his tenure.

2. As Mr. CHEN Timothy Yung-cheng was appointed as an Independent Non-executive Director of the Company with effect from 16 July 2021, his attendance was stated by reference to the number of Board Meetings held during his tenure.

3. Ms. YAN Xiaoyan retired as an Independent Non-executive Director of the Company and ceased to act as member of the Audit Committee with effect from the conclusion of the annual general meeting of the Company held on 30 June 2021. Ms. YAN Xiaoyan's attendance at the relevant meetings during the Reporting Period by reference to the number of the relevant meetings held during her tenure was as follows: Regular Board Meetings (2/2), Ad hoc Board Meetings (2/2), Audit Committee Meetings (2/2) and Annual General Meetings (0/1)

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.

BOARD DIVERSITY POLICY

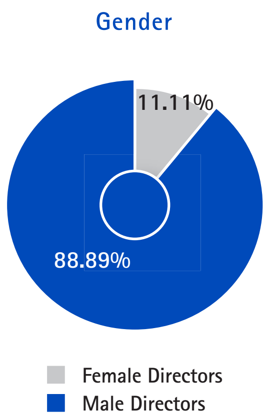
The Company is committed to promoting diversity among the Board and has adopted a board diversity policy (the "**Board Diversity Policy**") effective on 20 August 2013. The Board Diversity Policy outlines the Board's commitment to fostering a corporate culture that embraces diversity and, in particular,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

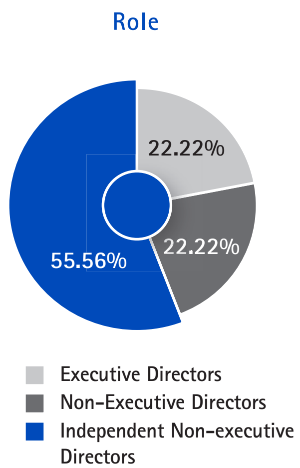
The Company, recognising and embracing the benefits of having a diverse Board, values increasing diversity at Board level which is perceived to be an essential element in achieving a sustainable and balanced development of the Company. In determining the Board composition that best suits the Company, 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.

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

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, one of them is 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. The Board is also 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.

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





REMUNERATION OF AUDITOR

For the Reporting Period, remuneration to the Auditor was approximately HK$2,830,000 for audit services and approximately HK$150,000 for non-audit services on review relating to the financial statements of offering and issuance of Taiwan Depositary Receipts.

RISK MANAGEMENT AND INTERNAL CONTROL

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 and maintain the Group's risk management and internal control systems and to review their effectiveness regularly. 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 2021, 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.

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 2021, 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 risk of the Group in 2021:

Rank	Risk
1	Risk relating to competition
2	Risk relating to relying on major customers
3	Risk relating to loss of talent

Compared to 2020, there were no obvious changes in the first three risks of 2021 which were the risk relating to competition, the risk relating to relying on major customers and the risk relating to loss of talent. However, the risk relating to relying on major customers rose from third to second and the risk relating to loss of talent dropped from second to third. Affected by such factors as internal and external market volatility, changes in international relationships and advancement in new technology in 2021, especially the admission and rapid development of new competitors, the risk relating to competition was still relatively prominent. Meanwhile, the Group's emphasis on cooperation with major customers to realise synergies increased the revenue concentration. The fluctuations in momentum of industries of major customers, the life cycle of customer's products and the ability of customers for continuous operation will affect the growth in revenue of the Group. In addition, the internal adjustment and organizational optimization of the Group are still ongoing, and there is a certain turnover of personnel in line with the performance appraisal last elimination mechanism.

To address and execute preventive controls over such risks, the Group has adopted, and will continue to optimize, corresponding control measures as follows:

– Relating to market competition
  Fully understand and analyze the market environment and the development and changes of competitors, so as to know ourselves and the competitors and support by our strong technical advantages in fintech, smart city, smart industry chain and other fields and the accumulation of solutions for various business scenarios, we continue to strengthen all-round capability building including marketing, quotation strategy, products and solutions design, operational capability, system capability, talent development, etc., to take advantage of the vast market of each corresponding industry, to provide guarantee and support for the continuous expansion of business scale, and to enhance the overall competitive strength.

– Relating to customer management
  Continue to strengthen the construction and application of the business opportunity system, grasp the business opportunities of customers, establish a relatively independent service team for major customers, provide all-round intimate and personalized services, stabilize the quality of operation, and at the same time involve into customer business scenario services as much as possible to increase customers viscosity and avoid sudden business risks. Based upon maintaining and strengthening existing customers relationship, the Group leverages existing synergies and develops more potential customers and actively expands more new customers and businesses, simultaneously achieves multi-product lines, serialized operation, develops new channels to diversify the risk of relying on major customers.

– Relating to talent management
  The Group's HR Department continuously improves the salary distribution and assessment incentive system, implements a distribution system that combined position-pay scale, performance bonus and equity incentives and guided with the performance to attract and retain talents. At the same time, the Group continues to promote the "Dual DC" ("**雙神**") training organizations of "DC Elite" ("**神碼匯**") and "DC Geek" ("**神技營**") to cultivate outstanding talents in management and technology, build an elite talent training system for DC Holdings, make outstanding employees stand out, stimulate organizational vitality, and ensure core talents long-term stable development. The Group officially launched the "Partnership Program" ("**合夥人計劃**") to open up a new career paths for employees, stimulate the sense of ownership of every "partner", and enable them to participate in the Group's operation and management, so that every participant can share the results of the Group's development and realize "Co-construction, Co-governance and Creating Shared Value" ("**共建、共治、共享**").

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.

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 detailed 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 year of 2021, 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 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 101 to 107 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

One of the principal channels of communication with the Shareholders is the annual general meeting and all corporate communications of the Company, including but not limited to interim reports, annual reports, notices of meeting, announcements, circulars and other relevant Company's information are available on the Company's website www.dcholdings.com

The Company has adopted a Shareholders Communication Policy to handle enquiries put to the Board.

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.

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 view to the Board and management and to exercise the Shareholders' rights. Under the New Bye-Laws, the Shareholders have the rights to convene a special general meeting and put forward agenda items for consideration by the Shareholders. The latest New Bye-Laws has been uploaded onto the websites of the Stock Exchange and the Company respectively.

The Shareholders are encouraged to use their attendance at meetings 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 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.

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 amount 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.

Environmental, Social and Governance Report

1.0 CHAIRMAN'S STATEMENT

In 2021, the epidemic continued to spread globally, changing the world profoundly. China made remarkable achievements in containing the virus, but the economy faced the pressure of slowing growth and increasing financial risks. The staff of DC Holdings have overcome a variety of challenges and worked hard for a confident, transformational and brighter 2021.

Over the past year, DC Holdings achieved breakthroughs and growth in various business and management initiatives. We solved our client's problems effectively via innovative means and achieved outstanding accolades in areas of fintech, city digital native transformation, digital twin, and smart supply chain operations. In addition, we deployed innovative technologies to create a smart environmental protection system in Yanqing District in Beijing, to provide high-quality environmental monitoring and predictive analytics for the "2022 Beijing Winter Olympics". In terms of management, we continued to refine our management organization such that the technology and research development platform was further refined into two platforms, the business technology platform and the data technology platform, which laid the foundation for subsequent organizational reform, business development and digital transformation. Meanwhile, also we established new management programs such as the "Partner" initiative whereby promising talent would be given forms of equity compensation, "DC Academy" as a rigorous training program for young and upcoming management candidates as well as "Campus Ambassador" which host students from top universities around the world who promote our brand and business. This three-in-one talent development system help crystalize our core corporate culture and further promote sustainable development of our talent pool.

For DC Holdings, "Digital China" is in our name and mission. We are fully committed to becoming a technology-leading big data service provider while complying with the principles of ethics and sustainable development in our business operations. While developing our business, DC Holdings has been true to its roots and we listen carefully to the voices from all walks of life and attach importance to the views of various stakeholders of DC Holdings. To this end, we proactively assess the impact of environmental, social, and governance issues on our business and strive to drive positive changes with a strong sense of social responsibility.

In 2021, combining a strong sense of social responsibility together with the power of digital technology, the staff and partners of DC Holdings made significant contributions to the sustainable development of society. When the epidemic broke out in Xi'an at the end of the year, the Company actively donated anti-epidemic materials and employees stayed on the front line of business, winning the praise of the community and customers. With the mission of "Digital China", DC Holdings has always attached importance to its own technology research and development and innovation, which has been fruitful during the year. In addition, it is also committed to cooperating with universities and research institutes to help integrate industry, academia and research. DC Holdings and its subsidiaries have formed strategic alliances with Tsinghua University, University of Science and Technology of China and China Agricultural University to achieve greater innovation and breakthroughs in the fields of financial technology and agricultural technology. In addition, DC Holdings also strives to promote the development of youth education. In addition to assisting schools, we also donated money to many education funds and talent development institutions during the year. In daily work and life, DC Holdings advocates "starting from me, bit by bit, saving energy and reducing consumption," living a low-carbon lifestyle, and contributing to the "green earth."

We integrate corporate sustainability into our operational management and risk management for customers, employees, suppliers and other partners to create more sustainable value for the long-term development of our business and our stakeholders. Looking ahead, we are committed to keeping pace with our global sustainability priorities and working in line with Hong Kong Stock Exchange and the Global Reporting Initiative GRI's development goals on sustainability to continue to contribute to the well-being of our stakeholders. In 2022, let's look forward to a better and more sustainable future together.

2.0 ABOUT THIS REPORT

The "Digital China Holdings Limited Environmental, Social, and Governance Report" (hereinafter referred to as "this Report") is based on the "Environmental, Social, and Governance Reporting Guidelines" issued by the Stock Exchange of Hong Kong Limited in December 2019, is also complied with reference to the relevant rules under the Global Reporting Initiative (GRI) and aim at explaining our environmental, social, and governance policies, as well as our work and results during the year to our stakeholders. Our Environmental, Social, and Governance ("ESG") reporting team is composed of personnel from all relevant departments within the Group. The team is responsible for collecting relevant information every year and compiling this report.

- ### Reporting Guidelines and Scope

  In terms of reporting principles, this report follows:

  - Materiality guideline: We determine the key areas of focus in this report based on the Group's overall strategy and operations as well as on economic, environmental and social issues that affect the sustainability of the Group's business to which our stakeholders have also shown attention to. As such, the Group will maintain close and frequent communication with our stakeholders to assess the importance and ranking of environmental, social and governance issues (see "Stakeholders" below for further details).

  - Quantitative guideline: Where possible, this report will use data to show relevant environmental and social issues, such as illustrating data on resource consumption and carbon emissions, as well as key assumptions, calculation methods and reference basis.

  - Consistency guideline: This report will disclose changes in statistical methods or key performance indicators (if any), or any other relevant factors that affect the comparison, in order to avoid misleading the readers of this report.

  In terms of reporting scope, unless otherwise specified, the content contained in this report covers all subsidiaries of DC Holdings.

  In addition, all the information quoted in this report comes from the Group's official documents, audited annual reports, and relevant data and information collected by the Group's functional departments.

- ### ESG Governance Structure, Strategies and Objectives

  The Board of Directors ("the Board") is responsible for assessing and determining the Group's environmental, social, and governance risks, ensuring that the Group has established appropriate and effective risk management, internal control systems, and strategies. The Board has regularly reviewed the Group's strategies to ensure consistency with its development plans. The Board of Directors has participated in the assessment, materiality ranking, and management of environmental, social, and governance-related matters (including risks to the Group's business). Please refer to the "Stakeholders" section below for details of the materiality assessment work. In 2021, the Group's environmental, social, and governance risk management and internal control systems were operating effectively.

  In terms of governance strategy, we have fully integrated environmental, social and governance, and management considerations into the Group's business operations and management as part of our corporate development strategy, and we have paid special attention to the relationships with our stakeholders such as seeking out their opinions and views on matters, collaborating and interacting with our partners, caring for our employees, and shouldering more social responsibilities. Our environmental, social, and governance strategy aims to become a leader in ESG practice as a high-tech enterprise that empowers core scenarios with independent innovation and big data technology, creating more shared value with various stakeholders.

Company Profile

DC Holdings Limited (referred below as "the Group," "DC Holdings," "the Company," or "We") was established in 2000 and listed on the main board of the Hong Kong Stock Exchange in 2001 (stock code 00861.HK). For more than 20 years, DC Holdings has always taken "Digital China" as its mission, adhering to the corporate culture of "Responsibility, Passion, Innovation, and Creating Shared Value" and has continuously made breakthroughs and innovation, from IT infrastructure services, integrated IT services, smart city services, to big data services. We have always been committed to empowering the digital upgrade of cities and industries with the best digital solutions and using technology to build a better digital world.

As a high-tech enterprise that empowers core use cases with self-innovative big data fusion technology, DC Holdings is committed to becoming a big data service enterprise that empowers multiple scenarios, targeting city digital native transformation, supply chain digital native transformation, fintech, and other core scenarios around the data value chain. We use satellite-air-ground integrated data collection and analysis technology to create core products that empower the data industry to accelerate digital development. We also build a mutually beneficial software ecosystem, and provide customers with a full range of data software product authorization, subscription, and services, through the construction of urban digital twins, which continue to empower urban intellectual development and industrial digital transformation.

In 2021, we continued the vision and mission of DC Holdings, not forgetting our original roots, and strive to "Digitalize China". As an employer of China's top technology talent, we provide employees with safety and health protections and ample opportunities for continuous self-development. As a member of community and a corporate citizen, we are also enthusiastic about public welfare, helping those in need. We are committed to integrating social responsibility into all aspects of our enterprise (including products, services, technological innovation, cultural heritage, and digital upgrades) to help promote sustainable social development. At the same time, in the process of continuous innovation, creating long-term value for society and the environment is an essential part of our consideration.

Our Stakeholders

We understand the importance of stakeholder feedback on our ESG performance. Therefore, we have maintained close communication with our stakeholders and collected relevant opinions and suggestions on environmental, social, and governance issues. We also engage in an open and transparent dialogue with our stakeholders through various channels, including meetings, surveys, seminars, etc. The table below presents the key stakeholders, issues, and communication channels of the Group.

Stakeholders	Main Topics	Main Communication Channel
Government and Regulatory Agencies	Compliance, Corporate Governance	Meeting, Written Report, Interview, Policy Consultation, Information Disclosure
Shareholders and Investors	Business Development, Return on Investment	Company Information Disclosure, Investor Meetings, Social Media Platform Interaction
NGOs and Media	Environmental Protection, Compliance Consulting, Charity	Industry Events, Press Conferences, Social Media Platform Interactions
Customers	Product and service quality, Privacy Protection	Customer Feedback, Meeting, Customer Service Hotline, Real-Time Customer Support
Staffs	Training, Welfare, Career Planning, Healthy Working Environment	Labor union, Staff Meeting, Internal Training Program "DC Elite", Corporate Social Platform, Regular Employee Satisfaction Survey Feedback
Community and Public	Volunteer Service, Charity, Environmental Protection	Company Website, Company WeChat Account, Media Reports, Irregular Community/Volunteer Activities
Suppliers	Fair Cooperation, Integrity	Meetings, Regular Assessments, Site Visits

For example, the Group attaches great importance to the interaction with government and other regulatory agencies, investors, and the media (please refer to the text for the Group's communication and interaction with other major stakeholders). Apart from fulfilling its information disclosure obligations in strict compliance with regulatory requirements, the Group also builds a platform for communication through multiple channels and means and allows stakeholders such as the government, investors, and the media can fully understand the Group's operation and development direction through regular and specific communication meetings. At the same time, the Group also listens carefully to the views and suggestions of relevant parties in the hope that it can continue to develop in a sustainable and healthy manner and give back to all stakeholders. According to statistics, DC Holdings held more than 150 meetings with the government, investors, and the media in 2021 primarily with online meetings due to the epidemic.

China Expo. 2021 Industry City China Mayors Forum — Interaction with the government, investors, media, etc.

In 2021, in the 10th "Golden Wisdom Award" for leading Chinese listed companies in the fintech industry, the subsidiaries of DC Holdings were highly recognized by investors and won the "Outstanding Investor Relations Team Award for Chinese Listed Companies".

DCITS won the 2021 "Outstanding Investor Relations Team Award for Listed Companies in China"

- ## Materiality Assessment of Environmental, Social and Governance Issues

In 2021, we not only discussed the importance of ESG issues with our stakeholders through the above-mentioned communication channels, but also conducted an online questionnaire to understand the level of concern of our stakeholders on the importance of these issues, and evaluate the following ESG issues in the context of the importance of ESG to our business operations.

Schematic diagram of ESG issues in order of importance

In the past 20 years since its listing, DC Holdings has never forgotten its roots, and strived to execute the vision of "Digital China," adhering to the corporate culture of "responsibility, passion, innovation, and creating shared value", continuously innovating to empower China's digital transformation. At the same time, we are fully promoting sustainable development strategies and actively building a healthy service and product ecosystem.

In 2021, DC Holdings was selected by external institutions and successively won the "2021 Carbon Neutral Smart City Outstanding Case – Best Solution Award", "Outstanding Greater Bay Area Enterprise Green and Sustainable Development Award," and "2021 Chinese Enterprise ESG Award – Best Case Award," "The 6th Golden Hong Kong Stocks Annual Best ESG Award," and many other awards in the Mainland and Hong Kong ESG field, indicating that the industry has recognized DC Holdings' ESG practice. In the future, we will continue to strengthen our corporate management system, integrate environmental, social, and governance issues deeply into our business operations, and work more closely with our stakeholders to build a better future.

2021港區企業可持續發展大獎
-氣候行動獎

2021 港區企業可持續發展大獎
-產業、創新和基礎設施獎

2021中國企業ESG
最佳案例獎

2021年度金港股
最佳ESG獎

3.0 ENVIRONMENT

Protecting the environment and conserving natural resources is one of our fundamental national policies. The Law of the People's Republic of China on Energy Conservation stipulates that any unit or individual should fulfill the obligation to conserve energy in accordance with the law. The Law of the People's Republic of China on Environmental Protection stipulates that all units and individuals have the obligation to protect the environment and enterprises should reduce their waste emissions and ecological impact. We recognize the importance of environmental protection and conservation of natural resources, and we conduct our daily operations and business operations in accordance with the principles of environmental protection and sustainable development. In 2021, the Group complied with all applicable laws and regulations on the protection and conservation of the environment.

The Group has strict management standards for environmental management and its subsidiaries have certificated ISO14001 Environmental Management System (《ISO14001環境管理體系認證證書》). 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 environment. 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.

- **Smart Environmental Protection Solutions to Support The 2022 Beijing Winter Olympics**

  DC Holdings is committed to helping urban ecological and environmental protection with innovative technology. In Yanqing District, Beijing, DC Holdings participated in the construction of the Yanqing Smart Environmental Protection Project. We utilized advanced technologies such as the Internet of Things, big data, and cloud computing to achieve world-class performance in 3D monitoring of the environment, comprehensive environmental analysis, and big data predictive analytics. The platform in the project has the ability to implement environmental governance policies accurately and efficiently to provide high-quality environmental conditions for the successful hosting of the 2022 Beijing Winter Olympics.

Yanqing Smart Environmental Protection System

Based on our proprietary Yan Cloud DaaS core technology, our Yanqing project integrates two series of core products to construct a "one network, one platform, two center" data infrastructure, namely the global ecological environment quality monitoring network, environmental protection big data cloud platform, eco-environmental data resource center, and comprehensive business service center. Through 875 monitoring points and 915 monitoring devices, a total of 336 million individual pieces of data are connected. The construction provides data support and reference solutions for the Eco-environment Bureau's decision making in environmental business by building 6 major systems and 15 sub-systems including intelligent perception, data enablement, accurate application, scientific decision-making, collaborative governance, and operation and maintenance guarantee. It solves the problems of cross-platform data integration, data governance, business reconfiguration, and data retention. Key project outcomes include:

- Pollutant metrics in 2019 decreased by 22.9% compared to 2018, which was the lowest value since the monitoring in 2013

- In 2020, Yanqing District was the first in the city to achieve all six pollutants to meet the standard, with 297 good days in the year, which is the most across the cities

- The cumulative average concentration of PM2.5 from January to October 2021 was 28 μg/m3, ranking first in the city and down 41.67% from 2018 before the implementation of the project.

- **Respond to Climate Change and achieve the goal of "Emission Peak and Carbon Neutrality"**

The risks and impacts of climate change are increasingly important, and we continue to pay close attention to the impact of climate change on our business, strategy, and finances. The Board of Directors, with the assistance of the Company's Audit Committee, considers and monitors climate-related risks and issues. Our management actively evaluates and advocates for carbon neutrality.

We understand that climate change presents a variety of risks and opportunities for our business. Our actual risks to climate change are mainly from acute climate events and chronic risks resulting from climate change while transition risks are primarily from policies and market shifts in the transition to a low-carbon economy. On the other hand, climate change will also create opportunities for us to improve energy efficiency and develop low-carbon and climate-resilient services and products.

In terms of actual risks, acute weather events caused by climate change, such as heavy rain and snowstorms, may affect the continuity and timeliness of our business operations, while chronic risks, such as heat or drought, may lead to increased energy consumption for office buildings and data center, thus increasing the operational costs. In order to reduce the actual risks brought by climate change and ensure the normal operation of our business, in addition to daily summer heat protection, winter cold protection, spring and autumn fire protection, we have also made contingency plans for the possible impact of flooding, winter snowstorms and other disasters on lives, and the Group will issue early warnings and respond in advance to minimize climate change and its impact on business operations. We also strive to use big data software and other technologies to help government departments and other users actively respond to the impacts of climate change, such as the use of intelligent transportation systems to make timely evacuation decisions in the event of disaster climate conditions.

In terms of transition risk, in the context of accelerated transition to a low-carbon economy, failure to effectively control or reduce carbon emissions from business operations and provide low-carbon services or products may result in damage to brand image, loss of customers or loss of market share. We are researching and promoting new and alternative technologies for energy saving and emission reduction, purchasing clean energy, and providing lower-carbon services and products to further reduce carbon emissions of ourselves as well as our supply chain.

In the future, we are committed to achieving "Emission Peak and Carbon Neutrality" targets and to making carbon emissions reduction one of our key sustainability objectives to better respond to climate change. Related measures include:

- Reducing greenhouse gas emissions and carbon footprint

- Considering and adopting the best initiatives to improve the efficiency of the energy used in business operations

- Using renewable energy, low-carbon and energy-efficient products and materials wherever possible

- Increasing the green areas of properties where feasible to mitigate climate change risks

- Monitoring and reacting to the latest developments in markets, technologies and policies related to climate change in a timely manner

Visit our website to download our "DC Holdings Climate Change Policy".

- **Energy Saving**

Energy saving and consumption reduction actions implemented in the Group's major office buildings, data centers and warehouses include:

- *Electricity Saving*

1. *Central air-conditioning main systems*

On the premise of meeting the needs of employees and maintaining a comfortable office environment, the start and stop time of the equipment is strictly controlled according to changes in ambient temperature, and the energy-saving target is achieved by adjusting the temperature of the cold and hot water outlet of the central air conditioner.

2. *Elevator transportation system*

Adjusting the operation and management of elevators to achieve greater energy efficiency through decentralized control, reasonable maintenance and scientific daily management.

3. *Lighting system*

New energy-efficient LED lamps are being used in the main office buildings and warehouses. At the same time, the lighting and equipment in all public areas are switched on and off at agreed times, and the responsible departments and persons are assigned to strictly enforce the lighting hours so as to achieve the goal of reducing consumption. Outdoor lighting in roads and car parks is adjusted according to seasonal changes.

4. *Drainage System*

The water supply adopts frequency conversion technology to control the operation of the pumps and the drainage operates automatically through liquid level control to achieve energy-saving goals.

5. *Ventilation System*

The fresh air units are turned 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 off in winter, in order to achieve the goal of energy-saving.

6. *Data Center*

The Group's data center uses multiple micro-module enclosed cold channels and precision air conditioning for cooling, with constant temperature and humidity and high cooling efficiency. By reducing the number of physical servers through virtualization technology, the energy consumption of computing equipment is reduced while the energy consumption of air conditioning is also reduced due to the decrease in heat generation, resulting in an overall PUE of less than 1.5.

In recent years, the Group has been committed to building high-density virtualized clusters in data centers, migrating systems from the existing old physical servers to virtualized clusters and replacing a large number of existing physical servers with clusters consisting of only a small number of high-performance servers. In 2021, a total of 67 physical servers were offloaded from the data center and the power consumption decreased by 8% compared with 2020.

- *Water Conservation*

1. We put up posters of "Water Conservation" in the sanitary and domestic water areas in the public space. At the same time, we regularly check the water supply facilities and arrange for repairs in a timely manner if we find any issues of water dripping or leaking.

2. For pipes for air-conditioning water and drainage, the Group's duty staff will make regular inspections and resolve any problems promptly.

- *Conserve paper and maximize the use of renewable resources*

  1. **Reduce the paper consumption through the smart supply chain:** The supply chain big data application platform "KingKooData" developed by our Group has significantly improved the overall efficiency of the entire supply chain, maximized resource conservation and reduced energy consumption. In the packaging process of the e-commerce warehouse, the most suitable carton type is selected according to the goods and quantity of each order by intelligent algorithms to reduce the consumption of cartons. At the same time, our electronic signature system enables customers to sign electronically and thus reducing paper consumption.

  2. **Advocate for paperless office:** The Group unifies the construction of information systems, realizes office automation, promotes conference solutions such as teleconferencing, video conferencing, and online conferences, and implements paperless reimbursement of electronic invoices to minimize the use of paper.

  3. **Discarded single-sided papers are recycled for secondary use if possible.**

  Visit our website to download our "DC Holdings Energy Policy."

- Emissions Reduction

  The emission reduction measures adopted by the Group's main office buildings and warehouses include:

  - **Directly reducing carbon emissions:** Our supply chain business adopts measures such as replacing vehicles, improving loading rates, and intelligently arranging transportation routes to reduce exhaust emissions from logistics vehicles. For example, the vehicles are replaced in accordance with the "National VI Vehicle Emission Standards", and the cooperative carriers are encouraged to use electric energy vehicles for distribution in urban areas as a bonus point in the evaluation of cooperative carriers.

  - **Indirectly reducing carbon emissions:** Strengthen the propaganda of energy saving and emission reduction in the Company, and raise the awareness of all employees to save energy and reduce consumption. Encourage less frequent travel and indirect carbon reduction through video conferences, online communication, etc. Encourage employees to take public transportation and travel green.

  - **Ensuring qualified air quality in the office:** Every year, we take measures such as cleaning the air-conditioning and ventilation system and effectively operating the air filtration system to ensure the office's air quality. At the end of 2021, the centralized air-conditioning and ventilation system of the building was cleaned and tested for fresh air volume, the number of respirable particulates and harmful germs in the supply air to ensure the qualified air quality in office premises.

  - **Ensuring the waste water disposal from the building meets the standards:** In 2020, an oil-water separation and purification device was installed to discharge catering sewage. In 2021, the chemical oxygen demand, ammonia nitrogen, suspended solids, pH value of the catering sewage were tested again, which met the national sewage discharge standards, and the "Urban Sewage Discharge Permit into Drainage Network" was issued by Beijing Water Affairs Bureau.

  - **Ensuring that the building's fume emissions meet the standards:** In 2020, the oil fume purification device was installed to the restaurant's grease emissions, and the air purification filter material was replaced in 2021 to ensure that the gas emission meets the national standards.

- **Environment Protection**

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

- **Purchasing environmentally friendly furniture:** Environmentally friendly furniture is used in the office environment and dining environment to avoid air pollution.

- **Actively respond to the waste classification policy:** Different types of bins are placed in offices and other areas, and various types of garbage are collected and treated separately to minimize environmental pollution.

- **Disposing of the waste generated in work and life separately:** Solid waste and hazardous waste generated at the office are cleaned and collected by each department at all times and delivered to the designated locations. Kitchen waste and used oil are collected by the designated processing unit of the sanitation department and treated centrally. The solid waste generated during logistics service is collected by the workplace personnel the end of each day and placed in the designated bins according to classification markings.

Visit our website to download our "DC Holdings Environmental Policy".

- **Environmental Performance Indicators**

The following are some of the Group's environmental performance indicators, including key resource use, greenhouse gas emissions, and waste data, prepared in accordance with the Environmental, Social, and Governance Reporting Guidelines. Unless otherwise stated, the data below covers the Group's main office buildings and data centers in Mainland China.

Resource Usage Indicator	Year Ended 31 December 2021	2020	2019
Total energy consumption (MWh)	18,964.13	17,652.79	16,271.69
Direct energy consumption (MWh)	1,869.45	1,905.96	2,683.82
Of which: Gasoline (MWh)	259.34	310.40	705.93
Diesel (MWh)	367.91	409.60	751.95
Natural gas (MWh)	1,242.20	1,185.96	1,225.94
Indirect energy consumption (MWh)	17,094.67	15,746.83	13,587.88
Of which: Purchased electricity (MWh)	17,094.67	15,746.83	13,587.88
Total energy consumption per capita (MWh/employee)	1.29	1.23	1.38
Tap water consumption (tonnes)	129,088.19	103,987.41	56,017.12
Tap water consumption per Capita (tonnes/employee)	8.76	7.22	4.75
Steam consumption (tonnes)	747.01	718.10	967.48
Steam consumption per Capita (tonnes/employee)	0.05	0.05	0.08
Total amount of packaging materials (tonnes)	25,244.00	25,996.87	21,391.70
Average consumption per order (tonnes/order)	0.000126	0.000250	0.000246

Remark:

1. Energy consumption indicators of previous years are recalculated according to the latest statistical caliber in 2021 to ensure the comparability of data in each year.

2. The water used by the Group is sourced from the municipal tap water supply. The tap water consumption in 2021 increased by 25,100.78 tonnes compared with 2020, with a growth rate of 24.1%, mainly due to the increase in water consumption as a result of the expansion of the IT Logistics, a subsidiary of DC Holdings business and the increase in warehouses.

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

4. The Group's consumption of gasoline and diesel fuel is mainly from the Group's own vehicles. Consumption of gasoline and diesel fuel was further reduced in 2021. Direct energy consumption decreased by 36.51 MWh compared to 2020.

5. Energy consumption, calculated based on the consumption of purchased electricity and fuel and the conversion factors in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (《2006年IPCC國家溫室氣體清單指南》), the General Rules for Calculating Integrated Energy Consumption (《綜合能耗計算通則》) and the 2019 Emission Factors for the China Regional Grid Baseline for Emission Reduction Factors(《2019年度減排項目中國區域電網基準線排放因子》) published by Department of Climate Change, Ministry of Ecology and Environment of the People's Republic of China.

6. The packaging materials used by the Group are mainly the packaging cartons used in the supply chain business. The wooden boxes are not counted due to the minimal amount. Although the overall order volume increased in 2021, some projects were shipped directly without additional transportation packaging, resulting in a decrease in the amount of packaging materials used.

Emissions & Waste	Year ended December 31		
Type	2021	2020	2019
Total greenhouse gas emissions (tonnes)	15,370.86	14,544.45	12,808.94
Direct greenhouse gas emissions (tonnes)	431.83	441.86	629.44
Of which: Gasoline (tonnes)	50.14	60.01	136.48
Diesel (tonnes)	110.01	122.48	224.84
Natural Gas (tonnes)	271.68	259.38	268.12
Total indirect greenhouse gas emissions (tonnes)	14,939.04	14,102.58	12,179.50
Of which: Purchased electricity (tonnes)	14,939.04	14,102.58	12,179.50
Greenhouse gas emissions per capita (tonnes/employee)	1.04	1.01	1.09
Amount of hazardous waste (tonnes)	1.00	1.00	
Hazardous waste per capita (tonnes/employee)	0.00007	0.00007	This data is not
Amount of non-hazardous waste (tonnes)	1,250.00	1,200.00	counted in 2019
Non-hazardous waste per capita (tonnes/employee)	0.08	0.08	

Remark:

1. The energy consumption indicators of previous years are recalculated according to the latest statistical caliber in 2021 to ensure the comparability of data in each year.

2. Due to the nature of its business, the Group's major gas emissions are greenhouse gas emissions, which arise from the use of fuels and purchased electricity.

3. The Group's greenhouse gas inventory is dominated by carbon dioxide. The greenhouse gas emission data for the years ended 31 December 2021 are presented in carbon dioxide equivalent and are based on the 2019 Emission Factors for the China Regional Grid Baseline for Emission Reduction Projects (《2019年度減排項目中國區域電網基準線排放因子》)published by the Department of Climate Change, Ministry of Ecology and Environment of the People's Republic of China, and the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories (IPCC) Guidelines for National Greenhouse Gas Inventories (《2006年IPCC（政府間氣候變化專門委員會）國家溫室氣體清單指南》). Total carbon emissions in FY21 increased by 826.42 tonnes or 5.7% over FY20, mainly due to the increase in electricity consumption as a result of the expansion of the IT Logistics, a subsidiary of DC Holdings business and the increase in warehouses.

4. Consumption of gasoline and diesel was mainly from the Group's own vehicles. Consumption of gasoline and diesel was further decreased in 2021. Direct greenhouse gas emissions decreased by 10.03 tonnes compared to 2020.

5. The types of hazardous wastes involved in the Group's office building operations mainly include waste toner cartridges and ink cartridges generated by printing equipment and waste batteries generated by some electrical equipment. These hazardous wastes are centrally managed and handed over to qualified recycling units for recycling.

6. The types of non-hazardous waste involved in the Group's office building operations mainly include domestic waste and non-hazardous office waste. Domestic waste is handled by property management companies and food waste recyclers and cannot be measured separately. We have estimated the domestic waste generated by the office buildings based on the Manual on Production and Discharge Coefficients of Urban Domestic Sources for the First National Pollution Source Census (《第一次全國污染源普查城鎮生活源產排污係數手冊》) issued by the State Council. Non-hazardous office waste is centrally handed over to recyclers for recycling and disposal, and the statistics include all of the Group's office buildings located in mainland China.

4.0 SOCIETY

- **Diversity and Inclusion**

  Talent is of paramount importance for the success of any organization. At DC Holdings, we believe our people play a vital role in shaping our culture and driving organizational development. The professional knowledge and professionalism of our people, over 10,000, are indispensable for the continued success of the organization. We always execute our corporate culture to build our talent selection and reward mechanisms while appreciating the diversity of our people. We are committed to building a workplace where our people could be fully recognized and rewarded for their exceptional contributions to DC Holding's continued success. We aim at making a difference and we would attract more people who share the same vision with us to join us and let them reach their full potential and we strive to improve the quality of the working environment for more than 10,000 employees.

  DC Holdings treat all colleagues and job applicants fairly. As outlined in our Diversity & Inclusion Policy, we will not be affected by factors such as age, gender, physical health, marital status, family status, race, color, nationality and disregard all factors deemed inappropriate by local law and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including its core labor conventions for the elimination of forced or compulsory labor in respect of employment, training, promotion, transfer, salary and benefits management, etc. We prohibit the use of child labor in our business and supply chain. All employees must be above the legal age in the locations where we operate. We also eliminate discrimination in respect of employment and occupation, and respect for freedom of associations and the rights of collective bargaining.

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

  Visit our website to download our DC Holdings Diversity & Inclusion Policy and DC Holdings Human Rights Policy.

- **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 in accordance with the requirements of the national policies. The Company also provides employees with one free physical examination benefit every year and those people with outstanding performance as shown in their performance targets will be awarded annual bonuses.

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

Compensation and Benefits

We foster a performance-oriented corporate culture. In order to attract and retain outstanding talents and ensure the sustainable development of the organization, the Group has established a mechanism where we recognize our people based on their performance along with our fixed pay and variable pay compensations for different positions.

Our remuneration is tied to our "3P Compensation Approach" in which our employees' pay is developed according to Position, Person and Performance. We aim at offering fair and competitive pay to our employees. Fixed and variable pay would be regularly reviewed to support gender equity, change of working environment, and comply with ever-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.

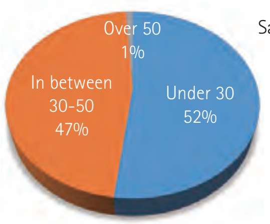
We believe that non-financial rewards could also attract, engage and retain our employees. Cash and benefits are generally intrinsic to our employees, and we offer a wealth of learning and development opportunities to help employees' career development.

In addition to offering professional growth opportunities, we also regularly recognize our employees who have made contributions to the organization. For example, the Company has established awards such as the "Outstanding Contribution Award", "Innovation Award", "Teamwork Award", and "Master Award", etc. We would arrange open recognition to the teams and individuals who receive awards for their outstanding effort and excellent performance.

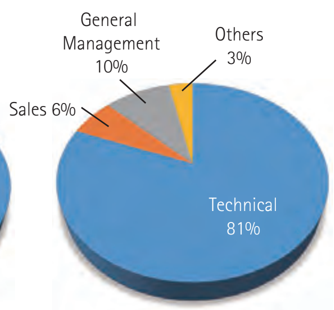
Employees Overview

As of the end of 2021, the total number of employees of DC Holdings was 14,744, with an increase of approximately 2.4% from 14,399 employees as of the end of 2020. There was no significant change in the number of employees and the business development was stable.

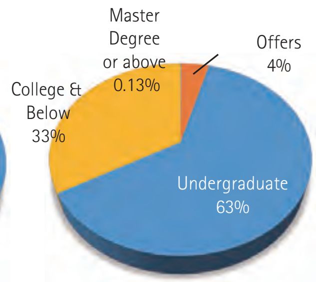
In 2021, the employees of DC Holdings are divided by Age, Education, Profession and Gender as follows:



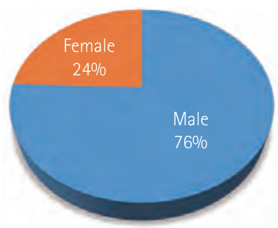
By Age



By Profession



By Education



By Gender

Remarks:

All of the above are full-time employees. The Group will cooperate with external Human Resources vendors to engage contractors in handling any temporary work assignment.

Resignation and Separation

We understand there are various subjective and objective reasons for the resignation and turnover of employees. We are committed to ensuring that all resignations are handled in a fair, non-discriminatory and consistent manner. When handling any resignation, we respect the rights of both the Company and employees and we fully comply with the requirements of local laws and regulations.

The Company will try its best to retain and reduce the turnover rate of our talents. If an individual employee's work behaviour violates our established rules and/or local laws and regulations, the Company will take disciplinary action, dismiss and/or take corrective measures, or even transfer it to the judicial authority, as and when appropriate. In 2021, the employee turnover rate of DC Holdings according to the profession, gender, age group and region is as follows:

Category		Turnover Rate
By Profession	Technical	31.58%
	Sales	25.89%
	General Management	22.75%
	Others	22.52%

Category		Turnover Rate
By Gender	Male	31.49%
	Female	25.98%

Category		Turnover Rate
By Age	Age under 30	33.98%
	Age 30–50	25.73%
	Age over 50	20.43%

Category		Turnover Rate
By Region	China	30.22%
	Hong Kong, Macau, Taiwan & Overseas	28.43%

In 2021, the overall staff turnover rate of the Company was 30.22% in China, which was an increase from 22.84% in 2020. The business unit with a high employee turnover rate is Huasu Technology, a subsidiary of the Group. Due to the increase in business volume, there is more staff expansion for daily projects, while there is more staff turnover at the end of the year with the end of some project periods, but the risk is manageable overall. By comparing the turnover rates under different categories, it can be seen that the turnover of technical and sales group of employees is relatively high, the mobility of employees under 30 years age group is relatively high, and the mobility of male employees is relatively high.

Remarks:

1. In this report, the employee turnover rate = the number of employees/(the number of employees at the end of the year + the number of employees in the current year) * 100%;

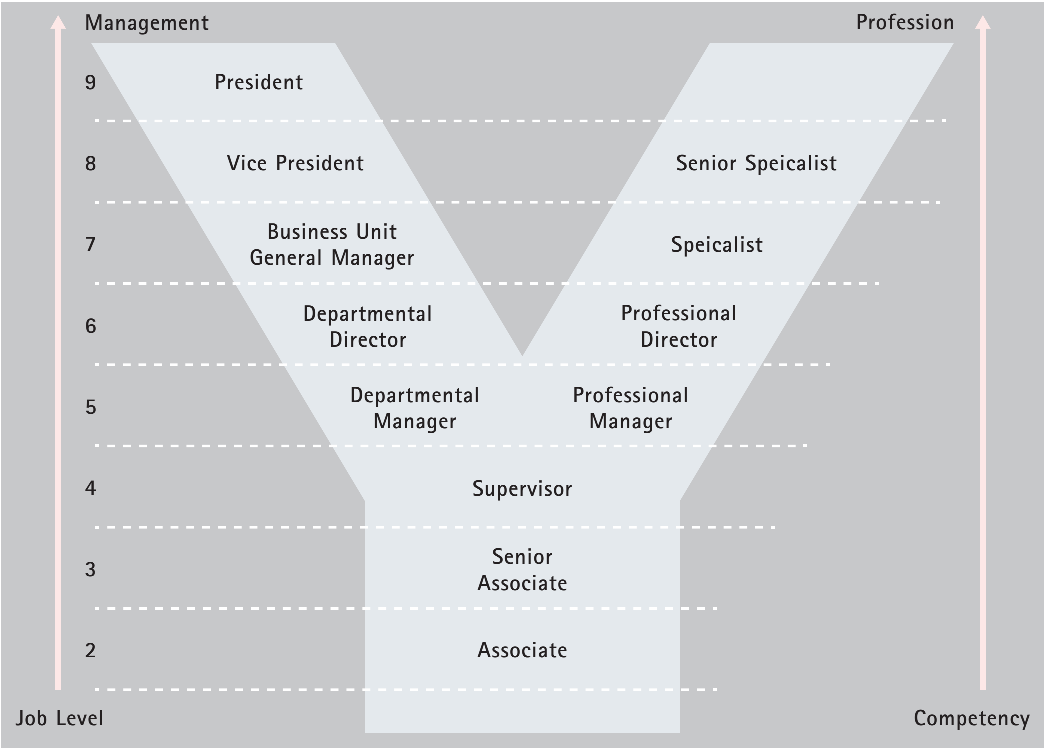
2. In the 2019 ESG Report and before, the employee turnover rate disclosed = the number of resignations/((the number of employees at the beginning of the year + the number of employees at the end of the year)/2)*100%;

Visit our website to download our "DC Holdings Code of Conduct and Business Ethics Policy".

- **Development and Training**

Career Path

At DC Holdings, employees can take up more job accountabilities and reach senior positions with better remuneration through promotion. The Group has implemented a structured management mechanism to offer an equal and fair platform in managing the promotion and development of our employees. Under our structured career framework, we offer career development opportunities either under management path or professional development path. This unique dual-channel career development mechanism breaks the traditional career development journey and we establish a career framework unique to DC Holdings.



DC Holdings Career Development Framework

When we consider a promotion, we generally have the following considerations.

- The nominee has a proven track record of performance exceeding and beyond the normal job expectations/scope.
- The nominee will assume significant expansion of job scope and has high potential to be successful in the new role.
- The nominee has demonstrated efforts taken to gain new skills and continue to grow and perform the bigger role.
- The nominee has personal motivation and willingness for an increase in job level and responsibility.

DC Holdings Partnership Program

The Company officially treats "creating share value" as one of the Company's core values. In the future, we will establish a new path for employees' career development through our "DC Holdings Partnership Program'. We encourage every "partner" to become a master, and enable them to participate more deeply in the Company's business management. Each of our partners can share the dividends of the Company's development and achieve development, management and sharing altogether. On the 20th anniversary of the listing of DC Holdings, "Creation Era — The First Partner Conference of DC Holdings" was held in Beijing. More than 100 partners of DC Holdings gathered together to realize the "transformation" of their identity in a special way. The partnership program aims to create an equal stage with no ceiling for outstanding talents to continuously drive the Company's transformation and continue to lead.

DC Holdings Partners

Through our unique talent career development framework, we provide employees who share the same vision with us with a platform where they can unleash full potential so that outstanding talents can fully perform themselves. The talent career development framework introduced by the Company provides the above-mentioned development paths, and we encourage employees to choose their own career development and promotion paths and realize our theme of "Achieve Your Own Future" by each employee.

Dual DC and Digital China Annual Technology Conference

In 2019, in order to build a high-potential talent pool for our management team and professional groups, the Group established the "DC Elite" talent training platform project to stimulate organizational vitality and build a driving force for continuous development within the organization. In 2020, the Group created the "DC Geek" aiming at developing technical talents. In 2021, the second phase of "DC Elite" was launched. Through the "Dual DC" training organizations of "DC Elite" and "DC Geek", we establish talent training and development ecosystems for DC Holdings. The members of "DC Elite", as one of the Group's management talent pipelines and outstanding employee representatives, have the courage to step out of their positions, give full play to the spirit of ownership, overcome each issue, continuously meet challenges, and get closer to the Company's strategy, business layout, and development planning, etc. They continue to explore and innovate, and use accountability, passion, innovation and creating shared value to jointly promote the Company's innovation and change as they build up rich talent resources for DC Holdings.

As an enterprise that attached great importance to technological innovation, the Group held annual technology conferences. The conference is not only a meeting to summarize the Company's internal technical achievements, but also a technical exchange event for the whole Company and even the industry. In 2021, the Company successfully held a three-month "Technology Improvement, Data Integration, Scenario Innovation — TECH Digital China 2021 Annual Technology Conference", gathering the industry's top technical experts, to share the technology improvement of DC Holdings during the year. It also fully communicates the business forms and trends in new fields, actively understands the technical expertise in the industry, embraces innovation, and promotes changes.

2021 Annual Technology Conference Ceremony

Training and Development

DC Holdings is committed to providing continuous and secure employment opportunities to our employees. Despite the outbreak of the epidemic, the Company has managed to retain our full manpower resources and has not implemented any measures such as redundancy, salary cuts or requiring employees to apply for any no-pay leave. We hope to work together with our employees to overcome the difficulties and to further enhance the engagement within the organization. As an organization that always strives for innovation, DC Holdings ensures that adequate resources are set aside each year for staff training. Our training system has been designed to match our employees' career development paths within the Company. The purpose of all our training courses is intended to enhance the competence level of employees for the roles they undertake at different career stages, aiming to accelerate our employees' performance for better career development. We organize induction training for new employees, which focuses on the current business situations and strategic objectives, history and corporate culture of the Company so as to enhance employees' sense of corporate identity. The business units will design and organize specific business training according to their needs. The online learning center provides general training that effectively helps employees to enhance their competence and efficiency in work and improve their professional aptitude. At the same time, employees can take the initiative to take part in training for specialized skills, management skills or examinations for professional qualifications provided by external training organizations.

In 2021, the Company further increased the investment in training resources, with the learning time of our employees exceeding 190,000 hours and the number of participants exceeding 30,000. The training programs covered generic training for general staff, leadership development, contract logistics management, new employee induction, rules and regulations, customer management, financial management, etc. The Company's average training time was approximately 13.20 hours, which has a significant increase compared with the 10.32 hours average training time in 2020. It has been strengthened in two aspects. Firstly, under the condition that the epidemic situation is relatively stable, the Company vigorously develop both online and offline training channels, which strengthened the flexibility of training and let our employees access their training anywhere at their own pace. We could effectively measure the training completion rate and track the effectiveness of training. Secondly, training of time management and strategic management were added to job levels of Senior Managers to General Managers, and this made a substantial increase in training density.

The average training hours of employees at different job levels during the year based on the records of the HR training system, online learning center, cloud courses, etc. are as follows. Our group Senior Manager to General Manager receives more external training and in-house professional training in addition to the regular certification training.

By Job Level	Average Training Hours
Senior Manager to General Manager	104.90
President & Vice President	49.77
Manager	11.43
General Staff	6.04

The average training hours of employees by gender during the year are as follows. The average training hours received by female employees are slightly higher than male employees but there is no significant difference in the training resources.

By Gender	Average Training Hours
Female	14.65
Male	12.74

The average number of training hours for employees receiving various training programs during the year is as follows. We offer more professional training programs compared to different types of training. In addition, the new process and system training in 2020 helped all employees have a clearer understanding of the Company's rules and regulations and related processes, and enhance employees' awareness and understanding of the Company's internal control mechanism.

By Training Program	Average Training Hours
Professional Training	7.63
Corporate Culture	3.19
Management Development	1.48
Generic Training	0.55
Process & System Training	0.35

• Occupational Health and Safety

The day-to-day operations of DC Holdings largely involve the use of 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 give effective protection to staff health and safety. 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 insurance, commercial insurance, accident insurance, life insurance, etc. We cooperate with professional medical institutions and 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 the health of employees and improves their ability to cover risks. Only by improving and guaranteeing the occupational health and safety of employees, can productivity be effectively improved, so as to achieve a win-win situation for both the organization and the employees.

With the establishment of the Employee Mutual Aid Fund, the Company will continue to offer support to those employees in need. We foster to construct a harmonious working environment and aim at raising the happiness level of our employees. With the strong support and participation of employees, the number of Employee Mutual Aid Fund members in 2021 was 7,658 and we collected membership fees of RMB927,600, including donations from some of the Company's senior executives. The donated funds will be used for employee assistance from the mutual aid fund. In 2021, the Company's employee mutual aid fund completed a total of 7 cases of assistance to injured and sick employees, with the total support of RMB323,700. In 2021, we have 0 employee casualty case due to work injury. a total of 10 employees were injured at work, and 2696 working hours were reported.

We strictly abide by the laws and regulations about occupational health and safety at the place we operate. At our work premises, necessary health and safety guides are provided to all staff, while regulations and measures for the administration of contingencies in occupational health and safety have also been formulated. Employees are provided with a high-quality working environment.

- In 2017, the Company installed new ventilation and fresh air purification systems to ensure high-quality air in the office and protect the health of its employees. The administration department of the Company is responsible for coordinating the day and night security of the Digital Technology Plaza, maintenance of fire-fighting equipment and first-aid kits, and fire drills.

- In 2018, the Company carried out a comprehensive upgrade and refurbishment of the fitness center in the building. Improvements were made to the facilities with the addition of rowing machines, spin bikes sets, table football and other fitness facilities, which are open to all employees of the Company free of charge. These facilities have been provided to encourage staff to pay attention to their health and fitness amidst hard work and dedication.

- In 2019, in order to maximize the safety and quality of drinking water for our employees and protect them from secondary pollution, we changed the bottled pure water in the office to nano-filtered drinking water from the leading suppliers in China.

- In 2020, to prevent and combat the sudden epidemic, we took a series of measures to protect the health and safety of employees. We distribute masks to employees; regularly organize key disinfection and cleaning of office areas; implement access management where personnel entry requires temperature measurement, and work card inspection, and registration; arrange employees to decentralize offices where conference rooms are adjusted, and daily epidemic prevention and protection work are carried out to protect the safety of employees in the office area during the epidemic.

- In 2021, the Company renovated the office environment and washrooms, replaced the filter material of the air purification system, and cleaned and disinfected the air-conditioning terminal equipment and facilities to protect the health of employees. At the same time, a new employee leisure area has been built. The entire area integrates various functions such as meeting, leisure, and pantry so that employees can enjoy a clean, tidy, relaxed and pleasant environment.

- **Work-Life Balance**

  We believe excessive work pressure can affect employees' emotional, physical health as well as their family life. In a diversified cultural environment, we encourage a culture of work-life balance. Encompass on the concept of "focusing on employee care, cultivating health concept, enhancing employees' sense of belonging, and contributing to the construction of corporate culture", the Group has established staff swimming and fitness clubs, badminton, basketball and other ball fitness clubs, and choirs, etc. since its establishment. With continuously operating for 20 years, more than 50,000 employees have participated in the activities. It has promoted the physical and mental health of employees and enhanced team cohesion after a stressful workday.

In 2021, against the backdrop of the normalization of the epidemic and to motivate employees to be physically fit, the Group's organizations carried out various activities for the employees' swimming and fitness club, badminton and other fitness clubs, with a large number of participants. In addition, the Company also carried out a variety of cultural and sports activities such as an outdoor family day for employees, sports and fitness week, parent-child tree planting, badminton competition and basketball competition. These activities not only enrich the spare time of employees, but also build a platform for communication and sharing among business units and employees, and become an effective way for employees to release stress. They formed teams, played hard and surpassed themselves, feeling the joy of sports and sharing a healthy life altogether.

2021 Champion Team of Basketing Competition

Visit our website to download our "DC Holdings Occupational Health and Safety Policy".

- **Communication Channels**

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

In 2019, we decided to hold staff meetings quarterly, through which the management could share with all employees updated corporate strategies and business performance. Our employees took an active part in the communication and 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 format of the staff meeting and establishing a key talent pool. Through staff meetings, the Company could effectively cascade corporate goals and allow employees to better understand the Company's core values and mission, and employees could further review and develop their careers within the organization. During the 2021 epidemic, the Company continues online staff gathering. Employees actively participated and raised lots of questions online, and we could ensure continuous communication within the company during the epidemic.

At the beginning of 2021, DC Holdings held the "2021 Kick-Off Meeting" in which the management of the company summarized the past achievements and looked forward to the goals of 2021, so as to promote all employees to have the same goals and work together to achieve the future success.

In June 2021, the 20th anniversary of the listing of DC Holdings Ceremony was held, with the theme of "transformation". Due to the epidemic, the event was carried out in a combination of online and offline forms. The main venue in Beijing and the eight branch venues across the country were broadcast live simultaneously. More than 10,000 employees nationwide gathered together interactively to celebrate this historic event.

the 20th anniversary of the listing of DC Holdings Ceremony

- **Integration of "Industry-academia-research"**

To achieve greater breakthroughs in fields such as financial technology and agricultural technology, the Group is committed to cooperating with universities and research institutes to form strategic alliances for technological innovation. In 2021, the Company took a big step forward in integrating industry, academia and research and achieved fruitful results.

In April 2021, we released three products together with Tsinghua University including the intelligent integrated credit system, intelligent remote digital bank and intelligent process automatic operation management platform which are based on a series of cutting-edge technologies to provide financial institutions with credit management, remote digital banking, intelligent operation management platform and other services.

In September 2021, we established a strategic partnership with the Land Science and Technology College of the China Agricultural University. The "Joint Laboratory of Agricultural Big Data" will be established to carry out the research and practice of spatial-temporal big data in land protection and other fields. Both parties will complement each other in professional fields and technical practice to create effective and innovative solutions and strive to become the benchmark for the development of the national agricultural digital industry.

In October 2021, we held a donation ceremony with the University of science and technology of China and the donation will be used to further promote the integration of "industry-academia-research". We aim to encourage teachers and scholars to actively carry out the research and students to actively participate in the industrial practice of cutting-edge technology fields such as fintech.

Donation ceremony with the University of science and technology of China

Geek Competition

Meanwhile, to further deepen communication and promote integration between our group and universities, we have successfully held the first "Geek Competition" in 2021, aiming to combine campus recruitment with competition to discover high potential talents in the digital economy and promote technical communication and technology exchange. The event received overwhelming responses from nearly 200 teams of more than 50 well-known universities worldwide. Several technical innovations with great practical value were produced and will be applied in practice at a later stage. At present, the second "Geek Competition" is in the planning stage.

- **Public Charity and Support**

Public Charity

Our mission is "Digital China", and this comes along with a strong sense of responsibility and the pursuit of innovation. In our daily activities, we adhere to social responsibility and ensure all our decisions are aligned with our mission and two beliefs. DC Holdings and all its staff act on behalf of our mission and beliefs. We established DC Holdings Charity Foundation, and donated thousands of funding, supplies and digitalization services, with a total amount of over RMB42.3 million, into social welfare activities in the past decade, such as earthquake relief, education and poverty relief, etc. This showcases that DC Holdings acts on its word and puts our mission and belief into action with positive corporate culture and social responsibilities. The main charity donations made by the Group in 2021 are listed as below:

- Capital donation to the University of Science and Technology of China worth RMB5 million (more details in the section of Integration of "industry-academia-research").

- Supplies donation to Xi'an for anti-epidemic effort: Upon the sudden outbreak of COVID-19 at the end of 2021 in Xi'an, Digital China Charity Foundation donated anti-epidemic materials at the first time, including 11,000 N95 masks, 600 sets of protective clothing and 650 pairs of medical rubber gloves to help Xi'an for the epidemic prevention and control.

- Capital donation to support education worth RMB180,000 (more details in Educational support).

Public Welfare and Poverty Alleviation

The employees of DC Holdings have contributed to society and offered their assistance and care to the people in need. Actions included the following:

- *Caring for Beijing Sun Village*

  Beijing Sun Village is located in Zhaoquanying town of Shunyi District. It is a non-profit organization registered under the government. Zhang Shuqin, the founder of Sun Village, gathered resources from the public to help prisoners take care of their unaccompanied children for free. To provide the best environment for the next generation, DC Holdings has been proactively involved in such social welfare activity since 2008 and has also donated daily necessities and shown cares to children.

- *Poverty Alleviation in Longyan with big data support – Longyan City*

  In the Longyan City of Fujian Province, DC Holdings was engaged by the government to set up an information platform for the purpose of poverty alleviation. The platform provides services to government departments, enterprises and individuals. For government departments, we consolidated the data among data sources in different departments with our own big data solutions and provided the government an overall picture for decision making, especially in the field of fighting poverty. For enterprises, we created a platform for the program "Helping 10000 villages with 10000 enterprises" and engaged more than 60,000 private entities into the program. On the individual level, we built up a platform "i-Help" which allows the public to participate in poverty alleviation and offers help to the impoverished college students or the poor suffering from illnesses. With our support, students with college admission opportunities will no longer need to bear the burden of unaffordable tuition fees.

DC Holdings will continue to advocate corporate and social responsibility to encourage the development and harmony of society. Through the platform of Aixin Fund, we encourage employees to interact more often with charitable organizations, participate in public welfare and give back to society.

Educational Support

Enabling children in poor areas to receive education is one of the key steps in poverty alleviation and the main way to interrupt intergenerational poverty. Since 2002, the Group has led employees in the fund-raising campaign for education support of the youth. With the funds raised, we had established a total of ten "DC Holdings Hope Primary School" located within Sichuan, Hubei and Hebei provinces. The fund-raising campaign has been ongoing for more than 20 years. As of the end of 2021, the DC Holdings Hope Primary Schools located in Chengdu and Xi'an respectively had been merged to other school systems according to the instruction from the local government. The remaining 8 DC Holdings Hope Primary Schools are under normal operation.

In 2021, we donated necessary educational materials to the 3 hope schools built by Digital China and organized several colorful educational assistance activities:

- **"Good Teenagers in the New Era" thematic activity:** In the first academic year after the epidemic, we held a thematic activity, "Good Teenagers in the New Era", with the Yanhe hope primary school in Hubei Province to express our concern and support for the teachers and students. Excellent paintings and compositions were selected in this activity.

- **"Weiai Action" teaching aid series activity:** DC Holdings donated four sets of computer equipment to Zhangshi hope middle school this year to help with the information system upgrade and advancement of IT learning progress. A projector was needed for online classes was also provided to Cigudong Digital China Hope Primary School in Zhengzhou.

Event photo at Zhangshi Hope Middle School

In addition, in order to help the teenagers in poor and remote areas to obtain fair education opportunities, the Group donated RMB120,000 to the Dongrun Charity Foundation and RMB60,000 to the Jiangsu Software Industry Talent Development Foundation in 2021.

Volunteering

Our employees are enthusiastic about public welfare activities and participate in volunteer activities with different themes, such as providing teaching assistance, supporting and respecting the elderly, environmental protection etc. In the future, the Group's Aixin fund will organize and offer more volunteer opportunities to our employees.

In April 2021, our employees carried out a "Parent-child Tree Planting" volunteer activity. Many employees took their families to participate in the activity and contributed to carbon reduction.

2021 Parent-Child Tree Planting Volunteer Activity

- **Technology for Agriculture**

  As a technologically advanced big data service provider, DC Holdings continues to invest in promoting the development of digital agriculture in rural areas. We actively carry out in-depth cooperation with professional institutions in related fields to explore and discover the innovative and effective applications of big data, artificial intelligence and other technologies in helping farmers.

  The innovative services of "Insurance-agricultural linkage" carried out by our company create a modern agricultural production scenario with technological innovation and breaks the cross-institutional and cross-industry isolated data sources in the agricultural ecology. It helps reduce the costs and increases the efficiency for the customer acquisition and underwriting inspection of the agricultural insurance business. It also helps agricultural insurance serve the important scenarios in agriculture and rural areas. At present, we have already implemented the winter wheat underwriting and inspection project in Pinglu County, Shanxi Province, and the first deposit for rural property rights trading insurance project in Liaoning Province. These projects will serve as the basis of national replication. In October 2011, our service model of "Insurance-agricultural linkage" was awarded as one of the top ten cases in the ceremony organized by the China Finance 40 Forum (CF40).

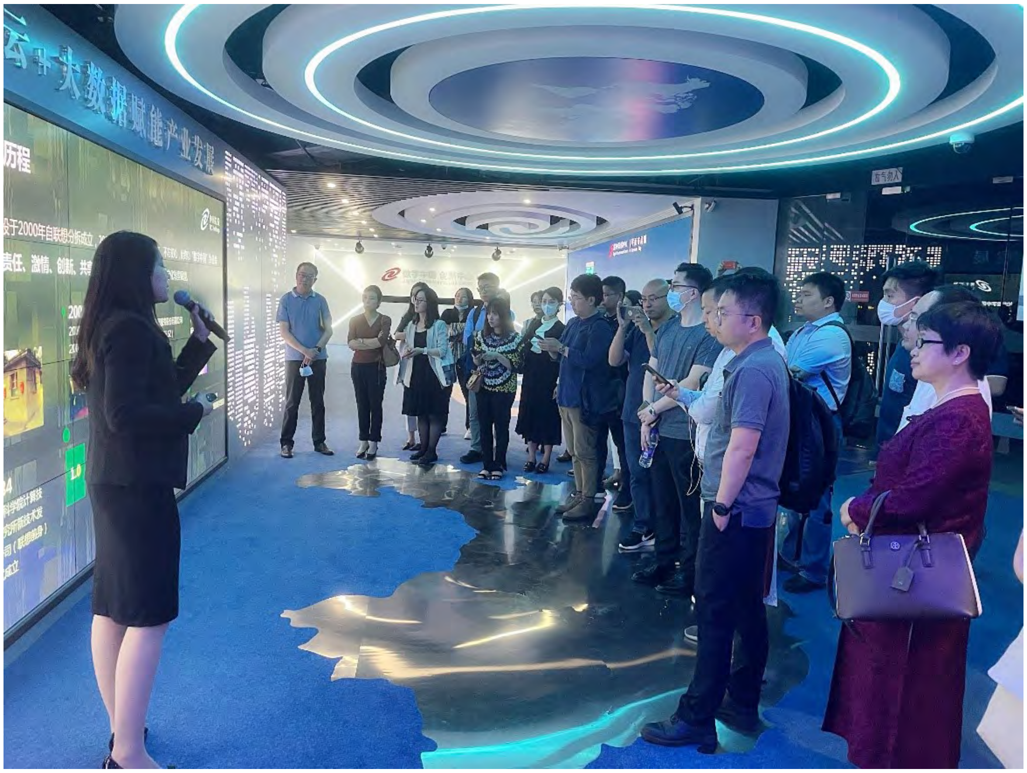
DCITS was awarded as one of the top 10 cases in the 2021 Rongcheng Cup Fintech Innovation Case Selection

In addition, DCITS have built a big data platform for fruits with the government of Luochuan County and collects more than 3 million pieces of basic data in seven categories, including growers, orchards, labor, inputs, fruit banks, cooperatives and specialty stores in Luochuan County, which provides accurate and authoritative data to farmers and enterprises. It also provides systematic information services to the market to guide the high-quality development of the local fruit industry.

- **Innovation Center and Continuous Empowerment**

  The innovation center of DC Holdings is an immersive and interactive exhibition space that utilizes cutting-edge technologies including touch screen, interactive screen, 360 degrees giant screen to showcase our innovative ideas and latest practices. It helps provide a platform for the display of market innovation and the exchange of the latest technologies.

  As a key platform for companies and talent to showcase their ideas and products, we have constantly promoted the innovation center via various channels to optimize its brand image and thus attracted more resources to the platform. On the other hand, we educated the public on our mission, beliefs and enhanced ecosystem capabilities. Since its establishment, our innovation center has received more than 6,000 visits.



MBA teachers, students and alumni of Tsinghua University School visited the Innovation Center

Currently, we are collaborating with multiple cities on setting up the innovation hubs and incubators in their district in order to empower the development and creation of an ecosystem for technology innovation. This aligns with the trend of smart city development and industrial digital transformation.

- **Integration of Technology and Art**

  DC Holdings pays attention to the development and integration of technology and art. We actively support young artists and promote art and culture. We have worked with domestic and foreign art academies to bring in more resources for art and creative talents, in order to provide them a better environment to practice and develop their talents and specialties through participating in more exhibitions, forums, lectures, salons and charitable activities. On the other hand, we enable the world to get in touch with more Chinese contemporary art and cutting-edge technology and help with the growth and development of young artists.

Picture Collection of Art & Science Design Exhibition

During the 20th-anniversary celebration for the listing of DC Holdings in 2021, the outstanding artists cooperating with the company came up with the latest works with the theme of "transformation" which received an enthusiastic response. At the same time, they also prepared well-designed gifts for employees who have been working for the Company for 20 years, all of which demonstrated the integration of technological innovation and art.

As of 2021, the Group has organized over 100 events with more than 80 artists. Moreover, we have been involved in and provided one-stop IT solutions to multiple projects for infrastructure and establishment of smart city, innovation lab and exhibition center. The Group strives to coordinate arts, humanities, science and technology, and develops a new environment for cross-border teaching and interactions, thus leading the society into creation and harmonious integration.

5.0 CORPORATE GOVERNANCE

- **Corporate Governance Principles and Governance Structure**

  For details of the corporate governance principles and governance structure of DC Holdings, the board of directors, the responsibilities of the board and the board committees, risk management and internal control, please refer to the "Corporate Governance Report" in "DC Holdings' 2021 Annual Report".

- **Technology-enabled and High Standard Services to Customers**

  As a big data service company that empowers multiple scenarios, DC Holdings has always adhered to the tenet of "customer-centric, service-oriented", and is committed to providing customers with high-standard services.

As of 2021, we have obtained ISO20000 system certification for information technology service. We have also implemented the business continuity management system in accordance with ISO22301 which requires the continuous improvement on a system to reduce the likelihood of occurrence of a disruptive incident, ensuring that an emergency plan is in place during such an occasion, and reserve in advance proper resources for customer support, including software, hardware, labor, funding, etc. In addition, we also continuously optimize internal control procedures and workflow by providing training and raising awareness to management and staff. Finally, we constantly review and update the system and emergency plan on an annual basis to ensure the reasonableness and functionality. In December 2021, when Xi'an city was closed after the outbreak of the epidemic, the Company's emergency plan was activated. Despite all the obstacles, our engineers put the clients' interests as the priority and worked on the front line to complete all tasks successfully and ensure timely delivery and smooth operation of the customer's system, thereby winning high praise from our clients.

DC Holdings have enhanced the customer service system through information technology, to standardize the process, promote transparency and efficiency and ensure all issues are properly identified and treated. We also established proper communication channels with customers, and continuously improve and adjust our services, according to the needs of customers and also the actual circumstances, in order to provide tailor-made solutions to each individual to boost customer satisfaction.

For the after-sales service, we provide our customers with a variety of feedback channels and have established a separate department to deal with customers' feedback. Customers can provide feedback and suggestions through our company website, service hotline, service staff, Wechat public account and mobile APP. We will have corresponding staff to follow up with the customers timely to ensure the issues are properly solved.

In 2021, the total number of complaints received from customers was approximately 20,000, which accounted for less than 0.05% of total orders. Compared with 2020, the number of complaints increased, but the complaint rate decreased slightly, mainly due to two reasons. Firstly, the number of customers and business orders have grown rapidly. Secondly, we provide customers with more feedback channels. We have always prioritized requests from customers and once any customer feedback is received, a corresponding department staff would follow up with customers as soon as possible and devise a proper solution for the customer. In addition, we would evaluate and improve our internal procedures and controls, based on the feedback and complaints we receive from customers in order to avoid similar issues in the future.

- **Improvement of Quality Control and Customer Experience**

  In term of quality standard, we are extremely focused on the R&D process, quality of our deliverables and services, and internal control management. The Group has a well-developed PMBOK control system, which follows the standards of CMMI-5 and ISO90001. The system covers the functions of product quality management, product testing management, configuration management, as well as project management and process monitoring features for quality assurance.

  In the system side, we have built a service support system that matches the feedback from customers with our in-house quality management system. The system runs through the entire delivery process, including internal and external collaboration and division of labor, establishment of corresponding project departments, setting up project managers, customer service points, and transforming requirements into internal processes. Internal operating systems are also set up with the right personnel, project departments and operating systems also collaborate to provide corresponding services and products. Timely response and feedback to customer needs and problems during the service process are also key, statistical analysis of customer KPI indicators every month and quarter are implemented and timely rectification of problematic issues are done to meet customer needs and enhance our customer experience.

- **Data Security and User Privacy**

  With the rapid development of the internet and the advancement of global informatization, data has penetrated into every single aspect of our daily life and all industries, and is becoming the core competitive factor for future development. From the government's perspective, it includes not only data related to city management and infrastructure, but also the data from citizen livelihood and consumption. For financial data, this includes market data, company data, industry and pricing indexes, etc. Moreover, from an individual user's perspective, it covers all types of information related to personal identity, medical history, health status and consumption habits. Such data have unlimited potential applications and are valuable assets for future development.

With the upside and convenience that big data brought to society, this has also raised our awareness of the importance of data security and issues of privacy. To process the massive amount of data and information, setting up a security system to prevent data leakage is crucial and should be treated as a priority in the era of digitalization.

Technology innovation is the anchor of future development in the era of digitalization. DC Holdings has made continuous efforts to ensure the data security of itself and customers through continuous independent innovation and won the trust of customers and partners with its outstanding achievements in various fields.

In the scenario of the digital native city, DC Holdings has developed a big data solution which was awarded the first prize of the National Technology Invention Award in China and has played a key role in data integration. The solution could integrate any data source by generating API links updated in real time, even those with legacy databases and without primary coding and original engineering support, all at the lowest possible cost. At the same time, it provides user authentication, channel isolation, content encryption, access protection, data blockchain and other enhanced technologies to ensure data security. "Yan Cloud DaaS" is currently widely used in China, and has been applied to more than 12 different government departments across more than 27 provinces and cities, including Beijing, Shanghai, Guizhou, Zhejiang, etc. Therefore, the solution is now a center piece of technology of the big data ecosystem in China that is worth trillions of dollars. It is also a powerful tool for the improvement of livelihood services and the development of the digital economy.

In a scenario of the digital native supply chain, IT Logistics (a subsidiary under DC Holdings) was qualified as National 5A Level Logistics Enterprise and successively created leading products and solutions such as the "Human + Robot" series products, electronic signing system, logistics tracker, "Treasure Vault" series products and KingKooData. It provides full supply chain integration services for more than 50 Fortune Global 500 companies. In the 2021 International Quality Festival and Global Consumption Leadership Summit, IT Logistics won the "2021 Outstanding Technology Pioneer Award" and the "2021 Outstanding Brand Reputation Award" by virtue of its leading technological strength and industry reputation.

IT Logistics won two awards at the IQF event

In the fintech scenario, DC Holdings has developed a unified enterprise-level data management and control platform leveraging big data, cloud services, and blockchain innovation to drive the digital transformation of banks and other financial institutions. With our advanced technologies, DC Holdings has provided a one-stop solution to various banks for their system infrastructure, including upgrading the IT security system, establishing data integration loops and core banking systems, working together with the industry to create financial security through the construction of a financial ecosystem and to equip market participants with best secure options to continuously improve the service quality to end customers. In 2021, the innovation scenes of "bank-agriculture" and "bank-tax" have been implemented in more than 200 commercial banks and the construction of digital RMB wallet has been completed for nearly 20 banks. We have jointly issued a consultation guideline with the central bank and our core banking system has been shortlisted as a typical case of solution of the Ministry of Industry and Information Technology. At the first China Credit Economic Development Summit and the third Annual Conference on Digital Credit and Risk Control in 2021, DCITS was awarded as one of the "Top 10 Data Security and Governance Benchmark Companies".

Data Security

With regards to project execution, the Group paid great attention to data security and user privacy. We have standardized and upgraded the control procedures and technologies in terms of personal security, physical security, network security, application security, log management, etc. to ensure the confidentiality, integrity and utility of customers' information.

- In the research phase of customers' needs, we clarify the safety requirement and summarize to a research report during the preparation phase of design specification and based on the outcome of the research report, we make corresponding adjustments to obtain further approval to proceed.

- In the execution stage, we follow the safety coding standards and go through safety audits, regular backups, and any changes will be reviewed and confirmed with customers.

- For the testing stage, other than the satisfaction of statutory testing requirements, we also conduct additional testing on access control, defect monitoring and vulnerability scanning.

- At the trial stage, we focus on the performance of the system and go through the detailed check-up and verification with customers to ensure the system serves the purposes and needs.

- For the maintenance stage, after the system is launched, we will regularly upgrade and debug the system, and also perform antivirus checks and backup creation.

Safety Control Qualification

One of the subsidiaries of DC Holdings holds multiple top-ranking certifications including ISO027001 Information security management certification, Level I security engineering enterprises qualification, Level 1 Information security engineering qualification, Level 1 information risk assessment qualification, etc. These certifications and qualifications demonstrate DC Holdings is both qualified and capable to fulfill the nation's highest safety regulatory standards and ensure our customers are receiving the best quality service in the market and that their data and assets are in good hands with various layers of control procedures to minimize the risk exposure. In addition, the Group will perform annual internal audits on information security, and engage third-party professionals to conduct external audits in order to make sure all systems and control procedures are effective and functioning.

In 2021, DCITS was awarded three information security service qualification certificates by the China Cybersecurity Review Technology and Certification Center, including Information Security Risk Assessment Service Qualification Certificate, Information Security Integration Service Qualification Certificate and Information System Security Operation and Maintenance Service Qualification Certificate. It marks a new step for the Company in empowering financial security.

- **Intellectual Property Rights & Innovation**

Innovation represents a core competitive edge in the business development of the Group and one of our underlying values. Proprietary intellectual property rights are not only important tools, investment capital and the source of future core products that enhance our business capabilities and income, but also a powerful driver to promote the progress of standardization of national new infrastructure construction, big data, smart city, fintech and other core industries.

In 2021, in order to further strengthen the management of intellectual property rights, standardize the use of intellectual property rights, fully utilize the benefits of intellectual property rights, and encourage innovation and invention, the Group's legal department, brand marketing department and the Academy of Engineering jointly formulated the general principles of intellectual property rights management "The Group's Intellectual Property Rights Management Measures", together with the "Patent Management Regulations", "Copyright Management Regulations" and "Trademark Management Regulations", etc. constitute the Company's intellectual property rights protection system.

As of the end of 2021, the Group owned 2,249 intellectual property rights, including 1,836 software copyrights, 130 patents and 283 trademarks.

In the use case of city digital native transformation, we focus on the development of three products with intellectual property rights: Data Hub, Data Fabric and Digital Twin. Among them, Data Fabric breaks isolated data sources and builds a trusted data network; Data Hub realizes the integration and governance of multiple-source data; Digital Twin digitally correlates people, things, objects, GIS, BIM, IoT and other data in the city, combined with the time dimension to form urban spatio temporal data, perform simulation and deduction, and form a city knowledge map.

In the use case of supply chain digital native transformation, we continue to build a supply chain lifecycle collaborative information system to improve the efficiency of upstream and downstream collaboration in the supply chain. We own the software copyrights of supply chain big data tools and our "Treasure Vault" series products and have also completed the comprehensive upgrade of our product suite. In addition to the technical architecture reconstruction of the core systems OMS, WMS, TMS, and BMS, three new systems have been added, including human resources, asset management, and supplier management, which provide a solid technical base for the repeated new records in the industry for single-warehouse deliveries for super promotion events such as Double-Eleven Shopping Festival. At the same time, in order to improve the shortcomings of the traditional AGV (Automated Guided Vehicle) sorting solution method, we innovatively proposed a series of intelligent sorting solutions "Human + Robot", which can cope with business scenarios with ultra-high flexibility. In 2021, the "Human + Robot 4.0" one-stop intelligent warehousing solution was launched to realize the flexible and automated operation of the whole process of goods receipt, dispatch, storage, replenishment and picking. The first phase of the project has been implemented in the flagship warehouse of Dianshan Lake. It has uniqueness and leadership in industry applications and the key technologies have obtained national invention patents.

In the future, we will continue to advance the management of intellectual property rights by optimizing online protection to facilitate continuous efficient operation, with a special focus on trials in the capitalization and commercialization of intellectual property rights in search of new business growth pockets for DC Holdings. We will continue to actively encourage innovation and increase our effort in the R&D and design of our proprietary intellectual property rights. Efforts to protect intellectual property rights will be strengthened and infringements will be rigorously dealt with. We will seek to increase the influence and value of our proprietary intellectual property rights and actively participate in the formulation of national standards for relevant industries to make positive contributions to the development of new technologies in China.

- **Supplier Management and Anti-Fraud**

Supplier Management

In terms of procurement management, the Group actively establishes good and integrity partnerships with suppliers, and uses a fair and impartial evaluation system to ensure the control of procurement costs and quality, thereby enhancing customer satisfaction. As of the end of 2021, the Company has established a stable cooperative relationship with more than 2,000 well-known IT equipment and service vendors, including 17 overseas suppliers. Through strategic cooperation and alliance, the Group actively explores ways of industrial development and ecological construction, brings overseas and domestic advanced technologies and products to users, provides users with comprehensive solutions and high-quality and efficient services, and jointly enhances the overall influence of the enterprises on the economy, society and environment.

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 the selection of qualified suppliers, we usually make inquiries with at least three suppliers, and comprehensively consider various factors such as cost, lead time, and supplier's technical capabilities etc. The Company strictly implements supplier access standards, checks supplier credit and qualifications based on the duration of cooperation, order volume, and nature of demand, and strengthens the management of intellectual property rights. For new suppliers, they are required to provide the necessary qualification documents, the copyright of the corresponding products and the certification documents of the intellectual property rights. The Group will also pay close attention to the performance of cooperative suppliers in related media and stop the cooperation with tainted suppliers.

The Company pays great attention to risk prevention and control in the procurement process, has formulated an open and transparent procurement and bidding process, has developed a relatively comprehensive procurement management system, and has taken necessary management and control measures to meet the relevant requirements of the ISO quality management system, internal control and compliance of listed companies. In the procurement process, information on the supplier's supply quality, delivery date, technical support and after-sales services and other key aspects is collected, tracked and evaluated so as to comply with the procurement process and the quality control of the procured goods.

The Company has always advocated 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 Initiative" with suppliers. Factors such as environment, business integrity and ethics, work standards and practices (such as the prohibition of child labor, etc.), occupational health and safety, etc. are incorporated into the consideration of supplier selection procedures and procurement decisions. In the process of cooperation with suppliers, we promote resources and energy conservation, protect the ecological environment, ensure the health and safety of employees, and empower the sustainable development of society.

Visit our website to download our DC Holdings Supplier Policy and DC Holdings Sustainable Procurement Policy.

Anti-Fraud

The "People's Republic of China Anti-Unfair Competition Law" stipulates that business operators must not use the property or other means to bribe specific units or individuals to seek trading opportunities or competitive advantages. The "Criminal Law of the People's Republic of China" stipulates that the use of the convenience of their position by the personnel of a unit to occupy the property of the unit illegally as their own may constitute the crime of embezzlement. In addition, with regard to money laundering, the "Anti-Money Laundering Law of the People's Republic of China" stipulates that any unit or individual who discovers money laundering activities shall have the right to report to the anti-money laundering administrative department or the public security agency.

DC Holdings passionately believes that fairness, honesty, and integrity are the most important business assets of the Company. We strictly abide by the anti-corruption laws and regulations and promote the values of integrity, enterprising, collaboration and creativity. We have formulated systematic anti-corruption systems and measures to check and prevent corruption, bribery or any other fraudulent behaviors, and continue to carry out an internal audit on risk management and risk monitoring. The Group is a non-financial institution, but the risk management and internal control departments keep a close watch on possible criminal activities such as money laundering in daily operation, and do not overlook any suspicious transactions.

In 2021, the Audit and Anti-Fraud Department of the Group investigated and dealt with 1 case of violation of the Company's regulation, and 1 person was transferred to the public security authorities for suspected crime.

- *Risk Management and Internal Control Policies*

  Since 2016, we have updated our risk management and internal control policies and established a three-line protection system. The first line of protection is the Group's functional and business departments at various levels. The second line of protection is the risk management and internal control departments of business units, and the Internal Audit department acts as the third line of protection. The policy clarifies the roles and responsibilities of different stakeholders in risk management and internal control, and emphasizes that the management of each business unit is mainly responsible for the risk management and internal control of the department. 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 major businesses, timely and systematically inspects violations, identifies risks, and improves the effectiveness of fraud risk management and internal control.

  In 2021, the Group's risk management evaluation project team also organized a comprehensive evaluation of the Company's principal-related risks. The main procedures of risk assessment include: risk identification, risk assessment and risk countering. Among them, the assessment of corruption risks covers all the main businesses of the Group, and no major corruption risks have been identified or assessed in the current period.

  In 2021, the Group further strengthened the construction of the fraud detection system and the promotion of integrity and improved the construction of the anti-corruption and integrity promotion system from multiple perspectives such as system construction, audit supervision, and industry integrity alliance.

- *Fighting Fraud and Whistleblowing System*

  The Group has published the "DC Holdings Anti-corruption Policy" and "DC Holdings Whistleblowing Policy" to convey the message of zero tolerance of fraud to all employees, suppliers, and business partners. The "DC Holdings Anti-corruption Policy" promotes the integrity and self-discipline of employees and clarifies the code of conduct for employees. The "DC Holdings Whistleblowing Policy" encourages all employees, suppliers, and business partners to report any existing or potential fraud and violations. The Whistleblowing Policy clearly states that employees, suppliers, and business partners can report all kinds of fraud and violations through the reporting mailbox: (dchaudit@dcholdings.com). If the Group recovers losses due to reporting in a timely manner, the whistleblower will be rewarded for reporting. The Group's audit department will investigate the reported matter, and the whistleblower's information will be kept strictly confidential.

  Visit our website to download our DC Holdings Anti-corruption Policy and DC Holdings Whistleblowing Policy.

- *Fraud Inspection and Prevention*

  When receiving a report of suspected fraud, the audit department will be assigned to conduct the investigation independently. After the investigation is completed, if any employee is found to have received any form of rebate or is involved in bribery, he will be dismissed immediately. If the circumstances are serious, the Company will pursue his/her legal liabilities; if any supplier or other business partner is found to be fraudulent in the cooperation or has other violations, the Group will blacklist it and terminate cooperation. If the circumstances are serious, the Group will pursue and recover its legal liabilities. At the same time, with the assistance of the risk management and internal control departments, the relevant business department will take corrective actions to deal with business risks or loopholes discovered during the investigation process.

  In order to nurture a fair and healthy business environment, we need to build a good ecosystem of supplier cooperation, and communicate our determination to combat fraud, during the year ended December 31, 2021, the Group has signed the "Partner Integrity Agreement" with all new suppliers to promote the cooperation with integrity and honesty, oppose commercial bribery, and build mutual cooperation under the premise of trust, honesty, frankness and integrity. We are not aware that our suppliers have been involved in any commercial bribery. In daily operation, the Company also continuously strengthens anti-commercial bribery laws and regulation education, carries out occupational ethics publicity, establishes uprightness within the Company, resolutely resists unhealthy practices, and strengthens the ideological and moral defense of employees. The Company has established a strict supplier evaluation system and process, and regularly evaluates suppliers. Suppliers who fail in the evaluation will be blacklisted and the cooperation will be terminated. The Company's good partnership ecosystem over the years has been recognized and trusted by many suppliers.

- *Fighting Fraud Publicity Training*

  To popularize anti-corruption publicity, all employees of the Group will receive anti-corruption training upon entry. In 2021, the Group's Audit Department organized a special training on anti-corruption and upholding integrity, "Being Integrity Digital China People", covering all business units of the Group internally, and employees joined the seminars online and offline with full participation, 100% coverage. External suppliers of some businesses were also engaged. These seminars not only carried out vivid anticorruption publicity to the Company's employees, but also expressed the requirements of integrity and honesty and the long-term cooperation expectation to the suppliers of the Company, which created a positive publicity impact both internally and externally.

- *Industry Integrity Alliance*

  In the first half of 2019, the Group joined the Trust and Integrity Enterprise Alliance. The Trust and Integrity Enterprise Alliance was initiated and established by well-known enterprises in the industry with the mission of operating with integrity, self-discipline, and compliance, together to create a business environment for honest operation and safe consumption, and jointly build the security wall for anti-corruption, anti-fraud and anti-counterfeiting and jointly enhance the performance of the internal control departments and the construction of the occupational ethics of employees. At present, the Trust and Integrity Enterprise Alliance has more than 600 member companies, including Baidu, JD, Meituan, Procter & Gamble, Tencent, Xiaomi, Didi and many other well-known companies, which demonstrates increasing influence.

  As a member company of the Trust and Integrity Enterprise Alliance, the Group shares data and information with the alliance in anti-corruption and other related aspects, and jointly creates a trust and integrity business environment: through the data exchange platform showing anti-brushing to fabricate sales, anti-posting fake positive reviews and anti-fraud as common examples, we gather the Alliance's efforts to combat corrupt industry chain, establish a brand protection cooperation mechanism; through information security sharing mechanism, exchange and share information security investigation experience, and jointly combat information security crimes. The Alliance of Untrustworthy Information Sharing System is open to the Company's human resources, realizes the information sharing of employees who violated laws, automatically recognizes the offenders and gives out an early warning, increases the cost of violations of laws, and builds a corporate integrity environment of "the trustworthy people gain access, the untrustworthy people are restricted everywhere".

Report of the Directors

The Directors of the Company have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

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 are set out in note 46 to the financial statements.

RESULTS AND DIVIDENDS

On 29 August 2021, the directors declared an interim dividend of HK2 cents per share (2020: HK3.6 cents per share) for the six months ended 30 June 2021 and which was paid on 7 October 2021.

The Group's profit for the year ended 31 December 2021 and the Group's financial position as at that date are set out in the financial statements on pages 108 to 241 of this annual report.

The board of directors recommends the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2021.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the section headed "Management Discussion and Analysis" on pages 19 to 26 of this annual report. Description of the 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 can be found on pages 56 to 61 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 243 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 and the Company during the year ended 31 December 2021 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 2021 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 2021 are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$787,208,000. In addition, the Company's share premium account, in the amount of HK$4,657,550,000, may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the new bye-laws of the Company ("**New Bye-Laws**") or the laws of Bermuda although there are no restrictions against such rights under the laws of Bermuda.

PERMITTED INDEMNITY PROVISION

As permitted 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 2021 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 2021 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
Mr. PENG Jing
Mr. ZENG Shuigen

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 *(Note 1)*
Ms. YAN Xiaoyan *(Note 2)*

Notes:

1. Mr. CHEN Timothy Yung-cheng was appointed as the Independent Non-executive Director of the Company with effect from 16 July 2021.

2. Ms. YAN Xiaoyan retired as the Independent Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 30 June 2021.

In accordance with Bye-Law 99 of the New Bye-Laws, Mr. PENG Jing, Mr. WONG Man Chung, Francis and Miss NI Hong (Hope) will retire from office by rotation. In accordance with Bye-Law 102(B) of the New Bye-Laws, Mr. CHEN Timothy Yung-cheng who was appointed as director with effect from 16 July 2021 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. GUO Wei	• Appointed as the Chairman of the Nomination Committee of the Company with effect from 31 December 2021
Mr. WONG Man Chung, Francis	• Appointed as member of the Nomination Committee of the Company with effect from 31 December 2021
Mr. CHEN Timothy Yung-cheng	• Appointed as Independent Non-executive Director of the Company with effect from 16 July 2021
	• Appointed as member of the Nomination Committee of the Company with effect from 31 December 2021
	• Resigned as Non-executive Director of Asia Pacific Telecom Co., Ltd. (listed on the Taiwan Stock Exchange) with effect from July 2021
Miss NI Hong (Hope)	• Appointed as the Independent Non-executive Director, member of Remuneration Committee and Nomination Committee of Acotec Scientific Holdings Limited (listed on the Main Board of the Stock Exchange) with effect from August 2021
Mr. KING William	• Appointed as member of the Audit Committee of the Company with effect from 16 July 2021
ZENG Shuigen	• Resigned as the Secretary of party branch and appointed as the Vice Secretary and General Manager of the party branch of Guangzhou Urban Planning Technology Development Services Department Co., Ltd. with effect from 15 December 2021
	• Appointed as the vice general manager of Guangzhou Smart City Investment Operation Co. Ltd. with effect from 16 January 2022
LIU Yun, John	• Resigned as the CEO of Shenzhen Afiniti Technology Co. Ltd. with effect from 21 April 2022

DIRECTORS' SERVICE AGREEMENTS

Each of the Executive Directors of the Company 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.

Save as disclosed above, 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 contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at 31 December 2021 or at any time during the year ended 31 December 2021.

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. Details of the 2011 Share Option Scheme as well as movements in the share options during the year ended 31 December 2021 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 INCENTIVE SCHEMES OF DIGITAL CHINA INFORMATION SERVICE COMPANY LTD.

SHARE OPTION INCENTIVE SCHEME OF DIGITAL CHINA INFORMATION SERVICE COMPANY LTD.

The shareholders of the Company and Digital China Information Service Company Ltd. ("**DCITS**") approved the adoption of a share option incentive scheme (the "**Share Option Incentive Scheme**") on 10 September 2019 and 16 September 2019 respectively. The major terms of the Share Option Incentive Scheme are as follows:

(1) The purpose of the DCITS Share Option Incentive Scheme is to further promote the establishment and improvement of DCITS's long term incentive mechanism, attract and retain high caliber talents, encourage the initiative of directors, senior management and key employees of DCITS and its subsidiaries, so as to effectively align the interest of shareholders, DCITS and individual interests of core management, and cause all parties to focus on the long-term development of DCITS.

(2) The incentive participants of the DCITS Share Option Incentive Scheme comprise the directors, senior management and key employees of DCITS and its subsidiaries, but shall exclude the independent directors and supervisors of DCITS, as well as shareholders, individually or in aggregate, holding 5% or more of the shares in DCITS or the de facto controllers and their spouses, parents or children. All incentive participants of the DCITS Share Option Incentive Scheme must have employment, labour or service relationships with DCITS within the validity period of the DCITS Share Option Incentive Scheme.

(3) According to the DCITS Share Option Incentive Scheme:

  (a) the total number of underlying shares involved in all effective incentive schemes of DCITS shall not in aggregate exceed 10% of the total share capital of DCITS as at the time when the DCITS Share Option Incentive Scheme was submitted to the shareholders' meeting of DCITS for approval, i.e. 96,343,127 shares of DCITS;

  (b) the total number of shares of DCITS which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the DCITS Share Option Incentive Scheme and any other scheme of DCITS shall not in any event exceed 30% of the total A ordinary shares in issue of DCITS from time to time; and

  (c) the total number of shares of DCITS issued pursuant to all effective equity incentive schemes of DCITS to any incentive participant shall not in aggregate exceed 1% of the total shares in issue of DCITS.

(4) The underlying shares of the DCITS Share Option Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the participants of the DCITS Share Option Incentive Scheme.

(5) The minimum period for which share options granted under the DCITS Share Option Incentive Scheme must be held before they can be exercised is 12 months from the completion date of registration of the grant of share options pursuant to the DCITS Share Option Incentive Scheme ("**Option Registration Date**").

(6) Subject to the fulfillment of the conditions for exercising the share options under the DCITS Share Option Incentive Scheme, grantees may exercise their share options within 24 months after the expiry of 12 months from the Option Registration Date in two tranches as follows:

Tranche	Exercise period	Percentage of share option exercisable
First tranche	From the first trading day after the expiry of 12 months from the Option Registration Date to the last trading day within 24 months from the Option Registration Date	50%
Second tranche	From the first trading day after the expiry of 24 months from the Option Registration Date to the last trading day within 36 months from the Option Registration Date	50%

(7) The exercise price of the share options to be granted under the DCITS Share Option Incentive Scheme shall be RMB12.76 per share.

(8) The effective term of the DCITS Share Option Incentive Scheme shall commence from the Option Registration Date to the date on which all share options granted to grantees under the DCITS Share Option Incentive Scheme have been exercised or cancelled, provided that the term shall not exceed 36 months.

(9) During the exercise period of the DCITS Share Option Incentive Scheme, a number of conditions must be satisfied before the grantees can exercise their share options, including:

(a) None of the following events having occurred on the part of DCITS:

(i) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the accountants' report of DCITS for its latest financial year;

(ii) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to internal control for the latest financial year;

(iii) failure to conduct profit distribution in accordance with the laws and regulations, the articles of association of DCITS and public undertakings during the most recent 36 months after the listing;

(iv) prohibition from implementation of an equity incentive scheme by laws and regulations or applicable Listing Rules; and

(v) any other circumstances as determined by the China Securities Regulatory Commission ("**CSRC**") or relevant regulatory authorities.

(b) None of the following events having occurred on the part of the grantee of the DCITS Share Option Incentive Scheme:

(i) being identified as an ineligible personnel by the Shenzhen Stock Exchange in the last 12 months;

(ii) being identified as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;

(iii) imposition of administrative penalties or measures prohibiting the grantee from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;

(iv) being prohibited from acting as a director or senior management personnel of DCITS under the Company Law of the PRC（中華人民共和國公司法）;

(v) being prohibited from participating in an equity incentive scheme of a listed company under relevant laws and regulations; and

(vi) any other circumstances as determined by the CSRC or relevant regulatory authorities.

(c) DCITS achieving the following financial performance targets:

Tranche	Financial performance targets
First Tranche	the net profit of DCITS for the year of 2019 being not less than RMB360 million
Second Tranche	the net profit of DCITS for the year of 2020 being not less than RMB435 million

Note: The above net profit refers to the net profit attributable to DCITS shareholders.

(d) Subject to DCITS achieving the relevant annual financial performance targets, the results of the annual assessment to be conducted by the remuneration and appraisal committee of DCITS against the grantee being 80 points or above or graded at "A".

In the event that any of the above exercise conditions cannot be fulfilled within the relevant exercise period, share options granted under the DCITS Share Option Incentive Scheme shall be cancelled by DCITS. In the event that the above exercise conditions have been fulfilled but share options granted under the Share Option Incentive Scheme have not been exercised upon expiry of the relevant exercise period, such share options shall be cancelled by DCITS.

Since the adoption of the DCITS Share Option Incentive Scheme, DCITS granted 22,470,000 share options under the DCITS Share Option Incentive Scheme.

The following table shows the movements in the share options under DCITS Share Option Incentive Scheme during the twelve months ended 31 December 2021 and the share options outstanding at the beginning and end of the year 2021:

Grantee	Number of the share options						Exercise price per share *RMB*	Closing price immediately before the date of grant *RMB*	Date of grant	Exercisable period *(Note (i))*
	Outstanding as at 1/1/2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2021				
DCITS director	–	–	–	–	–	–	–	–	–	
DCITS other employees	15,632,446	–	(3,975,601)	–	(1,546,845)	10,110,000	12.76	13.01	17/9/2019	Grantees may exercise their share options with reference to the Option Registration Date (i.e. 30/10/2019) in two tranches. *(Note (ii))*

Notes:

(i) The vesting period of the share options is from the date of grant until the vesting of the share options

(ii) Please refer to sub-paragraph (6) of the major terms of the Share Option Incentive Scheme above

RESTRICTED SHARE INCENTIVE SCHEME OF DCITS

The shareholders of DCITS approved the adoption of a restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") on 16 September 2019. The purpose of the DCITS Restricted Share Incentive Scheme is to further promote the establishment and improvement of DCITS's long term incentive mechanism, attract and retain high caliber talents, encourage the initiative of directors, senior management and key employees of DCITS and its subsidiaries, so as to effectively align the interest of shareholders, DCITS and individual interests of core management, and cause all parties to focus on the long-term development of DCITS.

The incentive participants of the DCITS Restricted Share Incentive Scheme comprise the directors, senior management and key employees of DCITS and its subsidiaries, but shall exclude the independent directors and supervisors of DCITS, as well as shareholders, individually or in aggregate, holding 5% or more of the shares in DCITS or the de facto controllers and their spouses, parents or children. All incentive participants of the DCITS Restricted Share Incentive Scheme must have employment, labour or service relationships with DCITS within the validity period of the DCITS Restricted Share Incentive Scheme.

The underlying shares of the Restricted Share Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the participants of the DCITS Restricted Share Incentive Scheme.

No restricted shares can be granted to the incentive participants if any one of the conditions cannot be satisfied:

(a) None of the following events having occurred on the part of DCITS:

(i) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the accountants' report of DCITS for its latest financial year;

(ii) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to internal control for the latest financial year;

(iii) failure to conduct profit distribution in accordance with the laws and regulations, the articles of association of DCITS and public undertakings during the most recent 36 months after the listing;

(iv) prohibition from implementation of an equity incentive scheme by laws and regulations; and

(v) any other circumstances as determined by the CSRC.

(b) None of the following events having occurred on the part of the incentive participants of the Restricted Share Incentive Scheme:

(i) being identified as an ineligible personnel by the Shenzhen Stock Exchange in the last 12 months;

(ii) being identified as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;

(iii) imposition of administrative penalties or measures prohibiting the incentive participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;

(iv) being prohibited from acting as a director or senior management personnel of DCITS under the Company Law of the PRC（中華人民共和國公司法）;

(v) being prohibited from participating in an equity incentive scheme of a listed company under relevant laws and regulations; and

(vi) any other circumstances as determined by the CSRC

(c) DCITS achieving the following financial performance targets:

Tranche	Financial performance targets
First Tranche	the net profit of DCITS for the year of 2019 being not less than RMB360 million
Second Tranche	the net profit of DCITS for the year of 2020 being not less than RMB435 million

Note: The above net profit refers to the net profit attributable to DCITS shareholders.

(d) Subject to DCITS achieving the relevant annual financial performance targets, the results of the annual assessment to be conducted by the remuneration and appraisal committee of DCITS against the grantee being 80 points or above or graded at "A".

According to the provisions of the DCITS Restricted Share Incentive Scheme, the grant price of such restricted shares was adjusted from RMB6.38 per share to RMB6.345 per share (due to DCITS's dividends).

Since the adoption of the DCITS Restricted Share Incentive Scheme, DCITS has granted 6,950,000 restricted shares of the total 6,950,000 restricted shares that may be issued under the DCITS Restricted Share Incentive Scheme.

The following table shows the movements in the restricted shares under the DCITS Restricted Share Incentive Scheme during the twelve months ended 31 December 2021:

	Number of restricted shares				
Grantee	Outstanding as at 1/1/2021	Granted during the year	Buyback and cancelled during the year	Vested during the year	Outstanding as at 31/12/2021
DCITS director	500,000	–	–	(500,000)	–
DCITS other employees	2,825,000	–	–	(2,825,000)	–

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", "Restricted Share Award Scheme", "Share Option Incentive Scheme of Digital China Information Service Company Ltd." and "Restricted Share Incentive Scheme of DCITS" of this report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

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 2021 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 2021, 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 8)*
GUO Wei	Beneficial owner and interests of controlled corporations	98,411,707	154,496,857 *(Note 2)*	94,116,974 *(Note 3 & 4)*	347,025,538	20.74
LIN Yang	Beneficial owner	3,571,734	–	15,116,974 *(Note 3 & 4)*	18,688,708	1.12
WONG Man Chung, Francis	Beneficial owner	370,000 *(Note 5)*	–	2,000,000 *(Note 4)*	2,370,000	0.14
NI Hong (Hope)	Beneficial owner	100,000 *(Note 5)*	–	2,000,000 *(Note 4)*	2,100,000	0.13
LIU Yun, John	Beneficial owner	100,000 *(Note 5)*	–	2,000,000 *(Note 4)*	2,100,000	0.13
KING William	Beneficial owner	100,000 *(Note 5)*	–	2,000,000 *(Note 4)*	2,100,000	0.13
CHEN Timothy Yung-cheng	Beneficial owner	–	–	1,000,000 *(Note 6)*	1,000,000	0.06
YAN Xiaoyan	Beneficial owner	–	–	– *(Note 4 & 7)*	–	–

Notes:

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

2. These 154,496,857 Shares were beneficially held by 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 controlling shareholder and a director of KIL and is a substantial shareholder 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 of the Company.

4. On 13 July 2020, 81,000,000 share options were granted to Mr. GUO Wei and 2,000,000 share options were granted to each of Mr. LIN Yang, Mr. WONG Man Chung, Francis, Miss NI Hong (Hope), Dr. LIU Yun, John, Ms. YAN Xiaoyan and Mr. KING William. These share options are exercisable from the satisfaction of certain conditions stated in the offer letter dated 13 July 2020 to 12 July 2028 and exercise price is HK$6.60 per Share for subscription of ordinary shares of the Company.

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 Restricted Share Award Scheme, and were vested in January 2021 pursuant to the terms and conditions of the Scheme.

6. On 16 July 2021, 1,000,000 share options were granted to Mr. CHEN Timothy Yung-cheng. These share options are exercisable from the satisfaction of certain conditions stated in the offer letter dated 16 July 2021 to 15 July 2029 and exercise price is HK$4.82 per Share for subscription of ordinary shares of the Company.

7. Following the retirement of Ms. YAN Xiaoyan as the Company's independent non-executive director on 30 June 2021, the share options granted to Ms. YAN Xiaoyan on 13 July 2020 were lapsed on 31 July 2021.

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 352 of the SFO.

Save as disclosed above, at 31 December 2021, 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 2021, 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 9)*
Kosalaki Investments Limited	Beneficial owner	96,088,857 *(Note 2)*	5.74
Dragon City International Investment Limited	Beneficial owner	187,578,500	11.22
YIP Chi Yu	Interests of a controlled Corporation/Interest of spouse	187,578,500/ 2,325 *(Note 3)*	11.22
HUANG Shaokang	Beneficial owner/ Interest of spouse	2,325/ 187,578,500 *(Note 4)*	11.22
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 *(Note 5(a))*	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 *(Note 5(b))*	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 *(Note 5(c))*	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 *(Note 5(d))*	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 *(Note 6)*	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 *(Note 7)*	10.83
BOCI-Prudential Trustee Limited as Trustee of Digital China Holdings Limited Restricted Share Award Scheme Trust	Trustee	150,766,992	9.01
Allianz SE	Interests of controlled corporations	83,679,750 *(Note 8)*	5.00

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 controlling 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 controlled by Ms. YIP Chi Yu and Mr. HUANG Shaokang is the spouse of Ms. YIP Chi Yu. 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 Shaokang is the spouse of Ms. YIP Chi Yu. 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. Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by Allianz SE, on 11 November 2020, Allianz SZ was interested in 83,679,750 Shares in aggregate, of which, 82,557,750 Shares were held by Allianz Global Investors Asia Pacific Ltd. and 1,122,000 Shares were held by Allianz Global Investors Japan Ltd., both of which are indirectly wholly-owned by Allianz SE. By virtue of the SFO, Allianz SE was deemed to be interested in the Shares in which Allianz Global Investors Asia Pacific Ltd. and Allianz Global Investors Japan Ltd. were interested.

9. 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.

Save as disclosed above, at 31 December 2021, the Company had not been notified by any persons and corporations who had interests or short positions in Shares or 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 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 2021, the Group made donation of HK$6,272,000 (for the year ended 31 December 2020: HK$1,954,000).

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 2020: less than 30%) of the Group's total revenue for the year ended 31 December 2021.

The aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 39% (for the year ended 31 December 2020: approximately 53%) 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 2020: approximately 20%) for the year ended 31 December 2021.

During the year ended 31 December 2021, 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 79 to 86 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 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITOR

In the year 2018, Ernst & Young resigned as the auditor of the Company and SHINEWING (HK) CPA Limited was appointed as the auditor of the Company on 21 December 2018 to fill the casual vacancy following the resignation of Ernst & Young. Please refer to the Company's announcement of 21 December 2018 for more details regarding the change of auditor.

The consolidated financial statements of the Group for the year ended 31 December 2021 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 2021 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 30 March 2022

GUO Wei
Chairman

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43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 108 to 241, which comprise the consolidated statement of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

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 2021, 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 122.

The key audit matter

As at 31 December 2021, the carrying amount of the Group's goodwill was approximately HK$1,921,555,000. During the year ended 31 December 2021, no impairment loss of goodwill was recognised.

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 of respective CGU determined by 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.

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.

How the matter was addressed in our audit

We performed the following audit procedures on the impairment assessment of goodwill:

- evaluated management's impairment assessment on the reasonableness of the selection of valuation model, adoption of key assumptions and input data;
- evaluated the appropriateness of the assumptions, including the revenue growth rates and gross margin, against latest market expectation;
- 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
- performed sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in revenue growth rate, gross margin 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 137 to 139.

The key audit matter

As at 31 December 2021, the carrying amount of the Group's accounts and bills receivables was approximately HK$3,998,232,000, net of loss allowance of approximately HK$806,790,000 and contract assets of HK$3,479,419,000, net of loss allowance of approximately HK$348,871,000.

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 or an individual debtor by reference to past default experience 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.

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.

We have identified the estimate 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.

How the matter was addressed in our audit

We performed the following audit procedures on assessing the loss allowance of accounts and bills receivables and contract assets:

- evaluated the design and implementation of key internal controls which govern credit control, debt collection and estimation of ECL;
- 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 supporting documents such as sales invoices and delivery notes, etc;
- evaluated techniques and methodology in the ECL model against the requirements of HKFRS 9;
- reviewed and assessed the application of the Group's policy for calculating the ECL; and
- 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 124 to 126.

The key audit matter

The Group's revenue from sales of software products, e-commerce supply chain and system integration 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 while revenue from software development and technical services and supply chain operation and maintenance are 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 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 HK$8,604,870,000 and HK$11,505,052,000 respectively.

We have identified revenue recognition from contracts with customers 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 143.

The key audit matter

As at 31 December 2021, the carrying amounts of the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were approximately HK$1,073,588,000 and HK$1,166,943,000 respectively.

During the year, the Group recognised fair value loss on financial assets at fair value through profit or loss of approximately HK$31,356,000 and fair value loss on financial assets at fair value through other comprehensive income of approximately HK$62,761,000.

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 profit or loss and at fair value through other comprehensive income 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 adopted by management;
- 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; and
- tested, on a sample basis, the accuracy and relevance of input data used by the relevant independent valuation specialists based on the subscription price of latest round of financing of the equity interests and disposal value with the transactions of similar assets.

VALUATION OF INVESTMENT PROPERTIES

Refer to note 15 to the consolidated financial statements and the accounting policies on pages 132 and 133.

The key audit matter

As at 31 December 2021, the fair value of the investment properties was approximately HK$5,839,539,000, with a net fair value gain of approximately HK$267,612,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

The Group engaged external valuation specialists to perform valuations of these investment properties at the end of the reporting period and the date of transfer.

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.

How the matter was addressed in our audit

We performed the following audit procedures on the valuation of investment properties:

- assessed the competence, capabilities and objectivity of the independent valuation specialists;
- obtained an understanding of the valuation process and techniques adopted by the independent valuers to assess if they are consistent with the industry norms;
- obtained the valuation reports and involved our valuation specialist to evaluate and assessing the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the management and the independent valuation specialists by comparing them, on a sampling basis, where relevant, to existing tenancy profiles, publicly available information of similar comparable properties; and
- 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 other than 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.

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 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 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
30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	6	**20,539,460**	19,819,527
Cost of sales and services		**(16,774,760)**	(16,460,691)
Gross profit		**3,764,700**	3,358,836
Other income and gains	6	**486,090**	235,050
Net gain on disposal of equity interests in associates and joint ventures	7	**29,492**	946,100
Selling and distribution expenses		**(1,270,712)**	(1,348,040)
Administrative expenses		**(584,230)**	(573,842)
Other expenses, net		**(1,033,000)**	(1,056,187)
Finance costs	8	**(143,695)**	(148,456)
Impairment loss of goodwill	18	**–**	(141,324)
Share of losses of associates and joint ventures	7	**(106,833)**	(125,267)
Profit before tax	7	**1,141,812**	1,146,870
Income tax expense	11	**(168,144)**	(181,518)
Profit for the year		**973,668**	965,352
Attributable to:			
Equity holders of the parent		**711,588**	612,970
Non-controlling interests		**262,080**	352,382
		973,668	965,352
Earnings per share attributable to equity holders of the parent	13		
Basic (HK cents)		**46.39**	37.74
Diluted (HK cents)		**46.21**	37.59

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Profit for the year		**973,668**	965,352
Other comprehensive income (expense)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of financial statements of foreign operations		**327,579**	715,512
Share of other comprehensive income of associates		**461**	2,361
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**328,040**	717,873
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		**(62,761)**	114,406
Gain on property revaluation	15	**292,689**	6,379
Income tax effect	25	**(58,913)**	(17,334)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**171,015**	103,451
Other comprehensive income for the year, net of tax		**499,055**	821,324
Total comprehensive income for the year		**1,472,723**	1,786,676
Attributable to:			
Equity holders of the parent		**1,117,235**	1,206,660
Non-controlling interests		**355,488**	580,016
		1,472,723	1,786,676

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**914,755**	992,378
Right-of-use assets	16	**283,786**	202,970
Investment properties	15	**5,839,539**	5,126,601
Goodwill	18	**1,921,555**	1,877,561
Other intangible assets	19	**230,893**	195,700
Interests in joint ventures	20	**90,728**	73,725
Interests in associates	21	**1,814,012**	2,430,714
Financial assets at fair value through other comprehensive income	22	**1,166,943**	714,300
Finance lease receivables	24	**–**	788
Accounts receivables	28	**138,191**	130,513
Other receivables	29	**1,026,102**	883,936
Deferred tax assets	25	**254,612**	225,211
		13,681,116	12,854,397
Current assets			
Inventories	26	**2,570,751**	2,614,291
Completed properties held for sale	27	**693,317**	694,716
Accounts and bills receivables	28	**3,860,041**	3,631,843
Prepayments, deposits and other receivables	29	**1,329,940**	1,339,906
Contract assets	30a	**3,479,419**	2,405,241
Financial assets at fair value through profit or loss	23	**1,073,588**	1,122,414
Finance lease receivables	24	**46,302**	53,154
Restricted bank balances	31	**87,211**	228,286
Cash and cash equivalents	31	**2,779,214**	3,076,717
		15,919,783	15,166,568
Current liabilities			
Accounts and bills payables	32	**4,361,333**	3,620,499
Other payables and accruals	33	**2,175,516**	2,517,610
Lease liabilities	17	**110,346**	83,215
Contract liabilities	30b	**2,329,448**	2,407,732
Tax payables		**102,487**	120,216
Interest-bearing bank and other borrowings	34	**1,823,037**	2,077,309
		10,902,167	10,826,581
Net current assets		**5,017,616**	4,339,987
Total assets less current liabilities		**18,698,732**	17,194,384

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings	34	**2,150,581**	2,301,295
Deferred tax liabilities	25	**651,420**	465,878
Deferred income	44	**22,652**	25,888
Lease liabilities	17	**105,609**	50,547
Other financial liability	45	**901,121**	586,144
		3,831,383	3,429,752
Net assets		**14,867,349**	13,764,632
Capital and reserves			
Share capital	35	**167,353**	167,250
Reserves	36	**9,992,140**	9,262,477
Equity attributable to equity holders of the parent		**10,159,493**	9,429,727
Non-controlling interests		**4,707,856**	4,334,905
Total equity		**14,867,349**	13,764,632

The consolidated financial statements on pages 108 to 241 were approved and authorised for issue by the board of directors on 30 March 2022 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 2021

	Attributable to equity holders of the parent												
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Employee share trust HK$'000	Employee share-based compensation reserve HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	167,250	4,651,977	1,766,449	(554,490)	128,489	501,212	114,979	561,694	162,053	1,930,114	9,429,727	4,334,905	13,764,632
Profit for the year	–	–	–	–	–	–	–	–	–	711,588	711,588	262,080	973,668
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(44,413)	–	–	–	(44,413)	(4,089)	(48,502)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	228,473	–	228,473	99,106	327,579
Share of other comprehensive income of associates	–	–	(1,085)	–	–	–	5,222	–	(2,067)	–	2,070	(1,609)	461
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	1,744	–	–	(1,744)	–	–	–
Gain on property revaluation, net of tax	–	–	–	–	–	219,517	–	–	–	–	219,517	–	219,517
Total comprehensive (expense) income for the year	–	–	(1,085)	–	–	219,517	(37,447)	–	226,406	709,844	1,117,235	355,488	1,472,723
Share-based compensation	–	–	–	–	106,475	–	–	–	–	–	106,475	6,053	112,528
Capital contribution from non-controlling shareholders of subsidiaries *(note 40(f))*	–	–	(25,876)	–	–	–	–	–	–	–	(25,876)	112,131	86,255
Deemed acquisition of additional interests in non-wholly-owned subsidiaries *(note 40(d))*	–	–	(17,824)	–	–	–	–	–	–	–	(17,824)	(55,033)	(72,857)
Contribution to employee shares trusts	–	–	–	(270,673)	–	–	–	–	–	–	(270,673)	–	(270,673)
Exercise of share options	103	5,573	–	–	(1,226)	–	–	–	–	–	4,450	–	4,450
Acquisition of additional interests in non-wholly-owned subsidiaries *(note 40(c))*	–	–	(1,054)	–	–	–	–	–	–	–	(1,054)	(2,683)	(3,737)
Vesting of shares under the restricted share award scheme	–	–	–	3,769	(3,769)	–	–	–	–	–	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4,505)	(4,505)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(38,500)	(38,500)
Transfer to reserve funds	–	–	–	–	–	–	–	98,455	–	(98,455)	–	–	–
Dividends paid *(note 12)*	–	–	–	–	–	–	–	–	–	(182,967)	(182,967)	–	(182,967)
At 31 December 2021	167,353	4,657,550	1,720,610	(821,394)	229,969	720,729	77,532	660,149	388,459	2,358,536	10,159,493	4,707,856	14,867,349

	Attributable to equity holders of the parent												
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Employee share trust HK$'000	Employee share-based compensation reserve HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	167,098	4,643,858	1,893,085	(60,867)	67,028	496,428	42,506	476,557	(347,914)	1,558,644	8,936,423	3,627,049	12,563,472
Profit for the year	–	–	–	–	–	–	–	–	–	612,970	612,970	352,382	965,352
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	69,015	–	–	–	69,015	29,652	98,667
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	509,566	–	509,566	205,946	715,512
Share of other comprehensive income of associates	–	–	–	–	–	–	9,924	–	401	–	10,325	(7,964)	2,361
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(6,466)	–	–	6,466	–	–	–
Gain on property revaluation, net of tax	–	–	–	–	–	4,784	–	–	–	–	4,784	–	4,784
Total comprehensive income (expense) for the year	–	–	–	–	–	4,784	72,473	–	509,967	619,436	1,206,660	580,016	1,786,676
Share-based compensation	–	–	–	–	63,101	–	–	–	–	–	63,101	20,654	83,755
Capital contribution from non-controlling shareholders of subsidiaries *(note 40(f))*	–	–	(84,111)	–	–	–	–	–	–	–	(84,111)	251,991	167,880
Deemed acquisition of additional interests in non-wholly-owned subsidiaries *(note 40(d))*	–	–	(42,015)	–	–	–	–	–	–	–	(42,015)	(122,547)	(164,562)
Contribution to employee shares trusts	–	–	–	(493,623)	–	–	–	–	–	–	(493,623)	–	(493,623)
Exercise of share options	152	8,119	–	–	(1,640)	–	–	–	–	–	6,631	–	6,631
Acquisition of additional interests in non-wholly-owned subsidiaries *(note 40(c))*	–	–	(510)	–	–	–	–	–	–	–	(510)	448	(62)
Partial disposal of subsidiaries *(note 40(b))*	–	–	–	–	–	–	–	–	–	–	–	(1,967)	(1,967)
Disposal of subsidiaries *(note 40(e))*	–	–	–	–	–	–	–	–	–	–	–	8,000	8,000
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(28,739)	(28,739)
Transfer to reserve funds	–	–	–	–	–	–	–	85,137	–	(85,137)	–	–	–
Dividends paid *(note 12)*	–	–	–	–	–	–	–	–	–	(162,829)	(162,829)	–	(162,829)
At 31 December 2020	167,250	4,651,977	1,766,449	(554,490)	128,489	501,212	114,979	561,694	162,053	1,930,114	9,429,727	4,334,905	13,764,632

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before tax:	**1,141,812**	1,146,870
Adjustments for:		
Finance costs	**143,695**	148,456
Share of loss of associates	**104,065**	113,866
Share of loss of joint ventures	**2,768**	11,401
Interest on bank deposits	**(8,073)**	(10,759)
Income from wealth management financial products	**(41,759)**	(23,544)
Deferred income recognised	**(31,244)**	(44,800)
Dividends income from financial assets at fair value through profit or loss	**(716)**	–
Dividends income from financial assets at fair value through other comprehensive income	**(1,329)**	(6,396)
Impairment loss of goodwill	**–**	141,324
Impairment of accounts and bills receivables, other receivables and contract assets	**129,934**	273,186
Reversal of impairment of finance lease receivables	**(326)**	(1,695)
Loss on disposal of property, plant and equipment	**2,491**	2,293
Loss on write-off of other intangible assets	**–**	1,777
Fair value gain on investment properties	**(267,612)**	(701)
Fair value loss on financial assets at fair value through profit or loss	**31,356**	10,071
Fair value gain on transfer to investment properties from completed properties held for sale	**–**	(6,969)
Gain on partial disposal of equity interest in a subsidiary	**–**	(12,346)
Gain on deemed disposal of equity interest in an associate	**(9,500)**	–
Gain on disposal/partial disposal of equity interests in associates	**(12,708)**	(982,080)
Gain on disposal of equity interests in joint ventures	**–**	(106,961)
Gain on disposal of financial assets at fair value through profit or loss	**(10,861)**	–
Gain on disposal of equity interests in subsidiaries	**–**	(16,161)
(Gain) loss on deemed partial disposal of equity interests in associates	**(7,284)**	142,941
Depreciation of property, plant and equipment	**124,321**	126,886
Depreciation of right-of-use assets	**134,518**	121,200
Amortisation of other intangible assets	**56,006**	51,369
Provisions for and write-off of obsolete inventories	**17,044**	109,038
Share-based compensation	**113,416**	82,831
	1,610,014	1,271,097
Decrease (increase) in inventories	**26,496**	(859,273)
Decrease in completed properties held for sale	**17,613**	7,771
(Increase) decrease in accounts and bills receivables	**(420,657)**	1,668,636
Increase in prepayments, deposits and other receivables	**(44,496)**	(30,824)
Decrease in finance lease receivables	**7,966**	4,591
Increase (decrease) in accounts and bills payables	**740,834**	(173,542)
(Decrease) increase in other payables and accruals and deferred income	**(290,640)**	569,111
Increase in contract assets	**(1,123,036)**	(2,153,913)
(Decrease) increase in contract liabilities	**(78,284)**	915,603
Decrease (increase) in restricted bank balances	**141,075**	(112,798)
Effect of foreign exchange rate changes, net	**36,384**	119,520
Cash generated from operations	**623,269**	1,225,979
Interest received	**7,189**	15,320
Mainland China income tax paid	**(89,758)**	(95,625)
NET CASH FROM OPERATING ACTIVITIES	**540,700**	1,145,674

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(60,728)**	(60,043)
Proceeds from disposal of property, plant and equipment	**2,082**	1,528
Additions to other intangible assets	**(86,265)**	(70,052)
Net cash outflows on acquisition of subsidiaries	**(11,379)**	(414,844)
Net cash inflows on disposal of subsidiaries	**–**	7,914
Proceeds from disposal of investment properties	**–**	117,386
Proceeds from disposal of investment in joint ventures	**–**	113,093
Proceeds from partial disposal of investment in subsidiary	**–**	5,575
Proceeds from partial disposal of investment in associates	**54,492**	1,642,194
Proceeds from disposal of financial assets at fair value through other comprehensive income	**57,212**	40,196
Proceeds from disposal of financial assets at fair value through profit or loss	**1,306,015**	1,160,782
Dividend income from financial assets at fair value through profit or loss	**716**	–
Dividend income from financial assets at fair value through other comprehensive income	**1,329**	6,396
Dividends received from joint ventures	**–**	93,294
Dividends received from associates	**487**	26,473
Investments in joint ventures	**(18,086)**	–
Investments in associates	**(467)**	(35,041)
Purchase of financial assets at fair value through profit or loss	**(1,225,038)**	(1,125,061)
NET CASH FROM INVESTING ACTIVITIES	**20,370**	1,509,790
FINANCING ACTIVITIES		
Exercise of shares options	**4,450**	6,631
New bank borrowings	**2,266,165**	2,925,161
Repayment of bank borrowings	**(2,748,830)**	(4,018,992)
Repayment of lease liabilities	**(135,615)**	(118,803)
Repayment of corporate bonds	**–**	(2,439)
Interest paid	**(97,108)**	(142,123)
Dividends paid	**(182,967)**	(162,829)
Dividends paid to non-controlling shareholders	**(38,500)**	(28,739)
Purchase of shares under the restricted share award scheme	**(270,673)**	(493,623)
Payments to acquire additional interests in non-wholly-owned subsidiaries	**(3,737)**	(62)
Repurchase of shares of a subsidiary	**(72,857)**	(164,562)
Contribution from non-controlling shareholders of subsidiaries	**357,952**	664,124
Distribution to non-controlling shareholder upon deregistration of a subsidiary	**(4,505)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(926,225)**	(1,536,256)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(365,155)**	1,119,208
Cash and cash equivalents at beginning of year	**3,076,717**	1,890,171
Effect of foreign exchange rate changes, net	**67,652**	67,338
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**2,779,214**	3,076,717
Analysis of components of cash and cash equivalents		
Bank balances and cash	**2,765,046**	3,051,467
Non-pledged time deposits	**14,168**	25,250
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of the cash flows	**2,779,214**	3,076,717

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 fin-tech 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 other traditional services, including system integration, e-commerce supply chain service, etc.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than the Group's subsidiaries operated in the People's Republic of China (the "**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and other subsidiaries are HK$.

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 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 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

Except as described below, the application of the 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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments have had no impact on the consolidated financial statements as none of the bank borrowings has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost, upon modification of these bank borrowings provided that the "economically equivalent" criterion is met.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
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[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[2]

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 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 the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update a reference to HKFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK (IFRIC)-Int 21 Levies, the acquirer applies HK (IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Amendments to HKAS 1 — Classification of liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to HKAS 16 — Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (CONTINUED)

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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 in the principal (or most advantageous) market at the measurement date (i.e. an exit price) 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 principal 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. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; (iv) any additional facts and circumstances that indicate that the Group has the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholdings' meeting; or (v) a combination of the above, based on all relevant facts and circumstances.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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 owners of the Company.

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 earnings 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.

Business combinations

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (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 "interests 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, except for the investments classified as held for sale in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Under the equity method, investments in associates and joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, which determined using the equity method together with 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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.

After application of the equity method, including recognising the associate's or joint venture's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate or joint venture is impaired. Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognised. 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.

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at its fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

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 unrelated investors' interests in the associate or joint venture. 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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 (the "**Criteria**") 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.

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 specified 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 business

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from sales of software products business and e-commerce supply chain 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 or services to customers.

Revenue from software development and technical services business and supply chain operation and maintenance business are recognised over time.

Revenue from system integration is recognised over time when any of the Criteria is met. Otherwise, it is recognised at a point in 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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 exists 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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, unless those costs are incurred to produce inventories.

Except for the right-of-use assets classified as investment properties and measured under fair value model, right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities (other than adjustments to lease liabilities resulting from COVID-19-related rent concession in which the Group applied the practical expedient). They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the 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.

Variable rents, if any, that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease modification

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, 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.

COVID-19-Related Rent Concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether a COVID-19-Related Rent Concession for lease contracts is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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 except for investment properties under fair value model.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessor (Continued)

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.

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. Hong Kong dollars) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All other 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 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.

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 profit before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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 on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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. SIGNIFICANT ACCOUNTING POLICIES (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.

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is 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 allocate 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 professional fees 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 including properties under construction for such purpose. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

If an item of property, plant and equipment and right-of-use assets becomes an investment property when there is a change in use, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. The asset revaluation reserve in respect of that item will be transferred directly to retained profits when it is derecognised.

If a property held for sale becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that property at the date of transfer is recognised in profit or loss.

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.

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 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 five years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

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 with finite useful lives 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

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 trade 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item (note 6).

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Impairment of financial assets

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 trade 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.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has 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.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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 borrower 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).

The Group considers that default has occurred when a financial asset is more than 90 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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, or in the case of accounts and bills receivables, when the amounts are over 3 months past due, 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 described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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 expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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 become 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. SIGNIFICANT ACCOUNTING POLICIES (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.

Pension schemes

The Group operates a defined contribution 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 the statement of 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 the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING POLICIES (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. 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories/properties under development/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.

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 the statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

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 2021 (2020: 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, except for those classified as held for sale in accordance with HKFRS 5, 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 Company Ltd. (神州數碼信息服務股份有限公司) ("**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 40.29% (2020: 40.28%) 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.

Significant influence over associates

DigiWin Software Co. Ltd. ("DWS") (listed on the ChiNext of The Shenzhen Stock Exchange)

Up to the date of disposal of DWS in 2020 as disclosed in note 21, the Group considered that it had significant influence in DWS even though it owned 19.26% (15.44% was held through DCITS while 3.82% was held through its wholly-owned subsidiary) ownership interest and voting power of DWS taking into account 1) the Group was the single major shareholder of DWS and such ownership interest was significant relative to other shareholders due to the wide dispersion of shareholding interests; and 2) the representation on the board of directors of DWS.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Significant influence over associates (Continued)

HC Group Inc. ("HCI")

The Group considers that it has significant influence in HCI even though it owns 19.37% (2020: 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 2021 and 2020.

Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited ("Jingu")

Up to the date the Group lost significant influence in Jingu as disclosed in noted 21, the Group considered that it had significant influence in Jingu even though it owned 9.78% (2020: 9.78%) ownership interest and voting power taking into account 1) the Group is one of the largest shareholders 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 Jingu.

Key sources of estimation uncertainty

The following 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

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, including but not limited to the impacts of COVID-19 pandemic. 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 2021, the carrying amount of goodwill is approximately HK$1,921,555,000 (2020: HK$1,877,561,000). No impairment loss was recognised during the year ended 31 December 2021 (2020: impairment loss of HK$141,324,000 has been recognised). Details of the accumulated impairment and recoverable amount calculations are disclosed in note 18.

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 2021, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately HK$1,166,943,000 (2020: HK$714,300,000). As at 31 December 2021, the carrying amount of the unlisted investments classified as financial assets at FVTPL was approximately HK$924,996,000 (2020: HK$922,911,000). 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 and intangible assets

At the end of each reporting period, the directors of the Company review the estimated useful lives of property, plant and equipment and intangible assets with finite useful life. The carrying amounts of property, plant and equipment and intangible assets with finite useful life as at 31 December 2021 is HK$914,755,000 (2020: HK$992,378,000) and HK$230,893,000 (2020: HK$195,700,000) respectively.

Fair values of investment properties

As at 31 December 2021, the Group's investment properties amounted to HK$5,839,539,000 (2020: HK$5,126,601,000). 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Expected credit losses 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, based 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 2021, impairment loss of accounts and bills receivables of approximately HK$192,459,000 was recognised (2020: HK$86,734,000 was reversed) in the profit or loss. The carrying amount of accounts and bills receivables was approximately HK$3,998,232,000 (2020: HK$3,762,356,000), net of loss allowance of approximately HK$806,790,000 (2020: HK$682,352,000).

During the year ended 31 December 2021, reversal of impairment loss (2020: impairment loss) of other receivables of approximately HK$111,383,000 (2020: HK$84,175,000) was recognised in the profit or loss. The carrying amount of deposits and other receivables was approximately HK$1,911,171,000 (2020: HK$1,835,656,000), net of loss allowance of approximately HK$118,215,000 (2020: HK$225,607,000).

During the years ended 31 December 2021 and 2020, no impairment loss of the loans to joint ventures has been recognised in the profit or loss. The carrying amount of loans to joint ventures was approximately HK$288,280,000 (2020: HK$177,262,000) without any loss allowance.

During the year ended 31 December 2021, impairment loss of contract assets of approximately HK$48,858,000 (2020: HK$275,745,000) was recognised in the profit or loss. The carrying amount of contract assets was approximately HK$3,479,419,000 (2020: HK$2,405,241,000), net of loss allowance of approximately HK$348,871,000 (2020: HK$292,700,000).

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and 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 market development, including but not limited to the impacts of COVID-19 pandemic. 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 2021, the carrying amounts of right-of-use assets, property, plant and equipment, and intangible assets were HK$283,786,000, HK$914,755,000 and HK$230,893,000 (2020: HK$202,970,000, HK$992,378,000 and HK$195,700,000) 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

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 system integration and 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 2021, provisions for and write-off of obsolete inventories of approximately HK$17,044,000 (2020: HK$109,038,000) was recognised in the profit or loss. As at 31 December 2021, the carrying amount of inventories was approximately HK$2,570,751,000 (2020: HK$2,614,291,000).

Impairment assessment of interests in associates and joint ventures

At the end of the reporting period, the directors of the Company review the carrying amounts of its interests in associates and joint ventures of approximately HK$1,814,012,000 (2020: HK$2,430,714,000) and HK$90,728,000 (2020: HK$73,725,000) respectively, 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 and discount rates. Based on the estimated recoverable amounts, there is no impairment loss of associates and joint ventures for both years.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

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 2021 were approximately HK$254,612,000 (2020: HK$225,211,000) and HK$651,420,000 (2020: HK$465,878,000), respectively. The amount of unrecognised tax losses and certain deductible temporary differences at 31 December 2021 was approximately HK$1,659,297,000 (2020: HK$1,565,069,000). 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.

During the year ended 31 December 2021, the CODM reorganised its internal reporting structure and considered that a revision to the reportable segments can better reflect how the businesses of the Group are managed and reviewed. Accordingly, prior year's segment information has been re-presented to conform with the current year's presentation.

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 native transformation, supply chain digital native 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 our big data products and solutions business.

(c) The Traditional Services business segment: provides 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 profit, which is a measure of adjusted profit before tax. The segment results is measured consistently with the Group's profit before tax except that certain interest income, certain 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 2021 and 2020.

	Big Data Products and Solutions		Software and Operating Services		Traditional Services		Elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
External	2,329,287	1,936,113	6,533,328	5,790,697	11,676,845	12,092,717	–	–	20,539,460	19,819,527
Inter-segment	160,825	16,072	110,063	132,786	106,711	65,397	(377,599)	(214,255)	–	–
	2,490,112	1,952,185	6,643,391	5,923,483	11,783,556	12,158,114	(377,599)	(214,255)	20,539,460	19,819,527
Segment gross profit	833,868	605,713	1,337,465	1,377,872	1,593,367	1,375,251			3,764,700	3,358,836
Segment results	(76,749)	(214,942)	683,387	422,297	1,068,009	1,395,600			1,674,647	1,602,955
Unallocated										
Interest income									8,073	10,759
Income and gains									63,606	36,829
Unallocated expenses									(460,819)	(355,217)
Profit from operating activities									1,285,507	1,295,326
Finance costs									(143,695)	(148,456)
Profit before tax									1,141,812	1,146,870

	Big Data Products and Solutions		Software and Operating Services		Traditional Services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities								
Segment assets	3,418,002	2,894,008	4,400,584	4,080,108	16,516,006	15,497,720	24,334,592	22,471,836
Unallocated assets							5,266,307	5,549,129
Total assets							29,600,899	28,020,965
Segment liabilities	1,047,701	1,040,863	2,082,735	2,016,673	5,223,392	4,827,670	8,353,828	7,885,206
Unallocated liabilities							6,379,722	6,371,127
Total liabilities							14,733,550	14,256,333

5. SEGMENT INFORMATION (CONTINUED)

	Big Data Products and Solutions		Software and Operating Services		Traditional Services		Unallocated		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:										
Depreciation of property, plant and equipment	**4,767**	6,371	**82,956**	77,609	**15,158**	21,070	**21,440**	21,836	**124,321**	126,886
Depreciation of right-of-use assets	**–**	–	**103,025**	111,504	**595**	1,474	**30,898**	8,222	**134,518**	121,200
Amortisation of other intangible assets	**28,170**	32,053	**2,339**	6,195	**551**	384	**24,946**	12,737	**56,006**	51,369
Addition to non-current assets*	**86,418**	83,360	**131,428**	130,989	**13,041**	214,170	**155,827**	12,186	**386,714**	440,705
Impairment (reversal of impairment) of accounts and bills receivables, other receivables and contract assets	**135,631**	108,137	**71,249**	82,449	**(42,369)**	81,740	**(34,577)**	860	**129,934**	273,186
Reversal of impairment of finance lease receivables	**–**	–	**–**	–	**(326)**	(1,695)	**–**	–	**(326)**	(1,695)
Provision for and write-off of obsolete inventories	**914**	112	**142**	1,681	**15,988**	107,245	**–**	–	**17,044**	109,038
Share of profit (loss) of associates	**6,780**	2,750	**(547)**	(3,080)	**(110,298)**	(113,536)	**–**	–	**(104,065)**	(113,866)
Share of profit (loss) of joint ventures	**–**	–	**970**	973	**(3,738)**	(12,374)	**–**	–	**(2,768)**	(11,401)
Government grants	**45,855**	40,716	**47,835**	48,936	**2,031**	4,546	**21,595**	13,337	**117,316**	107,535
Fair value gain on investment properties	**–**	–	**–**	–	**267,612**	701	**–**	–	**267,612**	701
Gain (loss) on deemed partial disposal of equity interests in associates	**–**	–	**–**	–	**7,284**	(142,941)	**–**	–	**7,284**	(142,941)
Gain on deemed disposal of equity interest in an associate	**–**	–	**–**	–	**9,500**	–	**–**	–	**9,500**	–
Gain on disposal of equity interests in joint ventures	**–**	–	**–**	266	**–**	106,695	**–**	–	**–**	106,961
Gain on disposal/partial disposal of equity interests in associates	**12,708**	–	**–**	–	**–**	982,080	**–**	–	**12,708**	982,080
Gain on disposal/partial disposal of equity interests in subsidiaries	**–**	642	**–**	–	**–**	27,865	**–**	–	**–**	28,507
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**10,861**	–	**–**	–	**10,861**	–
Impairment loss of goodwill	**–**	141,324	**–**	–	**–**	–	**–**	–	**–**	141,324
Interests in associates	**160,936**	180,473	**104,865**	103,110	**1,548,211**	2,147,131	**–**	–	**1,814,012**	2,430,714
Interests in joint ventures	**–**	–	**28,977**	28,262	**61,751**	45,463	**–**	–	**90,728**	73,725
Interest income on bank deposits#	**–**	–	**–**	–	**–**	–	**8,073**	10,759	**8,073**	10,759
Finance costs#	**–**	–	**–**	–	**–**	–	**143,695**	148,456	**143,695**	148,456
Income tax expense#	**–**	–	**–**	–	**–**	–	**168,144**	181,518	**168,144**	181,518

* Addition to non-current assets consists of additions to property, plant and equipment, right-of-use assets, investment properties and other intangible assets (including assets from the acquisition of subsidiaries of approximately HK$213,812,000 for the year ended 31 December 2020 (2021: nil)).

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 geographic information is presented.

Information about major customers

During the years ended 31 December 2021 and 2020, 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 is as follows:

	2021 HK$'000	2020* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines:		
Sales of software products business	**369,365**	182,422
Software development and technical service business	**5,856,724**	5,371,986
Supply chain operation and maintenance business	**2,748,146**	2,235,796
System integration business	**7,269,972**	6,231,637
E-commerce supply chain business	**3,549,075**	4,887,536
Others	**316,640**	528,871
Total revenue from contract with customers	**20,109,922**	19,438,248
Revenue from other sources		
Rental income from investment properties under operating lease	**402,380**	357,849
Financial services business	**27,158**	23,430
Total revenue from other sources	**429,538**	381,279
Total revenue	**20,539,460**	19,819,527

* In order to provide a better picture of the Group's revenue streams additional revenue category is included in current year and comparative figures had been re-presented accordingly.

(i) Revenue from contracts with customers

Disaggregation of revenue by timing of recognition

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition		
At a point in time	**11,505,052**	11,830,466
Over time	**8,604,870**	7,607,782
	20,109,922	19,438,248

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 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK$7,584,945,000 (2020: HK$7,776,000,000). 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 years (2020: within three years).

(ii) Other income and gains

	Notes	2021 HK$'000	2020 HK$'000
Other income			
Government grants	44	**117,316**	107,535
Interest on bank deposits		**8,073**	10,759
Income from wealth management financial products		**41,759**	23,544
Dividends income from financial assets at fair value through other comprehensive income		**1,329**	6,396
Dividends income from financial assets at fair value through profit or loss		**716**	–
Others		**38,424**	48,809
		207,617	197,043
Gains			
Net exchange gains		**–**	1,830
Fair value gain on investment properties	15	**267,612**	701
Fair value gain on transfer to investment properties from completed properties held for sale	15	**–**	6,969
Gain on partial disposal of equity interest in a subsidiary	40(b)	**–**	12,346
Gain on disposal of equity interests in subsidiaries	40(e)	**–**	16,161
Gain on disposal of financial assets at fair value through profit or loss	23	**10,861**	–
		278,473	38,007
Total other income and gains		**486,090**	235,050

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging (crediting):

	2021 HK$'000	2020 HK$'000
Employee benefit expense (including directors' and chief executives' remuneration *(note 9)*):		
Salaries and allowances	2,781,821	2,288,735
Share-based compensation	113,416	82,831
Pension scheme contributions[1]	251,902	74,947
Other benefits	432,212	345,981
	3,579,351	2,792,494
(Gain) loss on deemed partial disposal of equity interests in associates	(7,284)	142,941
Gain on deemed disposal of equity interest in an associate	(9,500)	–
Gain on disposal/partial disposal of equity interests in associates	(12,708)	(982,080)
Gain on disposal of equity interests in joint ventures	–	(106,961)
	(29,492)	(946,100)
Share of losses of associates	104,065	113,866
Share of losses of joint ventures	2,768	11,401
	106,833	125,267
Amount of inventories recognised as an expense	10,061,248	10,499,493
Auditor's remuneration	2,980	2,900
Depreciation of property, plant and equipment	124,321	126,886
Depreciation of right-of-use assets	134,518	121,200
Research and development costs[2]	763,722	592,457
Amortisation of other intangible assets[2]	56,006	51,369
Provisions for and write-off of obsolete inventories[2]	17,044	109,038
Impairment of accounts and bills receivables, other receivables and contract assets[2]	129,934	273,186
Reversal of impairment of finance lease receivables[2]	(326)	(1,695)
Loss on disposal of property, plant and equipment	2,491	2,293
Loss on write-off of intangible assets	–	1,777
Fair value loss on financial assets at fair value through profit or loss[2]	31,356	10,071
Net exchange loss (gain)[2]	10,568	(1,830)
COVID-19 related rent concessions[3]	–	(850)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties[4]	23,460	24,313

1 At 31 December 2021 and 2020, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years.

2 The net amount of these income or expenses are included in "Other expenses, net" in the consolidated statement of profit or loss.

3 Due to the outbreak of COVID-19, the Group has received numerous forms of rent concessions from lessors including rent forgiveness and deferrals of rent. The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

4 During the year ended 31 December 2021, the Group recognised rental income of approximately HK$402,380,000 (2020: HK$357,849,000).

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank and other borrowings	**62,640**	114,645
Interest on discounted bills	**22,077**	18,428
Interest on lease liabilities	**12,391**	9,050
Interest on other financial liabilities	**46,587**	6,333
	143,695	148,456

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:

	Group	
	2021 HK$'000	2020 HK$'000
Fees	**1,338**	1,200
Other emoluments:		
Salaries and allowances	**9,265**	7,792
Performance related bonus	**1,700**	–
Pension scheme contributions	**929**	870
Share-based compensation	**59,025**	37,306
	70,919	45,968
	72,257	47,168

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:

	2021			2020		
	Fees HK$'000	Share-based compensation HK$'000	Total HK$'000	Fees HK$'000	Share-based compensation HK$'000	Total HK$'000
Mr. WONG Man Chung, Francis	300	1,516	1,816	300	1,209	1,509
Ms. NI Hong, Hope	300	1,516	1,816	300	1,209	1,509
Dr. LIU Yun, John	300	1,516	1,816	300	1,209	1,509
Ms. YAN Xiaoyan[1]	–	–	–	–	764	764
Mr. KING William	300	1,516	1,816	300	1,209	1,509
Mr. CHEN Timothy Yung-cheng[2]	138	369	507	–	–	–
	1,338	6,433	7,771	1,200	5,600	6,800

Note:

During the current year ended 31 December 2021, 1,000,000 share options at the exercise price of HK$4.82 per share were granted to an independent non-executive director. During the year ended 31 December 2020, 2,000,000 share options at the exercise price of HK$6.60 per share were granted to each independent non-executive directors and 100,000 Restricted Share Award Scheme ("**RSU**") were granted to four independent non-executive directors.

(b) Executive directors, non-executive directors and the chief executives

	Fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Share-based compensation HK$'000 *(Note 37)*	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021						
Executive directors:						
Mr. GUO Wei	–	5,750	1,700	50,284	388	58,122
Mr. LIN Yang	–	3,515	–	2,308	541	6,364
	–	9,265	1,700	52,592	929	64,486
Non-executive directors:						
Mr. PENG Jing	–	–	–	–	–	–
Mr. ZENG Shuigen	–	–	–	–	–	–
	–	–	–	–	–	–
	–	9,265	1,700	52,592	929	64,486

9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executives (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Share-based compensation HK$'000 *(Note 37)*	Pension scheme contributions HK$'000	Total remuneration HK$'000
2020						
Executive directors:						
Mr. GUO Wei	–	4,222	–	30,942	422	35,586
Mr. LIN Yang	–	3,570	–	764	448	4,782
	–	7,792	–	31,706	870	40,368
Non-executive directors:						
Mr. PENG Jing	–	–	–	–	–	–
Mr. ZENG Shuigen[3]	–	–	–	–	–	–
Mr. YU Ziping[4]	–	–	–	–	–	–
	–	–	–	–	–	–
	–	7,792	–	31,706	870	40,368

1 Retired on 30 June 2021

2 Appointed on 16 July 2021

3 Appointed on 30 June 2020

4 Resigned on 30 June 2020

Salaries and allowances and performance related bonus as shown in the above table represent the consolidated total amount of salaries and allowances and performance related bonus received by executive and non-executive directors from the Group and Company, including the Group's subsidiary DCITS, as well as other subsidiaries of the Group. Furthermore, share-based compensation is not a cash payment to the directors, but rather a non-cash item where the fair value of these options, per the relevant accounting treatment, has been recorded as a compensation here.

Mr. GUO Wei is the chief executive of the Company.

The performance related bonus is determined by the Group having regard to the directors' 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 (2020: 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 (2020: three) individuals were as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and allowances	**7,010**	5,397
Performance related bonuses	**1,774**	2,869
Share-based compensation	**3,814**	4,169
Pension scheme contributions	**474**	342
	13,072	12,777

Their emoluments were within the following bands:

	Number of employees	
	2021	2020
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	3	3

11. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current – PRC		
EIT		
Charge for the year	77,002	156,735
Over provision in prior years	(733)	(8,205)
LAT	749	29
	77,018	148,559
Current – Hong Kong		
Charge for the year	–	177
Under provision in prior years	40	95
	40	272
Deferred tax *(note 25)*	91,086	32,687
Total tax charge for the year	168,144	181,518

(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) Hong Kong Profits Tax is charged under the two-tiered profits tax rates regime, 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%. For the years ended 31 December 2021 and 2020, 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 credit attributable to joint ventures of approximately HK$301,000 (2020: HK$2,311,000) and the share of tax charge attributable to associates of approximately HK$15,667,000 (2020: tax credit of HK$10,173,000) are included in "Share of losses 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 profit before tax per consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**1,141,812**	1,146,870
Tax at the applicable tax rate	**285,453**	286,718
Income tax on concessionary rates	**(114,383)**	(138,850)
Adjustments in respect of current tax of previous periods	**(693)**	(8,110)
Profits and losses attributable to joint ventures and associates	**26,708**	31,317
Tax effect of unused tax losses not recognised	**64,035**	93,242
Tax effect of deductible temporary differences not recognised	**–**	64,261
Super-deduction of research and development expenses	**(73,529)**	(65,887)
Income not subject to tax	**(25,808)**	(24,486)
Expenses not deductible to tax	**51,267**	81,796
Tax losses utilised from previous periods	**(11,278)**	(138,512)
Utilisation of temporary difference previously not recognised	**(34,377)**	–
LAT	**749**	29
Tax charge at the Group's effective rate	**168,144**	181,518

12. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends paid during the year:		
2019 Final dividends (HK 6.4 cents per share)	**–**	104,283
2020 Interim dividends (HK 3.6 cents per share)	**–**	58,546
2020 Final dividends (HK 10 cents per share)	**152,547**	–
2021 Interim dividends (HK 2 cents per share)	**30,420**	–
	182,967	162,829

Subsequent to the end of the reporting period, the Board recommends the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2021 to the shareholders of the Company ("**Shareholders**"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**2022 AGM**"), the proposed final dividend is expected to be paid on or about 25 July 2022. The date of the 2022 AGM, the date of book closure, the record dates for qualifying to attend the 2022 AGM and receive final dividends will be announced in due course.

The final dividend proposed after the reporting period has not been recognised as liabilities in the consolidated financial statements.

13. EARNINGS PER SHARE

The calculations of the basic earnings per share is based on the 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 1,533,843,722 (2020: 1,624,064,132) during the year.

The calculation of the diluted earnings per share is based on the 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 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 earnings per share are based on the following data:

	2021	2020
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to equity holders of the parent, used in basic earnings per share calculation	**711,588**	612,970
Effect of dilutive potential ordinary shares of a subsidiary	**(110)**	(1,125)
Earnings for the purpose of diluted earnings per share	**711,478**	611,845

	Number of shares	
	2021	2020
Shares		
Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic earnings per share calculation	**1,533,843,722**	1,624,064,132
Effect of dilutive potential ordinary shares:		
Share-based incentive schemes	**5,750,867**	3,501,087
Weighted average number of shares during the year used in the diluted earnings per share calculation	**1,539,594,589**	1,627,565,219

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2021:						
Cost	884,792	204,392	619,811	13,808	4,098	1,726,901
Accumulated depreciation	(115,253)	(172,624)	(434,932)	(11,714)	–	(734,523)
Net carrying amount	769,539	31,768	184,879	2,094	4,098	992,378
At 1 January 2021, net of accumulated depreciation	769,539	31,768	184,879	2,094	4,098	992,378
Additions	9,324	7,804	31,490	–	12,110	60,728
Disposals	–	(414)	(3,912)	(247)	–	(4,573)
Transfers	–	10,738	698	–	(11,436)	–
Surplus on revaluation upon transfer to investment properties	292,689	–	–	–	–	292,689
Transfer to investment properties *(note 15)*	(320,624)	–	–	–	–	(320,624)
Depreciation provided for the year	(18,986)	(21,649)	(83,088)	(598)	–	(124,321)
Exchange realignment	14,296	381	3,561	40	200	18,478
At 31 December 2021, net of accumulated depreciation	746,238	28,628	133,628	1,289	4,972	914,755
At 31 December 2021:						
Cost	883,192	123,054	603,535	12,321	4,972	1,627,074
Accumulated depreciation	(136,954)	(94,426)	(469,907)	(11,032)	–	(712,319)
Net carrying amount	746,238	28,628	133,628	1,289	4,972	914,755

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK$'000	Leasehold improvements HK$'000	Fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2020:						
Cost	855,042	189,407	565,833	11,734	848	1,622,864
Accumulated depreciation	(91,295)	(145,090)	(348,947)	(9,970)	–	(595,302)
Net carrying amount	763,747	44,317	216,886	1,764	848	1,027,562
At 1 January 2020, net of accumulated depreciation	763,747	44,317	216,886	1,764	848	1,027,562
Additions	–	10,613	43,571	276	5,583	60,043
Disposals	–	(590)	(3,209)	(22)	–	(3,821)
Acquisition of subsidiaries *(note 40(a))*	–	–	347	736	–	1,083
Disposal of subsidiaries *(note 40(b)&(e))*	–	–	(1,039)	(8)	–	(1,047)
Surplus on revaluation upon transfer to investment properties	6,379	–	–	–	–	6,379
Transfers	–	1,694	826	–	(2,520)	–
Transfer to investment properties *(note 15)*	(14,588)	–	–	–	–	(14,588)
Depreciation provided for the year	(19,065)	(25,861)	(81,205)	(755)	–	(126,886)
Exchange realignment	33,066	1,595	8,702	103	187	43,653
At 31 December 2020, net of accumulated depreciation	769,539	31,768	184,879	2,094	4,098	992,378
At 31 December 2020:						
Cost	884,792	204,392	619,811	13,808	4,098	1,726,901
Accumulated depreciation	(115,253)	(172,624)	(434,932)	(11,714)	–	(734,523)
Net carrying amount	769,539	31,768	184,879	2,094	4,098	992,378

At 31 December 2021, the Group's property, plant and equipment with net carrying amount of approximately HK$279,538,000 (2020: HK$299,619,000) 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:

	2021 HK$'000	2020 HK$'000
Fair value		
As at 1 January	**5,126,601**	4,598,840
Acquisition of a subsidiary *(note 40(a)(ii))*	**–**	201,797
Transfer from owner-occupied properties or right-of-use assets *(notes 14 and 16)*	**324,530**	16,865
Transfer from completed properties held for sale *(note 27)*	**–**	31,165
Net gain in fair value recognised in profit or loss *(note 6)*	**267,612**	701
Exchange realignment	**120,796**	277,233
As at 31 December	**5,839,539**	5,126,601

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 2021 and 2020 and of the date of transfer based on valuations performed by Savills Valuation and Professional Services Limited, APAC Asset Valuation and Consulting Limited and PG Advisory, independent professionally qualified valuers not connected to the Group, at approximately HK$5,839,539,000 (2020: HK$5,126,601,000) 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 2021, the Group's investment properties with a carrying value of HK$4,502,114,000 (2020: HK$3,937,103,000) were pledged to secure certain bank loans of the Group (note 34).

15. INVESTMENT PROPERTIES (CONTINUED)

During the year ended 31 December 2021, certain owner-occupied properties of HK$320,624,000 (2020: HK$14,588,000) and related right-of-use assets of HK$3,906,000 (2020: HK$2,277,000) at aggregate fair value of HK$324,530,000 (2020: HK$16,865,000) are leased to tenants under operating leases and thus transferred to investment properties. The basis of fair value measurement at date of transfer is described above. A surplus on revaluation upon the transfer of HK$292,689,000 (2020: HK$6,379,000) is recognised in other comprehensive income and accumulated in assets revaluation reserve.

During the year ended 31 December 2020, certain completed properties held for sale at a fair value of HK$31,165,000 were leased to tenants under operating leases and thus transferred to investment properties. The basis of fair value measurement at date of transfer was described above. A surplus on revaluation upon the transfer of HK$6,969,000 was recognised in profit or loss.

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) HK$'000	**(Level 2) HK$'000**	**(Level 3) HK$'000**	**Fair value 2021 Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**5,839,539**	**5,839,539**

	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Fair value 2020 Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	5,126,601	5,126,601

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2021 and 2020.

15. INVESTMENT PROPERTIES (CONTINUED)

The following table gives information about how the fair values of the investment properties as at 31 December 2021 and 2020 are determined (in particular, the valuation techniques and inputs used):

	Valuation techniques and key inputs	Significant unobservable inputs	Range or weighted average 2021	2020
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) (HK$)	**From 20 to 349**	From 24 to 395
		Long term vacancy rate	**From 5% to 12%**	From 5% to 18%
		Discount rate	**From 6% to 7.5%**	From 6% to 8%
	Market comparison approach – by reference to recent selling price of comparable properties and adjusted to reflect the time, size and location of the property	Discount on time, 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 would be to convert those properties for residential purposes. For strategic reasons, the properties are not being used in this manner. There have been no other changes from the valuation technique used in the prior year.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum 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 rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

16. RIGHT-OF USE ASSETS

Movement of the Group's right-of-use assets is as below:

	Land HK$'000	Building HK$'000	Total HK$'000
At 1 January 2020	58,825	174,831	233,656
Additions	–	96,798	96,798
Transfer to investment properties	(2,277)	–	(2,277)
Write-off	–	(14,593)	(14,593)
Depreciation	(1,529)	(119,671)	(121,200)
Exchange realignment	3,063	7,523	10,586
At 31 December 2020 and 1 January 2021	**58,082**	**144,888**	**202,970**
Additions	**–**	**239,721**	**239,721**
Transfer to investment properties	**(3,906)**	**–**	**(3,906)**
Write-off	**–**	**(26,861)**	**(26,861)**
Depreciation	**(1,370)**	**(133,148)**	**(134,518)**
Exchange realignment	**1,347**	**5,033**	**6,380**
At 31 December 2021	**54,153**	**229,633**	**283,786**

As at 31 December 2021 and 2020, right-of-use assets of HK$54,153,000 (2020: HK$58,082,000) represent land use rights located in the PRC.

As at 31 December 2021, the Group's land use rights with a carrying value of approximately HK$16,391,000 (2020: HK$20,291,000) 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

	2021 HK$'000	2020 HK$'000
Non-current	**105,609**	50,547
Current	**110,346**	83,215
	215,955	133,762

Amounts payable under lease liabilities	2021 HK$'000	2020 HK$'000
Within one year	**110,346**	83,215
After one year but within two years	**55,364**	38,749
After two years but within five years	**50,245**	11,798
	215,955	133,762
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(110,346)**	(83,215)
Amount due for settlement after 12 months	**105,609**	50,547

During the year ended 31 December 2021, the Group entered into a number of new lease agreements for building and recognised lease liabilities of HK$239,721,000 (2020: HK$96,798,000).

Rent concessions

During the year ended 31 December 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

The Group had early applied amendment to HKFRS 16 and the lease concession as a direct consequence of COVID-19.

These rent concessions occurred as a direct consequence of COVID-19 pandemic, which met of all of the conditions in HKFRS16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. Accordingly, during the year ended 31 December 2020, rent concessions totaling HK$850,000 had been accounted for as negative variable lease payments and recognised in the profit or loss, with the corresponding adjustment made to the lease liabilities.

17. LEASES (CONTINUED)

(ii) Amounts recognised in profit or loss

	2021 **HK$'000**	2020 HK$'000
Expense relating to short-term leases	**15,349**	21,552
Depreciation of right-of-use assets	**134,518**	121,200
Rent concession related to COVID-19 *(note)*	**–**	850
Interest on lease liabilities	**12,391**	9,050

Note: As disclosed in note 3 and note 17(i), the Group had early adopted the Amendment to HKFRS 16, COVID-19-Related Rent Concessions, and applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year ended 31 December 2020.

(iii) Others

At 31 December 2021 and 2020, the Group did not have committed lease agreements that were not yet commenced.

During the year ended 31 December 2021, the total cash outflow for leases amounted to HK$163,355,000 (2020: HK$149,405,000).

Restrictions or covenants on leases

As at 31 December 2021, lease liabilities of HK$215,955,000 (2020: HK$133,762,000) are recognised with related right-of-use assets of HK$229,633,000 (2020: HK$144,888,000). 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:

	2021 HK$'000	2020 HK$'000
At 1 January:		
Cost	2,461,213	2,306,392
Accumulated impairment	(583,652)	(418,697)
Net carrying amount	1,877,561	1,887,695
Cost at 1 January, net of accumulated impairment	1,877,561	1,887,695
Arising on acquisition of subsidiaries *(note 40(a))*	–	23,536
Impairment loss recognised for the year	–	(141,324)
Exchange realignment	43,994	107,654
Cost at 31 December, net of accumulated impairment	1,921,555	1,877,561
At 31 December:		
Cost	2,518,884	2,461,213
Accumulated impairment	(597,329)	(583,652)
Net carrying amount	1,921,555	1,877,561

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:

	2021 HK$'000	2020 HK$'000
Rural information services	637,643	623,044
Mobile network optimisation and big data services for communications	1,056,389	1,032,203
Data integration and management software sales	85,828	83,863
Agricultural internet of things services	24,005	23,456
Technical services	20,203	19,740
Agricultural internet services	72,260	70,605
Cloud Services	25,227	24,650
Total	1,921,555	1,877,561

18. GOODWILL (CONTINUED)

Impairment testing of goodwill

Rural information services CGU

During the year ended 31 December 2020, the Group recognised an impairment loss of HK$141,324,000 (2021: nil) in related to goodwill arising on acquisition of 北京中農信達信息技術有限公司 due to the slowdown of demand for rural information services.

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 12.12% (2020: 13.15%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2020: 2.3%).

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 11.85% (2020: 12.39%) and cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (2020: 2.5%).

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% (2020: 16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2020: 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 11.43% (2020: 12.56%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2020: 2.5%).

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 11.53% and 16.5% (2020: 13.38% and 16.5%) and cash flows beyond the five-year period are extrapolated using growth rate ranging of 2.5% and 3% (2020: 2.5% and 3%).

Agricultural internet services CGU

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 13.84% (2020: 15.16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2020: 2.5%).

18. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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 11.34% (2020: 13.55%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2020: 2.5%).

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 HK$'000	Deferred development costs HK$'000	Systems software HK$'000	Total HK$'000
At 1 January 2021:				
Cost	24,129	59,904	302,744	386,777
Accumulated amortisation and impairment	(18,713)	–	(172,364)	(191,077)
Net carrying amount	5,416	59,904	130,380	195,700
Cost at 1 January 2021, net of accumulated amortisation and impairment	5,416	59,904	130,380	195,700
Additions	404	71,164	14,697	86,265
Amortisation provided for the year	(239)	–	(55,767)	(56,006)
Transfers	–	(55,063)	55,063	–
Exchange realignment	130	2,014	2,790	4,934
At 31 December 2021	5,711	78,019	147,163	230,893
At 31 December 2021:				
Cost	24,663	78,019	375,294	477,976
Accumulated amortisation and impairment	(18,952)	–	(228,131)	(247,083)
Net carrying amount	5,711	78,019	147,163	230,893

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patents and licences HK$'000	Deferred development costs HK$'000	Systems software HK$'000	Total HK$'000
At 1 January 2020:				
Cost	23,112	69,247	202,732	295,091
Accumulated amortisation and impairment	(18,599)	–	(118,727)	(137,326)
Net carrying amount	4,513	69,247	84,005	157,765
Cost at 1 January 2020, net of accumulated amortisation and impairment	4,513	69,247	84,005	157,765
Additions	720	59,067	10,265	70,052
Acquired on acquisition of a subsidiary *(note 40(a))*	–	2,976	7,956	10,932
Write-off	–	(1,777)	–	(1,777)
Amortisation provided for the year	(114)	–	(51,255)	(51,369)
Transfers	–	(74,791)	74,791	–
Exchange realignment	297	5,182	4,618	10,097
At 31 December 2020	5,416	59,904	130,380	195,700
At 31 December 2020:				
Cost	24,129	59,904	302,744	386,777
Accumulated amortisation and impairment	(18,713)	–	(172,364)	(191,077)
Net carrying amount	5,416	59,904	130,380	195,700

20. INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Share of net assets	**67,255**	50,790
Goodwill on acquisition	**23,473**	22,935
	90,728	73,725

The details of the Group's accounts receivable balances due from joint ventures are disclosed in note 28.

All the joint ventures have been accounted for using the equity method in these consolidated financial statements.

During the year ended 31 December 2020, the Group disposed of its entire equity interests in certain joint ventures with an aggregate carrying amount of approximately HK$6,132,000 for an aggregate cash consideration of approximately HK$113,093,000 and the gain on disposal of equity interests in joint ventures of approximately HK$106,961,000 had been recognised in profit or loss.

In the opinion of the directors of the Company, all joint venture of the Group are not individually material and to give details of each joint venture 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:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of the Group's interests in joint ventures	**90,728**	73,725
Share of the joint ventures' loss for the year	**(2,768)**	(11,401)
Share of the joint ventures' total comprehensive expense for the year	**(2,768)**	(11,401)
Dividend received from joint ventures during the year	**–**	93,294

21. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Share of net assets	**1,309,802**	1,918,276
Goodwill on acquisition	**504,210**	512,438
	1,814,012	2,430,714
Analysed into:		
Unlisted shares	**854,513**	1,345,444
Shares listed in Hong Kong	**959,499**	1,085,270
	1,814,012	2,430,714

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 trading balances with associates are disclosed in notes 28 and 32, respectively.

As at 31 December 2021 and 2020, 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 2021	2020	Principal activities
HCI*	Cayman Islands/Mainland China	HK$130,993,112	**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.

* Listed on the Main Board of The Stock Exchange of Hong Kong Limited. The total market value of the Group's interests in HCI as at 31 December 2021 was approximately HK$169,960,000 (2020: HK$281,576,000). The market value is lower than the carrying amount of interest in HCI, the management of the Group conducted a review on the recoverable amount of its interest in this associate by reference to the value in use of the associate and considered no impairment is necessary. Goodwill relating to HCI included in the carrying amount of approximately HK$959,499,000 (2020: HK$1,080,011,000) is approximately HK$357,127,000 (2020: HK$348,951,000).

Note: In the opinion of the Directors of the Company, the Group has significant influence over associates in which the Group owns less than 20% of voting right. The basis of judgement is disclosed in note 4.

During the year ended 31 December 2021, the Group invested HK$467,000 (2020: HK$35,041,000) in certain associates which are not individually material to the Group.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates

(i) 內蒙古呼和浩特金谷農村商業銀行股份有限公司 ("金谷銀行")

On 10 November 2021, there is change in representation and composition of the board of directors of 金谷銀行 following the resignation of the Group's sole representative in the board of directors of 金谷銀行. Accordingly, the Group is not able to exercise significant influence over 金谷銀行 since then.

The equity interests of the Group in 金谷銀行 remains at 9.78% while 金谷銀行 ceased to be an associate of the Company. The interest at fair value of HK$557,851,000 has been accounted for a financial asset at FVTOCI for medium to long-term strategic purpose. Details of fair value measurement are set out in note 48. The resulted gain on disposal of approximately HK$9,500,000 had been recognised in profit or loss and was calculated as follow:

	2020 HK$'000
Fair value of investment	557,851
Less: carrying amount of investment on the date of loss of significant influence	(548,351)
Gain recognised	9,500

(ii) Digital China Health Technologies Co., Ltd ("Digital China Health")

On 14 January 2020, the Group entered into a sale and purchase agreement with an independent third party (the "**Transferee 1**") pursuant to which the Group has agreed to sell the entire equity interest in Beijing Lizhi Weixin Technology Co., Ltd, an indirect non-wholly-owned subsidiary of the Company, which in turn holds 32,720,636 shares in Digital China Health, representing approximately 14.05% of the entire issued share capital of Digital China Health. Under the agreement, the total consideration for the disposal payable by the Transferee 1 shall be the U.S. dollar equivalent of RMB500,000,000 (equivalent to approximately HK$548,089,000). Details were set out in the Company's announcement dated 15 January 2020.

After completion of the disposal in 2020, the equity interests of the Group in Digital China Health decreased from 20.04% to 5.99%, and Digital China Health ceased to be an associate of the Company. The retained interest at fair value of HK$191,935,000 has been accounted for a financial asset at FVTOCI for medium to long-term strategic purpose. Details of fair value measurement are set out in note 48. The resulted gain on disposal of interest in Digital China Health of approximately HK$441,456,000 had been recognised in profit or loss and was calculated as follow:

	2020 HK$'000
Proceeds from disposal	548,089
Plus: fair value of investment retained (5.99%)	191,935
Less: carrying amount of 20.04% investment on the date of loss of significant influence	(298,568)
Gain recognised	441,456

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(iii) DWS

Up to the date of disposal of DWS in 2020, the Group owns 19.26% ownership interest in DWS (of which 15.44% was held through DCITS, a non-wholly-owned subsidiary, while 3.82% was held through its wholly-owned subsidiary).

During the year ended 31 December 2020, the Group disposed of aggregate 16.94% of equity interest in DWS in at an aggregate consideration of RMB688,880,000 (equivalent to HK$809,685,000).

After completion of the disposal, the aggregate equity interests of the Group in DWS decreased from 19.26% to 2.32%, and DWS ceased to be an associate of the Company. The retained interest at fair value of HK$199,431,000 had been accounted for a financial asset at fair value through profit or loss for trading purpose. Details of fair value measurement are set out in note 48. The resulted gain on disposals of interest in DWS of approximately HK$474,748,000 had been recognised in profit or loss and was calculated as follow:

	2020 HK$'000
Proceeds from disposal	809,685
Plus: fair value of investment retained (2.32%)	199,431
Less: carrying amount of 19.26% investment on the date of loss of significant influence	(534,368)
Gain recognised	474,748

(iv) Deemed partial disposal of equity interests in associates

During the year ended 31 December 2021, the Group's interests in certain of its associates were diluted from 23.81% to 21.32% due to the capital injections by the other equity holders of the respective associates. Following the capital injections, the Group continues to exercise significant influence over these associates and therefore they remain as associates of the Group. The Group recorded a gain on deemed partial disposal of approximately HK$7,284,000 (2020: loss of HK$142,941,000) in profit or loss.

(v) Disposal/partial disposal of associates

During the year ended 31 December 2021, the Group disposed of its equity interests in certain associates with an aggregate carrying amount of approximately HK$41,784,000 (2020: HK$17,148,000) for an aggregate cash consideration of approximately HK$54,492,000 (2020: HK$83,024,000) and the resulted gain on partial disposal of equity interest in an associate of approximately HK$12,708,000 (2020: gain on disposal of equity interest in an associate of HK$65,876,000) has been recognised in profit or loss.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(vi) 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:

	2021 HK$'000	2020 HK$'000
Current assets	**3,449,470**	3,418,794
Non-current assets	**3,007,109**	4,071,687
Current liabilities	**(1,810,493)**	(2,649,853)
Non-current liabilities	**(709,913)**	(439,453)
Net assets	**3,936,173**	4,401,175
Less: Non-controlling interests	**(826,354)**	(599,836)
Net assets attributable to shareholders of the associate	**3,109,819**	3,801,339
Revenue	**21,071,555**	16,367,418
Loss for the year	**(802,981)**	(839,739)
Other comprehensive (expense) income for the year	**(54,402)**	2,479
Total comprehensive expense for the year	**(857,383)**	(837,260)
Dividend received from associate during the year	**–**	–

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	2021 HK$'000	2020 HK$'000
Net assets of the associate	**3,109,819**	3,801,339
Proportion of the Group's ownership interest in HCI	**19.37%**	19.37%
Goodwill	**357,127**	348,951
Carrying amount of the Group's interest in HCI	**959,499**	1,085,270

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(vi) Financial information of associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of the Group's investments in associates that are not individually material	**854,513**	1,345,444
Share of the associates' profit for the year	**44,711**	53,879
Share of the associates' total comprehensive income for the year	**44,711**	53,879
Dividend received from associates during the year	**487**	26,473
Impairment loss recognised during the year	**–**	–

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	2021 HK$'000	2020 HK$'000
Equity instruments designated as at FVTOCI		
Unlisted equity investments	**1,166,943**	714,300

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 2021, the Group has disposed of certain unlisted equity investments at consideration of HK$57,212,000 (2020: HK$40,196,000).

During the year ended 31 December 2021, certain unlisted equity investments with a fair value of approximately HK$557,851,000 (2020: HK$191,935,000) were reclassified from "interests in associates" to "financial assets at FVTOCI". Details are set out in note 21.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL comprise:

	2021 HK$'000	2020 HK$'000
Financial assets measured at FVTPL		
Listed equity securities	**148,592**	199,503
Unlisted wealth management financial products *(note)*	**924,996**	922,911
	1,073,588	1,122,414

During the year ended 31 December 2021, the Group has disposed of certain listed equity securities at consideration of HK$40,107,000 (2020: nil) and the gain on disposal is HK$10,861,000 (2020: nil).

Details of the fair value of these investments are disclosed in note 48.

During the year ended 31 December 2020, certain listed equity investments with a fair value of approximately HK$199,431,000 were reclassified from "interests in associates" to "financial assets at FVTPL". Details are set out in note 21. During the year ended 31 December 2021 and 2020, the Group did not acquire listed equity securities.

Note:

The wealth management financial products as at 31 December 2021 and 2020 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

	2021 HK$'000	2020 HK$'000
Finance lease receivables	**55,592**	83,216
Less: loss allowance	**(9,290)**	(29,274)
	46,302	53,942
Analysis by:		
Current portion	**46,302**	53,154
Non-current portion	**–**	788
	46,302	53,942

24. FINANCE LEASE RECEIVABLES (CONTINUED)

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.

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net finance lease receivables:				
Due with one year	**53,143**	59,037	**46,302**	53,154
Due in one to two years	**–**	788	**–**	788
	53,143	59,825	**46,302**	53,942
Less: unearned finance income	**(6,841)**	(5,883)		
Present value of minimum lease payment receivables	**46,302**	53,942		

The movement in the loss allowance of finance lease receivables is as follows:

	2021	2020
	HK$'000	HK$'000
At the beginning of year	**29,274**	29,404
Reversal of impairment loss	**(326)**	(1,695)
Write-off as uncollectible	**(20,129)**	–
Exchange realignment	**471**	1,565
At the end of the year	**9,290**	29,274

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 HK$9,290,000 (2020: HK$29,274,000).

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 2021 and 2020, 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:

	2021 HK$'000	2020 HK$'000
Deferred tax assets	254,612	225,211
Deferred tax liabilities	(651,420)	(465,878)
	(396,808)	(240,667)

The movements in deferred tax assets and liabilities during the year are as follows:

2021 Deferred tax assets movement

Deferred tax assets

	Asset provisions HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	175,423	68,989	244,412
Deferred tax credited (charged) to profit or loss	(7,431)	5,155	(2,276)
Deferred tax credited directly to equity	—	(888)	(888)
Exchange realignment	4,686	766	5,452
Gross deferred tax assets at 31 December 2021	172,678	74,022	246,700

Deferred tax liabilities

	Revaluation of properties HK$'000	Assets revaluation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	317,385	80,018	87,676	485,079
Deferred tax charged to profit or loss	66,903	(3,429)	25,336	88,810
Deferred tax charged to other comprehensive income	73,172	(14,259)	—	58,913
Exchange realignment	7,643	1,554	1,509	10,706
Gross deferred tax liabilities at 31 December 2021	465,103	63,884	114,521	643,508
Net deferred tax charged to the statement of profit or loss during the year *(note 11)*				(91,086)
Net deferred tax liabilities at 31 December 2021				(396,808)

25. DEFERRED TAX (CONTINUED)

2020 Deferred tax assets movement

Deferred tax assets

	Asset provisions HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	117,585	85,983	203,568
Deferred tax credited (charged) to profit or loss	49,490	(20,577)	28,913
Deferred tax credited directly to equity	–	924	924
Exchange realignment	8,348	2,659	11,007
Gross deferred tax assets at 31 December 2020	175,423	68,989	244,412

Deferred tax liabilities

	Revaluation of properties HK$'000	Assets revaluation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	296,768	23,790	60,146	380,704
Acquisition of subsidiaries *(note 40(a)(i))*	–	–	380	380
Deferred tax charged to profit or loss	1,917	34,918	24,765	61,600
Deferred tax charged to other comprehensive income	1,595	15,739	–	17,334
Exchange realignment	17,105	5,571	2,385	25,061
Gross deferred tax liabilities at 31 December 2020	317,385	80,018	87,676	485,079
Net deferred tax charged to the statement of profit or loss during the year *(note 11)*				(32,687)
Net deferred tax liabilities at 31 December 2020				(240,667)

The Group's tax losses arising in Mainland China of HK$973,846,000 (2020: HK$818,485,000) 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 HK$685,451,000 (2020: HK$746,584,000) 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 HK$1,356,202,000 (2020: HK$1,186,708,000). 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

	2021 HK$'000	2020 HK$'000
Trading stock	**2,570,751**	2,614,291

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.

During the year ended 31 December 2020, certain completed properties held for sale of HK$24,196,000 at a fair value of HK$31,165,000 are leased to tenants under operating leases and thus transferred to investment properties. The basis of fair value measurement at date of transfer is described above. A surplus on revaluation upon the transfer of HK$6,969,000 was recognised in profit or loss.

28. ACCOUNTS AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Receivables at amortised cost comprise		
Accounts and bills receivables	**4,805,022**	4,444,708
Less: loss allowance	**(806,790)**	(682,352)
Total	**3,998,232**	3,762,356
Analysis by:		
Current portion	**3,860,041**	3,631,843
Non-current portion	**138,191**	130,513
	3,998,232	3,762,356

At as 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately HK$4,805,022,000 (2020: HK$4,444,708,000).

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 HK$138,191,000 (2020: HK$130,513,000), net of loss allowance of HK$2,726,000 (2020: HK$2,664,000), 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 7.19% (2020: 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.

	2021	2020
	HK$'000	HK$'000
Within 30 days	**2,066,132**	1,369,718
31 to 60 days	**242,055**	610,916
61 to 90 days	**66,196**	115,855
91 to 180 days	**396,320**	524,292
181 to 360 days	**402,158**	472,000
Over 360 days	**825,371**	669,575
	3,998,232	3,762,356

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 2021

	Weighted average expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net amount**
	%	**HK$'000**	**HK$'000**	**HK$'000**
Individually	**100%**	**141,034**	**141,034**	**–**
Collectively				
Current (not past due)	**1%**	**2,724,024**	**26,853**	**2,697,171**
Less than 90 days past due	**6%**	**489,744**	**28,131**	**461,613**
91 to 180 days past due	**8%**	**256,792**	**21,224**	**235,568**
181 to 360 days past due	**20%**	**357,057**	**71,249**	**285,808**
361 to 720 days past due	**61%**	**819,043**	**500,971**	**318,072**
More than 721 days past due	**100%**	**17,328**	**17,328**	**–**
		4,805,022	**806,790**	**3,998,232**

28. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2020

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net amount HK$'000
Individually	100%	114,687	114,687	–
Collectively				
Current (not past due)	1%	2,631,443	29,783	2,601,660
Less than 90 days past due	7%	330,569	22,029	308,540
91 to 180 days past due	8%	289,488	23,521	265,967
181 to 360 days past due	20%	401,868	80,561	321,307
361 to 720 days past due	39%	431,491	166,609	264,882
More than 721 days past due	100%	245,162	245,162	–
		4,444,708	682,352	3,762,356

The movements in loss allowance of accounts and bills receivables are as follows:

	2021 HK$'000	2020 HK$'000
At the beginning of year	**682,352**	750,029
Impairment losses recognised (reversed)	**192,459**	(86,734)
Write-off as uncollectible	**(87,001)**	(17,910)
Exchange realignment	**18,980**	36,967
At the end of year	**806,790**	682,352

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies (note 43(b)(i)) of approximately HK$52,682,000 (2020: HK$64,829,000), HK$3,713,000 (2020: HK$3,019,000) and HK$49,374,000 (2020: HK$51,290,000), 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	2021 HK$'000	2020 HK$'000
Deposits and other receivables	(i)	**2,029,386**	2,061,263
Less: loss allowance		**(118,215)**	(225,607)
		1,911,171	1,835,656
Prepayments		**156,591**	210,924
Loans to joint ventures	(ii)	**288,280**	177,262
		2,356,042	2,223,842
Analysis by:			
Current portion		**1,329,940**	1,339,906
Non-current portion		**1,026,102**	883,936
		2,356,042	2,223,842

Note:

(i) As at 31 December 2021, included in Group's prepayments, deposits and other receivables were loan receivables with carrying amount of approximately HK$1,218,254,000 (2020: HK$1,074,237,000) that were secured by the properties of the borrowers. Out of the loan receivables were amount of approximately HK$1,026,102,000 (2020: HK$883,936,000) 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 2023. As such, these balances were classified as non-current assets. For the remaining balance of approximately HK$192,152,000 (2020: HK$190,301,000), they were classified as current assets as the collaterals are expected to be realised within 12 months from the end of the reporting period.

(ii) At 31 December 2021, included in the Group's prepayments, deposits and other receivables are the loans of approximately HK$288,280,000 (2020: HK$177,262,000) to a joint venture of the Group, which are unsecured, bears interest at rates ranging from 4.52% (2020: 4.35%) 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:

	2021 HK$'000	2020 HK$'000
At the beginning of year	**225,607**	133,045
Impairment losses (reversed) recognised	**(111,383)**	84,175
Exchange realignment	**3,991**	8,387
At the end of year	**118,215**	225,607

The directors of the Company estimate the loss allowance on deposits and other receivables the end of the reporting period on an individual basis. Based on the age and settlement plan, these receivables are categorised as doubtful under the Group's credit risk grading framework and therefore, the loss allowance is measured at an amount equal to lifetime ECL. Accordingly, loss allowance on deposits and other receivables as at 31 December 2021 is approximately HK$118,215,000 (2020: HK$225,607,000). 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

	2021 HK$'000	2020 HK$'000
Contract assets	**3,828,290**	2,697,941
Less: loss allowance	**(348,871)**	(292,700)
	3,479,419	2,405,241

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 significant increase in contract assets in 2021 is the result of the increase in software development and technical services at the end of the year.

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:

	2021 HK$'000	2020 HK$'000
At the beginning of year	**292,700**	2,054
Impairment losses recognised	**48,858**	275,745
Exchange realignment	**7,313**	14,901
At the end of year	**348,871**	292,700

30. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2021 HK$'000	2020 HK$'000
Receipt in advance	**2,022,235**	2,160,544
Due to contract customers	**307,213**	247,188
Total contract liabilities	**2,329,448**	2,407,732

Contract liabilities include advances received to render services and unfulfilled performance obligation for contract customers.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately HK$2,407,732,000 (2020: HK$1,396,496,000). 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

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**2,852,257**	3,279,753
Time deposits	**14,168**	25,250
	2,866,425	3,305,003
Less: Restricted bank balances	**(87,211)**	(228,286)
Cash and cash equivalents	**2,779,214**	3,076,717

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("**RMB**") amounted to HK$2,731,331,000 (2020: HK$2,988,760,000). 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.

	2021 HK$'000	2020 HK$'000
Within 30 days	**2,472,567**	1,507,471
31 to 60 days	**515,005**	808,988
61 to 90 days	**67,013**	137,255
Over 90 days	**1,306,748**	1,166,785
	4,361,333	3,620,499

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 2021, included in the Group's accounts and bills payables were amounts due to joint ventures, associates and related companies of the Group of approximately HK$2,541,000 (2020: HK$1,475,000), HK$46,749,000 (2020: HK$42,384,000) and HK$38,568,000 (2020: HK$91,780,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

33. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Other payables	**812,663**	1,092,849
Accruals	**923,884**	993,616
Payroll payables	**431,620**	418,358
Deferred income *(note 44)*	**7,349**	12,787
	2,175,516	2,517,610

Included in the Group's other payables are amounts due to associates and related companies (note 43(b)(iii)) of approximately HK$325,000 (2020: HK$432,000) and HK$1,099,000 (2020: HK$1,700,000) respectively.

At 31 December 2021 and 2020, other payables are unsecured and non-interest-bearing and have an average term of three months.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans, unsecured	**776,097**	948,397
Bank loans, secured	**3,144,845**	3,378,737
Other borrowings	**52,676**	51,470
	3,973,618	4,378,604
Analysed for reporting purpose as:		
Current	**1,823,037**	2,077,309
Non-current	**2,150,581**	2,301,295
	3,973,618	4,378,604

	2021 HK$'000	2020 HK$'000
Bank loans repayable (based on scheduled repayment dates set out in the loan agreements dates):		
Within one year	**1,770,361**	2,025,839
In the second year	**365,134**	466,123
In the third to fifth years, inclusive	**835,188**	792,679
Beyond five years	**950,259**	1,042,493
	3,920,942	4,327,134
Other borrowings repayable:		
Within one year	**52,676**	51,470
	3,973,618	4,378,604

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2021			2020		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, unsecured	**2.87–6.00**	**2022**	**776,097**	2.50–4.79	2021	948,397
Bank loans, secured	**1.61–4.65**	**2022**	**644,747**	1.45–6.70	2021	875,121
Current portion of long term bank loans, secured	**1.58–6.50**	**2022**	**349,517**	1.82–7.00	2021	202,321
Other borrowings	**15**	**2022**	**52,676**	15	2021	51,470
			1,823,037			2,077,309
Non-current						
Bank loans, secured	**1.58–6.50**	**2023–2036**	**2,150,581**	1.82–7.00	2022–2034	2,301,295
			3,973,618			4,378,604

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**3.2%–6.5%**	2.5%–7%
Variable-rate borrowings	**1.58%–5.64%**	1.45%–6.62%

As at 31 December 2021, the Group's borrowings carrying interest at floating rates and fixed rates amounted approximately to HK$1,931,968,000 (2020: HK$1,823,386,000) and HK$2,041,650,000 (2020: HK$2,555,218,000) respectively.

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 HK$279,538,000 (2020: HK$299,619,000) (note 14);

(ii) mortgages over investments properties, which had an aggregate carrying value at the end of the reporting period of HK$4,502,114,000 (2020: HK$3,937,103,000) (note 15);

(iii) mortgage over the land use rights, which had an aggregate carrying value at the end of the reporting period of HK$16,391,000 (2020: HK$20,291,000) (note 16); and

(iv) The Group's borrowings of approximately HK$823,434,000 (2020: HK$994,486,000) provided by certain financial institutions were secured by 128,884,000 (2020: 130,960,000) ordinary shares issued by DCITS with an aggregate fair value of HK$1,985,208,000 (2020: HK$2,401,770,000) as at 31 December 2021.

(b) At 31 December 2021, except for the bank borrowings of HK$304,748,000 (2020: HK$157,666,000) and HK$294,963,000 (2020: 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

	2021 HK$'000	2020 HK$'000
Authorised:		
2,500,000,000 (2020: 2,500,000,000) ordinary shares of HK$0.1 (2020: HK$0.1) each	**250,000**	250,000
Issued and fully paid:		
2021: 1,673,526,386 (2020: 1,672,497,376) ordinary shares of HK$0.1 (2020: HK$0.1) each	**167,353**	167,250

A summary of the movements in the Company's issued share capital and share premium account during the years ended 31 December 2021 and 2020 is as follows:

	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
1 January 2020	1,670,977,976	167,098	4,643,858	4,810,956
Exercise of share options *(note 37)*	1,519,400	152	8,119	8,271
31 December 2020 and 1 January 2021	1,672,497,376	167,250	4,651,977	4,819,227
Exercise of share options *(note 37)*	1,029,010	103	5,573	5,676
At 31 December 2021	1,673,526,386	167,353	4,657,550	4,824,903

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 2021 and 2020.

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.

36. RESERVES (CONTINUED)

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 Schemes

The share option scheme of the Company was adopted on 15 August 2011 (the "**2011 Share Option Scheme**"). The 2011 Share Options Schemes has life span of ten years.

The principal terms of the 2011 Share Option Scheme are as follows:

(I) Purpose

The Share Option Scheme seek 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, agent, 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.

(III) Maximum number of shares

The maximum number of shares available for issue under the 2011 Share Option Scheme was 170,691,878 (2020: 161,225,888), which represent 10.20% (2020: 9.64%) of share capital of the Company in issue as at the date of approval of these financial statements.

(IV) Maximum entitlement of each qualified person

The maximum number of shares issued and to be issued upon exercise of the options granted under the 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).

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

(IV) Maximum entitlement of each qualified person (Continued)

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 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 Schemes

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.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

The following tables show the movements in the Company's share options under the 2011 Share Option Scheme during both years:

	Number of share options									
Grantee	Outstanding as at 1/1/2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2021	Exercise price per share HK$	Closing price immediately before the date of grant HK$	Date of grant	Exercisable period (xi)	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)
	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)
	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)
YAN Xiaoyan *(note x)*	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	2,799,000	–	(400,000)	(400,000)	1,999,000	4.818	4.87	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	1,999,000	–	(399,000)	(1,600,000)	–	3.88	3.88	20/11/2018	20/11/2019-19/11/2026	(iii)
Other employees	5,202,600	–	(109,000)	(90,000)	5,003,600	4.32	4.26	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,200,000	–	(20,000)	–	2,180,000	4.04	3.95	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	6,550,000	–	(95,010)	(960,000)	5,494,990	4.17	4.16	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	2,470,000	–	(6,000)	(444,000)	2,020,000	4.48	4.27	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	13,000,000	–	–	–	13,000,000	6.60	6.54	13/7/2020	(iv)	(v)
Other employees	1,790,000	–	–	(120,000)	1,670,000	6.60	6.54	13/7/2020	13/7/2021-12/7/2028	(iii)
Other employees	–	6,990,000	–	(640,000)	6,350,000	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)
Other employees	–	6,789,000	–	(30,000)	6,759,000	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)
In aggregate	161,225,888	16,779,000	(1,029,010)	(6,284,000)	170,691,878					
Exercisable at the end of the year					72,670,878					
Weighted average exercise price (HK$)	6.254	4.957	4.325	5.112	6.181					

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

Grantee	Number of share options: Outstanding as at 1/1/2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2020	Exercise price per share HK$	Closing price immediately before the date of grant HK$	Date of grant	Exercisable period	Notes
Director										
GUO Wei	13,116,974	–	–	–	13,116,974	6.394	6.73	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
	–	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)
	–	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)
YAN Xiaoyan	–	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)
Other employees	62,646,667	–	–	(56,665,327)	5,981,340	6.394	6.73	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	5,000,000	–	(601,000)	(1,600,000)	2,799,000	4.818	4.87	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	5,700,000	–	(401,000)	(3,300,000)	1,999,000	3.88	3.88	20/11/2018	20/11/2019-19/11/2026	(iii)
Other employees	6,970,000	–	(317,400)	(1,450,000)	5,202,600	4.32	4.26	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	3,200,000	–	(200,000)	(800,000)	2,200,000	4.04	3.95	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	30,000	–	–	(30,000)	–	4.172	4.10	7/11/2019	7/11/2020-6/11/2027	(iii)
Other employees	–	7,570,000	–	(1,020,000)	6,550,000	4.17	4.16	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	–	2,620,000	–	(150,000)	2,470,000	4.48	4.27	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	–	14,000,000	–	(1,000,000)	13,000,000	6.60	6.54	13/7/2020	(iv)	(v)
Other employees	–	1,900,000	–	(110,000)	1,790,000	6.60	6.54	13/7/2020	13/7/2021-12/7/2028	(iii)
In aggregate	109,780,615	119,090,000	(1,519,400)	(66,125,327)	161,225,888					
Exercisable at the end of the year					35,399,888					
Weighted average exercise price (HK$)	5.991	6.399	4.364	6.120	6.254					

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

Notes:

(i) As a result of the rights issue which was completed on 18 September 2017, the exercise prices were 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. Details of the conditions please refer to Note (v).

(v) The vesting and exercise of the Share Options shall be conditional upon satisfaction of, among others, certain performance conditions (including, among others, key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2020 and 2021 and the year ending 31 December 2022 as set out in the respective granting document (if any) and the following conditions:

(a) 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 for the financial year ended 31 December 2020 based on the audited consolidated financial statements of the Company amounts to HK$500 million or above (the "**Condition (a)**")), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below;

(b) 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 for the financial year ended 31 December 2021 based on the audited consolidated financial statements of the Company amounts to HK$800 million or above (the "**Condition (b)**"), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below; or

(c) 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 for the financial year ending 31 December 2022 based on the audited consolidated financial statements of the Company amounts to HK$1.2 billion or above (the "**Condition (c)**"), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below.

The vesting of the relevant portion of the Share Options upon satisfaction of Condition (a), Condition (b) and Condition (c) shall take place on the date on which the relevant date of issue of the audited consolidated financial statements of the Company for the financial year ended 31 December 2020 and 2021 and the year ending 31 December 2022, respectively. As Condition (a) and (b) was satisfied, the relevant portion of the Share Options was/will be vested on the respective relevant dates.

(vi) Exercise period is from the date of satisfaction of certain conditions to 15 July 2029. Details of the conditions please refer to note (vii).

(vii) The vesting and exercise of the Share Options shall be conditional upon satisfaction of, among others, certain performance conditions (including, among others, key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2021 and the year ending 31 December 2022 as set out in the granting document (if any) and the following conditions:

(a) 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 for the financial year ended 31 December 2021 based on the audited consolidated financial statements of the Company amounts to HK$800 million or above (the "**Condition (a)**"), in which case half of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below; or

(b) 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 for the financial year ending 31 December 2022 based on the audited consolidated financial statements of the Company amounts to HK$1.2 billion or above (the "**Condition (b)**"), in which case half of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below.

The vesting of the relevant portion of the Share Options upon satisfaction of Condition (a) and Condition (b) shall take place on the date on which the relevant date of issue of the audited consolidated financial statements of the Company for the financial year ended 31 December 2021 and the year ending 31 December 2022, respectively. As Condition (a) was satisfied, the relevant portion of the Share Options will be vested on the relevant date.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

Notes: (Continued)

(viii) The vesting and exercise of the Share Options shall be conditional upon satisfaction of, among others, certain performance conditions (including, among others, key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective granting document. 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 conditions (including, among others, key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective granting document. Therefore, exercisable period is from the date of satisfaction of these conditions to 27 July 2029.

(x) Following the retirement of Ms. Yan Xiaoyan as the Company's independent non-executive director on 30 June 2021, the Share Options granted to Ms. Yan Xiaoyan on 13 July 2020 were lapsed on 31 July 2021.

(xi) The vesting period of the Share Options is from the date of grant until the vesting of the Share Options.

No share options were granted to participants other than these set out in the tables above.

No options under the 2011 Share Option Scheme were cancelled during the year ended 31 December 2021 and year ended 31 December 2020.

Share options 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 current year amounted to approximately HK$22,017,000 (2020: HK$220,768,000) in aggregate. HK$91,346,000 (2020: HK$47,792,000) was recognised as share option expenses during the year.

The fair values of the share options granted during 2021 and 2020 under the 2011 Share Option Scheme were estimated as at the dates of grant, using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Granted during:	**2021**	2020
Exercise price (HK$ per share)	**4.48–5.44**	4.17–6.6
Dividend yield (% per annum)	**2.60**	1.1–2.65
Expected volatility (% per annum)	**36.3–36.8**	37.9–38.1
Expected life (year)	**8**	8
Risk-free interest rate (% per annum)	**0.73–1.19**	0.41–0.56
Weighted average share price (HK$ per share)	**4.48–5.44**	4.17–6.6

The expected volatility is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 December 2021, the Company had 170,691,878 (2020: 161,225,888) 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 170,691,878 (2020: 161,225,888) additional ordinary shares of the Company and additional share capital of approximately HK$17,069,000 (2020: HK$16,123,000) and share premium of approximately HK$1,037,919,000 (2020: HK$992,260,000) (before issue expenses and transfer of employee share-based compensation reserve).

At the date of approval of these financial statements, the Company had 170,691,878 (2020: 161,225,888) share options outstanding under the 2011 Share Option Scheme, which represented approximately 10.20% (2020: 9.63%) of the Company's shares in issue as at that date.

(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), employees, agents, or consultants 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.

Pursuant to the RSA Scheme, existing shares of the Company will be purchased by the trustee of the RSA Scheme from the market 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.

During the year ended 31 December 2021, the trustee purchased 49,174,000 (2020: 82,012,000) shares of the Company at a total cost (including related transaction costs) of approximately HK$270,539,000 (2020: approximately HK$493,623,000) and 4,453,000 RSUs and 58,000 RSUs were granted to employees and other participants of the Group on 31 March 2021 and 22 April 2021, respectively (2020: 400,000 RSUs were granted to certain Directors on 2 June 2020 and 1,750,000 RSUs were granted to employees of the Group on 7 May 2020) in order to motivate them to work for the Group. The closing prices of the Company's Shares immediately before the dates of grant (i.e. 30 March 2021 and 21 April 2021) of the RSUs were HK$5.37 and HK$6.03, respectively (2020: the closing prices of the Company's Shares immediately before the dates of grant (i.e. 6 May 2020 and 1 June 2020) were HK$4.30 and HK$4.46, respectively). 639,258 RSUs (2020: Nil) were vested and 404,000 RSUs (2020: 450,000 RSUs) were lapsed during the year ended 31 December 2021.

The fair values of the RSUs granted under the RSA Scheme at granted date during the current year amount to approximately HK$23,737,000 (2020: HK$9,305,000).

During the current year, the Group recognised the total expenses of HK$11,377,000 (2020: HK$2,898,000), in relation to RSUs granted by the Company.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of Digital China Information Service Company Ltd. ("DCITS")

The shareholders of the Company and DCITS approved the adoption of a share option incentive scheme (the "**DCITS Share Option Incentive Scheme**") on 10 September 2019 and 16 September 2019 respectively. The major terms of the DCITS Share Option Incentive Scheme are as follows:

(I) The purpose of the DCITS Share Option Scheme is to further promote the establishment and improvement of DCITS's long term incentive mechanism, attract and retain high calibre talents, encourage the initiative of directors, senior management and key employees of DCITS and its subsidiaries, so as to effectively align the interest of shareholders, DCITS and individual interests of core management, and cause all parties to focus on the long-term development of DCITS.

(II) The incentive participants of the DCITS Share Option Scheme comprise the directors, senior management and key employees of DCITS and its subsidiaries, but shall exclude the independent directors and supervisors of DCITS, as well as shareholders, individually or in aggregate, holding 5% or more of the shares in DCITS or the de facto controllers and their spouses, parents or children. All incentive participants of the DCITS Share Option Incentive Scheme must have employment, labor or service relationships with DCITS within the validity period of the DCITS Share Option Incentive Scheme.

(III) According to the DCITS Share Option Incentive Scheme:

(a) the total number of underlying shares involved in all effective incentive schemes of DCITS shall not in aggregate exceed 10% of the total share capital of DCITS as at the time when the DCITS Share Option Incentive Scheme was submitted to the shareholders' meeting of DCITS for approval;

(b) the total number of shares of DCITS which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the DCITS Share Option Incentive Scheme and any other scheme of DCITS shall not in any event exceed 30% of the total A ordinary shares in issue of DCITS from time to time; and

(c) the total number of shares of DCITS issued pursuant to all effective equity incentive schemes of DCITS to any incentive participant shall not in aggregate exceed 1% of the total shares in issue of DCITS.

(IV) The underlying shares of the DCITS Share Option Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the participants of the DCITS Share Option Incentive Scheme.

(V) The minimum period for which share options granted under the DCITS Share Option Incentive Scheme must be held before they can be exercised is 12 months from the completion date of registration of the grant of share options pursuant to the DCITS Share Option Incentive Scheme ("**Option Registration Date**").

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS (Continued)

(VI) Subject to the fulfillment of the conditions for exercising the share options under the DCITS Share Option Incentive Scheme, grantees may exercise their share options within 24 months after the expiry of 12 months from the Option Registration Date in two tranches as follows:

Tranche	Exercisable period	Percentage of share option exercisable
First tranche	From the first trading day after the expiry of 12 months from the Option Registration Date to the last trading day within 24 months from the Option Registration Date	50%
Second tranche	From the first trading day after the expiry of 24 months from the Option Registration Date to the last trading day within 36 months from the Option Registration Date	50%

(VII) The exercise price of the share options to be granted under the DCITS Share Option Incentive Scheme shall be RMB12.76 per share.

(VIII) The effective term of the DCITS Share Option Incentive Scheme shall commence from the Option Registration Date to the date on which all share options granted to grantees under the DCITS Share Option Incentive Scheme have been exercised or cancelled, provided that the term shall not exceed 36 months.

(IX) During the exercise period of the DCITS Share Option Incentive Scheme, a number of conditions must be satisfied before the grantees can exercise their share options, including:

(a) None of the following events having occurred on the part of DCITS:

(i) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the accountants' report of DCITS for its latest financial year;

(ii) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to internal control for the latest financial year;

(iii) failure to conduct profit distribution in accordance with the laws and regulations, the articles of association of DCITS and public undertakings during the most recent 36 months after the listing;

(iv) prohibition from implementation of an equity incentive scheme by laws and regulations or applicable Listing Rules; and

(v) any other circumstances as determined by the China Securities Regulatory Commission ("**CSRC**") or relevant regulatory authorities.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS (Continued)

(IX) (Continued)

(b) None of the following events having occurred on the part of the grantee of the DCITS Share Option Incentive Scheme:

(i) being identified as an ineligible personnel by the Shenzhen Stock Exchange in the last 12 months;

(ii) being identified as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;

(iii) imposition of administrative penalties or measures prohibiting the grantee from entering into the market by the CSRC and its resident agencies in the last 12 months due to material noncompliance of laws or regulations;

(iv) being prohibited from acting as a director or senior management personnel of DCITS under the Company Law of the PRC (中華人民共和國公司法) ;

(v) being prohibited from participating in an equity incentive scheme of a listed company under relevant laws and regulations; and

(vi) any other circumstances as determined by the CSRC or relevant regulatory authorities.

(c) DCITS achieving the following financial performance targets:

Tranche	Financial performance targets
First tranche	the net profit of DCITS for the year of 2019 being not less than RMB360 million
Second tranche	the net profit of DCITS for the year of 2020 being not less than RMB435 million

Note: The above net profit refers to the net profit attributable to DCITS shareholders.

(d) Subject to DCITS achieving the relevant annual financial performance targets, the results of the annual assessment to be conducted by the remuneration and appraisal committee of DCITS against the grantee being 80 points or above or graded at "A".

In the event that any of the above exercise conditions cannot be fulfilled within the relevant exercisable period, share options granted under the DCITS Share Option Incentive Scheme shall be cancelled by DCITS. In the event that the above exercise conditions have been fulfilled but share options granted under the DCITS Share Option Incentive Scheme have not been exercised upon expiry of the relevant exercise period, such share options shall be cancelled by DCITS.

Since the adoption of the DCITS Share Option Incentive Scheme, DCITS granted 22,470,000 share options under the DCITS Share Option Incentive Scheme.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS (Continued)

The following tables show the movements in the share options under DCITS Share Option Incentive Scheme during both years:

	Number of the share options									
Grantee	Outstanding as at 1/1/2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2021	Exercise price per share RMB	Closing price immedicately before the date of grant RMB	Date of grant	Exercisable period
DCITS director	–	–	–	–	–	–	–	–	–	–
DCITS other employees	15,632,446	–	(3,975,601)	–	(1,546,845)	10,110,000	12.76	13.01	17/9/2019	Grantees may exercise their share options with reference to the Option Registration Date (i.e. 30/10/2019) in two tranches. *(note (ii))*
Exercisable at the end of the year						10,110,000				
Weighted average exercise price (RMB)	12.76	–	12.76	–	12.76	12.76				

	Number of share options									
Grantee	Outstanding as at 1/1/2020	Granted in 2020	Exercised in 2020	Cancelled in 2020	Lapsed in 2020	Outstanding as at 31/12/2020	Exercise price per share RMB	Closing price immediately before the date of grant RMB	Date of grant	Exercisable period
DCITS director	–	–	–	–	–	–	–	–	–	–
DCITS other employees	22,270,000	–	(5,687,554)	–	(950,000)	15,632,446	12.76	13.01	17/9/2019	Grantees may exercise their share options with reference to the Option Registration Date (i.e. 30/10/2019) in two tranches. *(note (ii))*
Exercisable at the end of the year						5,022,446				
Weighted average exercise price (RMB)	12.76	–	12.76	–	12.76	12.76				

Notes:

(i) The vesting period of the share options is from the date of grant until the vesting of the share options.

(ii) Please refer to note (6) of the major terms of the DCITS Share Option Incentive Scheme

During the current year, the Group recognised total expenses of HK$6,513,000 (2020: HK$18,901,000) in relation to share options granted by DCITS.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(d) Restricted Share Incentive Scheme of DCITS

The shareholders of DCITS approved the adoption of a restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") on 16 September 2019. The purpose of the Restricted Share Incentive Scheme is to further promote the establishment and improvement of DCITS's long term incentive mechanism, attract and retain high calibre talents, encourage the initiative of directors, senior management and key employees of DCITS and its subsidiaries, so as to effectively align the interest of shareholders, DCITS and individual interests of core management, and cause all parties to focus on the long-term development of DCITS.

The incentive participants of the Restricted Share Incentive Scheme comprise the directors, senior management and key employees of DCITS and its subsidiaries, but shall exclude the independent directors and supervisors of DCITS, as well as shareholders, individually or in aggregate, holding 5% or more of the shares in DCITS or the de facto controllers and their spouses, parents or children. All incentive participants of the Restricted Share Incentive Scheme must have employment, labour or service relationships with DCITS within the validity period of the Restricted Share Incentive Scheme.

The underlying shares of the Restricted Share Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the participants of the Restricted Share Incentive Scheme.

No restricted shares can be granted to the incentive participants if any one of the conditions cannot be satisfied.

(I) None of the following events having occurred on the part of DCITS:

(a) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the accountants' report of DCITS for its latest financial year;

(b) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to internal control for the latest financial year;

(c) failure to conduct profit distribution in accordance with the laws and regulations, the articles of association of DCITS and public undertakings during the most recent 36 months after the listing;

(d) prohibition from implementation of an equity incentive scheme by laws and regulations; and

(e) any other circumstances as determined by the CSRC.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(d) Restricted Share Incentive Scheme of DCITS (Continued)

(II) None of the following events having occurred on the part of the grantee of the Restricted Share Incentive Scheme:

(a) being identified as an ineligible personnel by the Shenzhen Stock Exchange in the last 12 months;

(b) being identified as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;

(c) imposition of administrative penalties or measures prohibiting the grantee from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;

(d) being prohibited from acting as a director or senior management personnel of DCITS under the Company Law of the PRC (中華人民共和國公司法);

(e) being prohibited from participating in an equity incentive scheme of a listed company under relevant laws and regulations; and

(f) any other circumstances as determined by the CSRC.

(III) DCITS achieving the following financial performance targets:

Tranche	Financial performance targets
First Tranche	the net profit of DCITS for the year of 2019 being not less than RMB360 million
Second Tranche	the net profit of DCITS for the year of 2020 being not less than RMB435 million

Note: The above net profit refers to the net profit attributable to DCITS shareholders.

(IV) Subject to DCITS achieving the relevant annual financial performance targets, the results of the annual assessment to be conducted by the remuneration and appraisal committee of DCITS against the grantee being 80 points or above or graded at "A".

According to the provisions of the Restricted Share Incentive Scheme of DCITS, the grant price of such restricted shares was adjusted from RMB6.38 per share to RMB6.345 per share (due to DCITS's dividends).

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(d) Restricted Share Incentive Scheme of DCITS (Continued)

The following table shows the movements in the restricted shares under the Restricted Share Incentive Scheme of DCITS during both years:

	Number of Restricted Shares				
Grantee	**Outstanding as at 1/1/2021**	**Granted during the year**	**Buyback and cancelled during the year**	**Vested during the year**	**Outstanding as at 31/12/2021**
DCITS Director	**500,000**	**–**	**–**	**(500,000)**	**–**
DCITS other employees	**2,825,000**	**–**	**–**	**(2,825,000)**	**–**

	Number of Restricted Shares				
Grantee	Outstanding as at 1/1/2020	Granted during the year	Buyback and cancelled during the year	Vested during the year	Outstanding as at 31/12/2020
DCITS Director	1,000,000	–	–	(500,000)	500,000
DCITS other employees	5,950,000	–	(300,000)	(2,825,000)	2,825,000

All restricted shares granted under the DCITS Restricted Share Incentive Scheme are subject to a vesting period of two years with 50% becoming saleable on the first anniversary and 50% on the second anniversary of the respective dates of registration.

During the current year, the Group recognised total expenses of HK$4,180,000 (2020: HK$13,240,000) in relation to restricted shares granted by DCITS.

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As at 31 December 2021, the Group's indirect equity interests in DCITS was 40.29% (2020: 40.28%), 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:

	2021 **HK$'000**	2020 HK$'000
Percentage of equity interest held by non-controlling interests:		
DCITS	**59.71%**	59.72%

	2021 **HK$'000**	2020 HK$'000
Profit for the year allocated to non-controlling interests:		
DCITS and its subsidiaries	**190,291**	341,100
Accumulated balances of non-controlling interests at the reporting date:		
DCITS and its subsidiaries	**4,249,943**	3,979,766

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	
	2021	2020
	HK$'000	HK$'000
Revenue and other income	**13,374,629**	11,891,993
Total cost and expenses	**(13,044,256)**	(11,329,579)
Profit for the year	**330,373**	562,414
– attributable to equity holders of DCITS	**320,685**	571,474
Total comprehensive income for the year	**483,917**	858,593
– attributable to equity holders of DCITS	**474,229**	867,653
Dividend paid to non-controlling interest	**(34,381)**	(24,832)
Current assets	**11,572,876**	10,799,446
Non-current assets	**3,246,222**	3,250,052
Current liabilities	**7,373,400**	6,915,467
Non-current liabilities	**135,979**	80,677
Net cash from operating activities	**449,975**	380,823
Net cash from investing activities	**22,685**	629,701
Net cash used in financing activities	**(829,998)**	(499,546)
Net (decrease) increase in cash and cash equivalents	**(357,338)**	510,978

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 2021 HK$'000	Financing cash flows HK$'000	Finance costs incurred HK$'000	New lease recognised HK$'000	Exchange realignment HK$'000	31 December 2021 HK$'000
Interest-bearing bank and other borrowings	4,378,604	(482,665)	–	–	77,679	3,973,618
Interest paid	–	(97,108)	97,108	–	–	–
Lease liabilities	133,762	(135,615)	–	212,860	4,948	215,955
Other financial liability	586,144	251,157	46,587	–	17,233	901,121
	5,098,510	(464,231)	143,695	212,860	99,860	5,090,694

			Non cash changes					
	1 January 2020 HK$'000	Financing cash flows HK$'000	Finance costs incurred HK$'000	New lease recognised HK$'000	Acquisition of subsidiaries HK$'000 *(note 40(a))*	Disposal of subsidiaries HK$'000 *(note 40(e))*	Exchange realignment HK$'000	31 December 2020 HK$'000
Interest-bearing bank and other borrowings	5,087,761	(1,093,831)	–	–	216,556	(19,218)	187,336	4,378,604
Interest paid	–	(142,123)	142,123	–	–	–	–	–
Lease liabilities	163,686	(118,803)	–	81,355	–	–	7,524	133,762
Other financial liability	–	566,789	6,333	–	–	–	13,022	586,144
Corporate bonds	6,939	(2,439)	–	–	–	(4,652)	152	–
	5,258,386	(790,407)	148,456	81,355	216,556	(23,870)	208,034	5,098,510

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisition of subsidiaries accounted for as business combinations

(i) Acquisition of 北京雲核網絡技術有限公司 ("Beijing Cloud Core")

In July 2020, the Group entered into a sales and purchase agreement with an independent third party, to acquire the entire equity interest in Beijing Cloud Core at a cash consideration of RMB43,500,000 (equivalent to HK$49,144,000). This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$23,536,000. Beijing Cloud Core is principally engaged in provision of cloud application system services. The acquisition was completed on 31 August 2020.

The consideration transferred for the acquisition of Beijing Cloud Core was satisfied by:

	HK$'000
Cash consideration	49,144

The assets acquired and liabilities assumed at the acquisition date were as follows:

	HK$'000
Property, plant and equipment	92
Other intangible assets	10,932
Inventories	15,817
Accounts receivables and contract assets	23,147
Prepayments, deposits and other receivables	1,164
Cash and cash equivalents	1,665
Account payables	(3,221)
Other payables and accruals	(3,228)
Contract liabilities	(9,765)
Tax payables	(673)
Bank borrowings	(9,942)
Deferred tax liabilities	(380)
Total net identifiable assets acquired	25,608
Goodwill	23,536
	49,144
Cash consideration paid on acquisition	49,144
Less: Cash and cash equivalents acquired	(1,665)
Net cash outflow arising from acquisition	47,479

The goodwill arising from the acquisition is not tax deductible. During the period from date of acquisition to 31 December 2020, Beijing Cloud Core made insignificant contribution to the Group's revenue, profit and cash flows.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries accounted for as business combinations (Continued)

(ii) Acquisition of 昆山鹿鳴置業有限公司 ("Kunshan Luming")

In July 2020, the Group entered into a sales and purchase agreement with an independent third party, to acquire the entire equity interest in Kunshan Luming at a cash consideration of RMB68,000,000 (equivalent to HK$75,285,000). As part of the acquisition, the Group committed to provide shareholder's loan of RMB298,535,000 (equivalent to HK$330,521,000) to Kunshan Luming before the completion of the acquisition. This acquisition had been accounted for using the acquisition method. Kunshan Luming is principally engaged in property investment and development. The acquisition was completed on 27 July 2020.

The aggregate consideration transferred for the acquisition of Kunshan Luming was satisfied by:

	HK$'000
Cash consideration	405,806

The assets acquired and liabilities assumed at the acquisition date were as follows:

	HK$'000
Property, plant and equipment	991
Investment properties	201,797
Completed properties held for sale	657,323
Accounts receivables	12,389
Prepayments, deposits and other receivables	464
Cash and cash equivalents	5,227
Other payables and accruals	(158,776)
Contract liabilities	(92,746)
Tax payables	(14,249)
Bank borrowings	(206,614)
Total net identifiable assets acquired	405,806
Cash consideration paid on acquisition	405,806
Less: Consideration payable (including in other payables)	(33,214)
Less: Cash and cash equivalents acquired	(5,227)
Net cash outflow arising from acquisition	367,365

During the period from date of acquisition to 31 December 2020, Kunshan Luming made insignificant contribution to the Group's revenue, profit and cash flows.

Included in the consideration payable as at 31 December 2020, of which HK$11,379,000 has been paid during the year ended 31 December 2021.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(b) Partial disposal of a subsidiary resulting in loss of control

北京神州邦邦技術服務有限公司 ("DCBB")

DCBB was an indirect non-wholly-owned subsidiary of the Group. The Group's interest in DCBB was 40%, which represented the major shareholder and control two-third of seats in the board of directors of DCBB. In September 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of 20% of its equity interest in DCBB at a cash consideration of approximately RMB6,000,000 (equivalent to approximately HK$6,828,000). Following the completion of the disposal, the Group's interest in DCBB was reduced from 40% to 20% and the Group lost control over DCBB since then. The retained interest in DCBB was accounted for as an associate as the Group can exercise significant influence over DCBB. The deemed disposal was completed on 29 September 2020.

The consideration received:

	HK$'000
Fair value of retained interest	6,828
Cash consideration	6,828
	13,656

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	4
Financial assets at FVTPL	5,121
Accounts receivables	40,934
Prepayments, deposits and other receivables	567
Inventories	3,246
Cash and cash equivalents	1,253
Accounts payables	(39,970)
Contract liabilities	(6,647)
Other payables and accruals	(617)
Tax payables	(614)
Non-controlling interests	(1,967)
Net assets disposed of	1,310

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(b) Partial disposal of a subsidiary resulting in loss of control (Continued)

北京神州邦邦技術服務有限公司 ("DCBB") (Continued)

Gain on disposal of a subsidiary:

	HK$'000
Consideration	13,656
Less: net assets disposed of	(1,310)
Gain on disposal	12,346

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received	6,828
Less: cash and cash equivalents disposed of	(1,253)
	5,575

(c) Acquisition of additional interests in non-wholly-owned subsidiaries

During the year ended 31 December 2021, the Group acquired additional interests in certain non-wholly-owned subsidiaries with an aggregate carrying amount of net assets (2020: liabilities) of approximately HK$2,683,000 (2020: HK$448,000) at an aggregate cash consideration of HK$3,737,000 (2020: HK$62,000) from the non-controlling interests. The difference arising from such acquisitions of approximately HK$1,054,000 (2020: HK$510,000) was charged to capital reserve.

(d) Deemed acquisition of additional interests in non-wholly-owned subsidiaries

During the year ended 31 December 2021, DCITS repurchased in aggregate 4,089,268 (2020: 8,775,208) shares from the public at an aggregate consideration of approximately RMB60,824,000 (equivalent to approximately HK$72,857,000) (2020: RMB139,237,000 (equivalent to approximately HK$164,562,000)), represented 0.4714% (2020: 0.8993%) of DCITS's issued capital as at 31 December 2021.

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately HK$17,824,000 (2020: HK$42,015,000) was charged to capital reserve.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(e) Disposal of subsidiaries

In 2017 and 2018, 神州靈雲 (北京) 科技有限公司 ("**Shenzhou Lingyun**"), a non-wholly owned subsidiary of the Group, issued convertible bonds to its investors. Subject to the fulfillment of the undertaking regarding Shenzhou Lingyun's business results for the years 2016 to 2020 in full, the investors have agreed to convert the full amount of the convertible bond loans into investments in Shenzhou Lingyun, which shall be credited, upon conversion, to Shenzhou Lingyun's capital reserve. In the event that the business result undertaking is not fulfilled, Shenzhou Lingyun shall repay the aforesaid convertible bond loans within 30 days upon receipt of notices from the investors.

On 15 April 2020, DCITS and other investors signed the "Transfer Agreement" with an independent third party (the "**Lingyun Transferee**"), and all parties agreed to transfer their equity interest in Shenzhou Lingyun to the Lingyun Transferee, and withdrew from Shenzhou Lingyun, with a total consideration transferred of approximately RMB16,830,000 (equivalent to approximately HK$18,450,000), which included approximately RMB7,200,000 (equivalent to approximately HK$8,134,000) consideration was paid for DCITS's equity interest in Shenzhou Lingyun. Upon completion of the transaction, Shenzhou Lingyun ceased to be a subsidiary of the Group and hence the convertible bond has been fully derecognised during the year ended 31 December 2020.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	1,038
Other intangible assets	–
Inventories	667
Account receivables	12,996
Prepayment, deposits and other receivables	1,028
Cash and cash equivalents	871
Account payables	(2,003)
Other payables and accruals	(5,823)
Contract liabilities	(232)
Tax payables	(57)
Other borrowings	(19,218)
Corporate bond	(4,652)
Non-controlling interests	8,000
Net liabilities disposed of	(7,385)

Gain on disposal of subsidiaries:

	HK$'000
Consideration	8,134
Less: net liabilities disposed of	7,385
Gain on disposal	15,519

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(e) Disposal of subsidiaries (Continued)

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received	8,134
Less: cash and cash equivalents disposed of	(871)
	7,263

During the year ended 31 December 2020, the Group also disposed of an insignificant subsidiary at a cash consideration of HK$733,000 and recognised a gain on disposal of HK$642,000 and resulted in net cash inflow arising on disposal of HK$651,000.

(f) Capital contribution from non-controlling interests of subsidiaries

(i) Capital contribution from non-controlling interests of 因特睿科技有限公司 ("Internetware")*

On 15 September 2020, 神州投資有限公司 ("**DC Investment**"), 深圳神州普惠信息有限公司 ("**Shenzhen Puhui**"), (both being indirect wholly-owned subsidiaries of the Company), other individual shareholders of Internetware ("**Other Individual Holders**"), Changchun Financial Holding Group Co., Ltd* (長春市金融控股集團有限公司 ("**Changchun Financial**") and 長春淨月高新技術產業開發區國有資產投資經營有限公司 ("**Changchun Jingyue**"), and Internetware (being indirect non-wholly owned subsidiary of the Company) entered into a capital investment agreement, pursuant to which Changchun Financial, and Changchun Jingyue (the "**Investors**") have conditionally agreed to subscribe for approximately 6.45% and 4.84%, respectively, of the enlarged registered capital of Internetware by way of capital contribution in cash for the sum of RMB400,000,000 and RMB300,000,000, respectively. Details were set out in the Company's announcements dated 15 September 2020 and 29 September 2020.

The aggregate consideration of RMB700,000,000 shall be payable by the Investors in cash in the following manner:

(a) RMB490,000,000 (the "**First Installment**") shall be payable by the Investors to Internetware within five business days after fulfillment of all conditions precedent under the capital investment agreement; and

(b) RMB210,000,000 shall be payable by the Investors within five business days after Internetware obtains a new business licence from the relevant department of administration for industry and commerce after the completion of the change of the registered address and tax registration address.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(f) Capital contribution from non-controlling interests of subsidiaries (Continued)

(i) Capital contribution from non-controlling interests of 因特睿科技有限公司 ("Internetware") (Continued)*

Prior to the capital injection, Internetware is held as to approximately 80.65% by DC Investment, 12.90% by Shenzhen Puhui and an aggregate of 6.45% by Other Individual Holders. Upon completion of the payment of the First Installment, Internetware's total registered capital will be increased to approximately RMB120,965,000, and its equity interest will be owned as to approximately 71.54% by DC Investment, 11.45% by Shenzhen Puhui, an aggregate of 5.72% by Other Individual Holders, 6.45% by Changchun Financial and 4.84% by Changchun Jingyue. Internetware remained as a subsidiary of the Company.

On the same date, the Investors, 神州數碼軟件有限公司 ("**DC Software**") (being an indirect wholly-owned subsidiary of the Company), the Company, DC Investment and Shenzhen Puhui and Internetware entered into a supplemental agreement (the "**Supplementary Agreement**"), pursuant to which, among others, a put option has been granted by DC Software to the Investors. Details of the put option are set out in note 45 to the consolidated financial statements of the Company.

The above put option constitutes a redemption liability that is recognised initially at the present value of the redemption price. It is subsequently measured at amortised cost using the effective interest rate method.

During the year ended 31 December 2021, the Investors had contributed RMB210,000,000 (equivalent to approximately HK$251,157,000) (2020: RMB490,000,000 (equivalent to approximately HK$566,789,000)). This resulted in the Group's interest in Internetware decreased from 93.55% to 82.99%, an increase in non-controlling interests of HK$39,949,000 (2020: HK$128,523,000) and a decrease in equity attributable to owners of the parent of HK$39,949,000 (2020: HK$128,523,000). A schedule of the effect of capital contribution from non-controlling interests of Internetware is as follow:

	2021 **HK$'000**	2020 HK$'000
Carrying amount of non-controlling interest	**39,949**	128,523
Consideration received from non-controlling interests	**251,157**	566,789
Less: Redemption financial liability *(note 45)*	**(251,157)**	(566,789)
	39,949	128,523

* 因特睿科技有限公司 was formely known as 北京因特睿軟件有限公司.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(f) Capital contribution from non-controlling interests of subsidiaries (Continued)

(ii) Capital contribution from non-controlling interest of 科捷供應鏈有限公司 ("Instant Technology"), 楊凌農業雲服務有限公司 ("YLClouds") and DCBB

On 11 December 2020, the Group entered into a subscription agreement with an independent third party and pursuant to which, the independent third party agreed to make a capital injection of approximately RMB46,080,000 (equivalent to HK$54,522,000) to Instant Technology, an indirectly wholly-owned subsidiary of the Company. This resulted in the Group's interest in Instant Technology decreased from 100% to 87.2%, an increase in non-controlling interests of approximately HK$30,609,000 and an increase in equity attributable to owners of the parent of approximately HK$23,913,000.

In 2020, the non-controlling interests of YLClouds and DCBB made a capital injections of totalling RMB2,850,000 (equivalent to approximately HK$3,193,000). This resulted in increases in non-controlling interests of totalling approximately HK$3,193,000.

A schedule of the effect of above capital contributions from non-controlling interests of subsidiaries as follow:

	HK$'000
Aggregated carrying amount of non-controlling interests	33,802
Aggregated consideration received from non-controlling interests	11,877
Aggregated consideration receivable for Instant Technology	45,838
	(23,913)

The consideration has been settled during the year ended 31 December 2021.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(f) Capital contribution from non-controlling interests of subsidiaries (Continued)

(iii) Release of restricted shares and exercise of share options of DCITS

During the year ended 31 December 2021, 3,325,000 (2020: 3,325,000) shares of restricted shares of DCITS, an indirectly non-wholly owned subsidiary of the Company, have been released to the holders of restricted shares. This resulted in a dilution of the Group's equity interest in DCITS by 0.14% (2020: 0.14%) and resulted in an increase in non-controlling interests of approximately HK$24,437,000 (2020: HK$23,452,000) and an increase in equity attributable to owners of the parent of approximately HK$530,000 (2020: HK$1,255,000).

In addition, 3,975,601 (2020: 5,687,554) share options of DCITS have been exercised during the year ended 31 December 2021. This resulted in a dilution of the Group's equity interest in DCITS by 0.17% (2020: 0.23%) and resulted in an increase in non-controlling interests of approximately HK$47,745,000 (2020: HK$66,214,000) and an increase in equity attributable to owners of the parent of approximately HK$13,543,000 (2020: HK$19,244,000).

A schedule of the aggregated effect of the above deemed disposal of interest in DCITS without loss of control is as follow:

	2021	2020
	HK$'000	HK$'000
Carrying amount of non-controlling interest	**72,182**	89,666
Consideration received from non-controlling interests	**61,288**	85,458
Reversal of repurchase liabilities of restricted shares	**24,967**	24,707
	(14,073)	(20,499)

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:

	2021	2020
	HK$'000	HK$'000
Within one year	**291,218**	196,111
In the second year	**173,925**	135,175
In the third year	**99,256**	93,320
In the fourth year	**55,788**	60,749
In the fifth year	**37,466**	37,405
After five years	**110,719**	107,551
	768,372	630,311

42. COMMITMENTS

	2021	2020
	HK$'000	HK$'000
Contracted, but not provided for, in the consolidated financial statements:		
Land and buildings	**–**	16
Capital contributions payable to joint ventures	**32,187**	32,337
Capital contributions payable to associates	**29,680**	24,847
Capital contributions payable to financial assets at FVTOCI	**519**	507
	62,386	57,707

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	**2021 HK$'000**	2020 HK$'000
Transactions with joint ventures			
Sales of IT products to joint ventures	(i)	**3,493**	11,025
Provision of IT services to joint ventures	(ii)	**509**	7,804
Provision of IT services from joint ventures	(ii)	**973**	1,343
Interest income on loans to joint ventures	(v)	**11,942**	8,380
Transactions with associates			
Sales of IT products to associates	(i)	**13,064**	5,887
Purchases of IT products from associates	(iii)	**9,183**	–
Provision of IT services to associates	(ii)	**3,860**	3,606
Provision of IT services by associates	(ii)	**352,099**	108,883
Rental income from associates	(iv)	**7,128**	8,684
Transactions with related companies *(note (vi))*			
Sales of IT products to related companies	(i)	**51,297**	60,033
Provision of IT services to related companies	(ii)	**490,214**	449,549
Purchases of IT products from related companies	(iii)	**193,807**	188,765
Provision of IT services by related companies	(ii)	**72,268**	36,986
Rental income from related companies	(iv)	**48,111**	49,271

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 IT 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:

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**10,965**	7,792
Share-based compensation	**52,592**	31,706
Post-employment benefits	**929**	870
	64,486	40,368

The remuneration of directors of the Company and key executives is determined by the Group 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

Government grants of approximately HK$117,316,000 (2020: HK$107,535,000) 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.

Government grants of which related expenditure has not yet been undertaken are included in deferred income, of which approximately HK$22,652,000 (2020: HK$25,888,000) is classified as non-current liabilities and approximately HK$7,349,000 (2020: HK$12,787,000) is classified as current liabilities (included in other payables and accruals (note 33)), respectively.

During the year ended 31 December 2021, deferred income of approximately HK$31,244,000 (2020: HK$44,800,000) 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 2021 of approximately HK$86,072,000 (2020: HK$62,735,000) 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 Internetware as set out in note 40(f)(i) to the consolidated financial statements, a put option has been granted by DC Software to the Investors.

If any of the triggering events occurs during the period when the Investors hold equity interest in Internetware and before the listing of Internetware, the Investors shall be entitled to require the Group to purchase all or part of their equity interest in Internetware at the put price before 31 March 2026:

The key triggering events include:

(i) the change of registered and tax registration address of Internetware 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) Internetware 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 Internetware;

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 Internetware or cash indemnity paid by DC Software and/or the Company during the period when the Investors hold equity interest in Internetware.

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.

The movements in the redemption financial liability are as follow:

	2021 **HK$'000**	2020 HK$'000
At the beginning of year	**586,144**	–
Capital contribution from non-controlling interests *(note 40(f)(i))*	**251,157**	566,789
Interest expense	**46,587**	6,333
Exchange realignment	**17,233**	13,022
At the end of year	**901,121**	586,144

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 2021 Direct	Percentage of equity attributable to the Company 2021 Indirectly	Percentage of equity attributable to the Company 2020 Direct	Percentage of equity attributable to the Company 2020 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	RMB800,000,000	–	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 2021		Percentage of equity attributable to the Company 2020		Principal activities
				Direct	Indirectly	Direct	Indirectly	
Cellular Investments Limited	Hong Kong	N/A	HK$1	–	100	–	100	Investment holding
DC Cityverse Limited (formerly known as Wai On Services Limited)	Hong Kong	N/A	HK$400	–	100	–	100	Data processing and manpower outsourcing services
Digital China Sm@rt City (Chonghing) Operations Services Limited	PRC/Mainland China	Limited liability company	RMB200,000,000	–	82.99	–	82.99	Operation of Sm@rt City Platform
因特睿科技有限公司	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	RMB979,744,428 (2020: RMB975,768,827)	–	40.29*	–	40.28*	Systems integration services, software development and technical services
Digital China Jinxin Technology Co., Ltd.	PRC/Mainland China	Limited holding company	RMB200,000,000	–	40.29*	–	40.28*	Sales of financial specialised equipment
Beijing Zhongnong Xinda Information Technology Limited	PRC/Mainland China	Limited liability company	RMB100,000,000	–	40.29**	–	40.28**	Surveying service software sales
Digital China Advanced Systems Limited	Hong Kong	N/A	HK$531,750,000	–	40.29**	–	40.28**	Systems integration services
Nanjing Howso Technology Co., Ltd. ("**Howso Technology**")	PRC/Mainland China	Limited liability company	RMB102,340,000	–	40.25***	–	40.24***	Network optimisation services

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 2021		Percentage of equity attributable to the Company 2020		Principal activities
				Direct	Indirectly	Direct	Indirectly	
北京雲核網絡技術有限公司	PRC/Mainland China	Limited liability company	RMB13,333,333	–	**40.29******	–	40.28****	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
神州土地(北京)信息技術有限公司	PRC/Mainland China	Limited liability company	RMB10,000,000	–	**40.29******	–	40.28****	Provision of rural agricultural internet services

* DCITS, a Shenzhen listed company, is accounted for as a subsidiary of the Group even though the Group has only a 40.29% (2020: 40.28%) equity interest in this company based on the factors explained in notes 4 and 38 to the consolidated financial statements. As at 31 December 2021, certain borrowings of the Group were secured by 128,884,000 (2020: 130,960,000) ordinary shares issued by DCITS with an aggregate fair value of HK$1,985,208,000 (2020: HK$2,401,770,000).

** 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.

**** These companies were acquisition in 2020 and accounted for as business combination.

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

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Accounts and bills receivables	**3,998,232**	3,762,356
Financial assets included in prepayments, deposits and other receivables	**1,993,661**	1,860,811
Finance lease receivables	**46,302**	53,942
Restricted bank balances	**87,211**	228,286
Cash and cash equivalents	**2,779,214**	3,076,717
Financial assets at FVTPL		
Listed equity securities	**148,592**	199,503
Unlisted wealth management financial products	**924,996**	922,911
Financial assets at FVTOCI		
Unlisted equity investments designated as FVTOCI	**1,166,943**	714,300
	11,145,151	10,818,826

Financial liabilities

	2021 HK$'000	2020 HK$'000
Financial liabilities at amortised cost		
Accounts and bills payables	**4,361,333**	3,620,499
Financial liabilities included in other payables and accruals	**1,616,221**	1,895,360
Interest-bearing bank and other borrowings	**3,973,618**	4,378,604
Other financial liability	**901,121**	586,144
	10,852,293	10,480,607

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 2021:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
– Listed equity securities	**148,592**	**–**	**–**	**148,592**
– Unlisted wealth management financial products	**–**	**–**	**924,996**	**924,996**
Financial assets at FVTOCI				
– Unlisted equity investments	**–**	**–**	**1,166,943**	**1,166,943**

As at 31 December 2020:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL				
– Listed equity securities	199,503	–	–	199,503
– Unlisted wealth management financial products	–	–	922,911	922,911
Financial assets at FVTOCI				
– Unlisted equity investments	–	–	714,300	714,300

There were no transfers between all levels of fair values during the year ended 31 December 2021 and 2020.

48. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The Group has applied income approach and market approach to determine the fair values of the wealth management products and unlisted equity investments. The significant unobservable inputs for income approach included discount rates and growth rates while the lower the discount rates and higher the growth rates, the higher the fair value. The significant unobservable inputs for market approach included price-to-book ratio, marketability discount and enterprise value-to-sales ratio while the higher the price-to-book ratio and enterprise value-to-sales ratio and lower the marketability discount, the higher the fair value.

The Group engaged external valuation specialists 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 HK$'000	Unlisted equity investments HK$'000
As at 1 January 2020	925,766	408,572
Transfer from interest in an associate *(note 21)*	–	191,935
Acquisition	1,125,061	–
Disposal of a subsidiary *(note 40(b))*	(5,121)	–
Redemption	(1,160,782)	(40,196)
Fair value through profit or loss	16,727	–
Fair value through other comprehensive income	–	114,406
Exchange alignment	21,260	39,583
As at 31 December 2020 and 1 January 2021	**922,911**	**714,300**
Transfer from interest in an associate *(note 21)*	**–**	**557,851**
Acquisition	**1,225,038**	**–**
Redemption	**(1,265,908)**	**(57,212)**
Fair value through profit or loss	**35,966**	**–**
Fair value through other comprehensive income	**–**	**(62,761)**
Exchange alignment	**6,989**	**14,765**
As at 31 December 2021	**924,996**	**1,166,943**

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, accounts and bills payables, other payables, interest-bearing bank and other borrowings and cash and cash equivalents. 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 2021, the Group's interest-bearing borrowings of HK$1,931,968,000 (2020: HK$1,823,386,000) 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 2021, the Group's interest-bearing bank balances and time deposits of HK$2,765,046,000 (2020: HK$3,051,467,000) and HK$14,168,000 (2020: HK$25,250,000) bore interest at floating rates respectively.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

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 (2020: 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.

	Increase (decrease) in basis points	Increase (decrease) in profit before tax for the year HK$'000
31 December 2021		
Borrowings with floating interest rates	**100**	**(19,320)**
Borrowings with floating interest rates	**(100)**	**19,320**
31 December 2020		
Borrowings with floating interest rates	100	(18,234)
Borrowings with floating interest rates	(100)	18,234

Currency risk

The Group's foreign currency exposures mainly arise from net monetary liabilities in currencies other than the functional currencies of approximately HK$257,491,000 (2020: HK$101,756,000) as at 31 December 2021.

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 profit before tax. 1% (2020: 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 profit before tax for the year ended 31 December 2021 would decrease/increase by approximately HK$2,575,000 (2020: HK$1,018,000). This is mainly attributable to the Group's exposure to foreign currency on its bank balances, accounts payables and bank borrowings.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

As at 31 December 2021 and 2020, 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 and financial guarantees provided by the Group 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 our 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, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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)

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

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.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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:

	2021				
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Accounts and bills payables	4,361,333	–	–	4,361,333	4,361,333
Financial liabilities included in other payables and accruals	1,616,221	–	–	1,616,221	1,616,221
Interest-bearing bank and other borrowings	1,870,194	1,404,443	1,329,925	4,604,562	3,973,618
Other financial liability	–	1,117,238	–	1,117,238	901,121
	7,847,748	2,521,681	1,329,925	11,699,354	10,852,293
Lease liabilities	114,890	111,550	–	226,440	215,955

	2020				
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Accounts and bills payables	3,620,499	–	–	3,620,499	3,620,499
Financial liabilities included in other payables and accruals	1,895,360	–	–	1,895,360	1,895,360
Interest-bearing bank and other borrowings	2,133,669	1,489,134	1,508,217	5,131,020	4,378,604
Other financial liability	–	–	768,748	768,748	586,144
	7,649,528	1,489,134	2,276,965	11,415,627	10,480,607
Lease liabilities	85,705	55,987	–	141,692	133,762

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.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform

The Group has Hong Kong Interbank Offered Rate ("**HIBOR**") bank loan amounted to HK$304,747,000 as at 31 December 2021 which may be subject to interest rate benchmark reform. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the regulators. While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

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 2021 and 2020.

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	
	2021	2020
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**3,973,618**	4,378,604
Accounts and bills payables	**4,361,333**	3,620,499
Other payables and accruals	**2,175,516**	2,517,610
Lease liabilities	**215,955**	133,762
Less: Cash and cash equivalents	**(2,779,214)**	(3,076,717)
Restricted bank balances	**(87,211)**	(228,286)
Net debt	**7,859,997**	7,345,472
Equity attributable to equity holders of the parent	**10,159,493**	9,429,727
Total capital	**10,159,493**	9,429,727
Total capital and net debt	**18,019,490**	16,775,199
Gearing ratio	**44%**	44%

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	8	39
Investments in subsidiaries	1,939,081	1,939,081
	1,939,089	1,939,120
Current assets		
Prepayments, deposits and other receivables	19,241	40,384
Amounts due from subsidiaries	4,929,257	5,013,902
Cash and cash equivalents	22,806	60,150
	4,971,304	5,114,436
Current liabilities		
Other payables and accruals	14,426	32,136
Amounts due to subsidiaries	1,594,893	1,424,248
Dividend payable	191	159
Interest-bearing bank borrowings	266,179	64,786
	1,875,689	1,521,329
Net current assets	3,095,615	3,593,107
Total assets less current liabilities	5,034,704	5,532,227
Non-current liability		
Interest-bearing bank borrowings	38,568	42,880
Net assets	4,996,136	5,489,347
Capital and reserves		
Issued capital	167,353	167,250
Reserves	4,828,783	5,322,097
Total equity	4,996,136	5,489,347

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserve is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Employee share trust HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	4,643,858	623,689	(60,867)	73,805	138,585	5,419,070
Profit for the year and total comprehensive income for the year	–	–	–	–	517,474	517,474
Dividends paid	–	–	–	–	(162,829)	(162,829)
Share-based compensation	–	–	–	35,526	–	35,526
Exercise of share options	8,119	–	–	(1,640)	–	6,479
Contribution to employee shares trusts	–	–	(493,623)	–	–	(493,623)
At 31 December 2020 and 1 January 2021	**4,651,977**	**623,689**	**(554,490)**	**107,691**	**493,230**	**5,322,097**
Loss for the year and total comprehensive expense for the year	–	–	–	–	(146,744)	(146,744)
Dividends paid	–	–	–	–	(182,967)	(182,967)
Share-based compensation	–	–	–	102,723	–	102,723
Exercise of share options	5,573	–	–	(1,226)	–	4,347
Contribution to employee shares trusts	–	–	(270,673)	–	–	(270,673)
Vesting of shares under the restricted share award scheme	–	–	3,769	(3,769)	–	–
At 31 December 2021	**4,657,550**	**623,689**	**(821,394)**	**205,419**	**163,519**	**4,828,783**

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 therefor. 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 financial statements.

51. COMPARATIVE FIGURES

Comparative figures in relation to the gain (loss) on disposal of equity interests in associates and joint ventures and share of losses of associates and joint ventures have been presented in a single line item "Net gain on disposal of equity interests in associates and joint ventures" and "Share of losses of associates and joint ventures" respectively in the consolidated statement of profit or loss to conform with the current year's presentation. The reclassification had no financial effect on the amounts stated in the consolidated statement of financial position and therefore the third consolidated statement of financial position as at 1 January 2020 is not presented.

Particulars of Properties

Investment properties as at 31 December 2021:

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 2021 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
REVENUE	**20,539,460**	19,819,527	17,727,429	15,254,499	13,246,571
PROFIT (LOSS) BEFORE TAX	**1,141,812**	1,146,870	546,700	281,534	(47,817)
Income tax expense	**(168,144)**	(181,518)	(96,524)	(61,064)	(143,584)
PROFIT (LOSS) FOR THE YEAR	**973,668**	965,352	450,176	220,470	(191,401)
Attributable to:					
Equity holders of the parent	**711,588**	612,970	301,844	149,587	(413,006)
Non-controlling interests	**262,080**	352,382	148,332	70,883	221,605
	973,668	965,352	450,176	220,470	(191,401)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
TOTAL ASSETS	**29,600,899**	28,020,965	25,551,101	25,488,174	27,915,561
TOTAL LIABILITIES	**(14,733,550)**	(14,256,333)	(12,987,629)	(13,091,478)	(15,120,687)
NON-CONTROLLING INTERESTS	**(4,707,856)**	(4,334,905)	(3,627,049)	(3,546,353)	(3,685,089)
	10,159,493	9,429,727	8,936,423	8,850,343	9,109,785

Company Information

BOARD OF DIRECTORS

Executive Directors

Mr. GUO Wei *(Chairman and Chief Executive Officer)*
Mr. LIN Yang *(Vice Chairman)*

Non-executive Directors

Mr. PENG Jing
Mr. ZENG Shuigen

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
Fubon Bank (Hong Kong) Limited

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
Level 54, Hopewell Centre
183 Queen's Road East
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：藝術家龎夢倩