神州控股
DC Holdings

ANNUAL REPORT 2022 年報

Stock Code 股份代號:00861

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

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

Content

Company Profile

Digital China Holdings Limited (from now on referred to as the "Group," "Digital China Holdings," "the Company," or "we") was established in 2000 and listed on the Main Board of the Stock Exchange of Hong Kong in 2001 (stock code 00861. HK).

For more than 20 years, Digital China Holdings has always taken "Digital China" as its mission, adhering to the corporate culture of "responsibility, passion, innovation and sharing" and constantly making breakthroughs and innovations, from IT infrastructure services, integrated IT services, innovative city services, and then to big data services, and has always been committed to empowering the digital upgrading of cities and industries with the best digital solutions.

Currently, DC Holdings is working to become a technology-leading big data enterprise. Utilizing spatial-temporal big data and artificial intelligence technology, the company provides software products and services covering the whole life cycle of data elements around their collection, aggregation, governance, modeling, analysis, circulation and security. DC Holdings has independently developed software products such as Yan Cloud DaaS which won the first prize of the National Technology Invention Award in China. DC Holdings will start with the empowerment of public data operations and then provide a full range of data intelligence solutions for data assetization in the whole industry. DC Holdings has deep experience in the digital city, supply chain, financial technology, and other scenarios for many years, accumulating a wealth of industry experience and ecosystem resources. Based on the actual needs and pain points of clients, DC Holdings has built a practical intelligent solution matrix to support the digital upgrading of industry.

In the future, DC Holdings will take the "China Digital Construction Overall Layout Plan" as a guide, focus on building core capacity, and utilize the "City CTO + Enterprise CSO" dual method to put China at the global forefront in terms of digital development.

Financial Highlights

For the year	FY2022 RMBmn	FY2021 RMBmn	Year-on-year change %
Net sales amount	**17,750**	17,105	3.77%
- Of which, Big Data Products and Solutions			
Net sales amount	**2,439**	1,937	25.89%
Gross profit	**955**	693	37.76%
Gross profit margin	**39.14%**	35.77%	3.37%
Net sales amount proportion of big data products and solutions	**14%**	11%	3%
Gross profit proportion of big data products and solutions	**32%**	22%	10%
Net cash inflow from operating activities	**526**	453	16.04%
At Year-end			
Total assets	**24,768**	24,451	1.29%
Financial Ratio			
Dividend Payout Ratio	**31.80%**	34.85%	-3.05%

Key Events

24th January

The closing and award ceremony of the "Cross-Border • Partnership • Creating our Future"-DC Holdings 2021 Campus Hackathon was held. Teams from Nanjing University, Nanjing Normal University, University of Science and Technology of China, Tsinghua University, and Xi'an Jiaotong University won the competition.

March

DCITS won the bid for constructing Fujian Fu'an Smart Tea Garden and jointly established a demonstration project for the sustainable development of agricultural land resources with Fujian State Farm Group and the Asian Development Bank.

31st March

"Innovation · Toward the Future" - DC Holdings, the second Campus Hackathon, was launched with various exciting activities.

April

DC Holdings signed a contract for the ETL platform software development project in Nankai District, Tianjin.

April

DC Holdings cooperated with the Changchun Municipal Bureau of Statistics to apply "Yan Cloud DaaS" product to the epidemic prevention and resumption of work and production, accelerating the resumption in Changchun City and Jilin Province.

24th April

The recognition meeting of the Ecological and Environmental Protection Group for the 2022 Beijing Winter Olympics and Winter Paralympic Games in Yanqing was held. The company under DC Holdings was recognized for its outstanding contributions.

20th May

The one-month "The Digital Native City Scenarios Integration--Disruption Reconstruction New Engine" TECH Digital China 2022, the fourth Annual Technology Conference, took place online.

May

The Enterprise-level Microservice platform of DCITS has successively won the bid for seven financial institutions: Guizhou Rural Credit Union, Jinhua Bank, Huzhou Bank, Luzhou Bank, Changhua Bank, Lvlian Bank, and CITIC Bank.

1st June

The celebration of the 21st anniversary of the listing of Digital China was held online. Guo Wei, Chairman of the DC Holdings Board of Directors, spoke with employee representatives about "new life".

June

DC Holdings signed a contract for the e-Sanming operation service project in Sanming City, Fujian Province.

10th June

"The TECH Digital China 2022 Annual Technology Conference" forum themed "Value Reconstruction· Urban Transformation" was held, at which DC Holdings announced the establishment of the Future Urban Research Institute and DC Innovation Ecosystem Incubation Fund.

Key Events

July

A wholly-owned subsidiary, ITL, won multiple supply chain service orders from BYD, with a cumulative amount exceeding 400 million yuan.

July

DCITS joined the Digital RMB Industry Alliance.

August

DCITS won the bid for constructing an agricultural digital system in Lingyuan City, Liaoning Province.

August

DCITS won the bid for the Bohai Bank Technical Middle Platform Project, becoming the fourth technical middle platform project in 2022 after PingAn Bank, HuiShang Bank, and Weihai Bank.

22nd September

PuDao Credit and DCITS signed a strategic cooperation framework agreement. They held a signing ceremony in Beijing, focusing on four areas of cooperation:rural revitalization, small and medium-sized enterprises, supply chain finance, and technology empowerment.

9th October

DCITS and Hanhua Finance signed a strategic cooperation agreement to cooperate closely in digital finance, digital technology, and data assets.

October

DC Holdings signed a data service project for the epidemic prevention and control information sharing platform in Cangzhou City, Shandong Province.

November

A wholly-owned subsidiary, Internetware, won the bid for the "Yitong River Intelligent Water Integrated Management Platform Project" in Changchun City.

18th November

The People's Government of Longhua District, Haikou City, Hainan Province, officially signed a contract with DCITS to construct a prepaid consumption supervision platform and pilot prepaid consumption services.

November

The "Agricultural and Rural Big Data Public Platform Base" was launched jointly and developed by the Big Data Development Center, the Ministry of Agriculture and Rural Affairs, and DCITS.

December

A wholly-owned subsidiary, ITL, participated in formulating national standards and was rated as the "leader" in the first batch of enterprise standards in logistics.

December

DC Holdings signed the Weihai family education cloud platform software development project contract.

December

DC Holdings signed a software development project for the Longyan rural revitalization information platform construction project of the Longyan Agricultural and Rural Bureau.

Awards

2022

On 1st January 2022, DC Holdings was ranked 10th among China's 2021 top 100 IoT enterprises.

2021物联网企业100强

RK	企业	备注
1	华为	构建万物万联的智能世界
2	海尔智家	定制美好生活
3	海康威视	以慧眼洞见世界，迎接泛在智能
4	小米集团	物联网智能生态链
5	中兴通讯	一站式5G物联网解决方案
6	大华股份	智慧交通综合解决方案
7	阿里云	提供智能化所需产品、服务和解决方案
8	联通数科物联网	为数字经济提供"第一联接通道"
9	科大讯飞	讯飞iFLYIoT智能物联网平台
10	神州控股	以"数字化中国"为使命
11	中移物联网	物联网开放平台OneNET
12	神州泰岳	智慧安防
13	京东方	全球创新型物联网公司

2021智慧城市案例TOP10榜单

RK	提供方	使用方	方案/案例
1	中国电信	福建省厦门市	5G City
2	中国移动	江西省赣州市全南县	OneCity智慧城市平台
3	中国联通	北京首钢科技冬奥园区	城市智脑CityNEXT
4	腾讯	湖南省长沙市	长沙城市超级大脑
5	阿里巴巴	浙江省宁波市	数字孪生城市公共云
6	百度	云南省丽江市	智慧丽江城市大脑
7	华为	湖北省武汉市	武汉云
8	联想	颐和园	智慧云平台
9	神州控股	南京市六合经济开发区	城市大脑和数字孪生城市
10	新华三	内蒙古自治区呼和浩特	呼和浩特城市大脑

2022.1德本咨询/互联网周刊/eNet研究院联调

On 24th January 2022, the Nanjing Liuhe Economic Development Zone project, built and operated by DC Holdings, was selected as one of China's top 10 Smart City Solutions of 2021.

On 18th March 2022, DC Holdings was awarded the Enterprise of the Year for 2021 under digital twin services category.

2021–2022智慧服务TOP50

RK	企业	方案/案例
1	中国联通	5G智慧冬奥
2	华为	智慧零碳园区解决方案
3	腾讯	"智慧澳门" "腾讯觅影"
4	中国移动	HDICT数智生活+
5	中兴通讯	5G智慧矿山
6	中国电信	智慧社区养老服务
7	联想集团	绿色智城解决方案
8	海康威视	智慧城市数智底座
9	阿里云	数字孪生城市
10	百度智能云	"灵医智惠"
11	海纳云	智慧桥梁解决方案
12	神州控股	冬奥智慧环保项目
13	医渡科技	医疗大数据解决方案
14	用友网络	用友能源云
15	广电运通	智慧国资系统

On 2nd March 2022, DC Holdings' innovative environmental project for Winter Olympics was ranked 12th among the top 50 smart services solutions for 2021-2022.

On 11th January 2022, DC Holdings was awarded the best ESG enterprise by Caitong Media's 6th annual Hong Kong companies awards.

On 12th January 2022, Wholly-owned subsidiary ITL won the 2021 digital intelligence logistics innovation application Award.

第五届新财富最佳IR港股公司（H股）

证券代码	证券简称
01070.HK	TCL电子
06049.HK	保利物业
00656.HK	复星国际
06078.HK	海吉亚医疗
00535.HK	金地商置
00268.HK	金蝶国际
03888.HK	金山软件
01548.HK	金斯瑞生物科技
00992.HK	联想集团
03396.HK	联想控股
00861.HK	神州控股
00856.HK	伟仕佳杰
01686.HK	新意网集团
00868.HK	信义玻璃
01675.HK	亚信科技
01811.HK	中广核新能源
03311.HK	中国建筑国际
00696.HK	中国民航信息网络
00354.HK	中国软件国际
01610.HK	中粮家佳康

On 31st March 2022, DC Holdings was recognised as one of the best IR Hong Kong company award in the 5th New Fortune.

Awards

艾媒金榜 | 2021年

中国信创企业排行榜TOP30

Top 30 Chinese Information Technology Application Innovative Enterprises in 2021

排名	企业	总部地址	信创细分领域	金榜指数
1	华为	深圳	IT基础设施	96.56
2	阿里巴巴	杭州	IT基础设施、应用软件	94.84
3	百度	北京	IT基础设施	94.14
4	中芯国际	上海	IT基础设施	93.83
5	中兴通讯	深圳	IT基础设施	93.52
6	中国软件	北京	基础软件	93.28
7	中科曙光	天津	IT基础设施	93.10
8	神州控股	北京	IT基础设施、应用软件	93.07
9	上海兆芯	上海	IT基础设施	92.87
10	申威科技	合肥	基础软件	92.73
11	海康威视	杭州	IT基础设施	92.56
12	联想	北京	IT基础设施	92.52
13	南瑞集团	南京	基础软件	92.35
14	中国系统	北京	IT基础设施、基础软件	92.24
15	科大讯飞	合肥	IT基础设施、应用软件	91.85

On 15th April 2022, DC Holdings was ranked 8th among the top 30 Chinese Information Technology Application Innovative Enterprises in 2021.

		数字政府（15%）
1	联通数科	联通数字科技有限公司
2	神州控股	神州数码控股有限公司
3	佳都科技	佳都科技集团股份有限公司
4	数字政通	北京数字政通科技股份有限公司
5	中软国际	中软国际有限公司
6	东华软件	东华软件股份公司
7	中科软科技	中科软科技股份有限公司
8	数字认证	北京数字认证股份有限公司
9	南威软件	南威软件股份有限公司
10	雄帝科技	深圳市雄帝科技股份有限公司
11	辰安科技	北京辰安科技股份有限公司
12	恒锋信息	恒锋信息科技股份有限公司
13	榕基软件	福建榕基软件股份有限公司
14	熙菱信息	新疆熙菱信息技术股份有限公司
15	中科信息	中科院成都信息技术股份有限公司

On 26th April 2022, DC Holdings was ranked 2nd within the 2022 digital economy 100 - digital government top 15.

2022数字孪生解决方案提供商TOP50

RK	企业
1	神州控股
2	图云空间
3	海尔数字科技（上海）
4	孪数科技
5	DataMesh
6	金航数码
7	佳都科技
8	优锘科技
9	飞渡科技
10	傲林科技

On 6th June 2022, DC Holdings was ranked 1st among the top 50 digital twin solution providers 2022.

2022数字化转型推动企业100强

RK	企业	iP	iB	综
1	腾讯控股	96.75	96.62	96.69
2	华为	96.59	96.75	96.67
3	中国电信（含天翼云）	96.32	96.71	96.52
4	阿里巴巴	96.88	95.92	96.40
5	中国移动（含中移系统集成）	95.92	96.09	96.01
6	工业富联	95.86	95.92	95.89
7	中兴通讯	95.96	95.75	95.86
8	京东科技	96.29	95.36	95.83
9	中国联通（含联通数科）	95.03	96.33	95.68
10	百度	95.32	95.41	95.37
11	用友网络	95.29	95.24	95.27
12	神州控股	95.66	94.78	95.22
13	海康威视	95.71	94.66	95.19
14	京东方	95.71	93.65	94.68

On 27th June 2022, DC Holdings was ranked 12th among China's top 100 enterprises involved in digitalization initiatives.

2022数字经济TOP100（1-50）

RK	使用方	提供方	案例
1	中华人民共和国应急管理部	联通数字科技有限公司	应急部大数据工程总集及紧急转移人员数据服务
2	国家教育部考试院	广州像素数据技术股份有限公司	“证照家”证件照人像检测平台加速场景落地，为“全国教资报名”添助力
3	宁波栎社国际机场	海纳云	宁波栎社国际机场航站楼资源管理系统
4	港珠澳大桥管理局	广州广电运通智能科技有限公司	港珠澳大桥智慧出行服务技术平台
5	浙江省发展改革委	数梦工场	“关键小事智能速办”集成服务体系
6	北京冬奥组委技术部	金山办公	“冬奥会特别版”协同文档管理系统(私有化)解决方案
7	南京市12345政务服务呼叫中心	捷通华声	智慧城市12345政务服务便民热线
8	贵州省政府	中国联通	中国联通贵安云数据中心
9	广州、新疆	佳都科技集团股份有限公司	佳都科技大型集中隔离医学观察场所智慧防疫案例
10	江西省鹰潭市	51WORLD、中嘉数科	鹰潭智慧科创小镇建设
11	茂名市公安局	广电信义	茂名智慧新警务–交通城市大脑
12	嘉善县政务服务和数据资源管理办公室、嘉善数字示范区建设联盟、嘉善县委网络安全和信息化委员会办公室	杭州安恒信息技术股份有限公司	嘉善县城一体化网络安全生态治理体系
13	吉林长春净月高新技术产业开发区政数局	神州数码控股有限公司	净月CIM基础平台及应用
14	中国汽车工业协会	上海零数科技有限公司	智能网联汽车大数据交易平台
15	中国航天科工集团	中国航天科工集团第二研究院七〇六所	中国航天科工集团商密网移动安全办公平台

On 30th June 2022, DC Holdings' CIM platform and application won the top 10 outstanding solutions of the digital economy in 2022.

On 5th July 2022, the CIM infrastructure platform and application in Jingyue District, built by DC Holdings, was ranked 13th among the 2022 digital economy cases 100.

Awards

2022人工智能智慧城市服务商企业排行

RK	企业	技术	战略	创新	综评
1	华为	95.64	95.51	95.35	95.50
2	中国移动	95.48	95.26	95.19	95.31
3	中兴通讯	95.33	94.89	95.04	95.09
4	中国电信	94.75	94.51	94.68	94.65
5	阿里巴巴	94.38	94.73	94.25	94.45
6	腾讯	93.86	94.57	94.30	94.24
7	百度	93.66	94.23	93.59	93.83
8	中国联通	93.80	93.52	94.02	93.78
9	神州控股	92.98	93.40	92.47	92.95
10	海纳云	93.11	92.45	92.86	92.81
11	联想	91.56	92.31	91.84	91.90
12	科大讯飞	91.58	91.46	91.37	91.47
13	商汤科技	90.77	91.60	90.76	91.04
14	京东	90.34	90.51	90.28	90.38
15	太极股份	90.65	90.45	89.74	90.28
16	广联达	89.52	90.13	89.79	89.81
17	东华软件	90.06	89.64	89.64	89.78
18	力维智联	89.36	89.91	88.75	89.34
19	云赛智联	88.97	88.47	89.26	88.90
20	航天信息	88.44	89.30	88.65	88.80

2022.07德本咨询/eNet研究院/互联网周刊选择排行

On 26th July 2022, DC Holdings ranked 9th in the 2022 artificial intelligence smart city service providers list.

On 5th August 2022, DC Holdings ranked 40th within the 2022 WIOTRL BRONZE LIST TOP 200.

2022中国新科技100强

RK	公司简称	公司全称	行业属性
	数字经济（东数西算、AI、大数据、云计算、区块链、数字政府等）20%		
1	联通数科	联通数字科技有限公司	数字经济
2	神州控股	神州数码控股有限公司	数字经济
3	蓝凌软件	深圳市蓝凌软件股份有限公司	数字经济
4	有孚网络	上海有孚网络股份有限公司	数据中心、云计算
5	Testin云测	北京云测信息技术有限公司	数字经济
6	海纳云	海纳云物联科技有限公司	数字城市
7	力维智联	深圳力维智联技术有限公司	AI、大数据
8	猎豹移动	北京金山猎豹科技有限公司	互联网/人工智能
9	眼神科技	北京眼神科技有限公司	AI
10	永洪科技	北京永洪商智科技有限公司	大数据

On 20th September 20, 2022, DC Holdings ranked 2nd within the digital economy category of the 2022 China top 100 new technology enterprises.

On 21st September 2022, KingKooData product sold by DC Holdings won the 2022 big data innovation award.

中国信息自主潜在独角兽企业名单

序号	企业名称	创立时间
1	科来网络	2013
2	星环科技	2013
3	因特睿	2013
4	博瑞集信	2013
5	易捷思达	2013
6	法大大	2014
7	漏洞盒子	2014
8	佰才邦	2014
9	上上签	2014
10	升哲科技	2014

On 22nd September 2022, a wholly-owned subsidiary, Internetware, was shortlisted for the list of potential unicorn companies for information autonomy in China.

On 26th September, 2022, 神州數碼軟件有限公司 ("DC Software") was ranked 9th within Beijing's top 100 technology innovators.

2022 北京民营企业百强榜单 TOP100

序号	企业名称
1	京东集团
2	联想控股股份有限公司
3	国美控股集团有限公司
4	小米通讯技术有限公司
5	泰康保险集团股份有限公司
6	北京建龙重工集团有限公司
7	北京三快在线科技有限公司（美团）
8	百度公司
9	神州数码（中国）有限公司
10	贝壳控股有限公司（贝壳找房）
11	瑞钢联集团有限公司
12	北京快手科技有限公司
13	物美科技集团有限公司
14	方同舟控股有限公司
15	帝海投资控股集团有限公司
16	北京运通国融投资集团有限公司
17	阳光财产保险股份有限公司
18	北京蓝色光标数据科技股份有限公司
19	北京东方雨虹防水技术股份有限公司
20	翰林汇信息产业股份有限公司
21	北京大北农科技集团股份有限公司
22	北京爱奇艺科技有限公司
23	四联创业集团股份有限公司
24	腾讯云计算（北京）有限责任公司
25	迪信通科技集团有限公司
26	北京涂多多电子商务股份有限公司
27	江河创建集团股份有限公司
28	北京联东投资（集团）有限公司
29	北京云锐国际文化传媒有限公司
30	神州数码软件有限公司
31	软通动力信息技术（集团）股份有限公司
32	北京数字天域科技有限责任公司
33	北京微梦创科网络技术有限公司
34	奥瑞金科技股份有限公司
35	北京居然之家投资控股集团有限公司

On 26th September, 2022, DC Software was ranked 30th within Beijing's top 100 private enterprises.

2022大数据服务TOP150

排行	企业
1	阿里巴巴
2	腾讯
3	华为
4	百度
5	美团
6	神州控股
7	中兴通讯
8	四维图新
9	联通数科
10	珍岛集团

On 18th October 2022, DC Holdings ranked 6th among the 2022 top 150 big data service providers.

On 28th October 2022, the Nankai District Smart Elderly Care Project in Tianjin, built by DC Holdings, won the 2022 IDC Smart City Asia Pacific Awards in the China region.

On 16th November 2022, DC Holdings was awarded 2022 China Smart City Leading Big Data Solution Provider.

On 16th November, 2022, Weihai City was awarded as one of 2022 leading smart cities in China.

On 16th November, 2022, Longyan City was awarded as one of 2022 leading smart cities in China.

On 16th December 2022, DC Holdings was awarded "Outstanding Enterprise" within the China Software industry, Big Data category of 2022.

Awards

On 18th December 2022, DC Holdings was recognized as one of the 2022 Digital Economy Leading Enterprises.

On 19th December 2022, DC Holdings was recognized as the top TMT company.

On 22nd December 2022, DC Holdings was awarded the best IR performance for China IRSC awards.

2022数字化转型领军企业TOP100

序号	企业
1	华为
2	中国电信（天翼云等）
3	腾讯
4	中国联通（联通数科等）
5	海康威视
6	百度
7	神州控股
8	中国移动（移动云等）
9	移动云
10	京东科技
11	京东方
12	紫光集团
13	工业富联
14	中兴通讯
15	用友
16	中国长城
17	浪潮
18	四维图新
19	太极股份
20	恒生电子

On 20th December 2022, DC Holdings was ranked 7th among the top 100 digitalization leading enterprises of 2022.

2022电子政务与智慧城市解决方案提供商TOP100

S/N	企业	iP
1	中国联通	95.98
2	华为	95.79
3	中国电信	95.23
4	中国移动	95.18
5	腾讯	94.97
6	百度	94.96
7	阿里巴巴	94.38
8	神州控股	94.01
9	太极股份	93.95
10	海康威视	93.74
11	中兴通讯	93.71
12	中国系统	93.63
13	中国长城	93.47
14	中软国际	93.30
15	新华三	93.26
16	东软集团	93.05
17	中国普天	93.03
18	联想	92.88
19	大华股份	92.87
20	科大讯飞	92.18

On 29th December 2022, DC Holdings was ranked 8th amongst China's top 100 smart city solution providers.

2022年度技术公司100强

排行	企业	行业属性
1	华为	信息技术
2	比亚迪	汽车
3	阿里云	云计算
4	宁德时代	电气设备
5	联通数科	信息技术
6	大疆创新	无人机
7	海康威视	安防设备
8	京东方	物联网
9	中芯国际	电子
10	百度	信息技术
11	TCL科技	电子
12	吉利汽车	汽车制造
13	传音控股	消费电子
14	恒瑞医药	医药生物
15	潍柴动力	汽车
16	小米	消费电子及智能制造
17	复星医药	医药生物
18	汇川技术	电气设备
19	君实生物	医药生物
20	神州控股	信息技术
21	迈瑞医疗	医疗器械
22	长安汽车	汽车

On 19th December 2022, DC Holdings was ranked 20th among the top 100 technology enterprises of 2022.

2022企业服务、科技互联网案例TOP100（1—50）

序号	使用方	提供方	案例名称
1	国务院南水北调工程	柏科数据	国务院南水北调工程的两地三中心灾备系统建设
2	中央广播电视总台	51World	三星堆奇幻之旅
3	中国汽车工业协会	零数科技	智能网联汽车大数据交易平台
4	首钢冬奥园区	高鸿智联	科技冬奥首钢园区5G+C-V2X智能车联网业务
5	宁波栎社国际机场	海纳云	宁波栎社国际机场航站楼资源管理系统
6	大连市税务局	追一科技	税务数字人“塔可思”
7	茂名市公安局	广电信义	茂名智慧新警务——交通城市大脑
8	复旦大学附属肿瘤医院	联影医疗	All-In-One一站式放疗
9	中国移动	网思科技	AlphaMind® AI能力开放平台
10	宁波市卫生监督所	联通数科	AI人工智能助力卫生监督智慧执法
11	青岛市崂山区综合行政执法局	海纳云	崂山区智慧化综合行政执法平台
12	浙江大学医学院附属第二医院	钉钉	“未来科室”医生一站式工作平台
13	泗阳县大数据管理局	中国移动	“我的泗阳”APP
14	南网科研院	力维智联	电力系统仿真模拟科研云平台
15	龙岩市教育局	神州控股	龙岩市教育信息化项目
16	三明市大数据和电子政务中心	神州控股	三明市网上公共服务平台（e三明）
17	西安市第五医院	雷风科技	医疗智能桌面云解决方案
18	中信建投	酷克数据	自主可控数据仓库平台
19	方正证券	Testin云测	证券行业智能测试解决方案
20	武水集团	华为云	武水集团一体化客户服务平台

On 24th December 2022, the Longyan Education Informatization Project "e Sanming", built by DC Holdings, ranked 15th and 16th in the top 100 enterprise service and technology internet cases of 2022.

Awards

2023

2022物联网企业100强	
序号	企业
1	海尔智家
2	华为
3	海康威视
4	联通数科
5	京东方
6	中兴通讯
7	大华股份
8	涂鸦智能
9	阿里云
10	海纳云
11	小米
12	科大讯飞
13	神州泰岳
14	达实智能
15	航天信息
16	亨通光电
17	中移物联网
18	腾讯云
19	佳都科技
20	宝信软件
21	百度
22	云赛智联
23	菜鸟网络
24	神州控股
25	东软集团
26	英飞拓

On 13th January, 2023, DC Holdings was ranked 24th within the top 100 IoT enterprises in 2022.

On 27th February, 20 23, Changchun Jingyue City Information Model (CIM) Basic Software Platform Project, built by DC Holdings, was selected as one of the top 10 Smart City Cases of 2022.

2022智慧城市十大案例			
RK	提供方	使用方	方案/案例
1	联通数科	湛江市坡头区政务服务数据管理局	坡头区新型智慧城市基础设施建设项目（一期）
2	华为	山东省龙口市	龙口城市智能体项目（一期）和大数据产业园
3	海纳云	青岛市应急管理局	青岛市城市安全风险综合监测预警平台
4	因特睿	长春净月高新技术产业开发区政务服务和数字化建设管理局	净月城市信息模型（CIM）基础软件平台项目
5	佳都科技	宣城交警	IDPS城市交通大脑
6	蘑菇车联	湖南省衡阳市政府	衡阳市智能网联汽车（5G智能交通）项目
7	随锐科技	2022北京冬奥会	视频通信云解决方案
8	大汉软件	江西省南昌市	赣服通5.0版本
9	普元信息	上海市大数据中心	防疫数据运营和数据治理
10	蜜度	第二届中国国际消费品博览会	智慧城市建设大数据应用平台“城感通”

2023.02德本咨询/eNet研究院/互联网周刊联调

2023中国最具创新力AI产品/解决方案TOP30		
RK	企业/品牌	备注
1	腾讯	腾讯云智能工业AI质检解决方案
2	华为	盘古气象大模型
3	联通数科	工业视觉AI应用平台
4	京东	言犀AI 2.0平台
5	海康威视	海康机器人机器视觉新技术
6	科蓝软件	智能高柜数币机器人“小蓝”
7	神州控股	城市知识图谱平台
8	马上消费	智慧服务AI心理学模型
9	百度	AI 信控技术
10	朗坤	朗坤苏畅设备故障预警与智能运维平台
11	电信智科	天翼智慧大脑
12	致远互联	致远互联数智公文
13	瑞为技术	智慧机场自助登机解决方案
14	商汤智能	SenseCore大装置AI云
15	亚信科技	RPA通信业务流程治理平台
16	云测数据	AI工程化数据服务解决方案
17	科大讯飞	讯飞智能助听器、讯飞翻译机4.0、康养语音遥控器
18	眼神科技	“ABIS” AI能力平台
19	金财互联	数字税务员工“税宝”
20	Testin云测试	证券行业智能测试解决方案
21	思必驰	全场景AI语音助手
22	力维智联	Sentosa数据科学与机器学习平台
23	云知声	首款车规级语音AI专用芯片“雪豹”
24	拓尔思	TRS网察大数据分析平台
25	易道博识	赛博智能学习平台
26	明略科技	全新数据智能产品“明智工作”
27	蜜度	蜜度校对通AI智能校对平台
28	浪潮	AI液冷服务器
29	寒武纪	自动驾驶芯片
30	沃丰科技	AI基础设施“原心引擎”

2023.02德本咨询/eNet研究院/互联网周刊联调

On 14th March, 2023, DC Holdings City Knowledge Map was ranked 7th within the top 30 most innovative AI products in China.

On 16th March, 2023, DC Holdings was awarded Enterprise of the Year for 2022 under the big data category.

Chairman's Statement

Mr. GUO Wei

Dear Shareholders of Digital China Holdings,

The past year has been a year of ups and downs and a year full of uncertainties. The global stock market has experienced twists and turns due to the epidemic and the international situation. We are also not immune to uncertainty. However, the only certainty in this world is its uncertainty. How to deal with the impact of uncertainty is a compulsory course for us. Amid the delay, we must adhere to some fundamental principles to progress steadily.

Hold on to First Principles

"An edifice built on first principles is stable."

In the era of digital civilization, data is the foundation of everything. Data as a factor of production is redefining every business. Therefore, we have been continuously investing in data technology research, digging deep into the spatiotemporal attributes and value of data, building a "space-time global digital base", and forming a robust product suite of essential big data software products covering the entire life cycle of data.

Corresponding to data is people, and people are the foundation. The combination of people and numbers can create real value. Cities are the most concentrated manifestation of the achievements of human development. Therefore, we established the Future City Research Institute and launched urban knowledge map products. We continue to improve our standardized data products in urban scenarios to fulfill more client requirements. A good example would be the intelligent water supply project that we won in Changchun city, which bear similarities to many other cities..

Recently, ChatGPT turned out to make the world marvel at the powerful capabilities of artificial intelligence, and artificial intelligence comes from the understanding and processing of data. Therefore, we need to lay a solid foundation for the underlying data and then use technologies such as knowledge graphs to empower the development of artificial intelligence. These investments cannot see profitability in the short term, but when harness such capability and refine it over time, we can meet the challenges of almost any scenario.

Have a Customer-centric Approach

Customers are the source of our profits and the basis for business development and market expansion. Being customer-centric helps us convert customer data into assets and enables customers to gain more value.

In Beijing, we saw the system powered by DC Holdings' smart environmental protection system, brought the "Winter Olympic Blue" during the Winter Olympics; in Jilin, we used Yan Cloud DaaS products to help customers complete the development and deployment of data related software in just 4 hours, and achieve a resumption of work and production for customers with high efficiency.

In other industries, such as new energy, we continuously win orders from customers with more robust technical capabilities and higher-quality services. Every year on Double Eleven, we mobilize all practical resources to ensure that customers provide high-quality services to consumers, which has also earned us praise from these customers. We also offer full-process supply chain services from procurement to sales for customers, giving us the opportunity to become the customers' CSO (Chief Supply Chain Officer).

In this process, there will be gains and losses. Still, in times of crisis, we work closely with our customers, which has earned us their trust and understanding and allowed us to grow with our customers in the longer term.

Be The Best Version of Yourself

We are a distinctive enterprise. Compared with some emerging technology companies, we have a long history. Compared with some traditional IT companies, we are innovative enough because we are always at the forefront of digitization. With a forward-looking mindset. we continue to transform and innovate.

By constantly refining and optimizing management processes and organizational structure, we enable the organization to maintain vitality. In a flat organizational structure, we unify team thinking, create an entrepreneurial atmosphere, and inspire creativity. We can remain steadfast in uncertainty and handle challenges only by maintaining such energy.

Our "Partner Program" and "DC Academy" are strong driving forces. A group of elite talents who are committed to co-entrepreneurship with us have emerged through the Partner Competition. In various projects, the "DC Academy" has also played a leading role in innovation and has become an excellent enterprise talent management and development program. We have held two Campus Hackathons, attracting nearly 300 teams from top universities and discovering more new talents for us.

There may still be misunderstandings about us in the outside world. Still, we always believe that as long as we persist in being the best version of ourselves, we will ultimately see success.

New Starting Point, New Journey

2023 is the opening year for implementing the spirit of the 20th National Congress of the Communist Party of China. Since last year, the government has issued a series of policies on data production factors, established the National Bureau of Statistics, and released the "Overall Plan for the Construction of Digital China" This time, the path we have chosen is indeed intertwined with the country's strategy and destiny, which marks the starting point of a new journey.

At this starting point, we still need to continue to increase investment in the field of technology research and development, and use the "industry-university-research" innovation model to efficiently promote the research and development of essential big data software products, knowledge graphs, and other intelligent innovation products, continuously enhancing our core competitiveness, and further promoting the implementation and effectiveness of the big data strategy.

In terms of digitization, we not only focus on industrial digitization but also on digital industrialization. We will continue to empower core scenarios such as cities, supply chains, and finance with leading big data technologies and solutions to promote industrial digital transformation and upgrading. We will also expand our localization business, actively participate in national digital infrastructure construction, and accelerate digital industrialization development by serving the data market with standardized big data software products.

With the complete relaxation of epidemic prevention and control measures, we must focus on domestic and international markets. We will continue cultivating key customers in the domestic market, using the government as an entry point to reach cities and enterprises. On the enterprise side, we will promote the CSO model with more corporate customers to establish deep cooperative relationships, helping enterprises make data-driven decisions and achieve continuous innovation. At the same time, we will accelerate our international deployment, focusing on the Greater Bay Area of Hong Kong and becoming the CTO of Hong Kong's smart city, continuously empowering Hong Kong and overseas governments' digital transformation. We will also expand into countries and regions such as Southeast Asia, Eastern Europe, and Africa, replicating our existing capabilities in more areas.

In addition, we will also expand our ecosystem layout. With a mutually beneficial approach, we will integrate upstream and downstream resources to create business opportunities, serve customers, and promote innovation and development. With our core technological advantages, we will drive the healthy growth of the entire industry ecosystem in a broader scope and become a platform-type enterprise that empowers various digital scenarios.

With the formation of the new government, the pace of "Digital China" construction will be further accelerated. Standing before the once-in-a-lifetime historical opportunity, we feel the responsibility and strength. This responsibility is for the country, history, human beings, and ourselves. This strength comes from our persistence over the years, the opportunities that come our way, and our firm confidence in the digital future. At this starting point, we are embarking on a journey that is in sync with the great rejuvenation of the Chinese nation. Let us be resolute in our faith and strive together on this journey.

Management Discussion and Analysis

Throughout 2022, DC Holdings continued to embrace its mission of creating a "digital China" and drove the execution of its big data strategy. By staying close to market developments, the Company was able to further develop its capabilities in both spatial-temporal big data and AI technologies. Also, it pioneered an innovative research and development model that integrates elements of the industry, academia, research, as well as technology application. As an essential part of the global digital economy, data is rapidly integrating into all aspects of production, distribution, circulation, consumption, and social service management, changing the mode of production, lifestyle, and social governance. Accelerating the construction of a data resource system can inject strong innovation incentives into digitalization and play a vital role in promoting the structure of digital government, boosting the development of the digital economy, and accelerating the pace of developing a digital society. By utilizing the core industry drivers of city digital transformation, supply chain digital transformation as well as fintech, the Company has been able to offer a full range of big data products and solutions catered for our government and enterprise clients, thereby driving the high quality, and rapid growth of our core big data business.

1. Operation Overview

I. Steady Business Growth amid Multiple Headwinds and Challenges

2022 saw complex and severe global economic and political issues, creating multiple challenges and unexpected negative impact or results. Combined with the ongoing pandemic, client business activities, including business expansion initiatives, tenders, and project delivery speeds, saw a substantial slowdown. The management team actively took measures to respond to such headwinds to ensure that the Company's overall operations remained stable and achieved core business growth and structure optimization. During the reporting period, the Company's total revenue was RMB17.750 billion, representing an increase of 4% year-on-year; revenue from big data products and solutions was RMB2.439 billion, representing a year-on-year increase of 26%. In addition, the Company has signed contracts worth RMB6.558 billion, representing a year-on-year increase of 5%. Despite a challenging year, the Company remained resilient and recorded a profit before tax of RMB501 million, profit attributable to equity holders of the parent was RMB310 million.

II. Technology Capabilities Well Recognized by the Market

The Company's technological innovation exploration in the field of the digital economy has been highly recognized by the industry. According to an annual list jointly released by the Chinese Academy of Sciences "Internet Weekly," Deben Consulting, and eNet Research Institute, for 2022, the Company ranked No.1 in the Top 50 digital twin solution providers in 2022, Top 100 of future banking technology service providers, and Top 100 New Technology providers. The Company also came No.2 within the Top 100 Digital Economy service providers list, No. 4 within the information technology sector of the Top 100 Technology Companies in China, and No. 6 in the Top 150 big data service providers. According to a 2022 report released by the CCID Research Institute within the Ministry of Industry and Information Technology and IDC, the Company maintains its leading position among the top three in China's banking IT solutions market, ranking first for its core business solutions, channel management solutions, and open banking solutions. At the same time, the Company also gained honorifics such as the 2022 Digital Economy Leading Enterprises, 2022 Big Data Enterprise Golden i Award, 2022-2023 China Digital New Infrastructure Annual Excellent Practice Case, 2022 China Software and Information Service Industry Big Data Outstanding Enterprise, 2022 China Smart City Leading Big Data Solution Provider, 2022 China Software and Information Service Industry Top 10 Leading Company, Top 100 Competitive Enterprises in Software and Information Technology Services in 2022, Corporate Social Responsibility Award in Software and Information Services Industry in 2022, Best IR Hong Kong Stock Company for the 5th "New Fortune" rankings, and many other credentials and awards.

III. Pioneering Standards in the Digital Economy

Equipped with rich industry experience and successful cases over two decades, DC Holdings has deep insight and expertise in digital transformation and continues to pioneer relevant new national, industry, and enterprise standards. Within 2022, DC Holdings led and participated in preparing 64 national standards that have been approved and issued. Of these, 47 criteria are under the research of big data, digital twins, smart cities, intelligent parks, smart logistics, AI, and fintech. In addition, the Company was awarded the title of "Leader" within the first batch of national enterprise standards in intelligent logistics and fintech. It was further invited to participate in the formulation of new national standards. The Company's leading position and influence within the big data industry are evident. With its cutting-edge proprietary technology, industry expertise, and innovative practices, DC Holdings continues to lead and empower the acceleration of digital transformation within China.

2. Business Analysis

During the reporting period, the Company's primary business includes three segments, namely Big Data Products and Solutions, Software and Operating Services, and Traditional and Localization Services:

I. Laser-focused on executing our big data strategy; big data revenue increased by 26% year-on-year, and gross profit increased by 38% year-on-year.

Underpinned by guidance regarding China's digitalization initiatives from the CCCP and the State Council, the Company accelerated the execution of its core business strategy to achieve high-quality and rapid growth of its big data business. During the reporting period, the revenue of big data products and solutions was RMB2.439 billion, a year-on-year increase of 26%; the gross profit was RMB955 million, a year-on-year increase of 38%; and further product standardization, drove gross profit margins to 39% (of which, specific product gross margins reached 90% during the reporting period, 7% higher than prior period). The management team believes that the Company's continuous investment and effort over the previous years have ushered in a new phase where the big data products and solutions have achieved profitability, and shall continue to invest heavily in its big data business. The relevant research and development expenses during the reporting period were RMB457 million, representing a year-on-year increase of 11%. Prior to such research and development expenses, the Big Data Products and Solutions segment would record a net profit of RMB489 million, representing a year-on-year increase of 40%. As the Company continues to invest heavily in this business, a solid foundation to scale the business further can be established. The Company's big data product and solution business includes:

1. Products focus on covering the entire life cycle of data.

The Company's products focus on spatial-temporal big data and artificial intelligence technology. We assist our clients in extracting value across the entire life cycle of data through data collection, aggregation, clensing, circulation, governance, analytics, and modeling, as well as data security. In 2022, the Company further refined its product offering across the three main product families: Data Fabric, Data Hub, and Digital Twin. Utilizing the original flagship product Yan Cloud Data-as-a-Service and the Company's proprietary City Information Model ("CIM") system, new products focus on enhancing capabilities such as utilizing a Knowledge Map, a functional Low-Code Visual, as well as an IoT Management Platform. The standardized product suite allows a flexible modularized approach for the Company's clients depending on specific needs, and standardization means project deployment and use case replication can be executed quickly. We understand our clients have unique requirements, to allow for flexibility our product suite is modular by nature; and underpinned by our standardized project deployment practice for quick execution.

During the reporting period, our products were used by the government, enterprises, and financial institutions, including the big data operating system of the National Federation of Industry and Commerce data center platform of Jining City and Weihai City in Shandong Province. We were also involved in the data docking support platform of the Suzhou Wujiang Government Affairs Office in Jiangsu Province. More notably, the city information model (CIM) for the government of Changchun Jingyue District was awarded "Top Ten Outstanding Cases of Digital Economy in 2022" for its innovation and practicality. The CIM could crystalize the connection and aggregation of digital infrastructure and data resources from the bottom layer of urban data via CIM+ applications and, through the collection and assortment of such data, allows the user to produce data-driven insights to improve the quality of public services.

2. Solutions provide data intelligence solutions within our core industry verticals for digital transformation, namely cities, supply chains, and fintech.

With deep expertise in digital transformation accumulated over two decades, the Company has created a rich, comprehensive, and practical solution matrix designed to solve our customers' pain points.

Within cities, DC Holdings utilized its deep know-how of the public sector to promote the digital transformation of water affairs and conservancy, transportation, education, environmental protection, agriculture, taxation, and other public services. The Company cooperated with provincial governments to improve digital governance and service within counties and cities. During the reporting period, the Company successively undertook a series of significant projects, including the Beijing Haidian District Government Cloud Service, Shanghai Yangpu District Data and Management Network, Guangzhou Smart Housing Rental Service, Jilin Changchun City Brain and Water Works, Hebei Tangshan Smart City, Weihai City Operation Management and Citizen Service, and a range of other vital projects such as the Longyan City Science and Technology, Smart Education, and Smart Dual Carbon projects covered a variety of critical public functions such as city operation management, citizen services, and governance in Longyan City. The Company and the Ministry of Agriculture and Rural Affairs have jointly completed the research and development of ministerial and county-level agricultural and rural big data products and further completed the framework construction of the farming big data platform in Zibo City. The Company also successfully signed the "Golden Tax Phase IV" project for the public data support service of the State Administration of Taxation, providing a solid foundation for the further realization of value from data elements. In addition, the Company also developed a smart elderly care project in Nankai District. The "Internet + elderly care" model integrates resources from various sources such as the government, community service stations, and elderly care institutions and realizes all-round intelligent supervision coupled with thorough data analysis. This project won the "2022 annual IDC Asia-Pacific Smart City (China) Award" which reflects the industry's recognition of the Company's technology and innovative practices.

We possess over two decades of practical experience in the supply chain industry and a rare B2B and B2C integration capability. We have in-house proprietary order management systems (OMS), financial accounting systems (BMS), warehouse management systems (WMS), transportation management systems (TMS), and also other supply chain end-to-end management systems. These systems support the daily supply chain operations and gather various types of data from upstream to downstream of the supply chain. After clensing and processing a substantial amount of data, the data enters the KingKoo Data big data system. Once in the system, the data is combined with a set of supply chain algorithms developed by the Company. The system intelligently generates sales forecasts, inventory allocation, and replenishment, and other requirements according to our clients' different use cases and conditions. Additional requirements include customer analysis, transportation monitoring, route optimization, cost analysis, and labor management. During high usage periods such as the "618" festival and "Double 11" festival every year, the Company has successfully helped IT, communications, FMCG, beauty, clothing, and other industries through insights generated by KingKoo thereby customers can improve their decision-making process via data analysis, optimizing the overall cost and efficiency of their supply chain operation.

In the fintech sector, the Company obtains data to provide its customers with solutions and services that cover the process of credit demand to credit servicing. Using the data on a cleansed, no-names basis, the Company can also conduct data analytics and assist its clients in exploring new data-driven paths for development. During the reporting period, our financial institution business unit signed contracts with financial customers such as Postal Savings Bank, China Development Bank, Bank of Beijing, Bohai Bank, China CITIC Bank, Bank of Nanjing, Bank of Shanghai, etc., to help customers establish an enterprise-grade data operation platform and regulatory solution services. As a governing participant of the Digital RMB Industry Alliance, the Company's digital RMB solutions have been implemented in 29 financial institutions, including China Construction Bank, Bank of Beijing, Huaxia Bank, and Bank of Tianjin, to drive infrastructure construction. In addition, in conjunction with the Beijing Dongcheng District Taxation Bureau and the Industrial and Commercial Bank of China, the Company launched the first tax payment digital renminbi pilot in Beijing. It cooperated with ICBC Hainan Branch to launch the first domestic prepaid consumption platform based on the digital renminbi. In terms of SME financing, the Company focused on essential products such as credit and financial risk control to create integrated financial and credit services, successfully winning bids and signing contracts with Bank of Ningbo, China Resources Bank, CITIC Bank, Yealink Bank, Suning Bank, Xinwang Bank, Zhongbang Bank, Fumin Bank, and 17 other customers.

II. Continued to optimize the business structure; big data revenue represented 14% of total revenue, and big data gross profit represented 32% of total gross profit.

Since the deployment of the Company's big data strategy in 2018, the Company's technological capabilities have been continuously enhanced, gradually forming a business with big data products and solutions at its core, software and operating services as the various use cases, and traditional and localization services as the channel. During the reporting period, revenue from big data products and solutions represented RMB2.439 billion, accounting for 14% (11% in the same period last year) of total revenue; revenue from software and operating services was RMB5.546 billion, accounting for 31% of total revenue; and revenue from traditional and localization services was RMB9.766 billion, representing 55% of total revenue. In terms of gross profit, big data products, and solutions recorded RMB955 million, accounting for 32% (22% in the same period last year); software and operating services was RMB814 million, accounting for 28%; traditional and localization services was RMB1.172 billion, accounting for 40% of total gross profit.

The big data product and solution business represents the Company's strategic direction and growth trajectory. The growth of this business relies in part on the profound know-how of the government sector as well as enterprise customer resources. Combining the two, the Company has curated a unique competitive edge refined over two decades. The software and operating service business is critical to the Company's big data strategy. It provides a broader product and service offering suite to allow more customers to be on-boarded as clients. These clients are perfect upsell candidates for our big data products once we gained familiarity of their unique needs. These needs are converted into new requirements further drive the development of our big data products and grow our big data business thereby creating a virtuous cycle. Traditional and localization service business is a critical channel to announce our big data strategy. Our robust installed base is our key asset to whom we can cross sell our industry leading big data products and solutions.

III. Tapping into the vast localization trend to create a robust customer base for further cross-sell opportunities.

As a leading big data technology enterprise, the Company actively participates in the construction of national digital infrastructure and accelerates the process of industrial digitalization. In information technology applications, the Company combines years of consulting and planning, product adaptation, product development, product integration, operation, maintenance service, and ecosystem integration capabilities to offer government and enterprise customers a one-stop solution for localization. We possess a full-stack service capability for localization, such as consulting and planning, application adaptation and transformation, and operation and maintenance services.

In terms of customer expansion, the Company has provided more than 180 industry customers with planning and design services for local architecture, local solutions, local cloud, and distributed infrastructure. During the reporting period, the Company signed contracts with many leading financial institutions such as the Bank of China, Industrial and Commercial Bank of China, Postal Savings Bank of China, Bank of Communications, China Development Bank, Huaxia Bank, Bank of Beijing, Bank of Shanghai, Taikang Insurance and Galaxy Securities. In addition, large state-owned enterprises have also seen traction with names such as PetroChina and Shanghai Pharmaceuticals have achieved breakthroughs. The consulting services cover energy, government, manufacturing, parks, healthcare, education, radio, television, and other industries. In terms of ecosystem construction, over 20 mainstream domestic databases have been completed. Huawei, Tencent, Phytium, Zhaoxin, Alibaba, and others all form core components of our partner ecosystem. This way, we can offer full-stack localized software and hardware solutions that meet specific client requirements for local business systems with high performance, high stability, and high-reliability characteristics. In the future, the Company will further strengthen its localization offering, expand its market share of the localization business, and use it as an essential channel for cross-selling big data products and solutions.

3. Core Competitiveness Analysis

I. By utilizing an independent and innovative research and development model of integrating industry, academia, research, and technology application, the Company has created a solid technical moat for its business.

The Company continues to improve its research and development capability, and during the reporting period, the development and application of artificial intelligence and "Knowledge Map" technologies were accelerated. New products were launched,such as an urban knowledge map platform, a low-code visual platform, and an IoT management platform. The total number of registered intellectual property rights owned by the Company reached 2,598, representing a year-on-year increase of 16%.

Other research initiatives included establishing the Future City Research Institute, Shangdi Big Data Research Institute, and New Power Digital Finance Research Institute to drive research and academia. The Company also launched the DC Innovation Ecosystem Incubation Fund to provide capital means for business incubation. It held two consecutive "Hackathons" for campuses with students participating from universities across the world, including Carnegie Mellon, Imperial College, New York University, Tsinghua University, Hong Kong University of Science and Technology, and other top domestic universities. Furthermore, the Company has established a joint laboratory with the University of Science and Technology of China to drive industry-university-research cooperation. With sophisticated research capabilities, the Company possesses a complete closed-loop link of talent, technology, and capital to conduct business, strengthen its technical barrier, and build the core competitiveness.

II. An extensive customer base creates a solid foundation to further develop the big data business.

The Company has focused on the government, finance, and supply chain industry for over two decades and has served more than ten central ministries and commissions, more than 300 cities, and more than one million industry customers, including many Fortune 500 multinational companies, well-known significant enterprises, and state-owned enterprises. We possess over 300 domestic and foreign top manufacturer resources upstream and over 30,000 channel partners downstream. Through such deep customer experience, the Company has accumulated best-in-class customer service capabilities and deep industry insight. It has improved its big data service capabilities in helping customers achieve digital transformation. Its clear technological edge and practical customer experience keep the Company in a leading position amongst its peers.

III. A strong management team with a clear track record and an entrepreneurial culture ensures the Company's sustainable development.

In 2022, under the management team's leadership, who possess a global vision and rich industry experience, employees from the Company were empowered to overcome difficulties, resist the adverse effects of the macroeconomic environment together, and achieved a steady improvement in overall operations. The Company advocates a flat and efficient organizational culture, continuously hires and develops outstanding talents, constantly introduces industry experts and technical experts to aid Company initiatives, optimizes labor costs, improves management efficiency, and builds an elite team capable of bringing the Company forward. At the same time, the Company encouraged the spirit of a "second entrepreneurship" culture by creating virtualized organizations such as "Partners" and "DC Academy," allowing for cross-business unit pollination and exchange of ideas, in turn promoting the rapid implementation of new methodologies and promoting high-quality, rapid growth of the big data business.

4. Market and business outlook

I. A clear path for digitalization initiatives in China, with the value of data playing a critical role.

The "Overall Layout Plan for the Digitalization of China" issued by the CCCP and the State Council puts forward the overall framework and construction goals for digitalization. The "Plan" stated that by 2025, an integrated and coordinated development pattern would be established. Significant progress will be made in the pursuit of digitalization. By 2035, the level of digital development in China will be the most advanced globally, and notable achievements will be made through this process. The systematic approach to digital construction is scientific and complete and shall strongly support the comprehensive structure of a modern socialist country. According to the "Global Digital Economy White Paper (2022)" issued by the China Academy of ICT, the value added to the digital economy in 47 major countries will reach 38.1 trillion US dollars in 2021. Among them, the scale of China's digital economy reached 7.1 trillion US dollars, accounting for more than 18% of the total of 47 countries, second only to the United States and ranking second globally. As an essential part of the global digital economy, data is rapidly integrating into all aspects of production, distribution, circulation, consumption, and social service management, changing the mode of production, lifestyle, and social governance. Accelerating the construction of a data resource system can inject strong innovation incentives into digitalization and play a vital role in promoting the structure of digital government, boosting the development of the digital economy, and accelerating the pace of developing a digital society. According to the data of the National Industry and Information Security Development Research Center, the market size of China's data industry is RMB81.5 billion in 2021, and it is expected to reach approximately RMB174.9 billion by 2025, with a CAGR of 26.26% between 2020 to 2025. China's substantial data resources and booming data industry will significantly develop the digital economy in the next few years, representing an unparalleled opportunity for DC Holdings to accelerate its big data strategy.

II. Focused on developing core capabilities.

In light of such opportunities, the Company will continue to accelerate its big data technology strategy, strengthen core competitiveness based on spatial-temporal big data and artificial intelligence technology, build a complete R&D and product system, continuously enrich the matrix of data products and solutions, and continue to become a big data technology enterprise.

To accelerate the deployment of big data products and solutions, the Company will create an innovative "city CTO" and "enterprise CSO" dual cycle development model and continue to empower the digital development of cities and enterprises through digitalization. Regarding business development, the Company adheres to the "deep customer cultivation" strategy and "ecosystem aggregation," leveraging the value of its broad offering suite to deepen existing customer relationships and actively expand to new customers. The Company will continue to improve service quality and increase customer stickiness. At the same time, the Company shall also actively expand its ecosystem and integrate upstream and downstream resources. The core technology advantage of the Company will drive the healthy development of the entire industrial ecosystem, allowing the Company to become a platform enterprise that empowers various digitalization initiatives. With \epidemic measures now relaxed, the Company will also pay attention to both domestic and overseas markets, accelerate overseas deployment, focus on the northern metropolis of Hong Kong, and continue to empower the digital transformation of enterprises and overseas governments in Southeast Asia, Eastern Europe, Africa, and other countries and regions, striving to create more value for shareholders and society.

5. Update on the settlement plans regarding certain wealth management products purchased by the Group (the "WMP").

As of 31 December 2022, the outstanding unpaid principal of the WMP was approximately 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. The Group pushed forward with the disposal of the real estate residential project (the amount of the principal and interest involved is approximately RMB193 million) in accordance with the action plans and is currently pending the court to issue the completion of such asset restructuring procedure. 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 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 involve investments in a market and a commercial complex, amounts to approximately RMB1,439 million. During the Reporting Period, the court has confirmed that the Group has priority over approximately RMB413 million of its claims, which provided legal basis for accelerating the realization of such assets. Certain supporting facilities in the properties have been upgraded with a view to improving the asset value in preparation for subsequent sale. At the same time, the Group had been actively negotiating the sale with interested parties. The Group is also actively preparing for the recovery of the remaining assets with an aim to obtain favorable arrangement in subsequent proceedings.

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 2022 is reasonable and appropriate. The Group will continue to pursue execution according to the action plans. The Company will make a further announcement as and when appropriate in the event of any material development on the action plans.

Management Discussion and Analysis

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 RMB24,768 million at 31 December 2022 which were financed by total liabilities of approximately RMB12,455 million, non-controlling interests of approximately RMB3,951 million and equity attributable to equity holders of the parent of approximately RMB8,362 million. The Group's current ratio at 31 December 2022 was 1.47 as compared to 1.46 at 31 December 2021.

During the year ended 31 December 2022, capital expenditure of approximately RMB94 million was mainly incurred for the additions of properties, plant and equipment and other intangible assets.

As at 31 December 2022, the Group had cash and bank balances of approximately RMB2,522 million, of which about approximately RMB2,433 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.43 at 31 December 2022 as compared to 0.39 at 31 December 2021. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately RMB3,616 million (31 December 2021: approximately RMB3,281 million) and equity attributable to equity holders of the parent of approximately RMB8,362 million (31 December 2021: approximately RMB8,383 million).

At 31 December 2022, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in US dollars	Denominated in Hong Kong dollars	Denominated in Renminbi	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Interest-bearing bank borrowings, unsecured	-	204,515	611,650	816,165
Interest-bearing bank borrowings, secured	53,953	58,340	860,088	972,381
Other borrowings	-	-	43,500	43,500
	53,953	262,855	1,515,238	1,832,046
Non-current				
Interest-bearing bank borrowings, secured	-	31,562	1,752,050	1,783,612
Total	53,953	294,417	3,267,288	3,615,658

Certain of the Group's bank borrowings of:

1. Approximately RMB1,890 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 RMB4,072 million at 31 December 2022; and

2. Approximately RMB866 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 194,770,000 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 carrying amount of approximately RMB2,098 million at 31 December 2022.

Included in the Group's current and non-current bank borrowings of approximately RMB196 million and RMB1,784 million respectively represented the long-term loans which are repayable from year 2023 to 2036. As at 31 December 2022, approximately RMB1,686 million and RMB1,930 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 2022 amounted to approximately RMB12,167 million, of which approximately RMB2,007 million were in long-term loan facilities, approximately RMB5,715 million were in trade lines and approximately RMB4,445 million were in short-term and revolving money market facilities. At 31 December 2022, the facility drawn down from the Group was approximately RMB1,980 million in long-term loan facilities, approximately RMB1,584 million in trade lines and approximately RMB1,478 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 2022, the Group did not have material contingent liabilities.

Commitment

At 31 December 2022, the Group had the following commitments:

	RMB'000
Contracted, but not provided for, in the consolidated financial statements:	
Capital contributions payable to joint ventures	**21,580**
Capital contributions payable to associates	**20,472**
Capital contributions payable to financial assets at fair value through other comprehensive income	**429**
	42,481

Events After the Reporting Period

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

Human Resources and Remuneration Policy

At 31 December 2022, the Group had 15,166 full-time employees (31 December 2021: 14,744). 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 7.75 % in staff costs to approximately RMB3,207 million for the year ended 31 December 2022 as compared to approximately RMB2,977 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 RMB1,149 million. The table below set out the use of net proceeds (the "Net Proceeds") from the Rights Issue:

Intended use of the net proceeds from the Rights Issue	Net proceeds	Utilised amount as at 1 January 2022	Actual application for the year ended 31 December 2022	Un-utilised amount as at 31 December 2022	Expected to be utilised by 31 December 2023
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
(i) Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	664	(427)	-	237	237
(ii) Repayment of debt and interest expenses					
(a) Repayment of principal and interest expenses to Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) due in October 2017	160	(160)	-	-	-
(b) Repayment of principal and interest expenses to Western Securities Co., Ltd. (西部證券股份有限公司) due in October 2017	250	(250)	-	-	-
(iii) General working capital purposes	75	(75)	-	-	-
Total	1,149	(912)	-	237	237

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 2022, an aggregate of RMB912 million has been utilised from the Net Proceeds.

As at 31 December 2022, the un-utilised Net Proceeds from the Rights Issue amounted to approximately RMB237 million. In 2022, 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, the un-utilised Net Proceeds had not been utilised in full as at 31 December 2022. Despite the fact that the COVID-19 epidemic is gradually subsiding, it will take time for the socioeconomic activities to resume. It is expected that the un-utilised Net Proceeds would not be fully utilised by 30 June 2023. 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 2023.

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

Biographical Details of Directors and Company Secretary

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr. GUO Wei

Mr. GUO Wei, aged 60, is the Chairman, Chief Executive Officer and an Executive Director of the Group and is responsible for the strategic development and the overall business management of the Group. Mr. Guo had been the Vice Chairman, the President and the Chief Executive Officer of the Group since February 2001 and was appointed as the Chairman of the Group in December 2007. In June 2018, Mr. Guo was re-appointed as the Chief Executive Officer of the Group. He is also a director of certain subsidiaries and associates of the Company. Mr. Guo obtained a Master's Degree from the Graduate School of the Chinese Academy of Science (formerly known as Graduate School of the University of Science and Technology of China) in 1988. He joined the Legend group in 1988 and was once an Executive Director and Senior Vice President. Mr. Guo was awarded such major prizes included China's Top Ten Outstanding Youths (2002), 求是傑出青年成果轉化獎 (Practical and Outstanding Youth of Achievement) (2002) by the China Association for Science and Technology, China's Top Ten Outstanding Youths in Technology Innovation (1998), Future Economic Leader of China (2003), and the First Annual China Young Entrepreneurs Creative Management Golden Honour (2005). He was also selected as of the 50 Most Powerful Business People in China by Fortune Magazine (Chinese version) in 2011 and 2012.

Mr. Guo is currently the Chairman and the Chairman of the Strategic Committee and member of the Nomination Committee of Digital China Information Service Company Ltd. and 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 appointed as independent non-executive director, member of the Audit and Risk Management Committee, chairman of the Remuneration and Assessment Committee and member of the Aviation Safety Committee of China Southern Airlines Company Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange) with effect from 30 April 2021. In addition, he is a Director of Kosalaki Investments Limited which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Guo was a Non-executive Director of HC GROUP INC. (formerly known as HC International, Inc.) (listed on the Main Board of The Stock Exchange of Hong Kong Limited), an Independent Director of Shanghai Pudong Development Bank Co., Ltd. (listed on The Shanghai Stock Exchange), a Director of DigiWin Software Co., Ltd. (listed on the ChiNext of The Shenzhen Stock Exchange). Besides, Mr. Guo is currently a member of the 4th Advisory Committee for State Informatization and Vice Chairman of Digitalized China Industry Development Alliance. He was a Standing Committee Member of the 11th & 12th National Committee of the Chinese People's Political Consultative Conference, the Chairman of Beijing Informatization Association and the Chairman of the 6th Council of China Non-Governmental Science Technology Entrepreneurs Association, the Chairman of China Smart City Industry Technology Innovation Strategic Alliance and other social positions. He has over 35 years of experience in business strategy development and business management.

Biographical Details of Directors and Company Secretary

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LIN Yang

Mr. LIN Yang, aged 56, 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 32 years of management experience in IT business. Mr. Lin was awarded the Lifetime Achievement Award by the IT Channel Elite Panel in 2001 and recognised as the Most Influential Figure in IT Distribution of 20 Years in 2005. In 2013, he was also selected as one of the Leaders of the Year 2012 of the China Information Industry and Top-10 Annual Icons of the Year 2012 of Zhongguancun. Besides, Mr. Lin was the Director of IT Channel Profession Council, under the MIIT (Ministry of Industry and Information Technology).

Biographical Details of Directors and Company Secretary

NON-EXECUTIVE DIRECTORS

Mr. ZENG Shuigen

Mr. ZENG Shuigen, aged 45, 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 director of Guangzhou Broadband Backbone Network Co. Ltd. He is also a director of several group companies of Guangzhou City Infrastructure Investment Group Limited ("GZ Infrastructure"). Mr. Zeng graduated from Northeast Electric Power University in 2006 with a Master's Degree in computer application technology. He obtained senior engineer qualification in November 2014, and information system project manager qualification in May 2015.

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

Biographical Details of Directors and Company Secretary

NON-EXECUTIVE DIRECTORS

Ms. CONG Shan

Ms. CONG Shan, aged 40, has been appointed as a non-executive Director of the Company on 30 August 2022. Ms. CONG serves as the vice general manager of Guangzhou City Investment Co., Ltd. and a director of Guangzhou New Town Construction Investment Development Co., Ltd., each of which being a subsidiary of Guangzhou City Infrastructure Investment Group Limited ("GZ Infrastructure"). Ms. CONG received a Bachelor of Science Degree from Harbin Normal University in 2006 and a Master's Degree in Engineering from Beihang University in 2013.

Ms. CONG has served several state-owned conglomerates and listed technology companies and has had nearly 16 years' experience in corporate management and large-scale engineering projects since 2006. During this period, she was responsible for chip technology, aerospace engineering, etc. In addition, Ms. CONG has established several companies engaging in asset management, research and development, investment and other businesses. In recent years, she has been focusing on investment projects related to emerging industries.

Biographical Details of Directors and Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Man Chung, Francis

Mr. WONG Man Chung, Francis, aged 58, 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 35 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, the Chairman of the Audit Committee and a member of the Remuneration Committee of Hilong Holding Limited and IntelliCentrics Global Holdings Ltd. (all listed on the Main Board of The Stock Exchange of Hong Kong Limited); and an Independent Non-executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee of Qeeka Home (Cayman) Inc. (listed on the Main Board of The Stock Exchange of Hong Kong Limited). He was an Independent Non-executive Director and a member of the Audit Committee and the Strategy and Investment Committee of GCL Technology Holdings Limited (formerly known as GCL-Poly Energy Holdings Limited) (listed on the Main Board of The Stock Exchange of Hong Kong Limited); an Independent Non-executive Director and the Chairman of the Audit Committee of Kunming Dianchi Water Treatment Co., Ltd. (listed on the Main Board of The Stock Exchange of Hong Kong Limited) and an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of China New Higher Education Group Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited). With effect from 3 April 2018, Mr. Wong was re-designated as a Non-executive Chairman of Union Alpha C.P.A. Limited (who was the Managing Director) and a Non-executive Director of Union Alpha CAAP Certified Public Accountants Limited (who was a Director), both being professional accounting firms, in order to devote more time on his role of independent non- executive directors of listed companies and charity works. Mr. Wong is a Founding Director and member of Francis M C Wong Charitable Foundation Limited, a charitable institution.

Biographical Details of Directors and Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTORS

Miss NI Hong (Hope)

Miss NI Hong (Hope), aged 50, has been an Independent Non-executive Director of the Company since 29 September 2010. Miss Ni received her J.D. Degree from the University of Pennsylvania Law School and her Bachelor's Degree in Applied Economics and Business Management from Cornell University.

Currently, Miss Ni is an Independent Director, the Chairman of the Audit Committee of ATA Inc., a NASDAQ-listed company (NASDAQ: ATAI) and an Independent Non-executive Director, member of the Audit Committee and Compensation Committee and Chairwoman of the Nominating and Corporate Governance Committee of Zhihu Inc, a company listed on the NASDAQ (NASDAQ: ZH) and Main Board of The Stock Exchange of Hong Kong Limited. Miss Ni is also an Independent Director of Ucloundlink Group Inc., a NASDAQ-listed company (NASDAQ: UCL) and an Independent Non-executive Director, member of Remuneration Committee and Nomination Committee of Acotec Scientific Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Ni was a Non-executive Director, 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.

Biographical Details of Directors and Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LIU Yun, John

Dr. LIU Yun, John, aged 59, has been an Independent Non-executive Director of the Company since 25 March 2014. Dr. Liu is the board member of the Board of Directors of dormakaba Holdings AG (whose shares are listed in the SIX Swiss Exchange) since October 2020 and an Independent Director of Pixelworks, Inc., a NASDAQ-listed company (NASDAQ: PXLW) since 9 September 2022. He was the CEO of Shenzhen Afiniti Technology Co. Ltd., the board member of the Board of Directors and the Chief Executive Officer of VOSS (an international bottled water brand) and the Chief Advisor of Reignwood Holdings Pte Ltd. (Singapore). He was the Vice President and Chief Operating Officer of Wanda Internet Technology Group from March 2017 to May 2018, an Independent Non-Executive Director of ARM Holdings Plc. (listed on the London Stock Exchange) from December 2014 to September 2016 and a Senior Vice President of Greater China Field Division of Conservation International from June 2016 to September 2016. He was also the Chief Business Officer of Qihoo 360 Technology Co. Ltd. from January 2014 to August 2015. Prior to that, he held senior positions in various renowned companies in the communication or networking or software arena as follows: Corporate Vice President and Head of Greater China of Google Inc. from 2008 to 2013; Chief Executive Officer, China Operations of SK Telecom Co., Ltd. from 2002 to 2007; General Manager, Greater China of FreeMarkets Inc. from 2000 to 2002; Chief Executive Officer, China Operations of SITA Communication from 1999 to 2000; General Manager, Telecommunication Group of The Lion Group from 1997 to 1999 and Country Director, Greater China of Singapore Telecommunications Limited from 1994 to 1997.

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

Biographical Details of Directors and Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KING William

Mr. KING William, aged 56, has been an Independent Non-executive Director of the Company since 29 June 2018. Mr. King was the Managing Director of Russell Reynolds Associates, Hong Kong from October 2018 to December 2019 and a partner at Egon Zehnder International (Shanghai) Company Limited, a leading executive search firm, from January 2007 to May 2016. Prior to that, Mr. King held several leadership roles with some of the global technology companies as follows: Chief Operating Officer at eBay China from April 2005 to November 2006, General Manager of AT&T Greater China from August 2002 to April 2005, Director of Telecommunications and Media at Credit Suisse First Boston (CSFB), Hong Kong from September 2001 to April 2002, Head of Corporate Planning and Development at Hong Kong Telecom and PCCW from September 1999 to September 2001; Senior Associate at Booz Allen & Hamilton from 1995 to September 1999 and Senior Systems Consultant with IBM Corporation in the US from February 1988 to July 1993.

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

Biographical Details of Directors and Company Secretary

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Timothy Yung-cheng

Mr. CHEN Timothy Yung-cheng, aged 66, has been an Independent Non-executive Director of the Company since 16 July 2021. Mr. Chen has accumulated more than three decades of experiences in telecommunications, media and technology (TMT) and corporate management in multinational corporations. Mr. Chen has been an independent non-executive director (currently also a member of Audit Committee and Nomination Committee) of CCID Consulting Company Limited* (賽迪顧問股份有限公司), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 02176) since May 2019; 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. Previously, Mr. Chen held various senior positions at various corporations, including the Chairman of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統（中國）有限公司), the CEO of Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), formerly known as 21CN CyberNet Corporation Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 0241), the CEO of Greater China Region of Microsoft, and NBA China, a partner of GL Capital Group and chairman of CSL Holding Limited. In addition, Mr. Chen served as the independent director of Guiyang Longmaster Information & Technology Company Limited (貴陽朗瑪信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300288) from October 2010 to October 2013; The president of Telstra International Group from November 2012 to December 2015; Chairman of Autohome Inc., a company listed on the New York Stock Exchange (stock code: ATHM) from 2012 to May 2016; An independent director of Haier Smart Home Company Limited, (海爾智家股份有限公司) (formerly known as Qingdao Haier Company Limited 青島海爾股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600690) from September 2014 to 31 May 2016; The general manager of Asia Pacific Telecom Co., Ltd. from August 2016 to January 2018; The chairman of Foxconn Industrial Internet Co., Ltd. (富士康工業互聯網股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601138) from January 2018 to October 2018; A non-executive director of Asia Pacific Telecom Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 3682) since August 2016 to July 2021; An independent non-executive director, a member of the Compensation Committee and Commercial and Medical Affairs Advisory Committee of BeiGene, Ltd., a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 06160) since February 2016 to June 2022. Mr. Chen obtained a bachelor's degree from National Chiao Tung University in June 1978 and an EMBA degree from the University of Chicago in June 1991.

Biographical Details of Directors and Company Secretary

COMPANY SECRETARY

Mr. WONG Chi Keung

Mr. WONG Chi Keung, aged 56, is the Company Secretary of the Company. Mr. Wong is mainly responsible for the financial reporting and listing issues of the Group. Mr. Wong graduated from The University of Hong Kong with a Bachelor's Degree in Social Sciences and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong was a Non-executive Director and a member of the Remuneration Committee of HC International, Inc. (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 32 years of experience in financial management and corporate administration.

Corporate Governance Report

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the "Code Provision(s)") set out in Part 2 of the "Corporate Governance Code" (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2022 (the "Reporting Period"), except the following deviations from certain Code Provisions with considered reasons as given below:

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

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

Under the New Bye-Laws of the Company adopted on 11 June 2018 (the "New Bye-Laws), at each annual general meeting one-third of the directors of the company (the"Directors") for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, save that the Chairman of the Board or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation. Therefore, Mr. GUO Wei, the Chairman of the Board, shall not be subject to retirement by rotation. Given the existing number of Directors 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 C.3.3 stipulates that directors should clearly understand delegation arrangements in place. Listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

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

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 24 to 33 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 one ad hoc Board meeting where the Directors attended the Board meetings either in person or by means of electronic communication.

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

Independent views available to the Board

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

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

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

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

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

5. The Board shall also ensure that further re-appointment of any long-serving independent non-executive Director is subject to a separate resolution to be approved by the Shareholders at the annual general meetings of the Company.

Appointments and Re-election

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

As disclosed above, neither Independent Non-executive Directors nor non-Executive Directors have entered into written letters of appointment with the Company. However, the relevant Directors have already been subject to the laws and regulations applicable to directors of a company listed on the Stock Exchange, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its Shareholders;

Independent Non-executive Directors

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

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Dr. LIU Yun, John have been serving as Independent Non-executive Directors for more than nine years. During their tenure as Independent Non-executive Directors, the Board and the Nomination Committee consider that they have been contributing to the development of the Company's strategy and policies through providing independent advice. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent based on the criteria set out in Rule 3.13 of the Listing Rules notwithstanding the length of their service.

Relationship

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

Corporate Governance Function

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

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

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

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

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

(v) to review the Company's compliance with the Code and the disclosure in this report as set out under Appendix 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 external auditor of the Company (the "Auditor") their respective audit findings, the half-yearly and annual financial results before recommending them to the Board for consideration and approval, the accounting principles and practices adopted by the Group, legal and regulatory compliance, and reviewed the auditing, internal control, risk management, internal audit and financial reporting systems. The Board has, through the Audit Committee, conducted regular reviews on the effectiveness of the internal control 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, monitored the training and continuous professional development of Directors and senior management, the code of conduct applicable to Directors and relevant employees of the Group and the Company's compliance with the Code and disclosure in this corporate governance report.

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

During the Reporting Period, the Nomination Committee reviewed the structure, size, composition and diversity of the Board and recommended the addition of new board member, and has reviewed the independence of the independent non-executive directors and assessed the independent non-executive directors' contribution. It has also reviewed the overall contribution and service made by retiring directors to the Group, the benefits of re-electing the retiring directors to the Group and considered the retiring directors' level of participation and performance in the Board. The Nomination Committee made recommendations to the shareholders on the proposed re-election of Directors at the annual general meeting of the Company held on 30 June 2022.

DIRECTOR'S ATTENDANCE RECORDS AT MEETINGS

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

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

Notes:

1. Mr. GUO was interested in the connected transaction regarding the formation of the JV and therefore required to abstain from voting and constitution of quorum at the relevant board meeting, but was nonetheless in attendance. For further details of the said connected transaction, please see the section headed "Connected Transactions" in the Report of the Directors.

2. As Ms. CONG Shan was appointed as a Non-executive Director of the Company with effect from 30 August 2022, her attendance was stated by reference to the number of Board Meetings held during her tenure.

3. Mr. PENG Jing resigned as a Non-executive Director of the Company with effect from 30 August 2022, his attendance was stated by reference to the number of Board Meetings held during his tenure.

Corporate Governance Report

DIRECTOR INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

BOARD DIVERSITY POLICY

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

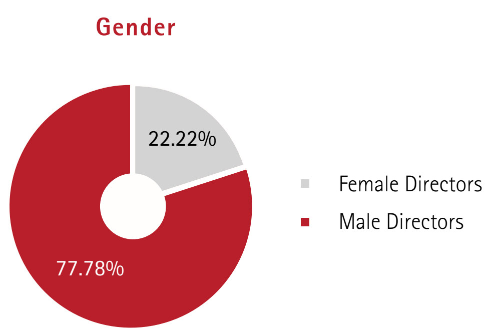
The Company, recognising and embracing the benefits of having a diverse Board, values increasing diversity at Board level which is perceived to be an essential element in achieving a sustainable and balanced development of the Company. In determining the Board composition that best suits the Company,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

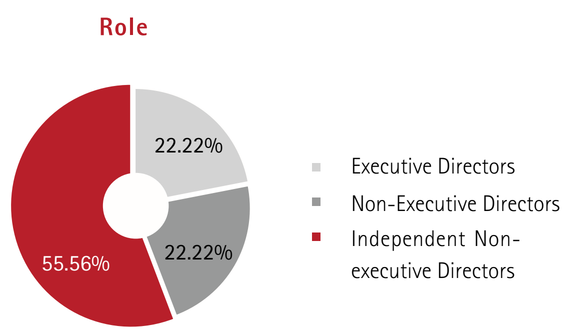
The Board is commissioned to monitor the implementation of the Board Diversity Policy and has the primary responsibility for identifying the suitably qualified candidates to the Board with regard to the Board Diversity Policy

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

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

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





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

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

WORKFORCE GENDER DIVERSITY

Set forth below are the gender ratio in the Group's workforce in 2022:

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

The Company recognises the importance of maintaining gender diversity and recruits employees at all levels based on merits. In 2022,the proportion of female employees in the Group's workforce was 24%. In order to enhance the gender diversity across the workforce of the Group, the Group has set a target to increase the proportion of female executives and employees to one third by 2030.

REMUNERATION OF AUDITOR

For the Reporting Period, remuneration to the Auditor was approximately RMB 2,613,000 for audit services and approximately RMB132,000 for non-audit services on review relating to the financial statements of offering and issuance of Taiwan Depositary Receipts.

RISK MANAGEMENT AND INTERNAL CONTROL

I. Risk Management and Internal Control

1. *Risk Management and Internal Control Notions*

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

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

The Board acknowledges its responsibility to establish 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 2022, the Board is of the opinion that the Group's risk management and internal control system was both effective and adequate. Besides, the Board believes that the Group's accounting and financial reporting functions were performed by sufficient staff who were suitably qualified and experienced and who had received proper training and been adequately developed. The Board also believes that sufficient resources were allocated to the Group's internal audit function, which was performed by sufficiently qualified and experienced staff and for which the training programmes and budget were sufficient.

II. Risk Management

1. *Three-tier protection for risk management*

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

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

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

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

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

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

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

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

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

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

During the year of 2022, 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 2022:

Rank	Risk
1	Risk relating to competition
2	Risk relating to pricing
3	Risk relating to relying on major customers

Compared with 2021, the first three risks in 2022 have undergone some changes: risk relating to competition is still the first risk; risk relating to pricing has risen to the second risk; risk relating to relying on major customers has dropped from second to third. In 2022, the maturity of the big data industry and the further increase in market concentration have objectively intensified market competition; especially the products, services and market applications of the big data industry are extremely extensive, and various technologies are updated and iterated rapidly. Competitors' involvement and rapid growth have intensified competition risks. Intense market competition, as well as fluctuations in exchange rates over the same period, changes in labor costs, product costs, etc., have also increased market price fluctuations to a certain extent. In addition, the Company has always focused on cooperating with major customers in terms of strategic coordinated development. The fluctuations in the industry prosperity of major customers, the customer's own product life cycle, and the customer's ability to continue operating will also affect the stable growth of the Company's revenue.

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**, perform targeted market research, analyze the capital, strategy, products and customers of ourselves and our competitors, fully understand the market environment and the situation of competitors, so as to know ourselves and the Competitors; strengthen our understanding of changes in customer needs, improve our comprehensive quality in various related business fields. In the future, we will not only understand customer needs, but even lead customer needs; backed by our strong technical advantages in various business areas, solutions for various business scenarios and the accumulation of big data, we will continue to strengthen all-round capacity building in marketing, service operation, system management and talent reserve to provide support for business development and enhance the comprehensive competitiveness of enterprises.

- **Relating to price management**, firstly, by studying market environment, keep abreast of the factors that affect market price fluctuations, eliminate market noise, and formulate a reasonable pricing strategy; second, use resource procurement platforms to incubate ecological partners, improve operational quality, and strive to reduce costs and prices; Third, use technological advantages to provide personalized services according to customer needs, actively realize product upgrades and service differentiation, so that customers can feel the value increase, and then improve pricing advantage.

- **Relating to customers management**, continue to strengthen business opportunity management, continuously improve the business opportunity management system, and expand effective business opportunity resources; be oriented by customer needs, provide intimate and personalized services in an all-round way, stabilize operation quality, and at the same time intervene in customer business situation services as much as possible to increase customer stickiness, to avoid unexpected business risks; on the basis of maintaining and strengthening existing customer relationships, further promote the key customer strategy, strengthen policy and resource preference, actively expand more new industry customers and business, and create multiple strategic customers to diversify the risk of relying on a single major customer.

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

III. INTERNAL CONTROL

1. *Internal Control System*

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

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

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

- Establishing a reasonable and effective organization structure with clear functions, responsibilities and authority;
- Laying down stringent procedures for budget preparation and budget management; formulating business plans and financial budgets annually; rationally adjusting the organisation structure based on business planning; ensuring the effective operation of the organisation; reviewing the implementation of budgets and making reasonable adjustment based on the latest conditions;
- The Internal Audit Department — independently assessing the comprehensibility and effectiveness of the monitoring of principal business, reporting its principal findings, with recommendations, to the Audit Committee on a half-yearly basis; and
- The Independent Auditor — for the audit of annual results, recommending ways to address some internal management areas which are correspondingly weak; the management making serious reviews, and making and submitting improvement proposals to the Audit Committee.

2. *Annual assessment of internal control*

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

DISCLOSURES OF INSIDE INFORMATION

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 104 to 109 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

SHAREHOLDERS' RIGHTS

The Company recognises the rights of Shareholders and encourages the Shareholders to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meeting. The general meeting provides an important opportunity for the Shareholders to express their 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 SGM and put forward agenda items for consideration by the Shareholders as provided by the Companies Act 1981 of Bermuda. 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, Auditor and legal advisers, shall be available at general meetings to answer questions from the Shareholders.

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

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

Digital China Holdings Limited
Investor Relations Department
31/F., Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

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

PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

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

DIVIDEND POLICY

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

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

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

6. 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.

7. 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.

8. 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.

1.0 Message from the Chairman

In 2022, Digital China Holdings and all members of Digital China Holdings withstood the test of the epidemic and realized self-improvement and transformation. We firmly believe in the power of digitalization and our strategic choice. We seize the opportunities created by the digital economy,and the opportunities brought about by digital transformation. Continuous breakthroughs and progress in the middle of the year have achieved steady growth in the most challenging period.

This year, regarding business growth, we have achieved 26% sustained growth in our big data business. We were ranked 1st among the top 50 digital twin solution providers in 2022 and also recognized as one of the 2022 Digital Economy Leading Enterprises, our subsidiaries have been selected as IDC's global financial technology top 100 for five consecutive years, ranking world No. 34. Our "digital cloud integration" financial technology has completed the transformation of the core systems of 11 pilot commercial banks, achieved the model innovation of supply chain, digital RMB and small, medium and micro enterprises, covering nearly 700 financial institutions across the country, serving more than 800,000 rural households and 700,000 small, medium and micro enterprises. Our Changchun intelligent water affairs and Winter Olympics innovative environmental protection projects have become the benchmark projects of "spatial-temporal global database + artificial intelligence + innovative scene application" in smart cities, and the overseas expansion of the intelligent supply chain service network has achieved remarkable results. We are becoming the preferred digital transformation partner of more and more regional governments, large enterprises, and leading customers in the industry. In terms of technology research and development, we have established the Shangdi Big Data Research Institute and the New Power Financial Technology Research Institute to tackle the critical technologies of digital cloud integration, and our annual growth rate in number of proprietary independent intellectual property rights exceeds 20%. In terms of organizational management, we have broken the contract system and promoted customer-centric and professional-oriented organizational changes; we have broken down epartmenta boundaries, and various forms hybrid work mode have become the new normal of the organization. We encourage the flow of talents, accelerate the growth of young cadres, continuously carry out the self-evolution of the management team, and create a more professional, open, and robust leadership group with shared ideals and values.

In 2022, we will strive to fulfill the mission of "Digital China," actively respond to various challenges, and concentrate our strengths to make breakthroughs and innovations. At the same time, we also regard ecologically sustainable development and social well being and progress as important directions for enterprise development. As an employer of China's top scientific and technological talents, while providing safety and health protection for our employees, we have extensive contact with and participate in the training and selecting elite scientific and technical skills. We always pay attention to the needs of vulnerable groups in society, do our best to help the vulnerable, and combine our technological advantages and capabilities to provide scientific and efficient intellectual support for social governance; at the 6th China Enterprise Charity Public Welfare Forum, our subsidiaries won the "2022 China Top 500 Enterprises in Charity and Public Welfare". While building our sustainable development system, we encourage our customers to upgrade their technologies in various fields,such as low-carbon environmental protection, rural revitalization, intelligent elderly care, and education industries. We are committed to integrating social responsibility into all aspects of the Company (including products, services, technological innovation, cultural heritage,and digital upgrades) to help promote sustainable social development. Looking forward to the future, DC Holdings will adhere to the original aspiration of "Digital China," working hard, moving forward bravely, and riding the tide of the digital economy to a better tomorrow.

Environmental, Social and Governance Report

2.0 About this Report

The "Digital China Holdings Limited Environmental, Social and Governance Report" (from now on referred to as the "Report") is prepared per the ESG Reporting Guidelines issued by The Stock Exchange of Hong Kong Limited in December 2019 and concerning the relevant rules of the Global Reporting Initiative (GRI), to explain our ESG policy, as well as our work and achievements during the year, to a wide range of stakeholders. The ESG Reporting Team comprises personnel from all relevant departments of the Group and is responsible for collecting, collating, and compiling pertinent information annually.

- **Reporting principles and scope**

  In terms of reporting principles, this report is guided by the following:

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

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

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

  In terms of the scope of reporting, unless otherwise specified, the information contained in this report covers all subsidiaries of Digital China Holdings.

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

- **ESG governance structure, strategy, and objectives**

  The Board of Directors of the Company is responsible for assessing and determining the ESG risks of the Group and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems to report on and be accountable to the Group's ESG strategy. The Board has regularly reviewed the Group's ESG strategy to review and ensure consistency with the Group's development strategy. The Board has been involved in the assessment, materiality ranking, and management of ESG-related matters, including risks to the Group's businesses, which can be found in "Materiality Issues on ESG" below. In 2022, the Group's environmental, social, and governance risk management and internal control systems were effectively operational.

  Regarding governance strategy, Digital China Holdings is committed to realizing the integration and unification of corporate and social values and actively exploring the path of sustainable development of enterprises. We have fully integrated ESG considerations into the Group's business operations and management as part of our corporate development strategy, with particular emphasis on our engagement with stakeholders, such as listening to our users, engaging with our partners, caring for and growing with our employees, and assuming greater social responsibility. Our ESG strategy aims to become a leader in ESG practice as a high-tech enterprise empowered by independent innovation, big data, and technology to empower core scenarios and to create more shared value with all stakeholders.

- **Company profile**

  Digital China Holdings Limited (from now on referred to as the "Group," "Digital China Holdings," "the Company," or "we") was established in 2000 and listed on the Main Board of the Stock Exchange of Hong Kong in 2001 (stock code 00861. HK).

For more than 20 years, Digital China Holdings has always taken "Digital China" as its mission, adhering to the corporate culture of "responsibility, passion, innovation and sharing" and constantly making breakthroughs and innovations, from IT infrastructure services, integrated IT services, innovative city services, and then to big data services, and has always been committed to empowering the digital upgrading of cities and industries with the best digital solutions.

Currently, DC Holdings is working to become a technology-leading big data enterprise. Utilizing spatial-temporal big data and artificial intelligence technology, the company provides software products and services covering the whole life cycle of data elements around their collection, aggregation, governance, modeling, analysis, circulation and security. DC Holdings has independently developed software products such as Yan Cloud DaaS which won the first prize of the National Technology Invention Award in China. DC Holdings will start with the empowerment of public data operations and then provide a full range of data intelligence solutions for data assetization in the whole industry. DC Holdings has deep experience in the digital city, supply chain, financial technology, and other scenarios for many years, accumulating a wealth of industry experience and ecosystem resources. Based on the actual needs and pain points of clients, DC Holdings has built a practical intelligent solution matrix to support the digital upgrading of industry.

In the future, DC Holdings will take the "China Digital Construction Overall Layout Plan" as a guide, focus on building core capacity, and utilize the "City CTO + Enterprise CSO" dual method to put China at the global forefront in terms of digital development.

• Stakeholders

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

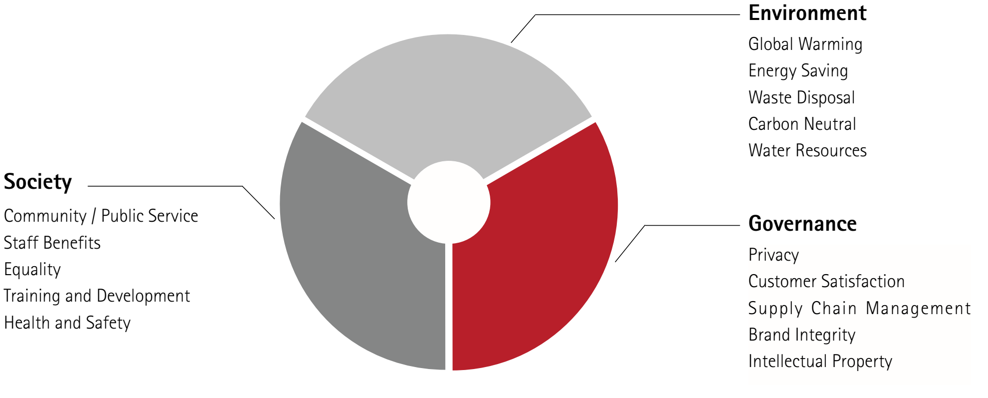
Stakeholders	Main topics	Main communication channels
Government and regulatory bodies	Compliance, corporate governance	Meetings, written reports, visits, policy consultations, information disclosures
Shareholders and Investors	Business development, return on investment	Company disclosure, investor meetings,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

For example, the Group attaches great importance to the interaction with the Government and other regulatory authorities, investors, and the media (see the text for communication and interaction between the Group and other significant stakeholders), in addition to strictly fulfilling information disclosure obligations per regulatory requirements, it also builds a communication platform through multiple channels and methods, so that stakeholders such as the Government, investors, and the media can fully understand the Company's business situation and development direction through regular and irregular exchange meetings; At the same time, the Company also listens carefully to the opinions and suggestions of relevant parties and hopes to continue to develop sustainably and healthily and give back to various stakeholders.

2022 Investor Open Day Exchange--- Interact with investors & media

- **Environmental, social, and corporate governance issues are essential.**

DC Holdings fully recognizes the importance of listening to the views of all parties when promoting environmental, social, and corporate governance projects. In 2022, we discussed the importance of ESG issues with our stakeholders through the above communication channels. We conducted an online questionnaire to understand the level of interest of our stakeholders in the importance of these issues. At the same time, by referring to the sustainable development issues of outstanding peer enterprises at home and abroad, combined with the concerns of various stakeholders on the sustainable development of the Company, the essential sustainable development issues of Digital China Holdings were finally formed this year, which served as the basis for the preparation of this report.



#	Key Items
1	Improving customer satisfaction
2	Customer data privacy protection
3	Talent retention
4	Supply chain/vendor management
5	Employee protection and well-being
6	Corporate Integrity
7	Employee rights
8	Employee and talent development
9	Intellectual property protection
10	Equal opportunities
11	Media disclosure
12	Waste disposal
13	Community service
14	Water usage
15	Carbon emissions
16	Global warming

3.0 Environment

In recent years, the environment and climate change have attracted global attention. Based on the responsibility of building a community with a shared future, the Chinese Government aims to achieve the "Paris Agreement" goals by showing unprecedented determination and courage in dealing with the environment and climate change. In FY2020, the Government has committed to peak carbon dioxide emissions by FY2030 and achieve carbon neutrality by FY2060.

The Group has strict management standards for environmental management, and its subsidiaries have certificated ISO14001 Standard Management System Certification (ISO14001 標準管理體系認證證書), ISO14001 Environmental Management System Certification (ISO14001 環境管理體系認證證書) and ISO5001 Energy Management System (ISO5001 能源管理體系認證證書). 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 model. At the same time, we have taken several actions to improve energy efficiency, reduce energy consumption and reduce harmful emissions and waste. In addition, we are committed to using technology and innovation to drive urban ecology and environmental protection. Through these various actions, we minimize the negative impact on the environment and climate change.

- **Response to climate change, achieving carbon peak and carbon neutrality**

The risks and impacts of climate change are increasingly important, and our Corporate Audit Committee continues to closely monitor the effects of climate change on our business, strategy, and finances. Our management actively evaluates and advocates "carbon neutrality." Due to the continuous expansion of the Group's logistics business, we have planned to add "carbon neutrality risk" and "extreme weather operation risk" to the Group's risk assessment in FY2023. The risks will be assessed independently from the current "social responsibility risk," "natural disaster or force majeure risk," "policy risk," and other risks.

As of FY2022, many subsidiaries of the Group have obtained "carbon neutrality" certificates and ISO5001 energy management system certification, marking an important step towards the goal of "carbon neutrality."

Carbon neutrality and ISO5001 energy management system certification

The Group is aware that climate change will bring various risks and opportunities to our business. Climate-related risks are typically classified as either Physical or Transition risks. Physical risks are those related to the physical impacts of climate change, while transition risks are related to the transition to a lower-carbon economy and market changes. The Group will consider the range of climate-related risks we could be exposed to within each of the below categories, review our exposure, and put forward a response policy.

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

On the other hand, we have treated climate change as an opportunity to promote our energy efficiency and develop low-carbon and climate change-resistant services and products. We actively use big data software platforms to assist government departments and other users in responding to the impact of climate change, such as using intelligent systems to monitor air quality, water resources, and ecological environment, and carbon emissions in science and technology parks, etc. (For details, please refer to the section "Smart Environmental Protection Solutions below)

Looking to the future, we are committed to achieving the carbon peak and neutrality and 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 whenever possible
- Increasing the green area of the properties where feasible to mitigate climate change risks
- Monitoring and reacting to the latest developments in markets, technologies, and policies related to climate change promptly

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

Environmental, Social and Governance Report

- **Smart Environmental Protection Solutions**

The Yanqing Smart Environmental Protection Project was completed and honored by the Beijing Winter Olympics Ecological and Environmental Protection Team.

DC Holdings has participated in the Yanqing Smart Environmental Protection Project in the Yanqing District of Beijing. Based on our core technology of Yan Cloud DaaS, we implement environmental governance accurately and efficiently by a "one network, one platform, two centers" layout. In terms of three-dimensional monitoring of the ecological environment, comprehensive analysis of environmental information, big data prediction, and early warning, we provided high-quality environmental conditions management for the successful hosting of the "2022 Winter Olympics". PM2.5 is recorded in the Yanqing District of Beijing during the Beijing Winter Olympics, the city's best record.

DC Holdings was honored by the Winter Olympics Environment Protection Group

In April 2022, the Commendation Ceremony for the Eco-environmental Protection Team of the Yanqing Competition Area of the Beijing Winter Olympics and Paralympics was held. Companies under DC Holdings were honored for their outstanding contributions.

Constructed a national-level low-carbon energy management platform and won the GF60 Green Finance Award

DC Holdings fully uses scientific and practical management experience and advanced technology application capabilities, coordinates resources to promote the construction of a national-level low-carbon energy management platform, and creates a critical benchmark project in the new field of "green and low-carbon." In terms of energy saving, emission reduction, and efficiency enhancement, the project has effectively increased the carbon quota of the enterprises in the park, controlled carbon emissions, reduced quota gaps, and reduced costs while ensuring that the allocations meet the performance requirements. In terms of green and low-carbon management, the project makes full use of digital technologies such as big data and intelligent IoT, based on in-depth research on the definition of carbon assets and carbon pricing mechanisms, realize green and low-carbon management by managing the carbon emissions at a physical level, the risk of carbon emissions costs and carbon asset revitalization. In December 2022, at the co-sponsored "2022 Green Finance International Summit, Dianchi Forum" ("2022 綠色金融國際峰會·滇池論壇") by the People's Government of Kunming Municipality and the Green Finance 60 Forum, the "National Low-Carbon Energy Management Platform Construction Project" won the "Best Innovation Practice Award" of GF60 Green Finance Awards.

GF60 Green Finance Award – Best Innovation Practice Award

In the future, the Company will closely follow the national strategic goal of carbon neutrality, using its technical capabilities and accumulated experience in projects to form a set of replicated and scalable comprehensive energy consumption and low-carbon management platform solutions.

Undertake the Changchun Smart Water Project to create a "four pre-planning" intelligent management platform.

Urban waterlogging and environmental pollution caused by global warming, frequent extreme rainstorms, rapid urbanization, and infrastructure expansion have attracted widespread attention recently.

At the end of 2022, DC Holdings undertook the Jilin Changchun Yitong River Smart Water Comprehensive Management Platform Project. As the world's leading big data technology company, DC Holdings will use multiple core products and technologies such as independent research and development, independent new-generation spatiotemporal big data products, knowledge graph, Internet of Things, data visualization and digital twins, etc., to focus on solving multi-source heterogeneous data aggregation and governance in water conservancy and water affairs business, calculation of water spatiotemporal big data, modeling of water affairs knowledge platform, digital twin mapping and analysis of urban pipe network, and integration of plant, station, network, river, lake, and pool scheduling and other complex business issues, relying on leading big data capabilities to realize the "four predictions" of flood prevention and emergency, water resources, and water environment in the intelligent water management of the Yitong River Basin.

- **Energy saving**

The self-owned main property of the Group has obtained ISO14001 environmental management system certification, ISO45001 occupational health and safety system certification, and ISO9001 quality management system certification. In FY2022, the energy-saving and consumption-reducing measures adopted by the Company's data centers, main office buildings, and warehouses include:

- *Electricity Saving*

1. Data center

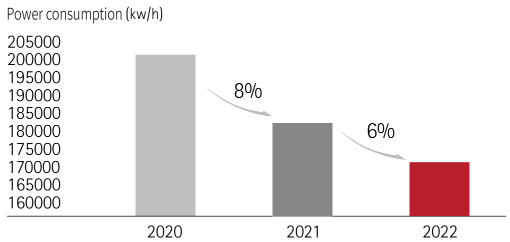
   The Group's data center uses multiple micro-module enclosed cold channels and precision air conditioning with constant temperature, humidity, and high cooling efficiency. By reducing the number of physical servers through virtualization technology, the energy consumption of computing equipment is diminished. At the same time, 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.

Digital China Data Center

Power consumption

Year	Power consumption (kw/h)	Electricity cost (RMB)	Electricity saving (kw/h)	Electricity costs saving (RMB)
2020	2,015,700	-	-	-
2021	1,853,100	-	-	-
2022	1,744,200	1,918,620	108,900	119,790

Power consumption



The Group's data center reduces consumption year by year.

In recent years, the Group has been committed to building high-density virtualized clusters in the data center, migrating the systems in the existing old physical servers to virtualized clusters, and replacing a large number of physical servers with groups consisting of only a small number of high-performance servers. In FY2021, 67 physical servers were offloaded from the data center, and power consumption decreased by 8% compared with 2020. In FY2022, we emptied a closed cold pool and deactivated four air conditioners in the cold pool by migrating physical machines to virtual machines and concentrating physical machines into other cabinets. At the same time, we have closed all the vacant positions of the cold pool cabinets with baffles, which avoids the distribution of cold air in the cold pool and improves the cooling efficiency. Through these measures, the cooling system's energy consumption in the computer room has been effectively reduced, and the total energy consumption of the data center has been reduced by 6% based on an 8% reduction in FY2021.

Remarks: The Group shares a data center with affiliated companies to reduce repeated construction and operating costs.

2. Central air-conditioning primary system

On the premise of meeting staff needs and office comfort, the start and stop times of equipment are strictly controlled according to changes in ambient temperature. The energy-saving target is achieved by adjusting the central air-conditioning mainframe's hot and cold water outlet temperatures.

3. Elevator transport systems

We are adjusting the operation and management of lifts to achieve greater energy efficiency through decentralized control, rational repair and maintenance, and day-to-day scientific management.

4. Lighting systems

New energy-efficient LED lamps are used in the principal office and warehouse buildings. 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 enforce the lighting hours to reduce consumption strictly. Outdoor lighting in roads and car parks is adjusted according to seasonal changes.

As of FY2022, 658 LED energy-saving lamps have been replaced in the stairway of Digital China's office buildings, saving over 10,000 kWh of electricity annually.

5. Drainage systems

The water supply uses frequency conversion technology to control the operation of the pumps, and the drainage operates automatically by level control to achieve energy-saving targets.

6. Ventilation systems

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

- *Water conservation*

1. Some office buildings for domestic water supply are now using frequency conversion technology to control the operation of water pumps, and the drainage is automatically operated through liquid level control to achieve energy savings.

2. "Saving water" posters are posted at the sanitation in the public area. The water supply facilities are regularly inspected, and timely maintenance will be arranged if water is running, leaking, or dripping.

3. Regularly check valves and pipelines promptly.

4. Regularly check aging water supply pipelines, install or replace water-saving faucets and sanitary ware to prevent running, popping, dripping, or leaking of water, and eliminate the faults in time.

5. For the green plants and lawns in the Company's green belts, rainwater irrigation is encouraged to minimize water consumption.

- *Conserve paper*

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

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

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

Visit our website to download our DC Holdings Energy Policy.

- **Emissions reduction**

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

- Directly reducing carbon emissions: Smart industry chain business has taken actions to reduce exhaust emissions by replacing vehicles, increasing loading rates, and intelligently arranging transportation routes to reduce exhaust emissions from logistics vehicles. 1. Carry out vehicle loading rate monitoring to reduce the number of trips; 2. Arrange distribution routes reasonably in advance through system orders to shorten the entire delivery distance; 3. Encourage downstream forwarders and dedicated lines to use electric energy vehicles. For example, replace vehicles per the "National VI Vehicle Emission Standards" while encouraging partner carriers to use electric energy vehicles for delivery in urban areas. In FY2022, our logistics business in Shanghai replaced two 6.2-meter transport vehicles, which can reduce vehicle exhaust emissions by 3,000 liters per year; the coverage rate of electric energy vehicles used in Beijing and Shanghai logistics in urban areas reaches 40%.

- Indirect reduction of carbon emissions: The Company promotes energy conservation and emission reduction and improves all staff's awareness of energy conservation and consumption reduction. Encourage the use of video conferencing, online communication, etc., to reduce the frequency of business trips; encourage staff to take public transportation to travel green; indirectly reduce carbon emissions.

- Ensuring qualified air quality in the office: Cleaning the air-conditioning and ventilation system regularly to ensure the office's air quality. In FY2022, the building's centralized air-conditioning ventilation system was cleaned and tested for fresh air volume, respirable particulates, and harmful germs in the supply air to ensure the qualified air quality in office premises.

- Ensure that the sewage discharge of the building meets the standards: Regularly clean water tanks, septic tanks, and other related equipment, obtain test reports, and have not received any complaints from other departments. In FY2020, the catering effluent discharge was retrofitted with oil-water separation and purification devices. A third-party professional inspection annually obtains at least one qualified sewage discharge report.

- Ensure that the building's gas emissions meet the standards: In FY2020, fume purification devices were retrofitted to catering fume emissions, and fixed source exhaust gases were tested for particulate matter, catering fumes, and non-methane total hydrocarbons to meet national emission standards.

- **Environment protection**

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

- Environmentally friendly furniture is used in the office and dining room to avoid air pollution.

- We actively respond to the waste separation policy by placing different bins in offices and other areas, collecting and treating every kind of waste separately to minimize environmental pollution. For example, the Digital Science and Technology Plaza in the Beijing District implements a three-level management method for waste classification. The first level: through publicity and education, guide the staff of each unit to consciously classify and put them into the designated garbage collection point of the team; the second level: cleaning personnel of each unit carry out a second inspection and classification, put it into the designated garbage collection point of the building property; the third level: the property company entrusts a professionally qualified clearing company to carry out the third sorting process.

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

Visit our website to download our DC Holdings Environmental Policy.

4.0 Society

- **Diversity And Inclusion**

DC Holdings firmly believes that talents are an essential resource for the success of an enterprise and have played a vital role in the enterprise's development, rise, and transformation. The continuous success of DC Holdings is inseparable from the company's professional ability and dedication of more than 10,000 employees. Therefore, we always adhere to the selection of talents guided by corporate culture and use corporate culture's power to unite employees and motivate every employee. The needs of our employees require a fair, equal, and conducive structure to attract more talents to join us. Here, every aspiring person can find a position that suits them, perform in this position, and achieve what one has set out to do while contributing to DC Holdings's development.

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

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

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 by the requirements of the national policies. The Company also provides employees with one free physical examination benefit every year. Those with outstanding performance, as shown in their performance targets, will be awarded annual bonuses.

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

Compensation And Benefits

We foster a performance-oriented corporate culture. To attract and retain outstanding talents and ensure sustainable development, the Company has established a mechanism to recognize our people based on their performance and our fixed and variable pay compensations for different positions.

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

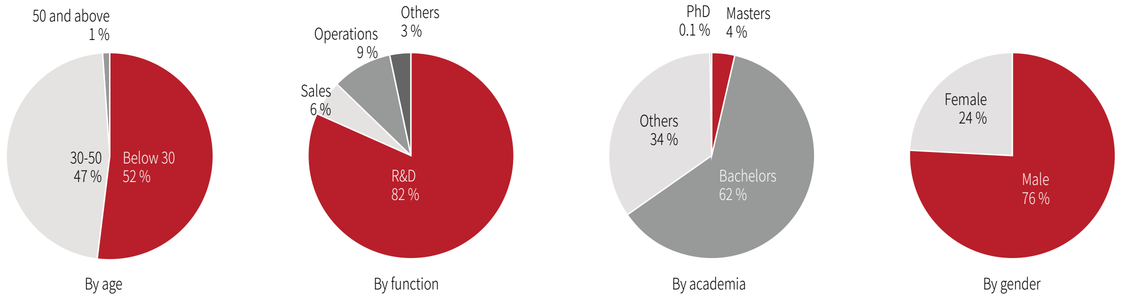
Non-financial rewards attract, engage and retain our employees. Cash and benefits are generally intrinsic to our employees, and we offer a wealth of learning and development opportunities to help employees' career development.

In addition to offering professional growth opportunities, we regularly recognize our employees who have contributed to the organization. For example, the Company has established awards such as "The outstanding Contribution Award," "Innovation Award," "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. We would also organize "Employees Open Day"; we believe this gathering could enable us to build a stronger sense of belonging and engagement among our employees.

Employees Overview

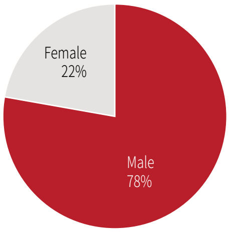
As of the end of 2022, the number of employees of DC Holdings was 15,166, an increase of about 2.86% compared with the number of 14,744 in the same period of 2020. The staff has mostly stayed the same, and the business development is stable.

In 2022, the division and proportion of employees of DC Holdings by age, profession, education, and gender were as follows:



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

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



Employee turnover and dismissal

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

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

In 2022, the overall employee turnover rate of the Group was 26.13%, a drop from 30.22% in 2021, which ensured the stability of the company's talents to a certain extent, avoided brain drain, and made the overall risk controllable. The comparison of turnover rate according to different classification standards (see 6.0 KPIs of the Group) shows that the mobility of technical and sales personnel grouped by professional position is relatively high. The mobility of employees under 30 is relatively high by age group; the mobility of male employees is more elevated when grouped by gender.

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

• Development And Training

Career development channel

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

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

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

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

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

The Virtual Organization "DC Partner"

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

In 2022, the Group also created a internal competition to motivate our partners to come up with new ideas and innovative solutions to the issues we are currently facing. Five seasons of the competition were held. Through rich and colorful content and forms, the various teams thoroughly utilized the spirit of being proactive, taking responsibility, embracing change, team spirit, and dedication, and reflecting core components of our corporate culture.

Partners' Co-Creation Contest

The virtual organization " DC Elite."

" DC Elite "was created in 2019, aims to select management elites, build and improve the talent management system, and cultivate the company's future management pool. Such experience constantly improves one's thinking, position, pattern, and ability, passes on passion and spirit, influences people, and provides a steady stream of new talent for enterprise development. In 2022, after a year of study, the students of "DC Elite Phase Two" will focus on topics including "comprehensive foreign trade service platform," "organization and operation of partners," and "building a company campus ecosystem with hackathons." After the practical exploration of the three major topics, the employees shall graduate from the program.

A group photo of the graduates of "EC Elite Phase 2."

In October of the same year, "DC Elite Phase Three" was officially launched. This phase of " DC Elite " which is different from the previous period, is divided into basic classes and advanced classes, providing platform to employees with different starting points with their own opportunities to show their talents. The continuous operation of the " DC Elite " organization selects and trains management cadres for DC Holdings. The selection standards, training models, and actual exercises continue to upgrade, and promote the continuous maturity and improvement of DC Holdings' exclusive talent training system, so that every member has a real sense of self-improvement. As the company's reserve cadre echelon and advanced employee representatives, the members of " DC Elite " have the courage to step out of their respective positions, have a sense of ownership, get in touch with the company's strategy, business layout, development planning, etc., and promote the company's transformation.

The Virtual Organization "DC Geek" and "Annual Technology Conference"

The Group established the "DC Geek" in 2020 to cultivate technical talents as an enterprise that attaches great importance to technological innovation. The annual technical meeting led by " DC Geek " is a meeting of the company's internal technical achievements and a technical exchange event for the whole company and even the industry. In 2022, the company successfully held the one-month 4th TECH Digital China 2022 Technology Annual Conference of "Integration of Digital Cloud Native Scenarios - New Engine for Subversion and Reconstruction," gathering the industry's top technology experts, and allowed them to share the technological innovation achievements of DC Holdings during the year, fully exchanging trends in new fields, actively understand the technical expertise of industry partners, embrace innovation, and promote change.

In addition, the annual campus hackathon of DC Holdings is also organized by the "DC Geek." These technical events and activities provide another platform for the employees of the Group to utilize their talents and continuously broaden their own career development channels.

Technical Annual Conference – Summit Dialogue

"Innovation. Towards the future" --- the second hackathon

Based on the successful hosting of the first campus hackathon of DC Holdings in 2021, the second hackathon in 2022 will create new milestones. With the theme of "Innovation· Towards the Future," this competition aims to discover high-potential talents and high-quality projects in key universities in the era of the digital economy. The influence and popularity of this competition have been further enhanced, attracting more than 1,000 students from nearly 100 well-known universities to participate, and the scale is unprecedented. The expert jury is even more famous, strengthening the competition's gold content and professional value.

In recent years, DC Holdings has continuously selected high-potential talents in the digital economy era through campus hackathon competitions and has also set up an innovative ecosystem incubation fund. For outstanding teams and entrepreneurial projects in the competition, DC Holdings is willing to support exceptional students through funding, giving them a chance to realize their aspirations.

Staff training and development

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

In 2022, the total learning time of the company's employees exceeded 148,000 hours, and nearly 14,000 people participated in the training. The training content covers leadership training, corporate culture training, general skills training, professional ability training, process and system promotion, etc. It has set up special topics such as operation positions, team management, warehouse management, new employee induction training and financial management. The average training time per person is about 9.79 hours. Compared with the per capita training hours in 2021, the main reason for the decrease is that in 2022, the pandemic caused a significant reduction in the number of company participants (see 6.0 Key Performance Indicators for detailed data). In addition, in 2022, DC Holdings will pay more attention to virtual organization training, advocate virtual organizations to empower physical organizations, improve employee skills, and exercise employees' logical thinking ability through training in virtual organizations to promote employees to play a greater role in the entity organization.

- **Occupational health and safety**

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

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

The Digital China Employee Mutual Aid Foundation was established in 2008, effectively solving the difficulties of employees' sudden major diseases and accidental injuries. In 2022, through the Employee Mutual Aid Foundation, we will continue to implement the warm-hearted project to serve the needs of employees, actively help construct harmonious labor relations, and improve the employee happiness index. With the strong support and participation of employees, in 2022, 7,537 members joined the Employee Mutual Aid Fund, collecting membership fees of 904,400 yuan. In 2022, 3 cases of employee compensation applications were reviewed and approved, and two instances of employee assistance were completed, with a total of 105,600 yuan in claims.

In 2022, there were no work-related fatalities in the Group, and 15 work-related injuries resulted in a loss of 7,258 working hours.

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

- Air purification: fresh air purification systems are installed in office buildings, air purification filter materials are regularly replaced, and air-conditioning terminal equipment is cleaned and disinfected to ensure high-quality air in the office area
- Water safety: To ensure the safety and quality of drinking water and avoid secondary pollution, the pure bottled water in the office area has been changed to nanofiltration direct drinking water, and the brand has been selected from leading domestic enterprises
- Security and firefighting: equipped with 7*24 security guards and regularly maintain firefighting equipment and first aid equipment, as well as fire drills
- Amateur fitness: The gymnasium in the office building is open for free, with rowing machines, spinning bikes, table football, and other fitness facilities, encouraging employees to pay attention to health and keep fit after work
- Caring and caring: We have set up a warm private space for breastfeeding female employees on each floor and sent a special caring
- Epidemic prevention and control: From 2019 to 2022, in the face of the continuous epidemic situation, the company adopted a series of strict prevention and control measures, including distribution of masks, regular disinfection, decentralized office, access management, personnel temperature measurement, etc., effectively safeguarding the health and normal working order of employees.

- **Work-Life Balance**

In a diversified cultural environment, we encourage a culture of work-life balance. Encompassing the concept of "focusing on employee care, cultivating the concept of health, enhancing employees' sense of belonging. " We put great emphasis on employee cultural activities. We regard developing and enriching employee cultural and sports activities as essential to supporting the company's development. We established employee swimming fitness clubs, badminton and basketball ball fitness clubs, choirs, etc. With continuously operating for 20 years, more than 50,000 employees have participated. It has promoted employees' physical and mental health and improved team cohesion in their spare time .

In 2022, we encouraged employees to stay fit and release stress during the epidemic. The Company's labor union and other organizations carried out employee swimming, badminton, fitness club, and choir activities, and the participants were enthusiastic. The cumulative number of participants reached over 1500 people. In addition, the Company also carried out various cultural and sports activities such as employee family outings, sports and fitness week, parent-child tree planting, badminton competitions, and basketball team competitions. These activities not only enrich employees' spare time but also build a platform for communication and sharing between business units and employees and become an effective way for employees to release pressure. They formed teams, played hard, and surpassed themselves, feeling the joy of playing sports and sharing a healthy life.

2022 Employee Family Outing

2022 Company Badminton Tournament in Beijing

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

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

At the beginning of 2022, DC Holdings held the "2022 Kick-Off Meeting". During the Kick-off meeting, the management of the Company summarized the past achievements to all employees and looked forward to the goals for 2022. It also commended outstanding teams and individuals, which greatly encouraged the enthusiasm and fighting spirit of all employees, which is of great significance. At the same time, the employees also showed great enthusiasm and concern during the meeting, frequently asked questions on the Internet, and the company's executives also answered the questions that employees cared about individually.

INNOVATION – DC Holdings 2022 Kick-off Conference

On 1st June 2022, the 21st anniversary of the listing of DC Holdings Ceremony was held, with the theme of "transformation." Due to the epidemic, the event was carried out as a combination of online and offline. Over 10,000 employees from all over the country gathered interactively to celebrate this historic event.

The 21st anniversary of the listing of DC Holdings. Guo Wei, chairman of the board of directors, talked with employee representatives about " transformation."

- **Charity Donation & Support**

Charity donation

The Love Foundation of DC Holdings has donated money, materials, and digital services worth about RMB 50 million in social public welfare activities such as earthquake relief, education, and poverty relief for over ten years, demonstrating the positive energy and strength of the company's corporate culture. Assume social responsibility. Among them, the primary charitable donations of DC Holdings and its subsidiaries in 2022 include:

- Donated nearly 10 million materials for Jilin's anti-epidemic: In March 2022, when the pandemic broke out in Jilin, DC Holdings immediately organized support, purchased anti-epidemic materials worth nearly 10 million yuan from various channels which were quickly shipped to Changchun, Jilin Province, contributing to solving the shortage of medical supplies caused by the epidemic. In the later stage of the epidemic, DC Holdings joined hands with the Changchun Municipal Digital Bureau to use its own Yan Cloud DaaS product to complete the interface development and deployment in only 4 hours, realize the access to epidemic prevention data, and accelerated resumption of work and production in Changchun and Jilin Province.

Jilin Anti-epidemic

- Supporting education: Donate 300,000 yuan of education funds and materials.

- Sponsorship of charity football match: provide sponsorship for Hong Kong "Friendship Football Match 2023".

DC Holdings Sponsors Hong Kong Charity Football Match

Educational Support & Volunteering

Enabling children in poverty-stricken areas to receive an education is one of the main tasks of poverty alleviation work. It is also the means to block the transmission of poverty. Since 2002, the Group has led its employees to jointly raise funds, established ten Hope Schools of DC Holdings in nine provinces, including Sichuan, Hubei, and Hebei, and has continued to pay attention to the development of Hope Schools, which have been maintained for nearly 20 years, accumulatively benefiting more than 14,700 students.

Group employees enthusiastic about public welfare activities practice volunteer actions through different themes, such as teaching assistant activities, elderly care activities, environmental protection activities, anti-epidemic activities, etc. Among them, in the company's Hope Primary School, caring volunteers who participated in educational support organized 94 voluntary activities and contributed more than 3,700 hours of voluntary work. In the future, the Group's Love Foundation will establish a volunteer management mechanism to involve more employees.

#	School Name	Completion time	Class no.	Average students	Operation Period (years) (to 2022)	The cumulative no. of students benefited	No. of Volunteer Activities	Volunteer contribution Hours
1	Chengdu Fushun Hope Primary School1	2002.6	8	270	19	1494	25	1000
2	Shaanxi Lantian Hope Primary School 2	2008.1	3	42	13	210	10	400
3	Hubei Yanhe Hope Primary School	2003.1	8	210	19	1146	15	600
4	Hubei Badong Hope Primary School	2005.11	14	768	17	3408	4	160
5	Henan Cigudong Hope Primary School	2007.7	6	201	15	677	13	520
6	Qinhuangdao Hope Primary School	2007.8	8	308	15	1946	6	240
7	Neimenggu Sanjianfang Hope Primary School	2009.9	6	189	13	957	2	80
8	Hubei Zhangshi Hope Primary School	2010.5	14	637	12	2661	6	240
9	Chaoyang Ershijiazi Hope Primary Schoo	2010.9	10	326	12	1415	8	320
10	Yongtaitangqian Hope Primary School	2011.9	7	153	11	813	5	200
Total						14727	94	3760

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

Over the years, the company has taken "Digital China" as its mission, adhering to the corporate values of "responsibility, passion, innovation, and sharing" while attaching great importance to corporate social responsibility. In the process of business operation and development, it strives to achieve economic and social benefits; short-term and long-term benefits are taken into consideration to achieve the healthy and harmonious development of the company and society. On February 21, 2023, the 6th China Enterprise Charity Forum was held with the "Wealth and Responsibility—Enterprise Value" theme. The company's subsidiaries won the title of "2022 Top 500 Chinese Private Enterprises in Charity".


荣誉证书

神州数码信息服务股份有限公司：

在2022中国企业慈善公益500强系列榜单发布活动中，荣获

2022中国民营企业慈善公益500强

北京理工大学共同富裕与人力资源开发研究中心
中国企业慈善公益论坛组织委员会
《企业家》杂志社 《环球慈善》杂志社
二〇二三年二月二十一日

证书编号：2022-04-423

"2022 Top 500 Chinese Private Enterprises in Charity and Public Welfare"

- **Rural revitalization uses science and technology to help farmers.**

As a technology-leading big data service provider in the field of agriculture and rural areas, DC Holdings has continuously strengthened its investment in promoting the development of digital agriculture, actively carried out in-depth cooperation with professional institutions in related fields, and explored and explored financial technology, big data, artificial intelligence, etc.

Rural revitalization uses science and technology to help farmers.

In the financial field of agricultural and rural scenarios, companies under DC Holdings have successfully helped financial institutions serve more than 700,000 small and medium-sized enterprises and more than 800,000 rural households across the country, effectively boosting rural revitalization and industrial prosperity. The "Dynamic Evaluation of Biological Assets Collateral" model explored by its subsidiaries takes livestock as a pilot. It dynamically evaluates growth through modern information technology, dynamic valuation models, biological asset databases and Internet of Things technology, and innovative, dynamic valuation technology for physical assets. Biological assets such as livestock and plants could not become qualified collateral in the past but now through technology, solves the lack of qualified mortgages for new agricultural business entities such as large-scale farmers, family farms, agricultural cooperatives, and agricultural-related small and medium-sized enterprises It provides a problem-solving model for national agricultural financial innovation, provides solutions for banks to expand the agricultural financial market, and provides practical means for new agrarian business entities to solve the problem of financing.

In the field of rural finance promoted by digital technology, companies under DC Holdings have launched a map for rural revitalization, financial data service platform, Bank and Farmer Direct Connection, and cooperated with Postal Savings Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China and a large number of small and medium-sized banks to help these banks develop inclusive financial services. Contribute to the national rural revitalization strategy. In terms of agricultural and rural digitalization, the company has built 16 national agricultural and rural big data platforms, 55 provincial-level platforms, and more than 5,000 agricultural informatization projects in cities, counties, and villages to promote inclusive finance for agriculture, rural areas, and farmers. The foundation has been solidified.

In July 2022, the "2022 Global Digital Economy Conference" co-sponsored by the Beijing Municipal Government, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce, the State Internet Information Office, and the China Association for Science and Technology was held in Beijing, The "Multi-source Heterogeneous Data Integration and Sharing Platform" independently developed by a subsidiary of DC Holdings was awarded the "Leading Achievement in Digital Economy Innovation" and was officially released for the first time.

DC Information's independent research and development results help rural revitalization.

The platform provides one-stop intelligent data collection, governance, and sharing services for digital rural businesses. By summarizing and extracting fragmented data resources, the platform has an overall perception of data collection, management, quality, and service situations and promotes the effective integration of agriculture-related data. , quality improvement, data sharing, and open utilization promote the comprehensive integration of the digital economy and rural revitalization business and form a "new pattern" of rural revitalization with data interoperability, resource co-construction and sharing, and business collaboration. It has been widely used in Jiangsu, Zhenjiang, Xiangshui, Tongchuan, Shaanxi, etc.

Environmental, Social and Governance Report

For 20 years, the company has been the vanguard of China's agricultural and rural informatization and digital construction. It has taken the lead in exploring new financial models for agricultural and rural scenarios to help finance go to the countryside. It has outstanding business capabilities in agriculture, rural areas, and farmers and has the most comprehensive market coverage. As of 2022, the service has covered 31 provinces nationwide, with 800,000+ agricultural users.

- **Smart Cloud Platform helps Smart Elderly Care**

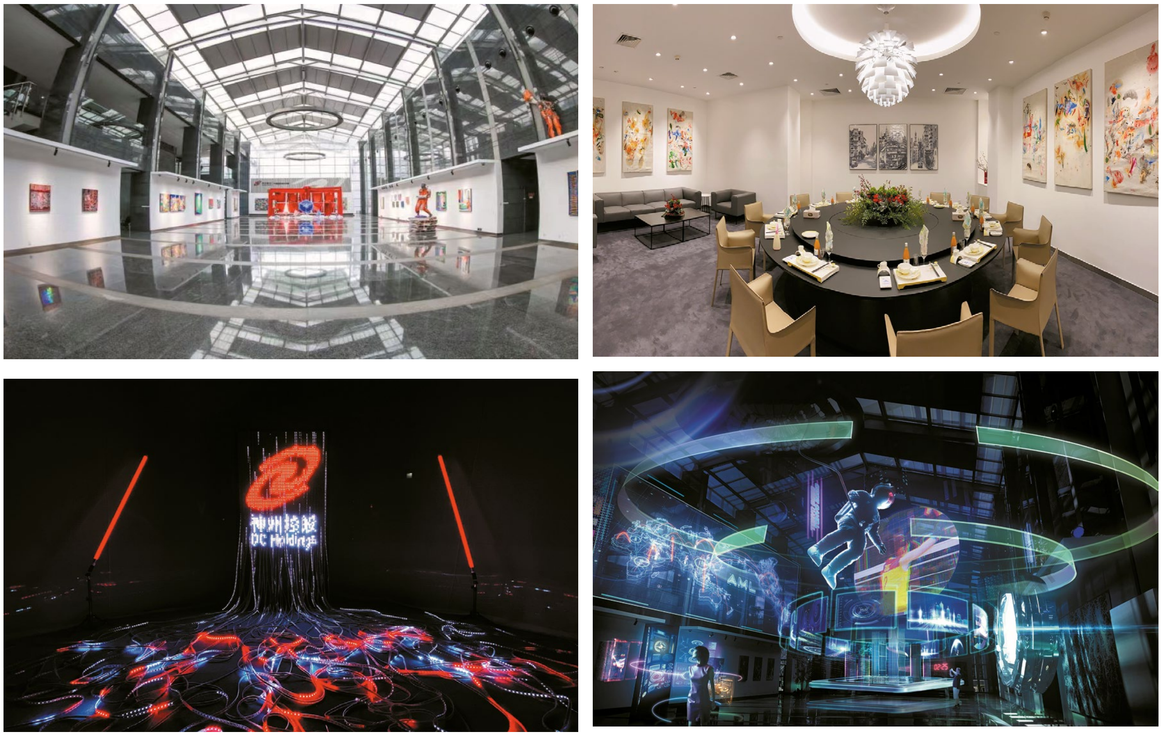
At present, our country has entered an aging society. According to public statistics, by the end of 2021, the country's elderly population aged 60 and above will reach 267 million, accounting for 18.9% of the total population. Elderly care services have become essential to actively responding to population aging. With the advancement of science and technology, smart elderly care has received widespread attention and recognition from the industry and the public. Smart old-age care can provide convenient, diversified, and professional services, improve the precise management and service level of old-age care services, improve the utilization rate of old- age care resources, and effectively make up for the shortcomings of traditional old-age care methods. It has become an essential engine for promoting the development of old-age care services in our country.

DC Holdings Smart Elderly Care Platform

The company's Tianjin Nankai District innovative elderly care cloud platform project integrates resources from all walks of life, such as the government, community service stations, elderly care institutions, and daycare centers, to create an "Internet + elderly care" model to provide socialized elderly care services for the elderly and their children. Build bridges, build a professional elderly care service cooperation platform, meet the needs of the elderly promptly, and on this basis, realize all-round intelligent supervision, improve the level of elderly care services, and build a "one center, three platforms" innovative elderly care service system, that is, elderly care Data center, intelligent elderly care cloud platform, big data analysis platform for elderly information, supervision, and management service platform. In October 2022, the project won the "2022 IDC Asia-Pacific Smart City Award (China)" issued by the world-renowned consulting organization IDC, which fully proves the industry's high affirmation and recognition of the intelligent elderly care project undertaken by Digital China Holdings.

- **Technological innovation & artistic integration**

DC Holdings Innovation Center adheres to the basic concept of collaborative innovation of technology, art, and design, takes innovation as the driving force, and relies on the power of digitalization to carry out space planning and management, exhibition display, design visualization, market activity coordination, brand image system management, art and cross-border integration of science and technology, the cultivation and incubation of science and technology and art talents, etc., will build it into a display and marketing innovation platform integrating the scientific and technological concept, innovative development, scene application and practical results of DC Holdings, as well as a cutting-edge technology and art exchange platform. , Wisdom" and "creation, development, and sharing" are integrated to empower the digital development of enterprises.



Science and Technology Innovation & Art Fusion Photo Gallery

As an essential window for enterprises to display their brand image and business strength, use intelligent interaction, VR, MR, and other technologies to create an immersive and interactive exhibition experience space, build a new digital scene, incubate technological and artistic talents, and integrate the latest strategies in the field of multi-business. Provide industry scenario display solutions for corporate brands and businesses, present the company's leading concepts, cutting-edge technologies, and latest practices, and help companies become technology-leading big data technology companies. More than 8,000 visits have been received.

The Innovation Center is also a critical display platform for Digital China Holdings to hold cross-border activities in technology and art. We actively spread art culture and support and cultivate young elites. We have established long-term and stable cooperative relations with many colleges at home and abroad allowing us to discover talents at home and overseas. Set up funds, build bonus pools, and explore the unique aesthetic value of China's cutting-edge science and technology applications and contemporary art through holding art exhibitions, exhibitions, forums, lectures, salons, and public welfare activities helping young talents grow and develop. As of 2022, nearly 200 activities of various types have been held, and cooperative relationships have been established with more than 100 artists.

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' 2022 Annual Report".

- **Customer-centric, Continuous Empowerment**

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

DC Holdings continues to empower customers with technological innovation and excellent qualifications. As of 2022, the logistics company under DC Holdings has the highest 5A logistics enterprise qualification in the logistics industry, an AOE-certified enterprise, and ISO three-system certification, and has won authoritative awards from various logistics industry associations many times. The industry widely recognizes the capability and reputation of its services financial technology company under DC Holdings have ISO20000 information technology service management system certification, ITSS information technology service operation and maintenance capability conformity assessment level 1, information system construction and service capability level assessment level 4 (CS4), CMMI level 5 and other capability certifications, and established ISO22301 business continuity management system. In the field of smart city services, DC Holdings won the "2022 China Smart City Leading Big Data Solution Provider", and were awarded "2022 China's Leading Smart City" by serving core innovative technologies in Weihai and Longyan, which helped the Company's innovation on digitalization solutions with public recognition.

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

We provide our customers with various feedback channels for the after-sales service and have established a separate department to deal with customers' back. Customers can provide feedback and suggestions through our company website, service hotline, service staff, WeChat public account, and mobile APP. We will have a corresponding team to follow up with the customers time to ensure the issues are adequately solved.

In 2022, the total customer complaints were approximately 40,000, accounting for less than 0.04% of complete orders. Compared to 2021, the number of complaints increased, but the rate decreased slightly, mainly for two reasons. Firstly, the number of customers and business orders has increased. Secondly, the Company has developed a new work order system connecting to the customers' complaint systems of more business customers, allowing customers' voices to be transmitted and responded to more smoothly. We have always prioritized requests from customers requests; once 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 to avoid similar issues in the future.

- **Improve customer experience, quality first**

Regarding quality standards, we are highly focused on the R&D process, the 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 ISO9001. The scheme covers product quality management, product testing management, configuration management, project management, and process monitoring features for quality assurance.

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

Regarding organization, we have also set up a relatively independent quality management department. Through the three-level inspection form of headquarters random inspection, daily platform quality inspection, and department self-inspection, we focus on the management of operational indicators, customer satisfaction management, quality audit management, and designing quality improvement and continuous improvement to form an organization-level and project-level quality management system to achieve quantifiable full-process quality control.

- **Digital Technology Boosts User Information Security**

Technological innovation is the source of sustainable development. DC Holdings has taken big data technology as its core strategic direction for many years. Through continuous innovation, we have made ongoing efforts to protect the information security of ourselves and our customers. With outstanding achievements in various related fields, it has won the trust of customers and partners.

In December 2022, DC Holdings successively won awards in two essential activities of, "the 2022 China Software Conference" and "the 2022 China Internet Economic Forum", and two awards of "2022 China Software and Information Service Big Data Outstanding Enterprise". and "2022 Digital Economy Annual Leading Enterprise".

In the scenario of the digital smart city, DC Holdings has developed a big data solution that was awarded the first prize of the National Technology Invention Award in China and has played a vital role in data integration. It can provide user authentication, channel isolation, content encryption, access protection, data blockchain, and other technologies to ensure data security while quickly integrating data. "Yan Cloud DaaS" is widely used in China and has been applied to more than ten government departments across provinces and cities, including Beijing, Shanghai, Guizhou, Zhejiang, etc. Therefore, the solution is now a centerpiece of the technology of the extensive data ecosystem in China that is worth trillions of dollars. It is also a powerful tool for improving livelihood services and developing the digital economy.

In the scenario of the digital intelligent supply chain, as a "national 5A-level logistics enterprise", IT Logistics (a subsidiary under DC Holdings) independently developed a big data application platform KingKooData. Through data integration, analysis, and mining, it has realized user profile analysis, inventory data analysis and prediction, procurement suggestions, intelligent warehouse distribution, real-time monitoring of orders in transit, monitoring of operations in the warehouse, early warning information push, etc., significantly improved the supply chain management capabilities. In 2022, DC Holdings carried out a global transformation of KingKooData to adapt to the informatization transformation of overseas warehouses, actively promoted upstream and downstream partners to open up warehousing and logistics networks, and successfully copied advanced domestic experience and technical capabilities overseas. At present, more than 240 self-operated storage outlets have been established in more than ten countries and regions, including mainland China, with a total warehouse area of more than 1.6 million square meters, serving many Fortune 500 companies to enter overseas and comprehensively docking with Shopee, Lazada, AliExpress, Amazon, Tik Tok and other overseas first-line e-commerce platforms.

In the scenario of financial technology, DC Holdings focuses on financial technology to promote the digital transformation of the industry and is committed to realizing inclusive finance with digital technology. Adhering to the service values of "safety, credibility, legality, and compliance," we keep abreast of industry technology development trends and customer demand changes and provide enterprise customers with neutral and tailor-made comprehensive solutions for information security services to help customers with IT business system environment total improvement of security compliance assessment, security incident handling, and security protection capabilities. DC Holdings has a series of information security-related qualifications, such as ISO27001 information security management system certification, first-level security engineering enterprise qualification, first-level information security service qualification (safety engineering), and first-level information security service qualification (risk assessment). Through the establishment of a safety system and the acquisition of safety qualifications, the Company's risk management and control requirements in customer service have been strengthened and improved. At the same time, DC Holdings organizes an internal audit of information security every year and hires a professional third-party organization to review the establishment and implementation of the information security management system, implementing information security management that guarantees the Company's customer service and reduces technological risks. In May 2022, during the strict monitoring and evaluation process of the China Cybersecurity Review Technology and Certification Center (CCRC), DC Holdings was awarded the CCRC risk assessment level 3 certification and successfully upgraded to the CCRC security operation. Maintenance level 2, security integration of the secondary service qualification marks that the Company has once again obtained authoritative certification and industry affirmation in the field of information security services and has reached a new level in service standardization and technical capability specialization.

Data Security

Regarding project execution, the Group paid great attention to data security and user privacy. We have standardized and upgraded the control procedures and technologies regarding personal safety, physical security, network security, application security, log management, etc., to ensure customer information confidentiality, integrity, and utility. From the perspective of practical operation, for the system containing user data, the log-in needs to be authorized and approved and has an independent system operation account, which is subject to strict authority control; at the same time, all personnel who have access to critical data have signed a confidentiality agreement, and have received training in confidentiality and data security.

- In the research phase of customers' needs, we clarify the safety requirement and summarize a research report during the preparation phase of the design specification. 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 and regular backups, and any changes will be reviewed and confirmed with customers.
- For the testing stage, other than satisfying statutory testing requirements, we also conduct additional testing on access control, defect monitoring, and vulnerability scanning.
- At the trial stage, we focus on the system's performance and go through the detailed check-up and verification with customers to ensure the system serves their purposes and needs.
- For the maintenance stage, after the system is launched, we will regularly upgrade and debug the design and perform antivirus checks and backup creation.

• Intellectual Property Rights & Innovation

The values that DC Holdings firmly believes in are: responsibility, passion, innovation, and creating share value. Among them, innovation is the core competitiveness of the Group's business development. Intellectual property rights can be used as an essential tool to improve business capabilities and income, investment capital, and future core products, but also a powerful driver for the standardized development of core industries such as national new infrastructure, big data, smart cities, and financial technology.

By the end of 2022, the Group had 2,598 intellectual property rights, including 2,165 software copyrights, 154 patents, and 279 trademarks. According to the quantity statistics, it has reached a new level every year in the past three years, with an average growth rate of over 20%.

In the field of digital smart city 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 spatiotemporal data, perform simulation and deduction, and form a city knowledge map.

In the field of digital intelligent supply chain 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. The "Human + Robot 4.0" one-stop intelligent warehousing solution was launched to realize the flexible and automated operation of the goods receipt, dispatch, storage, replenishment, and picking process. This key technology has obtained a national invention patent. We own the software copyright of supply chain big data tool software and treasury system series and have completed a comprehensive upgrade of the Treasure Vault system. In 2022, the Treasure Vault system won 9 software rights in warehouse management, accounting, transportation management, workforce employment, asset management, and delivery reservations.

In the field of financial technology, we have accumulated many innovative intellectual property rights in economic business scenarios, cloud computing services, technical product capabilities, and data products. In 2022, in terms of finance business scenario, we will work with financial institutions to explore a service model of "technology + data + scenario", and continue to innovate digital inclusive financial services in scenarios such as agriculture, rural areas, small and medium enterprises, digital RMB, and supply chains and accumulate achievements; In terms of cloud computing services and technical product capabilities, Digital China Yuntai Intelligent Operation and Maintenance Solution is an integrated intelligent operation and maintenance solution of "Supervision, Control and Analysis" (监管控析) independently developed by DCITS in response to the demand for operation and maintenance management in the digital age; In terms of data products, we have independently developed three products centering on "data assets" (数据资产), the "Liuhe Shangjia" (六合上甲) data center platform integrated development platform, the "Galaxy" (银河) data asset operation platform and the "Feiliu" (飞流) data modeling platform.

In the future, we will continue to advance intellectual property rights management by optimizing online protection to facilitate continuous efficient operation, with a particular 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 actively encouraging innovation and increasing our effort in the R&D and design of our proprietary intellectual property rights. Measures 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 formulating national standards for relevant industries to positively contribute to developing new technologies in China.

- **Supplier Management and Anti-Fraud**

Supplier Management

Regarding procurement management, the Group establishes good and integrity partnerships with suppliers. It 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 2022, the Company has established a stable cooperative relationship with more than 1,700 well-known IT equipment and service vendors, including three 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 selecting qualified suppliers, we usually make inquiries with at least three suppliers and comprehensively consider cost, lead time, 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 intellectual property rights management. New suppliers must provide the necessary qualification documents, the copyright of the related products, and the intellectual property rights certification documents. At the same time, the "Partner Integrity and Honesty Agreement" was signed. The Company will pay close attention to the performance of cooperative suppliers in the cooperation process and public information. It will stop cooperation with tainted suppliers and put them on the supplier denylist. By the end of 2022, nearly 40 suppliers had been delisted.

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, after-sales services, and other vital aspects is collected, tracked, and evaluated to comply with the procurement process and the quality control of the procured goods.

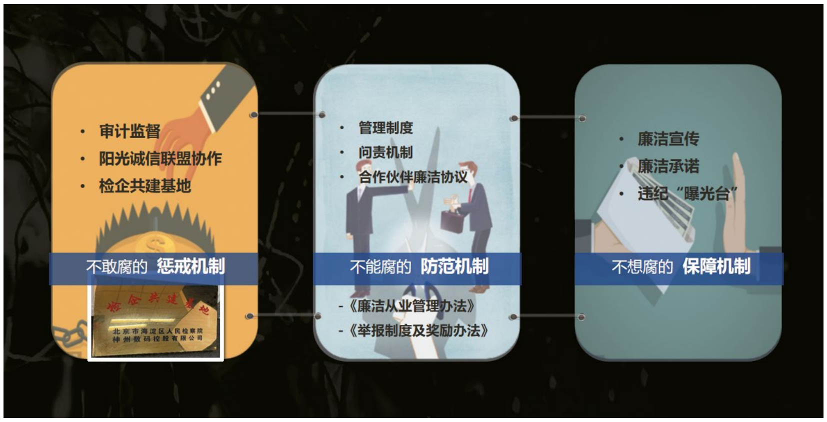
The Company has always advocated the cooperation concept of "Work together for a win-win situation and create a better future" and actively signed cooperation clauses on "Environmental Protection and Occupational Health and Safety Maintenance Initiative" with suppliers. Factors such as environment, business integrity, ethics, work standards and practices (such as the prohibition of child labor), occupational health and safety, etc., are incorporated into supplier selection procedures and procurement decisions. In the process of cooperation with suppliers, we promote resources and energy conservation, protect the ecological environment, ensure employees' health and safety, and empower society's sustainable development.

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

Integrity and integrity management system of Digital China Holdings

DC Holdings passionately believes that fairness, honesty, and integrity are the most critical business assets of the Company. We strictly abide by 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 other fraudulent behaviors. We continue to conduct an internal audit on risk management and risk monitoring. The Group is a non-financial institution, but the risk management and internal control departments closely monitor possible criminal activities, such as money laundering, in daily operations and do not overlook any suspicious transactions.

We continue to promote the development of the Company's integrity management system. Through the Company's overall risk management, audit supervision, design and process development, and integrity promotion, we have created a disciplinary, prevention, and guarantee mechanism.



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

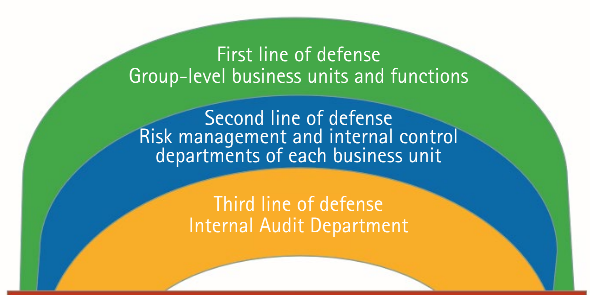


Diagram of the three lines of defense for risk management

In 2022, the Group's risk management evaluation project team also comprehensively evaluated the Company's principal-related risks. The main risk assessment procedures 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 significant corruption risks have been identified or assessed in the current period.

- Fighting Fraud and Whistleblowing System

In 2022, the Group revised the published "DC Holdings Anti-corruption Policy" and "DC Holdings Whistleblowing Policy," further improving the relevant norms and conveying 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 convey all kinds of fraud and breaches through the reporting mailbox: (dchaudit@dcholdings.com). If the Group recovers losses due to reporting promptly, the whistleblower will be rewarded for reporting. The Group's audit department will investigate the matter, and the whistleblower's information will be kept confidential.

Visit our website to download our DC Holdings Anti-corruption Policy and 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 severe, the Company will pursue its 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. The Group will pursue and recover its legal liabilities if the circumstances are severe. 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 2022, we investigated and dealt with incidents suspected of violating the Company's policies and causing a conflict of interest, and three people were dismissed from the Company. There were no new persons involved in fraud litigation that year.

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 31 December 2021, the Group has signed the "Partner Integrity Agreement" with all cooperative non-original suppliers to promote cooperation with integrity and honesty, oppose commercial bribery, and build collaboration under the premise of trust, honesty, frankness, and integrity. We are unaware that our suppliers have been involved in 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 maintains employees' ideological and moral defense.

- Fighting Fraud Publicity Training and Signing of the "Commitment Letter" on Integrity and Honesty

To popularize anti-corruption publicity, all employees of the Group will receive anti-corruption training in the form of classrooms when they join the Company. In 2022, the audit department of the Group joined forces with the legal department and organized a special training on anti-corruption and integrity, combining online and offline, so that all employees of each business unit could participate in the seminar online and offline with 100% coverage. After the thorough training on anti-corruption and integrity, the audit department supervised the employees of the Company to sign the "Commitment Letter" on honesty and integrity, making a solemn commitment to resist alarming trends and maintain integrity. Regardless of overseas personnel and those unable to send the letter of responsibility due to the pandemic, the total signing rate of the "Commitment Letter" reached 98%, which has played a perfect role in publicity and warning throughout the Company.

- Industry Integrity Alliance

  Trust and Integrity Enterprise Alliance was jointly established by JD.com, Tencent, Baidu, Lenovo, and other well-known companies in the industry and the Criminal Law Science Research Center of the Renmin University of China. It actively advocates corporate integrity management, creates a trust and open working atmosphere, promotes a culture of integrity and compliance, and jointly creates a trust and transparent business environment and improves the capabilities of members' internal control departments and the professional ethics of employees, and enhances the business development of enterprises. By 2022, Trust and Integrity Enterprise Alliance will have more than 750 members, demonstrating increasing influence yearly.

  The Group has joined Trust and Integrity Enterprise Alliance for nearly five years. 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 create a trust and integrity business environment: through information security sharing mechanism, exchange and share information security investigation experience, and together combat information security crimes; through information sharing, automatic identification and early warning of violators, increase the cost of violations; through special training and seminars related to integrity and compliance, exchange and share anti-corruption experience in the industry, and build a joint Integrity and compliance ecosystem.

6.0 The Group's ESG objectives and key performance indicators

- **ESG objectives of the Group**

Medium and long-term ESG objectives

In 2022, the medium and long-term objectives reviewed by the Company's board of directors and management were shown in the table below:

Key performance Indicator type	Company's commitment	Medium and long-term objectives	Remarks/realization path
Society			
Diversity and inclusiveness	The Company is eclectic and attracts all kinds of outstanding talents.	By 2030, the proportion of female employees and executives in the Company will increase to 1/3.	In 2022, the proportion of female employees in the Company was 24%, and the balance of female executives was 22%
Community/Public Welfare	The Company's Aixin fund and other public welfare organizations, the Company's rural revitalization projects, etc., help vulnerable groups obtain better education and technical resources.	By 2030, the Company's public welfare activities and technology-assisted agriculture projects will benefit the lives of 1 million people through general welfare projects and partners. By 2030, at least one-quarter of employees will participate in corporate public welfare activities and charitable projects (including volunteer services and donations)	Public welfare activities organized by trade unions, businesses benefiting farmers, etc. Public welfare activities and charity projects organized by the Company and its partners.
Governance			
Corporate governance	The Company focuses on establishing long-term and sustainable business development and fully integrating ESG considerations into the Group's business operations and management.	In 2027 and beyond, including the strategic discussions on important ESG issues into the scope of meetings of the Company's audit committee, evaluate the progress of ESG projects, and assess the continued relevance of the project to the Company's long-term business strategy. In 2027 and beyond, management will make recommendations to manage ESG risks and projects effectively. In 2027 and beyond, regular updates on ESG issues will be provided to the board.	The board of directors has been regularly reviewing and evaluating ESG reports and related risks and will further strengthen them in the future.
Business ethics	The Company's corporate culture upholds the highest standards of business ethics and complies with the laws and regulations of the countries in which it operates.	In 2025 and beyond, continue enhancing company ethics and compliance through programs and training.	Relevant training is currently in progress
Privacy protection	The Company commits to continuous improvement of its privacy protection practices.	In 2025 and beyond, the management and accountability mechanism of privacy impact assessment and privacy compliance review will be improved 2025	Some protection measures are already in place, which will be further strengthened in the digital era.

Specific ESG objectives and indicator system construction

ESG Aspect/Target Type	Macro objectives	KPI	Specific objectives	Situation in 2022
Environment				
Office environment level				
Essential management of office environment	Overall compliance with environmental management standards	Environmental Management System Certification	The property management company of the Company's office building has obtained the environmental management system certification.	Partially achieved
Data Center	Minimize power consumption of self-owned data center	PUE does not exceed the standard	The average annual PUE of self-owned data centers does not exceed 1.5	Achieved
		Data center electricity consumption per year	Through continuous energy-saving measures to reduce the annual power consumption of the data center	Achieved
	Minimize the environmental impact of waste from self-owned data centers.	Harmless treatment of waste	Waste hard drives are 100% harmless after the destruction.	Achieved
			Qualified suppliers harmlessly treat 100% of the waste lead-acid batteries in the self-owned data center.	Achieved
Waste Management	Minimize the environmental impact associated with waste generated from company operations.	Implement waste classification management.	The Company's office buildings in mainland China implement waste classification.	Achieved
		Harmless treatment of waste	Harmless disposal of hazardous waste; recycling of harmless waste	Achieved
Energy	Minimize unit energy consumption and reduce carbon dioxide equivalent emissions from overall business activities.	Electricity consumption per capita (kWh)	Through energy-saving renovations, the Company's self-owned office buildings and warehouses in mainland China have achieved a 5% reduction in per capita electricity consumption compared with the previous year.	Achieved
Water resource management	Minimize the environmental impact of the water and sewage discharges generated by the Company's business activities.	Per capita water consumption (tons)	The Company's self-owned office buildings and warehouses in mainland China achieved a 5% reduction in per capita water consumption compared to the previous year.	Achieved
		Up to sewage discharge standard	The Company's sewage discharge test meets the national sewage discharge standards.	Achieved
Product/Service level				
Packing	Minimizing packaging material consumption in shipping or courier,	Reduce unit volume or weight.	Through good consolidation or other effective measures, the consumption of packaging materials per unit order is reduced by 5% per year.	Same as last year
	Increased use of reused and recycled materials in packaging	Percentage of recycled material	The proportion of cartons and wooden boxes accounts for more than 70% of the packaging materials, and the % increases every year.	Achieved

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

- **ESG KPIs**

Environmental Performance Indicators

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

Resource Used	For The Year Ended 31 December		
Indicator	2022	2021	2020
Total energy consumption (MWh)	17,264.53	18,964.13	17,652.79
Direct energy consumption (MWh)	1,630.10	1,869.45	1,905.96
Of which: gasoline (MWh)	167.45	259.34	310.40
Diesel (MWh)	271.96	367.91	409.60
Natural gas (MWh)	1,190.69	1,242.20	1,185.96
Indirect energy consumption (MWh)	15,634.43	17,094.67	15,746.83
Of which: purchased electricity (MWh)	15,634.43	17,094.67	15,746.83
Total energy consumption per capita (MWh/employee)	1.14	1.29	1.23
Tap water consumption (tons)	110,168.98	129,088.19	103,987.41
Tap water consumption per capita (tons/employee)	7.26	8.76	7.22
Steam consumption (tons)	719.00	747.01	718.10
Steam consumption per capita (tons/employee)	0.05	0.05	0.05
Total packaging material consumption (tons)	23,122.00	25,244.00	25,996.87
Average consumption per order (tons/order)	0.000128	0.000126	0.000250

Remark:

1. The water source used by the Group comes from a municipal tap water supply. The tap water consumption in 2022 decreased by 18,919.21 tons compared with 2021, with a decrease rate of 14.66%—the reduction of water consumption caused by various water-saving measures of the Company.

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

3. The gasoline and diesel consumption of the Group mainly comes from the Group's vehicles. In 2022, the consumption of gasoline, diesel, and natural gas further reduced; the direct energy consumption reduced by 239.35 MWh compared to 2021, representing a decrease rate of 12.8%.

4. Energy consumption, based on purchased electricity and fuel consumption, "2006 IPCC Guidelines for National Greenhouse Gas Inventory", "General Principles for Calculation of Comprehensive Energy Consumption," and "2019 Emission Reductions by the Department of Climate Change, Ministry of Ecology and Environment of the People's Republic of China". Conversion factor calculation in Project China Regional Power Grid Baseline Emission Factors.

5. The packaging materials used by the Group are mainly the packaging cartons used by the intelligent supply chain business, as the consumption of wooden boxes is minimal; therefore, no statistics were performed. In 2022, the number of orders required for packaging materials has decreased; thus, the total packaging materials consumed have reduced. However, the average packaging materials consumption per order remained stable with a slight increase.

Emissions & Waste	For the year ended 31 December		
Type	**2022**	**2021**	**2020**
Total greenhouse gas emissions (tons)	14,078.25	15,370.86	14,544.45
Direct greenhouse gas emissions (tons)	374.10	431.83	441.86
Of which: gasoline (tons)	32.37	50.14	60.01
Diesel (tons)	81.32	110.01	122.48
Natural gas (tons)	260.41	271.68	259.38
Total indirect greenhouse gas emissions (tons)	13,704.15	14,939.04	14,102.58
Of which: purchased electricity (tons)	13,704.15	14,939.04	14,102.58
Greenhouse gas emissions per capita (tons/employee)	0.93	1.04	1.01
Amount of hazardous waste (tons)	1.00	1.00	1.00
Hazardous waste per capita (tons/employee)	0.00007	0.00007	0.00007
Amount of non-hazardous waste (tons)	1,280.00	1,250.00	1,200.00
Non-hazardous waste per capita (tons/employee)	0.08	0.08	0.08

Remark:

1. Based on the nature of the business, the primary gas emissions of the Group are greenhouse gas emissions, which come from the use of fuel and purchased electricity.

2. The Group's greenhouse gas inventory is mainly carbon dioxide. The greenhouse gas emission data for the year ended 31 December 2022 are presented in carbon dioxide equivalent. They are based on the "2019 Emission Reduction Project China Regional Power Grid Baseline Emissions" issued by the Ministry of Ecology and Environment of the People's Republic of China. The conversion factor in "Factor" and the applicable coefficient contained in the "2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories" are used for accounting. The total carbon emission in 2022 was 1292.61 tons lower than that in 2021, with a decrease rate of 8.41%, mainly due to the decrease in electricity consumption caused by the reduction of warehouses used by the Group's Kejie logistics business.

3. Gasoline and diesel consumption mainly come from the Group's vehicles. In 2022, petrol, diesel, and natural gas consumption will be further reduced; direct greenhouse gas emissions will be reduced by 57.72 tons compared with 2021, a drop rate of 13.37%.

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

5. The types of non-hazardous waste in operating the Group's office buildings mainly include domestic and non-hazardous office waste. Household waste is handled by property management companies and kitchen waste recyclers and cannot be measured separately. According to the "Manual of the First National Survey of Pollution Sources of Urban Living Sources, Production, and Discharge Coefficients" issued by the State Council, we estimated the domestic waste generated by office buildings. Non-hazardous office wastes are handed over to recyclers for recycling and disposal. The statistics include all office buildings of the Group in mainland China.

Social performance indicators

In 2022, data related to the employees of the Group were as follows:

Classification criteria		Male	Female	Total	%
By age	Below 30	5926	2013	7939	52.35%
	30 – 50	5424	1655	7079	46.68%
	Over 50	131	17	148	0.98%
	Total	**11481**	**3685**	**15166**	**100%**
By profession	Technical staff	10073	2314	12387	81.68%
	Sales staff	604	278	882	5.82%
	General Management	456	938	1394	9.19%
	Others	348	155	503	3.32%
	Total	**11481**	**3685**	**15166**	**100%**
By Qualification	Ph.D.	12	3	15	0.10%
	Master	286	289	575	3.79%
	Undergraduate	6893	2462	9355	61.68%
	College & below	4290	931	5221	34.43%
	Total	**11481**	**3685**	**15166**	**100%**
By Region	China	11420	3649	15069	99.36%
	Hong Kong, Macau, Taiwan, and overseas	61	36	97	0.64%
	Total	**11481**	**3685**	**15166**	**100%**

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

Senior executives by Gender	Number	%
Male	293	78.34%
Female	81	21.66%
Total	374	100.00%

Training statistics:

Training classification		Average training hours
By Rank	Senior manager to general manager	20.52
	President and Vice President	16.5
	Manager	13.87
	General staff	8
By Gender	Female	11.21
	Male	9.11
By Content	Professional training	6.77
	Corporate Culture	1.31
	Management development	0.66
	General skills	0.52
	Process & system training	0.36

Remarks:

In 2022, the average training hours of various employees recorded in the Company's HR training system, online learning center, and cloud classroom are shown in the above table. Divided by rank, in addition to the regular training, more expatriate training and internal management training are offered to senior managers to general managers grade. Divided by gender, the average training hours of female employees are slightly higher than that of male employees, but there is no crucial difference in the training resources. Divided by content, we put more resources into professional training.

Staff turnover rate**:**

Classification		Turnover rate
By Profession	Technical staff	27.08%
	Sales staff	26.80%
	General Management	18.24%
	Others	20.66%
By Gender	Male	26.73%
	Female	24.19%
By Age	Below 30	28.89%
	30-50	23.04%
	Over 50	11.90%
By Region	China	26.16%
	Hong Kong, Macau, Taiwan, and overseas	20.49%

Remarks:

In 2022, the overall employee turnover rate of the Group was 26.13%, recorded a decrease from 30.22% in 2021; Employee turnover rate = number of turnovers/(number of people at the end of the year + number of turnovers during the year)*100%.

Work-related injuries and fatalities:

Classification	Number	%	Lost working hours
Work fatality	0	0	0
Work injury	15	0.099%	7258

The year 2022 and accumulated community/public welfare data:

The year 2022:

Donated nearly RMB10 million materials to Jilin for anti-epidemic

Donated RMB300,000 to the education fund

Sponsorship for Hong Kong's "Resurrection-Football Friendship Match 2023"

Accumulated as of 2022:

The Company has donated money, materials, and digital services worth about RMB 50 million in various social welfare activities.

The 10 "DC Holdings Hope Primary Schools" established by the Company have been maintained for nearly 20 years, benefiting more than 14,700 students.

Our volunteers organized a total of 94 voluntary activities and contributed a total of more than 3,700 hours for our "DC Holdings Hope Primary Schools."

They held nearly 200 activities related to integrating technology and art and established cooperative relations with over 100 artists.

Governance Performance Indicators

Comparison of customer complaint rates in the last three years:

Year	FY22	FY21	FY20
Number of complaints	40,000	20,000	16,000
Total order	95,000,000	70,000,000	45,000,000
%	**0.042%**	**0.05%**	**0.05%**

Remarks:

The number of complaints is based on the data recorded in the business system.

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

Year	Copyrights	Patents	Trademarks	Total
2020	1483	99	264	1846
2021	1836	130	283	2249
2022	2165	154	279	2598

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

Nature	Coverage	Quantity
Sign the "Partner Integrity Agreement" with all non-original suppliers	100%	
Several suppliers (IT equipment and service vendors, etc.)		app. 1700
Among them: the number of overseas suppliers		3
Blacklisted (currently accumulative)		40
100% of employees covered by anti-corruption training	100%	
"Commitment Letter" signing rate	98%	
Incident suspected relating to conflict of interest.		1
Personnel removed by the Company according to company regulations.		3
New persons involved in fraudulent prosecution in the year		0

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 2022.

PRINCIPAL ACTIVITIES

As a leading big data service enterprise, the Group 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 30 August 2022, the directors declared an interim dividend of HK2.3 cents per share (2021: HK2 cents per share) for the six months ended 30 June 2022 and which was paid on 13 October 2022.

The Group's profit for the year ended 31 December 2022 and the Group's financial position as at that date are set out in the financial statements on pages 110 to 228 of this annual report.

The board of directors recommends the payment of a final dividend of 4.5 HK Cents per ordinary share for the year ended 31 December 2022, subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 and market and business outlook are set out in the section headed "Management Discussion and Analysis" on pages 14 to 23 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 52 to 58 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 230 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 2022 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 2022 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 2022 are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Act of Bermuda 1981, amounted to RMB 597,046,000. In addition, the Company's share premium account, in the amount of RMB 4,139,709,000, may be distributed in the form of fully paid bonus shares.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

As provided by the New Bye-Laws, every Director shall be indemnified out of the Company's assets against any liability incurred by the Director, to the extent permitted by Bermuda law. Such permitted indemnity provision has been in force throughout the year ended 31 December 2022 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 2022 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. ZENG Shuigen
Ms. CONG Shan *(Note 1)*
Mr. PANG Jing *(Note 2)*

Independent Non-executive Directors

Mr. WONG Man Chung, Francis
Miss NI Hong (Hope)
Dr. LIU Yun, John
Mr. KING William
Mr. CHEN Timothy Yung-Cheng

Notes:

1. Ms. CONG Shan was appointed as the Non-executive Director of the Company with effect from 30 August 2022.

2. Mr. PANG Jing resigned as the Non-executive Director of the Company with effect from 30 August 2022.

In accordance with Bye-Law 99 of the New Bye-Laws, Mr. LIN Yang, Dr. LIU Yun, John and Mr. KING William will retire from office by rotation at the forthcoming annual general meeting of the Company. In accordance with Bye-Law 102(B) of the New Bye-Laws, Ms. CONG Shan who was appointed as director with effect from 30 August 2022 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. ZENG Shuigen	• Resigned as the Vice Secretary and General Manager of party branch and Director of Guangzhou Urban Planning Technology Development Services Department Co., Ltd. with effect from 9 January 2023. • Resigned as the legal representative and chairman of Guangzhou City Investment Ziguang Cloud Co., Ltd. with effect from 29 September 2022.
Dr. LIU Yun, John	• Appointed as Independent Non-executive Director of Pixelworks, Inc., a NASDAQ listed Company, (stock code:PXLW) on 9 September 2022

DIRECTORS' SERVICE AGREEMENTS

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

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in the section headed "Connected Transaction", 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 has or had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the year ended 31 December 2022.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 15 August 2011 (the "2011 Share Option Scheme"), with life span of ten years. Notwithstanding that the 2011 Share Option Scheme had expired in August 2021, the rights of the grantees under the 2011 Share Option Scheme continue to subsist. Details of the 2011 Share Option Scheme as well as movements in the share options during the year ended 31 December 2022 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 "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:

(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 rules of the DCITS Share Incentive Scheme (the "SOS Rules"):

  (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) Under the DCITS Share Option Incentive Scheme, a total of 22,600,000 shares of DCITS shall be available for issue, representing approximately 2.30% of the shares of DCITS in issue as at the date of this report. 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. The exercise price of the share options shall not be lower than the par value of the DCITS shares and shall not be lower than the higher of the following prices:

1. The average price of DCITS shares one trading day prior to the announcement of the SOS Rules, being the total consideration for the DCITS shares traded (交易總額) one trading day prior to the announcement of the SOS Rules divided by the total number of DCITS shares traded on such day, which was RMB12.753 per DCITS share.

2. The average trading price of DCITS shares for the 120 trading days prior to the announcement of the SOS Rules, being the total consideration for DCITS shares traded during the previous 120 trading days prior to the announcement of the SOS Rules divided by the total number of DCITS shares traded during the previous 120 trading days, which was RMB11.905 per DCITS 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. The DCITS Share Option Incentive Scheme expired on 16 September 2022 and the rights of the grantees under the DCITS Share Option Incentive Scheme ceased on 16 September 2022 accordingly.

(9) Pursuant to the SOS Rules, no amount is payable on application or acceptance of the option granted under the DCITS Share Option Incentive Scheme.

(10) 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 DCITS Share Option Incentive Scheme have not been exercised upon expiry of the relevant exercise period, such share options shall be lapsed.

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 2022 and the share options outstanding at the beginning and end of the year 2022:

	Number of the share options									
Grantee	Outstanding as at 1/1/2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2022	Exercise price per share *RMB*	Closing price immediately before the date of grant *RMB*	Date of grant	Exercisable period (Note (i))
DCITS director	-	-	-	-	-	-	-	-	-	-
DCITS other employees	10,110,000	-	(3,909,285)	-	(6,200,715)	-	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						-				
Weighted average exercise price (RMB)	12.76	-	12.76	-	12.76	-				

Note:

(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 paragraph (6) of the major terms of the DCITS Share Option Incentive Scheme above

As at 1 January 2022 and 31 December 2022, there are no share options available for grant and no DCITS shares that may be issued under the mandate of the DCITS Share Option Incentive Scheme or any scheme of DCITS.

RESTRICTED SHARE INCENTIVE SCHEME OF DCITS

The shareholders of DCITS approved the adoption of a restricted share incentive scheme (the "DCITS Restricted Share Incentive Scheme") on 16 September 2019. The effective term of the DCITS Restricted Share Incentive Scheme commenced from the date on which registration of the transfer of restricted shares is complete to the date on which sale restrictions of all restricted shares have been released or all restricted shares have been cancelled by repurchase, provided that the term shall not exceed 36 months. The DCITS Restricted Share Incentive Scheme expired on 16 September 2022.

Under the DCITS Restricted Share Incentive Scheme, a total of 7,400,000 restricted shares, representing approximately 0.75% of the shares of DCITS as at the date of this report, may be issued.

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 Restricted Share Incentive Scheme.

The total number of shares of DCITS issued pursuant to all effective equity incentive schemes of DCITS (including DCITS Restricted Share Incentive Scheme) to any incentive participant shall not in aggregate exceed 1% of the total shares in issue of DCITS.

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

Pursuant to the rules of DCITS Restricted Share Incentive Scheme, no amount is payable on acceptance of the restricted shares granted under 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 DCITS 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".

The grant price of the restricted shares shall be RMB6.38 per share, not less than the higher of:

(1) RMB6.377 per share, being 50% of the average trading price of DCITS shares on the last trading day before the announcement of the draft DCITS Incentive Scheme (i.e. RMB12.753 per share); and

(2) RMB5.953 per share, being 50% of the average trading price of DCITS shares for the last 120 trading days before the announcement of the draft DCITS Incentive Scheme (i.e. RMB11.905 per share).

According to the rules 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. As at 1 January 2022, 31 December 2022 and the date of this report, there are no awards available for grant pursuant to 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 year ended 31 December 2022:

	Number of restricted shares							
Grantee	Outstanding as at 1/1/2022	Granted during the yea	Buyback and cancelled during the year	Vested during the year	Lapsed during the year	Outstanding as at 31/12/2022	Date of grant	Closing price of the shares immediately before the date of grant RMB
DCITS director	-	-	-	-	-	-	-	-
DCITS other employees	-	-	-	-	-	-	-	-

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option 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 2022 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 2022, the interests and short positions of each Director and chief executive of the Company and their associates in the shares of the Company ("Share(s)"), underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" adopted by the Company (the "Model Code") were as follows:

Name of Director	Capacity	Personal interests	Corporate interests	Number of outstanding share options	Total (Note 1)	Approximate percentage of aggregate interests (%) (Note 7)
GUO Wei	Beneficial owner and interests of controlled corporations	98,411,707	163,919,857 *(Note2)*	94,116,974 *(Note3&4)*	356,448,538	21.30
LIN Yang	Beneficial owner	3,571,734	-	15,116,974 *(Note3&4)*	18,688,708	1.12
WONG Man Chung, Francis	Beneficial owner	370,000 *(Note5)*	-	2,000,000 *(Note4)*	2,370,000	0.14
NI Hong (Hope)	Beneficial owner	100,000 *(Note5)*	-	2,000,000 *(Note4)*	2,100,000	0.13
LIU Yun, John	Beneficial owner	100,000 *(Note5)*	-	2,000,000 *(Note4)*	2,100,000	0.13
KING William	Beneficial owner	100,000 *(Note5)*	-	2,000,000 *(Note4)*	2,100,000	0.13
CHEN Timothy Yung-Cheng	Beneficial owner	-	-	1,000,000 *(Note6)*	1,000,000	0.06

Notes:

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

2. These 163,919,857 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 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. 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 2022, 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 2022, to the best knowledge of the Directors, the following persons or corporations, not being a Director or chief executive of the Company, had the following interests and short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of aggregate interests (%) (Note 8)
Kosalaki Investments Limited	Beneficial owner	105,511,857 *(Note 2)*	6.30
Dragon City International Investment Limited	Beneficial owner	187,568,500	11.21
YIP Chi Yu	Interests of a controlled Corporation/ Interest of spouse	187,568,500/ 2,325 *(Note 3 & 4)*	11.21
HUANG Shaokang	Beneficial owner/ Interest of spouse	2,325/ 187,568,500 *(Note 3 & 4)*	11.21
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 5a)*	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 5b)*	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 5c)*	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 5d)*	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
Law Debenture Trust (Asia) Limited as Trustee of Digital China Holdings Limited's Restricted Share Award Scheme Trust	Trustee	167,839,632	10.03

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. 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 2022, 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.

CONNECTED TRANSACTIONS

On 13 October 2022, the Company, DCITS, Digital China Group Co., Ltd. ("DCG") and Mr. Guo (the "Parties") entered into a shareholders' agreement (the "Shareholders' Agreement") pursuant to which Parties proposed to establish a joint venture company (the "JV") incorporated in the PRC with limited liability, principally engaged in the research and development of core technologies and related product development. By establishing the JV, the Parties are able to attract top talent to carry out innovative research work and thereby creating a robust industrial ecosystem based on core technologies. In turn, this ecosystem will create a driving force for continuous innovation that will shape and support the nation's development goals.

Pursuant to the Shareholders' Agreement, each of the Company, DCITS and DCG contributed RMB30 million (representing 30% of the registered capital of the JV), and Mr. Guo contributed RMB10 million (representing 10% of the registered capital of the JV). The respective capital contributions of each of the Parties under the Shareholders' Agreement was determined after arm's length negotiations taking into account, among others, the proposed business nature, working capital need and development plan of the JV.

Mr. Guo is the Chairman of the Board, the Chief Executive Officer, an executive Director and a substantial Shareholder of the Company. Accordingly, Mr. Guo is a connected person of the Company and the transaction under the Shareholders' Agreement constituted a connected transaction of the Company under the Listing Rules.

DONATIONS

During the year ended 31 December 2022, the Group made donation of RMB 305,000 (for the year ended 31 December 2021: RMB 5,180,000).

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 2021: less than 30%) of the Group's total revenue for the year ended 31 December 2022.

The aggregate percentage of purchases attributable to the Group's five largest suppliers was approximately 34% (for the year ended 31 December 2021: approximately 39%) of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 11% (for the year ended 31 December 2021: approximately 10%) for the year ended 31 December 2022.

During the year ended 31 December 2022, 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 74 to 81 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 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 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 2022 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 2023

GUO Wei

Chairman

Independent Auditor's Report

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF DIGITAL CHINA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Digital China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 110 to 228, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other 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 2022, 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 123.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of the Group's goodwill was approximately RMB1,586,840,000. During the year ended 31 December 2022, 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 determined by assessing the value in use. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate. We have identified the impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements and the selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to the valuation model may result in significant financial impact.	We performed the following audit procedures on the impairment assessment of goodwill: • 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 135 to 137.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of the Group's accounts and bills receivables was approximately RMB3,864,861,000, net of loss allowance of approximately RMB709,792,000 and contract assets of RMB3,112,288,000, net of loss allowance of approximately RMB361,129,000. 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 by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL. 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 estimation of ECL of accounts and bills receivables and contract assets as a key audit matter because of its significance to the consolidated financial statements and the corresponding uncertainty inherent in such estimates.	We performed the following audit procedures on assessing the loss allowance of accounts and bills receivables and contract assets: • 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 sales invoices; • evaluated techniques and methodology in the ECL model against the requirement 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 125 to 126.

The key audit matter	How our audit addressed the key audit matter
The Group's revenue from sales of goods is recognised at the point when the control of the goods is transferred to the customers while revenue from software development and technical service business and supply chain operation and maintenance business 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 as based on the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. During the year, the Group recognised revenue over time and at a point in time amounted to approximately RMB8,115,072,000 and RMB9,270,668,000 respectively. We have identified revenue recognition from contracts with customers using input method as a key audit matter because it is quantitatively significant to the consolidated financial statements as a whole, combined with judgement involved in determining the appropriate point to recognise revenue from the above types of revenues.	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 141.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amounts of the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss were approximately RMB780,328,000 and RMB742,595,000 respectively. During the year, the Group recognised fair value loss on financial assets at fair value through other comprehensive income of approximately RMB122,463,000 and fair value loss on financial assets at fair value through profit or loss of approximately RMB142,643,000. 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.	We performed the following audit procedures on the valuation of financial assets at fair value through other comprehensive income and at fair value through profit or loss for which quoted market prices are not available: • assessed the competence, capability and objectivity of the relevant independent valuation specialists; • assessed the appropriateness of the valuation methodologies performed by management; • involved 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 valuers 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 page 131.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the fair value of the investment properties was approximately RMB4,975,169,000, with a net fair value gain of approximately RMB152,819,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2022. The Group engaged external valuation specialists to perform valuations of these investment properties at the end of the reporting period. We have identified valuation of investment properties as a key audit matter because the carrying amounts of these investment properties are significant to the consolidated financial statements and significant management's judgements were involved in the choice of valuation methods and inputs in the fair value measurement of these investment properties.	We performed the following audit procedures on the valuation of investment properties: • 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 valuers by comparing them, on a sampling basis, to where relevant, 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 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 (Restated)
Revenue	6	**17,749,982**	17,104,557
Cost of sales and services		**(14,809,815)**	(13,969,118)
Gross profit		**2,940,167**	3,135,439
Other income and gains	6	**358,020**	403,123
Net gain on disposal of equity interests in associates	7	**7,490**	24,354
Selling and distribution expenses		**(1,080,081)**	(1,057,350)
Administrative expenses		**(393,253)**	(485,712)
Other expenses, net		**(1,126,738)**	(859,876)
Finance costs	8	**(121,311)**	(119,698)
Share of losses of associates and joint ventures	7	**(83,483)**	(88,199)
Profit before tax	7	**500,811**	952,081
Income tax expense	11	**(34,315)**	(139,065)
Profit for the year		**466,496**	813,016
Attributable to:			
Equity holders of the parent		**310,370**	592,364
Non-controlling interests		**156,126**	220,652
		466,496	813,016
Earnings per share attributable to equity holders of the parent	13		
Basic (RMB cents)		**20.60**	38.62
Diluted (RMB cents)		**20.38**	38.47

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	NOTES	**2022 RMB'000**	2021 RMB'000 (Restated)
Profit for the year		**466,496**	813,016
Other comprehensive (expense) income			
Other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of financial statements of foreign operations		**(15,647)**	1,239
Share of other comprehensive income of associates		**16,403**	412
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**756**	1,651
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		**(122,463)**	(52,408)
Gain on property revaluation	15	**-**	241,705
Income tax effect	25	**27,166**	(48,480)
Net other comprehensive (expenses) income that will not be reclassified to profit or loss in subsequent periods		**(95,297)**	140,817
Other comprehensive (expense) income for the year, net of tax		**(94,541)**	142,468
Total comprehensive income for the year		**371,955**	955,484
Attributable to:			
Equity holders of the parent		**223,202**	740,678
Non-controlling interests		**148,753**	214,806
		371,955	955,484

Consolidated Statement of Financial Position

For the year ended 31 December 2022

	NOTES	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000 (Restated)	As at 1 January 2021 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	14	**723,192**	762,054	843,748
Right-of-use assets	16	**173,395**	234,353	171,542
Investment properties	15	**4,975,169**	4,822,350	4,332,798
Goodwill	18	**1,586,840**	1,586,840	1,586,840
Other intangible assets	19	**197,782**	190,674	165,398
Interests in joint ventures	20	**63,166**	74,924	62,310
Interests in associates	21	**1,436,580**	1,498,029	2,054,342
Financial assets at fair value through other comprehensive income	22	**780,328**	963,672	603,698
Finance lease receivables	24	**-**	-	666
Accounts receivables	28	**121,074**	114,120	110,304
Other receivables	29	**847,365**	847,365	747,067
Deferred tax assets	25	**251,399**	210,261	190,339
		11,156,290	11,304,642	10,869,052
Current assets				
Inventories	26	**1,183,260**	2,122,952	2,209,494
Completed properties held for sale	27	**568,614**	572,548	587,146
Accounts and bills receivables	28	**3,743,787**	3,187,661	3,069,488
Prepayments, deposits and other receivables	29	**1,652,637**	1,098,278	1,132,434
Contract assets	30a	**3,112,288**	2,873,339	2,032,814
Financial assets at fair value through profit or loss	23	**742,595**	886,579	948,620
Finance lease receivables	24	**31,405**	38,236	44,924
Restricted bank balances	31	**54,879**	72,019	192,938
Cash and cash equivalents	31	**2,522,006**	2,295,103	2,600,318
		13,611,471	13,146,715	12,818,176
Current liabilities				
Accounts and bills payables	32	**3,490,296**	3,601,632	3,059,901
Other payables and accruals	33	**1,695,319**	1,796,563	2,127,783
Lease liabilities	17	**68,404**	91,125	70,330
Contract liabilities	30b	**2,116,469**	1,923,681	2,034,919
Tax payables		**74,295**	84,634	101,602
Interest-bearing bank and other borrowings	34	**1,832,046**	1,505,483	1,755,659
		9,276,829	9,003,118	9,150,194
Net current assets		**4,334,642**	4,143,597	3,667,982
Total assets less current liabilities		**15,490,932**	15,448,239	14,537,034

Consolidated Statement of Financial Position

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 (Restated)	2021 RMB'000 (Restated)
Non-current liabilities				
Interest-bearing bank and other borrowings	34	**1,783,612**	1,775,971	1,944,962
Deferred tax liabilities	25	**526,696**	537,949	393,741
Deferred income	44	**28,341**	18,706	21,880
Lease liabilities	17	**53,657**	87,213	42,721
Other financial liability	45	**786,155**	744,155	495,385
		3,178,461	3,163,994	2,898,689
Net assets		**12,312,471**	12,284,245	11,638,345
Capital and reserves				
Share capital	35	**163,826**	163,820	163,734
Reserves	36	**8,198,092**	8,219,665	7,803,149
Equity attributable to equity holders of the parent		**8,361,918**	8,383,485	7,966,883
Non-controlling interests		**3,950,553**	3,900,760	3,671,462
Total equity		**12,312,471**	12,284,245	11,638,345

The consolidated financial statements on pages 110 to 228 were approved and authorised for issue by the board of directors on 30 March 2023 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 2022

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Capital reserve	Employee share trust	Employee share-based compensation reserve	Asset revaluation reserve	Investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Restated)	163,820	4,139,368	1,601,051	(765,913)	216,358	610,610	67,153	559,762	(159,027)	1,950,303	8,383,485	3,900,760	12,284,245
Profit for the year	-	-	-	-	-	-	-	-	-	310,370	310,370	156,126	466,496
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(75,655)	-	-	-	(75,655)	(19,642)	(95,297)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	(21,104)	-	(21,104)	5,457	(15,647)
Share of other comprehensive income of associates	-	-	1,003	-	-	-	8,234	-	354	-	9,591	6,812	16,403
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	4,501	-	-	(4,501)	-	-	-
Total comprehensive income (expense) for the year	-	-	1,003	-	-	-	(62,920)	-	(20,750)	305,869	223,202	148,753	371,955
Share-based compensation	-	-	-	-	27,662	-	-	-	-	-	27,662	1,598	29,260
Capital contribution from non-controlling shareholders of subsidiaries (note 40(c)(ii))	-	-	10,604	-	-	-	-	-	-	-	10,604	39,277	49,881
Contribution to employee shares trusts	-	-	-	(66,413)	-	-	-	-	-	-	(66,413)	-	(66,413)
Exercise of share options	6	341	-	-	(75)	-	-	-	-	-	272	-	272
Deemed acquisition of additional interests in non-wholly-owned subsidiaries (note 40(b))	-	-	(17,655)	-	-	-	-	-	-	-	(17,655)	(82,359)	(100,014)
Vesting of shares under the restricted share award scheme	-	-	-	5,971	(5,971)	-	-	-	-	-	-	-	-
Liquidation of a subsidiary (note 40(d))	-	-	-	-	-	-	-	-	-	-	-	(13,870)	(13,870)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(43,606)	(43,606)
Transfer to reserve funds	-	-	-	-	-	-	-	86,330	-	(86,330)	-	-	-
Dividends paid (note 12)	-	-	-	-	-	-	-	-	-	(199,239)	(199,239)	-	(199,239)
At 31 December 2022	163,826	4,139,709	1,595,003	(826,355)	237,974	610,610	4,233	646,092	(179,777)	1,970,603	8,361,918	3,950,553	12,312,471

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Capital reserve	Employee share trust	Employee share-based compensation reserve	Asset revaluation reserve	Investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Restated)	163,734	4,134,732	1,639,361	(542,787)	132,142	429,331	98,252	478,457	(159,406)	1,593,067	7,966,883	3,671,462	11,638,345
Profit for the year	-	-	-	-	-	-	-	-	-	592,364	592,364	220,652	813,016
Changes in fair value on financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(36,810)	-	-	-	(36,810)	(3,652)	(40,462)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	2,105	-	2,105	(866)	1,239
Share of other comprehensive income of associates	-	-	(896)	-	-	-	4,362	-	(1,726)	-	1,740	(1,328)	412
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1,349	-	-	(1,349)	-	-	-
Gain on property revaluation, net of tax	-	-	-	-	-	181,279	-	-	-	-	181,279	-	181,279
Total comprehensive income (expense) for the year	-	-	(896)	-	-	181,279	(31,099)	-	379	591,015	740,678	214,806	955,484
Share-based compensation	-	-	-	-	88,390	-	-	-	-	-	88,390	5,087	93,477
Capital contribution from non-controlling shareholders of subsidiaries (note 40(c))	-	-	(21,654)	-	-	-	-	-	-	-	(21,654)	93,460	71,806
Deemed acquisition of additional interests in non-wholly-owned subsidiaries (note 40(b))	-	-	(14,880)	-	-	-	-	-	-	-	(14,880)	(45,944)	(60,824)
Contribution to employee shares trusts	-	-	-	(226,280)	-	-	-	-	-	-	(226,280)	-	(226,280)
Exercise of share options	86	4,636	-	-	(1,020)	-	-	-	-	-	3,702	-	3,702
Acquisition of additional interests in non-wholly-owned subsidiaries(note 40(a))	-	-	(880)	-	-	-	-	-	-	-	(880)	(2,240)	(3,120)
Vesting of shares under the restricted share award scheme	-	-	-	3,154	(3,154)	-	-	-	-	-	-	-	-
Deregistration of a subsidiary (note 40(d))	-	-	-	-	-	-	-	-	-	-	-	(3,767)	(3,767)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(32,104)	(32,104)
Transfer to reserve funds	-	-	-	-	-	-	-	81,305	-	(81,305)	-	-	-
Dividends paid (note 12)	-	-	-	-	-	-	-	-	-	(152,474)	(152,474)	-	(152,474)
At 31 December 2021 (Restated)	163,820	4,139,368	1,601,051	(765,913)	216,358	610,610	67,153	559,762	(159,027)	1,950,303	8,383,485	3,900,760	12,284,245

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax:	**500,811**	952,081
Adjustments for:		
Finance costs	**121,311**	119,698
Share of loss of associates	**71,638**	85,819
Share of loss of joint ventures	**11,845**	2,380
Interest on bank deposits	**(8,125)**	(6,747)
Income from wealth management financial products	**(31,478)**	(34,750)
Deferred income recognized	**(18,711)**	(26,020)
Dividends income from financial assets at fair value through profit or loss	**(510)**	(598)
Dividends income from financial assets at fair value through other comprehensive income	**(72)**	(1,109)
Impairment of accounts and bills receivables, other receivables and contract assets	**129,279**	109,383
Reversal of impairment of finance lease receivables	**(579)**	(265)
(Gain) loss on disposal of property, plant and equipment	**(1,086)**	2,072
Fair value gain on investment properties	**(152,819)**	(221,552)
Fair value loss on financial assets at fair value through profit or loss	**142,643**	26,219
Fair value loss on contingent consideration	**43,000**	-
Gain on disposal of financial assets at fair value through profit or loss	**-**	(9,067)
Gain on deemed partial disposal of equity interest in an associate	**(3,292)**	(6,015)
Gain on deemed disposal of equity interest in an associate	**-**	(7,845)
Gain on partial disposal of equity interest in an associate	**(4,198)**	(10,494)
Gain on early termination of leases	**(119)**	(872)
Depreciation of property, plant and equipment	**68,523**	103,549
Depreciation of right-of-use assets	**109,814**	112,344
Amortisation of other intangible assets	**56,332**	46,624
Provisions for inventories	**49,698**	13,684
Share-based compensation	**29,122**	94,212
	1,113,027	1,342,731
Decrease in inventories	**889,994**	72,858
Decrease in completed properties held for sale	**3,934**	14,598
Increase in accounts and bills receivables	**(614,719)**	(283,700)
Increase in prepayments, deposits and other receivables	**(570,541)**	(11,837)
Decrease in finance lease receivables	**7,410**	7,619
(Decrease) increase in accounts and bills payables	**(111,336)**	541,731
Decrease in other payables and accruals and deferred income	**(44,896)**	(288,909)
Increase in contract assets	**(311,977)**	(881,248)
Increase (decrease) in contract liabilities	**192,788**	(111,238)
Decrease in restricted bank balances	**17,140**	120,919
Effect of foreign exchange rate changes, net	**16,436**	4,499
Cash generated from operations	**587,260**	528,023
Interest received	**8,038**	6,017
Mainland China income tax paid	**(69,741)**	(81,146)
NET CASH FROM OPERATING ACTIVITIES	**525,557**	452,894

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (Restated)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(30,083)**	(50,362)
Proceeds from disposal of property, plant and equipment	**5,701**	1,726
Additions to other intangible assets	**(63,440)**	(71,900)
Net cash outflows on acquisition of subsidiaries	**(59,000)**	(9,500)
Proceeds from partial disposal of equity interest in an associate	**2,597**	45,000
Proceeds from disposal of financial assets at fair value through other comprehensive income	**65,514**	47,420
Proceeds from disposal of financial assets at fair value through profit or loss	**917,276**	1,096,786
Dividend income from financial assets at fair value through profit or loss	**510**	598
Dividend income from financial assets at fair value through other comprehensive income	**72**	1,109
Dividends received from associates	**811**	407
Investments in joint ventures	**-**	(15,000)
Investments in associates	**-**	(390)
Purchase of financial asset at fair value through other comprehensive income	**(2,400)**	-
Purchase of financial assets at fair value through profit or loss	**(885,440)**	(1,017,153)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(47,882)**	28,741
FINANCING ACTIVITIES		
Exercise of shares options	**272**	3,702
New bank borrowings	**2,358,858**	1,884,892
Repayment of bank borrowings	**(2,063,207)**	(2,300,334)
Repayment of lease liabilities	**(105,014)**	(112,221)
Interest paid	**(79,311)**	(80,928)
Dividends paid	**(199,239)**	(152,474)
Dividends paid to non-controlling shareholders	**(43,606)**	(32,104)
Purchase of shares under the restricted share award scheme	**(66,413)**	(226,280)
Payments to acquire additional interests in non-wholly-owned subsidiaries	**-**	(3,120)
Repurchase of shares of a subsidiary	**(100,014)**	(60,824)
Contribution from non-controlling shareholders of subsidiaries	**49,881**	299,769
Distribution to non-controlling shareholder upon deregistration of a subsidiary	**(1,500)**	(3,767)
NET CASH USED IN FINANCING ACTIVITIES	**(249,293)**	(783,689)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**228,382**	(302,054)
Cash and cash equivalents at beginning of year	**2,295,103**	2,600,318
Effect of foreign exchange rate changes, net	**(1,479)**	(3,161)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**2,522,006**	2,295,103
Analysis of components of cash and cash equivalents		
Bank balances and cash	**2,508,006**	2,283,403
Non-pledged time deposits	**14,000**	11,700
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of the cash flows	**2,522,006**	2,295,103

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, 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 localization and traditional services, including system integration, e-commerce supply chain service, etc.

The consolidated financial statements were presented in Hong Kong dollars ("**HK$**") in prior years. Other than the Group's subsidiaries operated in the People's Republic of China (the "**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and other subsidiaries are HK$. Starting from the year ended 31 December 2022, the Group changed its presentation currency for the preparation of its consolidated financial statements from HK$ to RMB. The directors of the Company considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any exchange rate fluctuations between HKD and RMB on the consolidated financial statements of the Group caused by factors beyond the control of the Group. This enables shareholders and potential investors of the Company to have a clearer understanding of the Group's financial performance and therefore the directors of the Company considers that it is more appropriate to adopt RMB as the presentation currency for the consolidated financial statements of the Group.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The Group has also presented the consolidated statement of financial position as at 1 January 2021 without related notes.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the respective reporting dates. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Share capital, share premium, other reserves and non-controlling interests are translated at the exchange rate at the date when the respective amounts were determined.

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 2022:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual improvement to HKFRSs 2018 – 2020

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.

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 HKFRSs that have been issued but are not yet effective:

HKFRS17 (including the October 2020 and February 2022 amendments to HKFRS17)	Insurance Contracts[1]
Amendments to HKFRS16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS10 and HKAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS1	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[2]
Amendments to HKAS1	Non-current Liabilities with Covenants[2]
Amendments to HKAS1 and HKFRS Practice Statement2	Disclosure of Accounting Policies[1]
Amendments to HKAS8	Difinition of Accounting Estimates[1]
Amendments to HKAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "**2020 Amendments**") clarify the requirements for classifying liabilities as current or non-current. Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the "**2022 Amendments**") further clarify the requirements for classification of non-current liabilities with covenants. The amendments specify that if an entity's right to defer settlement of the liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered as settlement of a liability.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

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 IFRS 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 define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

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.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. 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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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.

Applications of business 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 bargain purchase gain.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the 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 from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group' 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 service business

Revenue from sales of software products business, e-commerce supply chain service business and system integration business are recognised at the point when the services are provided to the customers or when the control of the goods is transferred to the customers, generally on delivery of goods to customers.

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

The Group recognised revenue over time by measuring the progress towards complete satisfaction of a performance obligation in accordance with output or input method.

Output method is applied to recognise revenue on the basis of direct measurements of the value of goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Input method is applied to recognise revenue from software development and technical services business on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation, by reference to the actual costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. In some circumstances when the outcome of a performance obligation could not be reasonably measured, the Group shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all leases.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties and certain equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases, measured using the interest rate implicit in the respective leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the general principles above.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms or 2% to 5%, whichever is shorter
Leasehold improvements	Over the lease terms or 20% to 33%, whichever is shorter
Fixtures and office equipment	10% to 33%
Motor vehicles	10% to 20%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Intangible assets acquired separately (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors of the Company based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position

Investments in subsidiaries

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

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.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income and gains" and "Other expenses" line items. Fair value is determined in the manner described in note 48.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, finance lease receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the 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).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 720 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as 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 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.

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 / 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.

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 2022 (2021: 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

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

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties (Continued)

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 40.51% (2021: 40.29%) 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

HC Group Inc. ("HCI")

The Group considers that it has significant influence in HCI even though it owns 19.37% (2021: 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 2022 and 2021.

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.

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

Key sources of estimation uncertainty (Continued)

Recognition of share-based compensation expense (Continued)

Besides, the grant of these equity instruments is conditional upon the satisfaction of specified vesting conditions, including service periods and performance conditions linked to financial performance measure. Judgement is required to take into account the vesting conditions and adjust the number of the equity instruments included in the measurement of share-based compensation expense.

The cumulative expense recognised for share-based incentive schemes at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The future cash flow is estimated based on past performance and expectation for market development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2022, the carrying amount of goodwill is approximately RMB1,586,840,000 (2021: RMB1,586,840,000). No impairment loss was recognised during the year ended 31 December 2022 and 2021. 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 2022, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB780,328,000 (2021: RMB963,672,000). As at 31 December 2022, the carrying amount of the unlisted investments classified as financial assets at FVTPL was approximately RMB664,298,000 (2021: RMB763,871,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

Estimated useful lives of property, plant and equipment, right-of-use assets and other intangible assets

At the end of each reporting period, the directors of the Company review the estimated useful lives of property, plant and equipment, right-of-use assets and other intangible assets with finite useful life. The carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets with finite useful life as at 31 December 2022 is RMB723,192,000 (2021: RMB762,054,000), RMB173,395,000 (2021: RMB234,353,000) and RMB197,782,000 (2021: RMB190,674,000) respectively.

Fair values of investment properties

As at 31 December 2022, the Group's investment properties amounted to RMB4,975,169,000 (2021: RMB4,822,350,000). 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, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

During the year ended 31 December 2022, impairment loss of accounts and bills receivables of approximately RMB51,636,000 was recognised (2021: RMB161,714,000) in the profit or loss. The carrying amount of accounts and bills receivables was approximately RMB3,864,861,000 (2021: RMB3,301,781,000), net of loss allowance of approximately RMB709,792,000 (2021: RMB666,255,000).

During the year ended 31 December 2022, impairment loss of other receivables of approximately RMB4,615,000 (2021: reversal of impairment loss of RMB93,053,000) was recognised in the profit or loss. The carrying amount of deposits and other receivables was approximately RMB1,873,949,000 (2021: RMB1,578,264,000), net of loss allowance of approximately RMB102,236,000 (2021: RMB97,621,000).

During the years ended 31 December 2022 and 2021, no impairment loss has been recognised in the profit or loss in respect of the loans to joint ventures. The carrying amount of loans to joint ventures was approximately RMB230,565,000 (2021: RMB238,065,000) without any loss allowance.

During the year ended 31 December 2022, impairment loss of contract assets of approximately RMB73,028,000 (2021: RMB40,722,000) was recognised in profit or loss. The carrying amount of contract assets was approximately RMB3,112,288,000 (2021: RMB2,873,339,000), net of loss allowance of approximately RMB361,129,000 (2021: RMB288,101,000).

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

Property, plant and equipment, right-of-use assets and other intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for future development. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2022, the carrying amounts of right-of-use assets, property, plant and equipment, and other intangible assets were RMB173,395,000, RMB723,192,000 and RMB197,782,000 (2021: RMB234,353,000, RMB762,054,000 and RMB190,674,000) respectively. Details of the impairment of right-of-use assets, property, plant and equipment, and intangible assets are disclosed in notes 16, 14 and 19, respectively. Further details are given in respective notes.

Revenue recognition

When the Group recognises revenue over time using the input method, based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligations of an individual contract.

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

Key sources of estimation uncertainty (Continued)

Revenue recognition (Continued)

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 2022, provisions for and write-off of obsolete inventories of approximately RMB49,698,000 (2021: RMB13,684,000) was recognised in profit or loss. As at 31 December 2022, the carrying amount of inventories was approximately RMB1,183,260,000 (2021: RMB2,122,952,000).

Impairment assessment of interests in associates

At the end of the reporting period, the directors of the Company review the carrying amount of its interests in associates of approximately RMB1,436,580,000 (2021: RMB1,498,029,000), 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.

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 2022 were approximately RMB251,399,000 (2021: RMB210,261,000) and RMB526,696,000 (2021: RMB537,949,000), respectively. The amount of unrecognised tax losses and certain deductible temporary differences at 31 December 2022 was approximately RMB1,133,261,000 (2021: RMB1,370,265,000). Further details are given in note 25.

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

Key sources of estimation uncertainty (Continued)

EIT

The Group is subject to EIT in various regions. As a result of the fact that certain matters relating to the EIT have not been confirmed by the local tax bureaus, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for EIT. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the EIT and tax provisions in the period in which the differences realise.

LAT

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

5. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Segment information of the three business groups are summarised as follows:

(a) The Big Data Products and Solutions business segment: provides sales of data software products focused on spatial-temporal big data and artificial intelligence capabilities categorized in three product suites (Data Fabric, Data Hub, Digital Twin) as well as data solutions for core use cases namely city digital transformation, supply chain digital transformation and fintech.

(b) The Software and Operating Services business segment: provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilising cloud technology, automation and artificial intelligence. Such services provide important support for the continued deployment of our big data products and solutions business.

(c) The Traditional and Localization 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 interest income, finance costs, unallocated corporate income and gains and unallocated corporate expenses are excluded from such measurement. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments excluding certain deferred tax assets, certain cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

- all liabilities are allocated to operating segments excluding certain tax payables, certain interest-bearing bank and other borrowings, certain deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

5. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, results and assets, liabilities and certain other information for the Group's operating and reportable segments for the years ended 31 December 2022 and 2021.

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Elimination		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
Segment revenue:										
External	**2,438,536**	1,937,068	**5,545,843**	5,439,234	**9,765,603**	9,728,255	**-**	-	**17,749,982**	17,104,557
Inter-segment	**48,351**	133,137	**88,913**	91,349	**36,947**	88,121	**(174,211)**	(312,607)	**-**	-
	2,486,887	2,070,205	**5,634,756**	5,530,583	**9,802,550**	9,816,376	**(174,211)**	(312,607)	**17,749,982**	17,104,557
Segment gross profit	**954,540**	692,914	**814,060**	1,113,083	**1,171,567**	1,329,442			**2,940,167**	3,135,439
Segment results	**32,809**	(64,398)	**358,708**	567,438	**521,487**	891,983			**913,004**	1,395,023
Unallocated										
Interest income									**8,125**	6,747
Income and gains									**102,193**	52,934
Unallocated expenses									**(401,200)**	(382,925)
Profit from operating activities									**622,122**	1,071,779
Finance costs									**(121,311)**	(119,698)
Profit before tax									**500,811**	952,081

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
Assets and liabilities								
Segment assets	**2,589,333**	2,822,620	**3,760,474**	3,634,046	**14,121,099**	13,639,083	**20,470,906**	20,095,749
Unallocated assets							**4,296,855**	4,355,608
Total assets							**24,767,761**	24,451,357
Segment liabilities	**923,603**	865,202	**1,421,977**	1,719,943	**4,495,306**	4,313,529	**6,840,886**	6,898,674
Unallocated liabilities							**5,614,404**	5,268,438
Total liabilities							**12,455,290**	12,167,112

5. SEGMENT INFORMATION (CONTINUED)

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Unallocated		Total	
	2022 RMB'000	2021 RMB'000 (Restated)	**2022 RMB'000**	2021 RMB'000 (Restated)	**2022 RMB'000**	2021 RMB'000 (Restated)	**2022 RMB'000**	2021 RMB'000 (Restated)	**2022 RMB'000**	2021 RMB'000 (Restated)
Other segment information:										
Depreciation of property, plant and equipment	**4,009**	3,974	**40,380**	69,096	**11,798**	12,629	**12,336**	17,850	**68,523**	103,549
Depreciation of right-of-use assets	**-**	-	**77,510**	86,063	**497**	497	**31,807**	25,784	**109,814**	112,344
Amortisation of other intangible assets	**24,547**	23,454	**2,001**	1,948	**592**	458	**29,192**	20,764	**56,332**	46,624
Addition to non-current assets (note)	**63,214**	71,993	**62,813**	108,944	**7,000**	10,854	**11,199**	131,442	**144,226**	323,233
Impairment (reversal of impairment) of accounts and bills receivables, other receivables and contract assets	**76,007**	113,307	**38,751**	59,793	**14,521**	(35,029)	**-**	(28,688)	**129,279**	109,383
Reversal of impairment of finance lease receivables	**-**	-	**-**	-	**(579)**	(265)	**-**	-	**(579)**	(265)
Provision for inventories	**232**	775	**4,097**	109	**45,369**	12,800	**-**	-	**49,698**	13,684
Share of losses (profits) of associates	**11,053**	(5,713)	**18**	502	**60,567**	91,030	**-**	-	**71,638**	85,819
Shares of losses (profits) of joint ventures	**-**	-	**4,089**	(779)	**7,756**	3,159	**-**	-	**11,845**	2,380
Government grants	**(32,496)**	(38,085)	**(41,033)**	(39,697)	**(5,720)**	(1,697)	**(24,329)**	(17,969)	**(103,578)**	(97,448)
Fair value gain on investment properties	**-**	-	**-**	-	**(147,219)**	(221,552)	**(5,600)**	-	**(152,819)**	(221,552)
Gain on deemed partial disposal of equity interest in associates	**-**	-	**-**	-	**(3,292)**	(6,015)	**-**	-	**(3,292)**	(6,015)
Gain on deemed disposal of equity interest in an associate	**-**	-	**-**	-	**-**	(7,845)	**-**	-	**-**	(7,845)
Gain on partial disposal of equity interest in an associate	**(4,198)**	(10,494)	**-**	-	**-**	-	**-**	-	**(4,198)**	(10,494)
Gain on disposal of financial assets at fair value through profit or loss	**-**	-	**-**	-	**-**	(9,067)	**-**	-	**-**	(9,067)
Interests in associates	**126,191**	132,902	**85,230**	86,599	**1,225,159**	1,278,528	**-**	-	**1,436,580**	1,498,029
Interests in joint ventures	**-**	-	**19,840**	23,929	**43,326**	50,995	**-**	-	**63,166**	74,924
Interest income on bank deposits#	**-**	-	**-**	-	**-**	-	**(8,125)**	(6,747)	**(8,125)**	(6,747)
Finance costs#	**-**	-	**-**	-	**-**	-	**121,311**	119,698	**121,311**	119,698
Income tax expense#	**-**	-	**-**	-	**-**	-	**34,315**	139,065	**34,315**	139,065

Note: Non-current assets excluded financial instruments and deferred tax assets.

\# Interest income on bank deposits, finance costs and income tax expense are regularly provided to the CODM but not included in the measurement of segment profit or loss.

Geographical information

Since over 90% of the Group's revenue from external customers is generated in Mainland China (based on location of customers) and over 90% of the non-current assets of the Group (except for interests in associates) are located in Mainland China (based on location of assets), no geographic information is presented.

Information about major customers

During the years ended 31 December 2022 and 2021, there was no revenue derived from transactions with a single external customer which individually contributed over 10% of the Group's revenue for the respective year.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue arising on the sale of goods after allowances for returns and trade discounts; provision of services, net of value-added tax and government surcharges; and rental income received and receivable from investment properties for the year.

An analysis of the Group's revenue and other income and gains is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines:		
Sales of software products business	**174,764**	306,836
Software development and technical service business	**5,540,698**	4,878,652
Supply chain operation and maintenance business	**2,574,374**	2,286,014
System integration business	**6,360,494**	6,060,029
E-commerce supply chain service business	**2,535,910**	2,951,964
Others	**199,500**	263,488
Total revenue from contract with customers	**17,385,740**	16,746,983
Revenue from other sources		
Rental income from investment properties under operating lease	**339,908**	334,984
Financial services business	**24,334**	22,590
Total revenue from other sources	**364,242**	357,574
Total revenue	**17,749,982**	17,104,557

(i) Revenue from contracts with customers

Disaggregation of revenue by timing of recognition

	2022 RMB'000	2021 RMB'000 (Restated)
Timing of revenue recognition		
At a point in time	**9,270,668**	9,582,317
Over time	**8,115,072**	7,164,666
	17,385,740	16,746,983

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 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB6,558,155,000 (2021: RMB6,262,177,000). 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 (2021: within three years). Other revenue from contracts with customers is expected to be recognised within one year.

(ii) Other income and gains

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Other income			
Government grants	44	**103,578**	97,448
Interest on bank deposits		**8,125**	6,747
Income from wealth management financial products		**31,478**	34,750
Dividends income from financial assets at fair value through other comprehensive income		**72**	1,109
Dividends income from financial assets at fair value through profit or loss		**510**	598
Compensation		**40,231**	-
Others		**21,207**	31,852
		205,201	172,504
Gains			
Fair value gain on investment properties	15	**152,819**	221,552
Gain on disposal of financial assets at fair value through profit or loss	23	**-**	9,067
		152,819	230,619
Total other income and gains		**358,020**	403,123

7. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000 (Restated)
Employee benefit expense (including directors' and chief executives' remuneration *(note 9)*):		
Salaries and allowances	**2,550,117**	2,313,025
Share-based compensation	**29,122**	94,212
Pension scheme contributions[1]	**233,405**	209,738
Other benefits	**394,767**	359,833
	3,207,411	2,976,808
Gain on deemed partial disposal of equity interests in associates *(note 21(ii))*	**(3,292)**	(6,015)
Gain on deemed disposal of equity interest in an associate *(note 21(i))*	**–**	(7,845)
Gain on partial disposal of equity interest in an associate *(note 21(iii))*	**(4,198)**	(10,494)
	(7,490)	(24,354)
Share of losses of associates	**71,638**	85,819
Share of losses of joint ventures	**11,845**	2,380
	83,483	88,199
Amount of inventories recognised as an expense	**8,358,422**	8,378,275
Auditor's remuneration	**2,745**	2,482
(Gain) loss on disposal of property, plant and equipment	**(1,086)**	2,072
Depreciation of property, plant and equipment	**68,523**	103,549
Depreciation of right-of-use assets	**109,814**	112,344
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties[2]	**25,302**	19,652
Research and development costs recognised as an expense	**665,110**	634,917
Amortisation of other intangible assets	**56,332**	46,624
Write-down of inventories	**49,698**	13,684
Impairment of accounts and bills receivables, other receivables and contract assets	**129,279**	109,383
Reversal of impairment of finance lease receivables	**(579)**	(265)
Fair value loss on financial assets at fair value through profit or loss	**142,643**	26,219
Net exchange loss	**34,693**	8,847
Others	**49,562**	20,467
	1,126,738	859,876

1 *At 31 December 2022 and 2021, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years.*

2 *During the year ended 31 December 2022, the Group recognised rental income of approximately RMB339,908,000 (2021: RMB334,984,000).*

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Interest on bank and other borrowings	**53,786**	52,198
Interest on discounted bills	**17,834**	18,380
Interest on lease liabilities	**7,691**	10,350
Interest on other financial liabilities	**42,000**	38,770
	121,311	119,698

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	
	2022 RMB'000	2021 RMB'000 (Restated)
Fees	**1,290**	1,110
Other emoluments:		
Salaries and allowances	**7,997**	7,717
Performance related bonus	**1,322**	1,416
Pension scheme contributions	**155**	774
Share-based compensation	**7,155**	49,163
	16,629	59,070
	17,919	60,180

Note:

Salaries and allowances, performance related bonus and pension scheme contributions as shown in the above table represent the consolidated total amount of salaries and allowances and performance related bonus received or receivable by executive and non-executive directors paid by DCITS, subsidiaries of the Company, and the Company itself with the exception for share-based compensation which is not a cash payment to the directors, but rather a non-cash item representing the fair value of the options granted to the directors recognised in accordance with the relevant accounting standard.

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022			2021		
	Fees RMB'000	Share-based compensation RMB'000	Total RMB'000	Fees RMB'000 (Restated)	Share-based compensation RMB'000 (Restated)	Total RMB'000 (Restated)
For the company:						
Mr. WONG Man Chung, Francis	258	154	412	249	1,263	1,512
Miss NI Hong, Hope	258	154	412	249	1,263	1,512
Dr. LIU Yun, John	258	154	412	249	1,263	1,512
Mr. KING William	258	154	412	249	1,263	1,512
Ms. YAN Xiaoyan[3]	-	-	-	-	-	-
Mr. CHEN Timothy Ying-Cheng[4]	258	145	403	114	307	421
	1,290	761	2,051	1,110	5,359	6,469

Notes:

2,000,000 share options at the exercise price of HK$6.60 per share were granted to each of Mr. WONG Man Chung, Francis, Miss NI Hong (Hope), Dr. LIU Yun, John and Mr. KING William on 13 July 2020 and 100,000 Restricted Share Award Scheme ("RSU") were granted to each of them on 2 June 2020.

1,000,000 share options at the exercise price of HK$4.82 per share were granted to Mr. CHEN Timothy Yung-cheng on 16 July 2021.

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

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Share-based compensation RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022						
Executive directors:						
Mr. GUO Wei						
From DCITS	-	4,915	1,322	-	16	6,253
Share options granted by the entities in the Group other than DCITS	-	-	-	6,240	-	6,240
Mr. LIN Yang						
From DCITS	-	-	-	-	-	-
From entities in the Group other than DCITS	-	3,082	-	154	139	3,375
	-	7,997	1,322	6,394	155	15,868
Non-executive directors:						
Mr. PENG Jing[1]	-	-	-	-	-	-
Mr. CONG Shan[2]	-	-	-	-	-	-
Mr. ZENG Shui Gen	-	-	-	-	-	-
	-	-	-	-	-	-
	-	7,997	1,322	6,394	155	15,868

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

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

	Fees RMB'000 (Restated)	Salaries and allowances RMB'000 (Restated)	Performance related bonus RMB'000 (Restated)	Share-based compensation RMB'000 *(Restated)*	Pension scheme contributions RMB'000 (Restated)	Total remuneration RMB'000 (Restated)
2021						
Executive directors:						
Mr. GUO Wei						
From DCITS	-	4,789	1,416	-	323	6,528
Share options granted by the entities in the Group other than DCITS	-	-	-	41,882	-	41,882
Mr. LIN Yang						
From DCITS	-	-	-	-	-	-
From entities in the Group other than DCITS	-	2,928	-	1,922	451	5,301
	-	7,717	1,416	43,804	774	53,711
Non-executive directors:						
Mr. PENG Jing[1]	-	-	-	-	-	-
Mr. ZENG Shui Gen	-	-	-	-	-	-
	-	7,717	1,416	43,804	774	53,711

Note:

Share-based compensation is not a cash payment to the directors, but rather a non-cash item representing the fair value of the options granted to the directors recognised in accordance with the relevant accounting standard. 13,116,974 share options at the exercise price of HK$6.394 per share were granted to each of Mr. Guo Wei and Mr. Lin Yang on 25 January 2017. 81,000,000 share options and 2,000,000 share options at the exercise price of HK$6.60 per share were granted to Mr. Guo Wei and Mr. Lin Yang respectively on 13 July 2020.

1. Resigned on 30 August 2022
2. Appointed on 30 August 2022
3. Retired on 30 June 2021
4. Appointed on 16 July 2021

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

The performance related bonus is determined by the Group having regard to the director's performance and the prevailing market conditions.

Neither the chief executive nor any of the directors waived any emoluments in both years.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2021: 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 (2021: three) individuals were as follows:

	2022	2021
	RMB'000	RMB'000
		(Restated)
Salaries and allowances	**6,069**	6,439
Performance related bonuses	**1,684**	1,911
Share-based compensation	**28**	3,150
Pension scheme contributions	**443**	405
	8,224	11,905

Their emoluments were within the following bands:

	Number of employees	
	2022	2021
HK$2,500,001 to HK$3,000,000	**2**	-
HK$3,000,001 to HK$3,500,000	**-**	1
HK$4,000,001 to HK$4,500,000	**1**	-
HK$4,500,001 to HK$5,000,000	**-**	1
HK$5,000,001 to HK$5,500,000	**-**	1
	3	3

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000 (Restated)
Current – PRC		
EIT		
Charge for the year	**59,392**	64,091
Over-provision in prior years	**(182)**	(568)
LAT	**172**	621
	59,382	64,144
Current – Hong Kong		
Charge for the year	**20**	-
Under-provision in prior years	**-**	34
	20	34
Deferred tax *(note 25)*	**(25,087)**	74,887
Total tax charge for the year	**34,315**	139,065

(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 2022 and 2021, 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 RMB1,422,000 (2021: RMB255,000) and the share of tax charge of attributable to associates of approximately RMB9,639,000 (2021: RMB12,923,000) 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Profit before tax	**500,811**	952,081
Tax at the applicable tax rate of 25% (2021: 25%)	**125,203**	238,020
Income tax on concessionary rates	**(41,425)**	(92,533)
Adjustments in respect of current tax of previous periods	**(182)**	(534)
Profits and losses attributable to joint ventures and associates	**20,871**	22,050
Tax effect of unused tax losses not recognised	**77,484**	53,395
Super-deduction of research and development expenses	**(72,460)**	(61,311)
Income not subject to tax	**(25,895)**	(24,362)
Expenses not deductible to tax	**18,405**	41,788
Tax losses utilised from previous periods	**(28,742)**	(9,404)
Temporary difference utilised from previous periods	**(39,116)**	(28,665)
LAT	**172**	621
Tax charge at the Group's effective rate	**34,315**	139,065

Details of deferred tax are set out in note 25.

12. DIVIDENDS

	2022 RMB'000	2021 RMB'000 (Restated)
Dividends paid during the year:		
2020 Final dividends (HK10 cents per share)	**–**	127,353
2021 Interim dividends (HK2 cents per share)	**–**	25,121
2021 Final dividends (HK13 cents per share)	**167,002**	-
2022 Interim dividends (HK2.3 cents per share)	**32,237**	-
	199,239	152,474

Subsequent to the end of the reporting period, the directors of the Company recommend the payment of a final dividend of HK4.5 cents (2021: HK13 cents) per ordinary share for the year ended 31 December 2022 to the shareholders of the Company ("Shareholders"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("2023 AGM"), the proposed final dividend is expected to be paid on or about 19 July 2023.

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 1,506,786,693 (2021: 1,533,843,722) 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:

	2022	2021
	RMB'000	RMB'000
		(Restated)
Earnings		
Profit for the year attributable to equity holders of the parent, used in basic earnings per share calculation	**310,370**	592,364
Effect of dilutive potential ordinary shares of a subsidiary	**(1,963)**	(93)
Earnings for the purpose of diluted earnings per share	**308,407**	592,271

	Number of shares	
	2022	2021
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	**1,506,786,693**	1,533,843,722
Effect of dilutive potential ordinary shares:		
Share-based incentive schemes	**6,216,761**	5,750,867
Weighted average number of shares during the year used in the diluted earnings per share calculation	**1,513,003,454**	1,539,594,589

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022 (Restated):						
Cost	735,989	101,818	498,207	10,175	4,106	1,350,295
Accumulated depreciation	(113,098)	(78,109)	(387,924)	(9,110)	-	(588,241)
Net carrying amount	622,891	23,709	110,283	1,065	4,106	762,054
At 1 January 2022, net of accumulated depreciation (Restated)	622,891	23,709	110,283	1,065	4,106	762,054
Additions	-	7,313	21,854	2	914	30,083
Disposals	-	(33)	(4,244)	(338)	-	(4,615)
Transfers	-	459	-	-	(459)	-
Depreciation provided for the year	(15,982)	(10,195)	(42,072)	(274)	-	(68,523)
Exchange realignment	3,865	173	154	1	-	4,193
At 31 December 2022, net of accumulated depreciation	610,774	21,426	85,975	456	4,561	723,192
At 31 December 2022:						
Cost	740,199	109,330	487,184	6,747	4,561	1,348,021
Accumulated depreciation	(129,425)	(87,904)	(401,209)	(6,291)	-	(624,829)
Net carrying amount	610,774	21,426	85,975	456	4,561	723,192

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Leasehold improvements RMB'000	Fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021(Restated):						
Cost	752,820	172,744	523,839	11,670	3,463	1,464,536
Accumulated depreciation	(97,408)	(145,895)	(367,584)	(9,901)	-	(620,788)
Net carrying amount	655,412	26,849	156,255	1,769	3,463	843,748
At 1 January 2021, net of accumulated depreciation(Restated)	655,412	26,849	156,255	1,769	3,463	843,748
Additions	7,700	6,551	26,029	-	10,082	50,362
Disposals	-	(345)	(3,247)	(206)	-	(3,798)
Surplus on revaluation upon transfer to investment properties	241,705	-	-	-	-	241,705
Transfers	-	8,863	576	-	(9,439)	-
Transfer to investment properties (note 15)	(264,775)	-	-	-	-	(264,775)
Depreciation provided for the year	(15,767)	(18,035)	(69,252)	(495)	-	(103,549)
Exchange realignment	(1,384)	(174)	(78)	(3)	-	(1,639)
At 31 December 2021, net of accumulated depreciation (Restated)	622,891	23,709	110,283	1,065	4,106	762,054
At 31 December 2021(Restated):						
Cost	735,989	101,818	498,207	10,175	4,106	1,350,295
Accumulated depreciation	(113,098)	(78,109)	(387,924)	(9,110)	-	(588,241)
Net carrying amount	622,891	23,709	110,283	1,065	4,106	762,054

At 31 December 2022, the Group's property, plant and equipment with net carrying amount of approximately RMB228,712,000 (2021: RMB230,846,000) 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Fair value		
As at 1 January (Restated)	**4,822,350**	4,332,798
Transfer from owner-occupied properties or right-of-use assets (notes 14 and 16)	**-**	268,000
Net gain in fair value recognised in profit or loss	**152,819**	221,552
As at 31 December	**4,975,169**	4,822,350

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 2022 and 2021 and of the date of transfer based on valuations performed by Savills Real Estate Valuation (Guangzhou) Ltd. Beijing Branch, APAC Asset Valuation and Consulting Limited and PG Advisory, independent professionally qualified valuers not connected to the Group, at approximately RMB4,975,169,000 (2021: RMB4,822,350,000) 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 2022, the Group's investment properties with a carrying value of RMB3,830,302,000 (2021: RMB3,717,890,000) were pledged to secure certain bank loans of the Group (note 34).

During the year ended 31 December 2021, certain owner-occupied properties of RMB264,775,000 (2022: nil) and related right-of-use assets of RMB3,225,000 (2022: nil) at aggregate fair value of RMB268,000,000 (2022: nil) were 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 RMB241,705,000 (2022: nil) was recognised in other comprehensive income and accumulated in assets revaluation reserve.

15. INVESTMENT PROPERTIES (CONTINUED)

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) RMB'000	**(Level 2) RMB'000**	**(Level 3) RMB'000**	**Fair value 2022 Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**-**	**-**	**4,975,169**	**4,975,169**

	(Level 1) RMB'000 (Restated)	(Level 2) RMB'000 (Restated)	(Level 3) RMB'000 (Restated)	Fair value 2021 Total RMB'000 (Restated)
Recurring fair value measurement for:				
Commercial properties	-	-	4,822,350	4,822,350

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2022 and 2021.

15. INVESTMENT PROPERTIES (CONTINUED)

The following table gives information about how the fair values of the investment properties as at 31 December 2022 and 2021 are determined (in particular, the valuation techniques and inputs used):

	Valuation techniques and key inputs	Significant unobservable inputs	Range or weighted average 2022	2021
Completed investment properties -Commercial properties	Discounted cash flow method – by taking into account the current rents and the reversionary potential of the tenancies	Estimated rental value (per s.q.m. and per month)(RMB)	**From 21 to 338**	From 20 to 349
		Long term vacancy rate	**From 5% to 20%**	From 5% to 12%
		Discount rate	**From 5% to 6.5%**	From 6% to 7.5%
	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 is their current use in estimating the fair value of the properties. There have been no other changes from the valuation technique used in the prior year.

A significant increase (decrease) in the estimated rental value 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 RMB'000	Building RMB'000	Total RMB'000
At 1 January 2021 (Restated)	49,088	122,454	171,542
Additions	-	200,971	200,971
Transfer to investment properties	(3,225)	-	(3,225)
Write-off	-	(22,591)	(22,591)
Depreciation	(1,143)	(111,201)	(112,344)
At 31 December 2021 and 1 January 2022 (Restated)	**44,720**	**189,633**	**234,353**
Additions	**-**	**50,703**	**50,703**
Write-off	**-**	**(1,847)**	**(1,847)**
Depreciation	**(1,143)**	**(108,671)**	**(109,814)**
At 31 December 2022	**43,577**	**129,818**	**173,395**

As at 31 December 2022 and 2021, right-of-use assets of RMB43,577,000 (2021: RMB44,720,000) represent land use rights located in the PRC.

As at 31 December 2022, the Group's land use rights with a carrying value of approximately RMB13,149,000 (2021: RMB13,536,000) 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

	2022 RMB'000	2021 RMB'000 (Restated)
Non-current	**53,657**	87,213
Current	**68,404**	91,125
	122,061	178,338

Amounts payable under lease liabilities	2022 RMB'000	2021 RMB'000 (Restated)
Within one year	**68,404**	91,125
After one year but within two years	**30,690**	45,720
After two years but within five years	**22,967**	41,493
	122,061	178,338
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(68,404)**	(91,125)
Amount due for settlement after 12 months	**53,657**	87,213

During the year ended 31 December 2022, the Group entered into a number of new lease agreements for building and recognised lease liabilities of RMB50,703,000 (2021: RMB200,971,000).

17. LEASES (CONTINUED)

(ii) Amounts recognised in profit or loss

	2022 RMB'000	2021 RMB'000 (Restated)
Expense relating to short-term leases	**3,254**	12,697
Depreciation of right-of-use assets	**109,814**	112,344
Interest on lease liabilities	**7,691**	10,350

(iii) Others

At 31 December 2022 and 2021, the Group did not have committed lease agreements that were not yet commenced.

During the year ended 31 December 2022, the total cash outflow for leases amounted to RMB115,959,000 (2021: RMB135,268,000).

During the year ended 31 December 2022, the Group early terminated certain lease contacts, the respective right-of-use assets and lease liabilities of RMB1,847,000 (2021: RMB22,591,000) and RMB1,966,000 (2021: RMB23,463,000) respectively are derecognised accordingly and the related gain on early termination of RMB119,000 (2021: RMB872,000) is recognised in the profit or loss.

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB122,061,000 (2021: RMB178,338,000) are recognised with related right-of-use assets of RMB129,818,000 (2021: RMB189,633,000). 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:

	RMB'000
At 1 January 2021 (Restated), 31 December 2021 (Restated) and 31 December 2022:	
Cost	**2,080,120**
Accumulated impairment	**(493,280)**
Net carrying amount	**1,586,840**

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Rural information services	**526,572**	526,572
Mobile network optimisation and big data services for communications	**872,377**	872,377
Data integration and management software sales	**70,877**	70,877
Agricultural internet of things services	**19,824**	19,824
Technical services	**16,684**	16,684
Agricultural internet services	**59,673**	59,673
Cloud services	**20,833**	20,833
Total	**1,586,840**	1,586,840

Impairment testing of goodwill

Rural information services CGU

The recoverable amount of the rural information services CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.93% (2021: 12.12%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2021: 2.0%).

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 12.29% (2021: 11.85%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2.4% (2021: 2.5%).

18. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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% (2021: 16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 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 11.19% (2021: 11.43%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2021: 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 11.50% and 16.5% (2021: 11.53% and 16.5%) and cash flows beyond the five-year period are extrapolated using growth rate ranging of 2% and 3% (2021: 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 13.99% (2021: 13.84%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2021: 2.5%).

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 12.46% (2021: 11.34%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2021: 2.5%).

key assumptions

Key assumptions were used in the value in use calculations, the following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The increase in budgeted gross margin will increase the value in use of a CGU, vice versa.

Discount rate – The discount rate used reflects specific risks relating to the CGU. The increase in discount rate will decrease the value in use of a CGU, vice versa.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the individual CGU to exceed the recoverable amount of the individual CGU.

19. OTHER INTANGIBLE ASSETS

	Patents and licences RMB'000	Deferred development costs RMB'000	Systems software RMB'000	Total RMB'000
At 1 January 2022 (Restated):				
Cost	21,623	64,429	320,555	406,607
Accumulated amortisation and impairment	(16,907)	-	(199,026)	(215,933)
Net carrying amount	4,716	64,429	121,529	190,674
Cost at 1 January 2022, net of accumulated amortisation and impairment (Restated)	4,716	64,429	121,529	190,674
Additions	-	57,307	6,133	63,440
Amortisation provided for the year	(234)	-	(56,098)	(56,332)
Transfers	-	(63,399)	63,399	-
At 31 December 2022	4,482	58,337	134,963	197,782
At 31 December 2022:				
Cost	21,623	58,337	390,087	470,047
Accumulated amortisation and impairment	(17,141)	-	(255,124)	(272,265)
Net carrying amount	4,482	58,337	134,963	197,782

19. OTHER INTANGIBLE ASSETS (CONTINUED)

	Patents and licences RMB'000	Deferred development costs RMB'000	Systems software RMB'000	Total RMB'000
At 1 January 2021 (Restated):				
Cost	21,285	50,628	262,794	334,707
Accumulated amortisation and impairment	(16,706)	-	(152,603)	(169,309)
Net carrying amount	4,579	50,628	110,191	165,398
Cost at 1 January 2021, net of accumulated amortisation and impairment (Restated)	4,579	50,628	110,191	165,398
Additions	338	59,289	12,273	71,900
Amortisation provided for the year	(201)	-	(46,423)	(46,624)
Transfers	-	(45,488)	45,488	-
At 31 December 2021 (Restated)	4,716	64,429	121,529	190,674
At 31 December 2021 (Restated):				
Cost	21,623	64,429	320,555	406,607
Accumulated amortisation and impairment	(16,907)	-	(199,026)	(215,933)
Net carrying amount	4,716	64,429	121,529	190,674

20. INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000 (Restated)
Share of net assets	**43,782**	55,540
Goodwill on acquisition	**19,384**	19,384
	63,166	74,924

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.

In the opinion of the directors of the Company, all joint venture of the Group are not individually material and to give details of other joint ventures would result in particulars of excessive length.

The following table illustrates the aggregate financial information and carrying amount of the Group's interests in joint ventures that are not individually material and are accounted for using the equity method:

	2022 RMB'000	2021 RMB'000 (Restated)
Aggregate carrying amount of the Group's interests in joint ventures	**63,166**	74,924
Share of the joint ventures' loss for the year	**(11,845)**	(2,380)
Share of the joint ventures' total comprehensive expense for the year	**(11,845)**	(2,380)

21. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000 (Restated)
Share of net assets	**1,026,882**	1,081,648
Goodwill on acquisition	**409,698**	416,381
	1,436,580	1,498,029
Analysed into:		
Unlisted shares	**690,245**	705,665
Shares listed in Hong Kong	**746,335**	792,364
	1,436,580	1,498,029

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 2022 and 2021, 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 2022	2021	Principal activities
HCI*	Cayman Islands/ Mainland China	RMB120,977,000	19.37%	19.37%	Provision of B-to-B e-commerce services

The above table lists the associate of the Group which, in the opinion of the directors of the Company, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

* 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 2022 was approximately RMB72,676,000 (2021: RMB140,355,000). 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 RMB746,335,000 (2021: RMB792,364,000) is approximately RMB294,919,000 (2021: RMB294,919,000).

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 RMB390,000 (2022: nil) 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 was 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 was 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 RMB460,679,000 had 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 RMB7,845,000 had been recognised in profit or loss and was calculated as follow:

	2021 RMB'000 (Restated)
Fair value of investment	460,679
Less: carrying amount of investment on the date of loss of significant influence	(452,834)
Gain recognised	7,845

(ii) Deemed partial disposal of equity interest in an associate

During the year ended 31 December 2022, the Group's interest in one of its associates was diluted from 21.32% to 20.31% (2021: 23.81% to 21.32%) due to the capital injections by the other equity holders. Following the capital injections, the Group continues to exercise significant influence over the associate and therefore it remains as associate of the Group. The Group recorded a gain on deemed partial disposal of approximately RMB3,292,000 (2021: RMB6,015,000) in profit or loss.

(iii) Partial disposal of equity interest in an associate

During the year ended 31 December 2022, the Group disposed of its equity interest in an associate with an aggregate carrying amount of approximately RMB9,401,000 (2021: RMB23,504,000) for a cash consideration of approximately RMB13,599,000 (2021: RMB33,998,000) and the resulted gain on partial disposal of equity interest in an associate of approximately RMB4,198,000 (2021: RMB10,494,000) has been recognised in profit or loss. The Group's interest in the associate was diluted from 21% to 19% (2021: 26% to 21%) and the Group is able to appoint one out of five directors in the associate. Accordingly, the Group is able to exercise significant influence over the associate.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(iv) 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Current assets	**4,559,924**	2,848,607
Non-current assets	**1,819,306**	2,483,301
Current liabilities	**(3,346,436)**	(1,495,123)
Non-current liabilities	**(32,793)**	(586,253)
Net assets	**3,000,001**	3,250,532
Less: Non-controlling interests	**(669,511)**	(682,411)
Net assets attributable to shareholders of the associate	**2,330,490**	2,568,121
Revenue	**16,893,705**	17,401,101
Loss for the year attributable to shareholders of the associate	**(224,306)**	(663,110)
Other comprehensive expense for the year	**(36,625)**	(44,926)
Total comprehensive expense for the year	**(260,931)**	(708,036)

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

	2022 RMB'000	2021 RMB'000 (Restated)
Net assets of the associate	**2,330,490**	2,568,121
Proportion of the Group's ownership interest in HCI	**19.37%**	19.37%
Goodwill	**294,919**	294,919
Carrying amount of the Group's interest in HCI	**746,335**	792,364

21. INTERESTS IN ASSOCIATES (CONTINUED)

Significant changes in interest in associates (Continued)

(iv) Financial information of associates (Continued)

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

	2022 RMB'000	2021 RMB'000 (Restated)
Aggregate carrying amount of the Group's investments in associates that are not individually material	**690,245**	705,665
Share of the associates' (loss) profit for the year	**(22,949)**	37,235
Share of the associates' other comprehensive income for the year	**14,633**	-
Share of the associates' total comprehensive (expense) income for the year	**(8,316)**	37,235
Dividend received from associates during the year	**811**	407

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	2022 RMB'000	2021 RMB'000 (Restated)
Equity instruments designated as at FVTOCI		
Unlisted equity investments	**780,328**	963,672

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 2022, the Group has disposed certain unlisted equity investments at consideration of RMB65,514,000 (2021: RMB47,420,000).

During the year ended 31 December 2021, an unlisted equity investment with a fair value of approximately RMB460,679,000 (2022: nil) was reclassified from "interests in associates" to "financial assets at FVTOCI". Details are set out in note 21(i).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL comprise:

	2022 RMB'000	2021 RMB'000 (Restated)
Financial assets measured at FVTPL		
Listed equity securities	**78,297**	122,708
Unlisted wealth management financial products (note)	**664,298**	763,871
	742,595	886,579

During the year ended 31 December 2021, the Group has disposed certain listed equity securities at consideration of RMB33,484,000 (2022: nil). At the date of disposal, the fair value of such investment is RMB24,417,000 (2022: nil) and the gain on disposal is RMB9,067,000 (2022: nil).

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

Note:

The wealth management financial products as at 31 December 2022 and 2021 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

	2022 RMB'000	2021 RMB'000 (Restated)
Finance lease receivables	**38,499**	45,909
Less: loss allowance	**(7,094)**	(7,673)
	31,405	38,236

The Group provides finance leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. The Group's finance lease arrangements do not include variable payments.

24. FINANCE LEASE RECEIVABLES (CONTINUED)

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Net finance lease receivables:				
Due with one year	**36,928**	43,886	**31,405**	38,236
Less: unearned finance income	**(5,523)**	(5,650)		
Present value of minimum lease payment receivables	**31,405**	38,236		

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

	2022	2021
	RMB'000	RMB'000
		(Restated)
At the beginning of year	**7,673**	24,742
Reversal of impairment loss	**(579)**	(265)
Write-off as uncollectible	**–**	(16,804)
At the end of the year	**7,094**	7,673

The directors of the Company estimate the loss allowance on finance lease receivables individually at the end of the reporting period at an amount equal to lifetime ECL under the simplified approach. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of the pledged equipment held over these finance lease receivables, the directors of the Company made allowance for impairment of finance lease receivables of approximately RMB7,094,000 (2021: RMB7,673,000).

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 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Deferred tax assets	251,399	210,261
Deferred tax liabilities	(526,696)	(537,949)
	(275,297)	(327,668)

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

2022 Deferred tax assets movement

Deferred tax assets

	Asset provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022 (Restated)	142,600	61,127	203,727
Deferred tax credited to profit or loss	58,669	19,470	78,139
Deferred tax credited directly to equity	–	138	138
Gross deferred tax assets at 31 December 2022	201,269	80,735	282,004

Deferred tax liabilities

	Revaluation of properties RMB'000	Assets Revaluation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022 (Restated)	384,087	52,756	94,572	531,415
Deferred tax charged (credited) to profit or loss	38,205	(6,624)	21,471	53,052
Deferred tax credited to other comprehensive income	–	(27,166)	–	(27,166)
Gross deferred tax liabilities at 31 December 2022	422,292	18,966	116,043	557,301
Net deferred tax credited to the statement of profit or loss during the year *(note 11)*				25,087
Net deferred tax liabilities at 31 December 2022				(275,297)

25. DEFERRED TAX (CONTINUED)

2021 Deferred tax assets movement

Deferred tax assets

	Asset provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021 (Restated)	148,261	57,803	206,064
Deferred tax (charged) credited to profit or loss	(5,661)	4,243	(1,418)
Deferred tax charged directly to equity	-	(919)	(919)
Gross deferred tax assets at 31 December 2021 (Restated)	142,600	61,127	203,727

Deferred tax liabilities

	Revaluation of properties RMB'000	Assets revaluation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021 (Restated)	268,273	67,597	73,596	409,466
Deferred tax charged (credited) to profit or loss	55,387	(2,894)	20,976	73,469
Deferred tax charged (credited) to other comprehensive income	60,427	(11,947)	-	48,480
Gross deferred tax liabilities at 31 December 2021 (Restated)	384,087	52,756	94,572	531,415
Net deferred tax charged to the statement of profit or loss during the year *(note 11)*				(74,887)
Net deferred tax liabilities at 31 December 2021 (Restated)				(327,688)

The Group's tax losses arising in Mainland China of RMB723,671,000 (2021: RMB804,212,000) 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 RMB409,590,000 (2021: RMB566,053,000) and the aforesaid tax losses have not been recognised as deferred tax assets since they have arisen in subsidiaries that have been making losses for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At the end of the reporting period, the undistributed earnings of subsidiaries which deferred tax liabilities have not been recognised was RMB1,277,480,000 (2021: RMB1,119,965,000). 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

	2022 RMB'000	2021 RMB'000 (Restated)
Trading stock	**1,183,260**	2,122,952

27. COMPLETED PROPERTIES HELD FOR SALE

The Group's completed properties held for sale are situated in Mainland China and are stated at lower of cost or net realisable value.

28. ACCOUNTS AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000 (Restated)
Receivables at amortised cost comprise		
Accounts and bills receivables	**4,574,653**	3,968,036
Less: loss allowance	**(709,792)**	(666,255)
Total	**3,864,861**	3,301,781
Analysis by:		
Current portion	**3,743,787**	3,187,661
Non-current portion	**121,074**	114,120
	3,864,861	3,301,781

At as 31 December 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB4,574,653,000 (2021: RMB3,968,036,000).

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 720 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's accounts and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. No customers represent more than 5% of the total accounts and bills receivables balance as at the end of the reporting periods. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivables balances. Accounts and bills receivables are non-interest bearing.

Included in accounts and bills receivables is amount due from a customer of RMB121,074,000 (2021: RMB114,120,000), net of loss allowance of RMB2,881,000 (2021: RMB2,251,000), 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% (2021: 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.

	2022 RMB'000	2021 RMB'000 (Restated)
Within 30 days	**2,090,733**	1,706,232
31 to 60 days	**196,663**	199,891
61 to 90 days	**80,762**	54,665
91 to 180 days	**579,322**	327,285
181 to 360 days	**328,216**	332,107
Over 360 days	**589,165**	681,601
	3,864,861	3,301,781

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 2022

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Individually	100%	104,790	104,790	-
Collectively				
Current (not past due)	2%	2,748,461	61,572	2,686,889
Less than 90 days past due	6%	501,687	28,170	473,517
91 to 180 days past due	8%	299,396	23,216	276,180
181 to 360 days past due	20%	257,552	51,723	205,829
361 to 720 days past due	45%	404,934	182,488	222,446
More than 721 days past due	100%	257,833	257,833	-
		4,574,653	709,792	3,864,861

28. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2021 (Restated)

	Weighted average expected loss rate %	Gross carrying amount RMB'000 (Restated)	Loss allowance RMB'000 (Restated)	Net amount RMB'000 (Restated)
Individually	100%	116,467	116,467	-
Collectively				
Current (not past due)	1%	2,249,527	22,176	2,227,351
Less than 90 days past due	6%	404,436	23,231	381,205
91 to 180 days past due	8%	212,061	17,527	194,534
181 to 360 days past due	20%	294,861	58,838	236,023
361 to 720 days past due	61%	676,374	413,706	262,668
More than 721 days past due	100%	14,310	14,310	-
		3,968,036	666,255	3,301,781

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

	2022 RMB'000	2021 RMB'000 (Restated)
At the beginning of year	**666,255**	576,697
Impairment losses recognised	**51,636**	161,714
Write-off as uncollectible	**(8,727)**	(71,848)
Exchange realignment	**628**	(308)
At the end of year	**709,792**	666,255

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies (note 43(b)) of approximately RMB41,677,000 (2021: RMB43,506,000), net of loss allowances of RMB25,355,000 (2021: RMB26,688,000), RMB4,977,000 (2021: RMB3,067,000), net of loss allowances of RMB2,473,000 (2021: RMB2,750,000) and RMB58,948,000 (2021: RMB40,780,000), net of loss allowances of RMB710,000 (2021: RMB355,000), 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	**2022** **RMB'000**	2021 RMB'000 (Restated)
Deposits and other receivables	(i)	**1,976,185**	1,675,885
Less: loss allowance		**(102,236)**	(97,621)
		1,873,949	1,578,264
Prepayments		**395,488**	129,314
Loans to joint ventures	(ii)	**230,565**	238,065
		2,500,002	1,945,643
Analysis by:			
Current portion		**1,652,637**	1,098,278
Non-current portion		**847,365**	847,365
		2,500,002	1,945,643

Note:

(i) As at 31 December 2022, included in Group's prepayments, deposits and other receivables were loan receivables with carrying amount of approximately RMB1,006,125,000 (2021: RMB1,006,125,000) that were secured by the properties of the borrowers. Out of the loan receivables were amount of approximately RMB847,365,000 (2021: RMB847,365,000) that are not expected to be realised within 12 months from the end of the reporting period as the realisation of the collaterals are expected to be completed in 2024. As such, these balances were classified as non-current assets. For the remaining balance of approximately RMB158,760,000 (2021: RMB158,760,000), they were classified as current assets as the collaterals are expected to be realised within 12 months from the end of the reporting period.

(ii) At 31 December 2022, included in the Group's prepayments, deposits and other receivables are loans of approximately RMB230,565,000 (2021: RMB238,065,000) to a joint venture of the Group, which are unsecured, bears interest at 4.52% (2021: 4.52%) per annum and are repayable within one year from the end of the reporting period.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The movements in loss allowance of other receivables are as follows:

	2022 **RMB'000**	2021 RMB'000 (Restated)
At the beginning of year	**97,621**	190,674
Impairment losses recognised (reversed)	**4,615**	(93,053)
At the end of year	**102,236**	97,621

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Details of impairment assessment of deposits and other receivables are set out in note 49.

For the purposes of impairment assessment for loans to joint ventures, the director of the Company considered these loans to have low credit risk. Accordingly, the loss allowance is measured at an amount equal to 12-month ECL which is considered not significant after taken into account the historical repayment history and the financial strength of the joint ventures.

30. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 RMB'000	2021 RMB'000 (Restated)
Contract assets	**3,473,417**	3,161,440
Less: loss allowance	**(361,129)**	(288,101)
	3,112,288	2,873,339

As at 1 January 2021, contract assets amounted to RMB2,032,814,000.

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of services provided. The contract assets are transferred to accounts and bills receivables when the rights become unconditional upon completion of services and acceptance by the customer.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL under the simplified approach. The movements in loss allowance of contract assets are as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
At the beginning of year	**288,101**	247,379
Impairment losses recognised	**73,028**	40,722
At the end of year	**361,129**	288,101

30. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2022 RMB'000	2021 RMB'000 (Restated)
Receipt in advance	**1,842,737**	1,669,981
Due to contract customers	**273,732**	253,700
Total contract liabilities	**2,116,469**	1,923,681

As at 1 January 2021, contract liabilities amounted to RMB2,034,919,000.

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

Revenue recognised during the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately RMB1,923,681,000 (2021: RMB2,034,919,000). 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

	2022 RMB'000	2021 RMB'000 (Restated)
Cash and bank balances	**2,562,885**	2,355,422
Time deposits	**14,000**	11,700
	2,576,885	2,367,122
Less: Restricted bank balances	**(54,879)**	(72,019)
Cash and cash equivalents	**2,522,006**	2,295,103

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB2,432,554,000 (2021: RMB2,255,560,000). 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.

	2022 RMB'000	2021 RMB'000 (Restated)
Within 30 days	**1,541,516**	2,041,870
31 to 60 days	**106,654**	425,297
61 to 90 days	**69,054**	55,340
Over 90 days	**1,773,072**	1,079,125
	3,490,296	3,601,632

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 2022, included in the Group's accounts and bills payables were amounts due to joint ventures, associates and related companies of the Group of approximately RMB1,357,000 (2021: RMB2,099,000), RMB52,579,000 (2021: RMB38,606,000) and RMB71,883,000 (2021: RMB33,717,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

33. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000 (Restated)
Other payables	**704,963**	671,105
Accruals	**587,538**	762,953
Payroll payables	**400,863**	356,436
Deferred income *(note 44)*	**1,955**	6,069
	1,695,319	1,796,563

Included in the Group's other payables are amounts due to associates and related companies of nil (2021: RMB268,000) and RMB16,071,000 (2021: RMB907,000) respectively.

At 31 December 2022 and 2021, other payables are unsecured and non-interest-bearing and have an average term of three months.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000 (Restated)
Bank loans, unsecured	**816,165**	640,909
Bank loans, secured	**2,755,993**	2,597,045
Other borrowing	**43,500**	43,500
	3,615,658	3,281,454
Analysed for reporting purpose as:		
Current	**1,832,046**	1,505,483
Non-current	**1,783,612**	1,775,971
	3,615,658	3,281,454

	2022 RMB'000	2021 RMB'000 (Restated)
Bank loans repayable (based on scheduled repayment dates set out in the loan agreements dates):		
Within one year	**1,788,546**	1,461,983
In the second year	**395,483**	301,531
In the third to fifth years, inclusive	**732,241**	689,707
Beyond five years	**655,888**	784,733
	3,572,158	3,237,954
Other borrowing repayable:		
Within one year	**43,500**	43,500
	3,615,658	3,281,454

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

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans, unsecured	**1.48-4.35**	**2023**	**816,165**	2.87-6.00	2022	640,909
Bank loans, secured	**1.45-5.80**	**2023**	**775,930**	1.61-4.65	2022	532,439
Current portion of long term bank loans, secured	**1.48-5.64**	**2023**	**196,451**	1.58-6.50	2022	288,635
Other borrowing	**15**	**2023**	**43,500**	15	2022	43,500
			1,832,046			1,505,483
Non-current						
Bank loans, secured	**1.48-5.64**	**2024-2036**	**1,783,612**	1.58-6.50	2023-2036	1,775,971
			3,615,658			3,281,454

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

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**2.50%-5.80%**	3.2%-6.50%
Variable-rate borrowings	**1.45%-5.64%**	1.58%-5.64%

As at 31 December 2022, the Group's borrowings carrying interest at floating rates and fixed rates amounted approximately to RMB1,929,556,000 (2021: RMB1,595,439,000) and RMB1,686,102,000 (2021: RMB1,686,015,000) respectively.

As at 31 December 2022 and 2021, the Group's bank and other borrowings are not subject to the fulfillment of covenants.

Notes:

(a) Certain of the Group's bank and other borrowings are secured by:

- (i) mortgages over the buildings, which had an aggregate carrying value at the end of the reporting period of RMB228,712,000 (2021: RMB230,846,000) (note 14);
- (ii) mortgages over investments properties, which had an aggregate carrying value at the end of the reporting period of RMB3,830,302,000 (2021: RMB3,717,890,000) (note 15);
- (iii) mortgage over the land use rights, which had an aggregate carrying value at the end of the reporting period of RMB13,149,000 (2021: RMB13,536,000) (note 16); and
- (iv) The Group's borrowings of approximately RMB866,000,000 (2021: RMB680,000,000) provided by certain financial institutions were secured by 194,770,000 (2021: 128,884,000) ordinary shares issued by DCITS with an aggregate fair value of RMB2,097,673,000 (2021: RMB1,639,404,000) as at 31 December 2022.

(b) At 31 December 2022, except for the bank borrowings of RMB294,417,000 (2021: RMB251,663,000) and RMB53,953,000 (2021: RMB243,584,000) are denominated in Hong Kong dollars and United States dollars, respectively, the remaining bank and other borrowings are denominated in RMB.

35. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised:		
2,500,000,000 (2021: 2,500,000,000) ordinary shares of HK$0.1 (2021: HK$0.1) each	**250,000**	250,000

	2022 RMB'000	2021 RMB'000 (Restated)
Issued and fully paid:		
2022: 1,673,607,386 (2021: 1,673,526,386) ordinary shares of HK$0.1 (2021: HK$0.1) each	**163,826**	163,820

A summary of the movements in the Company's issued share capital and share premium account during the years ended 31 December 2022 and 2021 is as follows:

	Number of ordinary shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
1 January 2021 (Restated)	1,672,497,376	163,734	4,134,732	4,298,466
Exercise of share options *(note 37)*	1,029,010	86	4,636	4,722
31 December 2021 and 1 January 2022 (Restated)	1,673,526,386	163,820	4,139,368	4,303,188
Exercise of share options *(note 37)*	81,000	6	341	347
At 31 December 2022	1,673,607,386	163,826	4,139,709	4,303,535

Save as disclosed above, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022 and 2021.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Asset revaluation reserve

The asset revaluation reserve represents cumulative gains and losses arising on property revaluation as a result of the change in use from owner-occupied properties to investment properties. Such items will not be reclassified to profit or loss in subsequent periods.

Investment revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in unlisted equity instruments of the Group and associates designated at FVTOCI.

Reserve funds

Reserve funds are reserves set aside in accordance with the relevant PRC regulations applicable to the Group's subsidiaries in Mainland China. These reserve funds can be used to offset accumulated losses but are not be distributable in the form of cash dividends.

Capital reserves

The capital reserve represents primarily the effects from change in shareholders' equity arising on group re-organisation and change in the Group's ownership interest in subsidiaries without losing control.

37. SHARE-BASED INCENTIVE SCHEMES

Share-based Incentive Schemes of the Company

(a) Share Option 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 and has expired on 14 August 2021. Since then, no further share options can be granted.

The principal terms of the 2011 Share Option Scheme are as follows:

(I) Purpose

The 2011 Share Option Scheme seeks to recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons (as defined below) to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with the qualified persons whose contributions are or may be beneficial to the growth of the Group.

(II) Qualified persons

Any part-time or full-time employee or officer or director (including executive, non-executive or independent non-executive directors) of any member of the Group or of any associated company, or any supplier, partner, customer, joint venture partner, strategic alliance partner, distributor, professional adviser of, or consultant or contractor to, any member of the Group, or the trustee of any trust pre-approved by the board of directors of the Company, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

(III) Maximum number of shares

The maximum number of shares available for issue under the 2011 Share Option Scheme was 165,535,878 (2021: 170,691,878), which represent 9.89% (2021: 10.20%) of share capital of the Company in issue as at the date of approval of the 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).

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 and had expired on 14 August 2021.

The following tables show the movements in the Company's share options under the 2011 Share Option Scheme according to dates of grant during the years ended 31 December 2022 and 2021, respectively:

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

Grantee	Number of share options						Exercise price per share HK$	Closing price immediately before the date of grant HK$	Weighted average closing price of shares immediately before the date of share options being exercised during the year HK$	Date of grant	Exercisable period	Notes
	Outstanding as at 1/1/2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2022						
Directors												
GUO Wei	13,116,974	-	-	-	-	13,116,974	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
GUO Wei	81,000,000	-	-	-	-	81,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
LIN Yang	13,116,974	-	-	-	-	13,116,974	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
LIN Yang	2,000,000	-	-	-	-	2,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
WONG Man Chung, Francis	2,000,000	-	-	-	-	2,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
NI Hong (Hope)	2,000,000	-	-	-	-	2,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
LIU Yun, John	2,000,000	-	-	-	-	2,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
KING William	2,000,000	-	-	-	-	2,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
CHEN Timothy Yung-Cheng	1,000,000	-	-	-	-	1,000,000	4.82	4.81	-	16/7/2021	(vi)	(vii)
Other employees	5,981,340	-	-	-	-	5,981,340	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	1,999,000	-	-	-	-	1,999,000	4.818	4.87	-	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	5,003,600	-	-	-	(201,000)	4,802,600	4.32	4.26	-	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,180,000	-	(60,000)	-	(120,000)	2,000,000	4.04	3.95	4.50	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	5,494,990	-	(19,000)	-	(631,000)	4,844,990	4.17	4.16	4.60	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	2,020,000	-	(2,000)	-	(699,000)	1,319,000	4.48	4.27	4.82	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	13,000,000	-	-	-	(1,400,000)	11,600,000	6.60	6.54	-	13/7/2020	(iv)	(v)
Other employees	1,670,000	-	-	-	(158,000)	1,512,000	6.60	6.54	-	13/7/2020	13/7/2021-12/7/2028	(iii)
Other employees	6,350,000	-	-	-	(1,160,000)	5,190,000	5.44	5.37	-	31/3/2021	31/3/2022-30/3/2029	(iii)
Other participants	1,000,000	-	-	-	-	1,000,000	5.44	5.37	-	31/3/2021	(viii)	(viii), (xi)
Other employees	6,759,000	-	-	-	(706,000)	6,053,000	4.48	4.10	-	28/7/2021	28/7/2022-27/7/2029	(iii)
Other participants	1,000,000	-	-	-	-	1,000,000	4.48	4.10	-	28/7/2021	(ix)	(ix), (xi)
In aggregate	170,691,878	-	(81,000)	-	(5,075,000)	165,535,878						
Exercisable at the end of the year						112,033,078						
Weighted average exercise price (HK$)	6.181	-	4.081	-	5.295	6.209						

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

	Number of 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 HK$	Closing price immediately before the date of grant HK$	Weighted average closing price of shares immediately before the date of share options being exercised during the year HK$	Date of grant	Exercisable period	Notes
Directors												
GUO Wei	13,116,974	–	–	–	–	13,116,974	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
GUO Wei	81,000,000	–	–	–	–	81,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIN Yang	13,116,974	–	–	–	–	13,116,974	6.394	6.73	–	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
LIN Yang	2,000,000	–	–	–	–	2,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
WONG Man Chung, Francis	2,000,000	–	–	–	–	2,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
NI Hong (Hope)	2,000,000	–	–	–	–	2,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
LIU Yun, John	2,000,000	–	–	–	–	2,000,000	6.60	6.54	–	13/7/2020	(iv)	(v)
YAN Xiaoyan (note x)	2,000,000	–	–	–	(2,000,000)	–	6.60	6.54	–	13/7/2020	(iv), (x)	(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	5.51	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	1,999,000	–	(399,000)	–	(1,600,000)	–	3.88	3.88	4.46	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	5.28	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,200,000	–	(20,000)	–	–	2,180,000	4.04	3.95	4.95	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	5.74	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	5.18	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), (xi)
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), (xi)
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)

The following tables summarise the movements in the share options granted under the 2011 Share Option Scheme (by each class of grantees) during the years ended 31 December 2022 and 2021, respectively:

	Number of share options					
Class of grantees	**Outstanding as at 1 January 2022**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2022**
Directors	**118,233,948**	**-**	**-**	**-**	**-**	**118,233,948**
Other employees	**50,457,930**	**-**	**(81,000)**	**-**	**(5,075,000)**	**45,301,930**
Sub-total	**168,691,878**	**-**	**(81,000)**	**-**	**(5,075,000)**	**163,535,878**
Other participants (Note (xi))	**2,000,000**	**-**	**-**	**-**	**-**	**2,000,000**
Total	**170,691,878**	**-**	**(81,000)**	**-**	**(5,075,000)**	**165,535,878**

	Number of share options					
Class of grantees	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2021
Directors	119,233,948	1,000,000	-	-	(2,000,000)	118,233,948
Other employees	41,991,940	13,779,000	(1,029,010)	-	(4,284,000)	50,457,930
Sub-total	161,225,888	14,779,000	(1,029,010)	-	(6,284,000)	168,691,878
Other participants (Note (xi))	-	2,000,000	-	-	-	2,000,000
Total	161,225,888	16,779,000	(1,029,010)	-	(6,284,000)	170,691,878

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).

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) Share Option Schemes (Continued)

(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, 2021 and 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 ended 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 Option 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, 2021 and 2022, respectively. As Condition (a) and (b) was satisfied, the relevant potion of the Share Options was vested on the respective relevant dates.

(vi) Exercise period is from the date of satisfaction of certain conditions to 15 July 2029. For details of the conditions please refer to note (vii).

(vii) The vesting and exercise of the Share Options shall be conditional upon 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 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 ended 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 audited consolidated financial statements of the Company for the financial year ended 31 December 2021 and 2022, respectively. As Condition (a) was satisfied, the relevant portion of the Share Options was vested on the relevant date.

(viii) The vesting and exercise of the Share Options shall be conditional upon satisfaction of, among others, certain performance 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) Others participants mean service providers who provide services to the Group.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(a) *Share Option Schemes (Continued)*

No share options were granted to participants other than these set out in the tables above.

Share options granted to the participants under the 2011 Share Option Scheme do not confer rights on the grantees to dividends or to vote at general meetings.

The fair values of the share options granted under the 2011 Share Option Scheme during the year ended 31 December 2021 amounted to approximately RMB18,181,000 (2022: nil) in aggregate.

During the year ended 31 December 2022, RMB14,867,000 (2021: RMB75,785,000) was recognised as share option expenses.

The fair values of the share options granted during 2021 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**
Exercise price (HK$ per share)	**4.48 – 5.44**
Dividend yield (% per annum)	**2.60**
Expected volatility (% per annum)	**36.3 – 36.8**
Expected life (year)	**8**
Risk-free interest rate (% per annum)	**0.73 – 1.19**
Weighted average share price (HK$ per share)	**4.48 – 5.44**

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.

The binomial model has been used to estimate the fair value of the share 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 2022, the Company had 165,535,878 (2021: 170,691,878) share options outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 165,535,878 (2021: 170,691,878) additional ordinary shares of the Company and additional share capital of approximately RMB14,592,000 (2021: RMB14,095,000) and share premium of approximately RMB891,432,000(2021: RMB857,124,000) (before issue expenses and transfer of employee share-based compensation reserve).

At the date of approval of these financial statements, the Company had 165,380,878 (2021: 170,691,878) share options outstanding under the 2011 Share Option Scheme, which represented approximately 9.88% (2021: 10.20%) of the Company's shares in issue as at that date.

As at 1 January and 31 December 2022, no option is available for grant under 2011 share option scheme.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme")

The RSA Scheme was adopted on 28 March 2011 for the purpose of rewarding and motivating, among others, directors (including executive and non-executive) and employees 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. The RSA Scheme shall be valid and effective from the date of adoption until termination by the board of directors in accordance with the rules constituting the RSA Scheme.

Pursuant to the RSA Scheme, existing shares of the Company will be purchased by the trustee of the RSA Scheme from the market at the prevailing market price or at price within a specified price range out of cash contributed by the Group and be held in trust for the relevant Participants until such shares are vested with the relevant Participants in accordance with the provisions of the RSA Scheme. The shares of the Company granted under the RSA Scheme and held by the trustee until vesting are referred to as the restricted share units ("**RSUs**") and each RSU shall represent one ordinary share of the Company.

Pursuant to the rules of the RSA Scheme, no amount is payable on acceptance of the RSUs granted there under. Further, there is no limit on the maximum number of Restricted Shares which may be granted under the RSA scheme to a particular Participant at any one time or in aggregate.

Neither the Participants nor the trustee may exercise any of the voting rights in respect of any RSUs that have not yet been vested.

The board of directors may, at its sole discretion, determine which eligible participant(s) shall be entitled to receive grants of the RSUs under the RSA Scheme, together with the number of shares to which each selected eligible participant shall be entitled, and make the relevant grant of the RSUs to the selected eligible participants under the RSA Scheme, subject to such conditions as the Board may deem appropriate at its discretion. The RSUs would vest in a selected Participant in accordance with a vesting schedule which shall be determined by the board of directors in its sole discretion.

The Company shall comply with the relevant Listing Rules when granting the RSUs. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) *Restricted Share Award Scheme ("RSA Scheme")(Continued)*

The following tables below show the movements in the RSUs under the RSA Scheme according to dates of grant during the years ended 31 December 2022 and 2021, respectively:

	Number of RSUs									
	Outstanding as at 1/1/2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2022	Closing price Immediate before the date of grant HK$	Weighted average closing price of shares immediately before the vesting date for shares vested during the year HK$	Date of grant	Notes
Other employees	800,000	-	(200,000)	-	(60,000)	540,000	4.30	4.95	7/5/2020	(i)
Other employees	4,130,000	-	(826,000)	-	(304,000)	3,000,000	5.37	3.60	31/3/2021	(i)
Other employees	157,000	-	(157,000)	-	-	-	5.37	3.60	31/3/2021	(ii)
Other participants	6,000	-	(6,000)	-	-	-	5.37	3.60	31/3/2021	(ii), (iii)
Other employees	46,000	-	(46,000)	-	-	-	6.03	4.95	22/4/2021	(ii)
Other participants	8,000	-	(8,000)	-	-	-	6.03	4.95	22/4/2021	(ii), (iii)
Other employees	-	4,047,000	-	-	(170,000)	3,877,000	3.95	-	30/6/2022	(i)
Other participants	-	220,000	-	-	-	220,000	3.95	-	30/6/2022	(i), (iii)
Other employees	-	69,000	(1,000)	-	(2,000)	66,000	3.95	3.11	30/6/2022	(ii)
Other participants	-	7,000	-	-	-	7,000	3.95	-	30/6/2022	(ii), (iii)
Other employees	-	362,000	-	-	(152,000)	210,000	3.15	-	30/9/2022	(i)
Other employees	-	2,000	-	-	-	2,000	3.15	-	30/9/2022	(ii)
Other employees	-	357,000	-	-	-	357,000	3.70	-	7/12/2022	(i)
Other employees	-	21,300	-	-	-	21,300	3.70	-	7/12/2022	(ii)
Other participants	-	200,000	-	-	-	200,000	3.70	-	7/12/2022	(i), (iii)
Total	5,147,000	5,285,300	(1,244,000)	-	(688,000)	8,500,300				

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme")(Continued)

	Number of RUSs									
	Outstanding as at 1/1/2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during theyear	Outstanding as at 31/12/2021	Closing price Immediate before the date of grant HK$	Weighted average closing price of shares immediately before the vesting date for shares vested during the year HK$	Date of grant	Notes
Directors:										
WONG Man Chung, Francis	100,000	-	(100,000)	-	-	-	4.46	6.41	2/6/2020	(ii)
NI Hong (Hope)	100,000	-	(100,000)	-	-	-	4.46	6.41	2/6/2020	(ii)
LIU Yun, John	100,000	-	(100,000)	-	-	-	4.46	6.41	2/6/2020	(ii)
KING William	100,000	-	(100,000)	-	-	-	4.46	6.41	2/6/2020	(ii)
Other employees	1,300,000	-	(260,000)	-	(240,000)	800,000	4.30	6.41	7/5/2020	(i)
Other employees	-	4,290,000	-	-	(160,000)	4,130,000	5.37	-	31/3/2021	(i)
Other employees	-	157,000	-	-	-	157,000	5.37	-	31/3/2021	(ii)
Other participants	-	6,000	-	-	-	6,000	5.37	-	31/3/2021	(ii), (iii)
Other employees	-	50,000	-	-	(4,000)	46,000	6.03	-	22/4/2021	(ii)
Other participants	-	8,000	-	-	-	8,000	6.03	-	22/4/2021	(ii), (iii)
Total	1,700,000	4,511,000	(660,000)	-	(404,000)	5,147,000				

Notes:

(i) Such restricted shares under RSA Scheme are subject to a vesting period of five years with 20% being vested in January of the first year, 20% in January of the second year, 20% in January of the third year, 20% in January of the fourth year and 20% in January of the fifth year after the respective dates of grant.

(ii) Such restricted shares under RSA Scheme are being vested in January of the first year after the respective dates of grant.

(iii) Other participants represented service providers who provide services to the Group.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme")(Continued)

The following tables summarise the movements in the RSUs granted under the RSA Scheme to directors and other participants during the years ended 31 December 2022 and 2021, respectively:

	Number of RSUs					
Class of grantees	**Outstanding as at 1 January 2022**	**Granted during the year**	**Vested during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2022**
Directors	**-**	**-**	**-**	**-**	**-**	**-**
Other employees	**5,133,000**	**4,858,300**	**(1,230,000)**	**-**	**(688,000)**	**8,073,300**
Sub-total	**5,133,000**	**4,858,300**	**(1,230,000)**	**-**	**(688,000)**	**8,073,300**
Other participants (Note (i))	**14,000**	**427,000**	**(14,000)**	**-**	**-**	**427,000**
Total	**5,147,000**	**5,285,300**	**(1,244,000)**	**-**	**(688,000)**	**8,500,300**

	Number of RSUs					
Class of grantees	Outstanding as at 1 January 2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2021
Directors	400,000	-	(400,000)	-	-	-
Other employees	1,300,000	4,497,000	(260,000)	-	(404,000)	5,133,000
Sub-total	1,700,000	4,497,000	(660,000)	-	(404,000)	5,133,000
Other participants (Note (i))	-	14,000	-	-	-	14,000
Total	1,700,000	4,511,000	(660,000)	-	(404,000)	5,147,000

Note(i): Other participants represented service providers who provides services to the Group.

The following tables summarise the movements in the RSUs granted under the RSA Scheme of five highest paid individuals during the years ended 31 December 2022 and 2021, respectively:

Five highest paid individuals:

	Number of RSUs					
Class of grantees	**Outstanding as at 1 January 2022**	**Granted during the year**	**Vested during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2022**
Five highest paid employees	**980,000**	**400,000**	**(290,000)**	**-**	**-**	**1,090,000**

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(b) Restricted Share Award Scheme ("RSA Scheme")(Continued)

Five highest paid individuals (Continued):

	Number of RSUs					
Class of grantees	Outstanding as at 1 January 2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2021
Five highest paid employees	250,000	500,000	(50,000)	-	-	700,000

The fair values of the RSUs granted under the RSA Scheme at granted date during the current year amount to approximately RMB 18,019,000 (2021: RMB 20,036,000).

During the current year, the Group recognised the total expenses of RMB 11,803,000 (2021: RMB 9,454,000) in relation to RSUs granted by the Company.

(c) Share Option Incentive Scheme of 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 DCITS the Share Option Incentive Scheme are as follows:

(I) 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 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 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, labor or service relationships with DCITS within the validity period of the DCITS Share Option Incentive Scheme.

(III) According to the rules of the DCITS Share Option Incentive Scheme ("**SOS Rules**"):

(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

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS(Continued)

(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) Under the DCITS Share Option Incentive Scheme, a total of 22,600,000 Shares of DCITS shall be available for issue, representing approximately 2.30% of the shares of DCITS in issue as at the date of this report. 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").

(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. The exercise price of the share options shall not be lower than the par value of the DCITS shares and shall not be lower than the higher of the following prices:

(1) The average price of DCITS shares one trading day prior to the announcement of the SOS Rules, being the total consideration for the DCITS shares traded (交易總額) one trading day prior to the announcement of the SOS Rules divided by the total number of DCITS shares traded on such day, which was RMB12.753 per DCITS share.

(2) The average trading price of DCITS shares for the 120 trading days prior to the announcement of the SOS Rules, being the total consideration for DCITS shares traded during the previous 120 trading days prior to the announcement of the SOS Rules divided by the total number of DCITS shares traded during the previous 120 trading days, which was RMB11.905 per DCITS 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. The DCITS Share Option Incentive Scheme expired on 16 September 2022 and the rights of the guarantees under the DCITS Share Option Incentive Scheme ceased on 16 September 2022 accordingly.

(IX) Pursuant to the SOS Rules, no amount is payable on application or acceptance of the option granted under the DCITS Share Option Incentive Scheme.

(X) 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:

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS(Continued)

(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 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 lapsed.

37. SHARE-BASED INCENTIVE SCHEMES (CONTINUED)

Share-based Incentive Schemes of the Company (Continued)

(c) Share Option Incentive Scheme of DCITS(Continued)

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 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 1/1/2022	Granted during the year	Exercised during the yearr	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2022	Exercise price per share RMB	Closing price immediately before date of grant RMB	Date of grant	Exercisable period
DCITS director	-	-	-	-	-	-	-	-	-	-
DCITS other employees	10,110,000	-	(3,909,285)	-	(6,200,715)	-	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						-				
Weighted average exercise price (RMB)	12.76	-	12.76	-	12.76	-				

	Number of the share options									
Grantee	Outstanding as at 1/1/2021	Granted during the year	Exercised during the yearr	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2021	Exercise price per share RMB	Closing price immediately before 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				

Notes:

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

(ii) Please refer to paragraph(VI) of the major terms of 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)*

As at 1 January 2022 and 31 December 2022, there are no share options available for grant and no DCITS shares that may be issued under the mandate of the DCITS Share Option Incentive Scheme or any scheme of DCITS.

During the year ended 2021, the Group recognised the total expense of RMB 5,379,000 (2022: nil) in relation to share options granted by DCITS

(d) *Restricted Share Incentive Scheme of DCITS*

The shareholders of DCITS approved the adoption of a restricted share incentive scheme (the "DCITS Restricted Share Incentive Scheme") on 16 September 2019. The effective term of the DCITS Restricted Share Incentive Scheme commenced from the date on which registration of the transfer of restricted shares is complete to the date on which sale restrictions of all restricted shares have been released or all restricted shares have been cancelled by repurchase, provided that the term shall not exceed 36 months. The DCITS Restricted Share Incentive Scheme expired on 16 September 2022.

Under the DCITS Restricted Share Incentive Scheme, a total of 7,400,000 restricted shares, representing approximately 0.75% of the shares of DCITS as at the date of this report, may be issued.

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 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 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 Restricted Share Incentive Scheme.

The total number of shares of DCITS issued pursuant to all effective equity incentive schemes of DCITS (including DCITS Restricted Share Incentive Scheme) to any incentive participant shall not in aggregate exceed 1% of the total shares in issue of DCITS.

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

Pursuant to the rules of DCITS Restricted Share Incentive Scheme, no amount is payable on acceptance of the restricted shares granted under DCITS 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 incentive participants of the DCITS 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 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;

(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 shareholders of DCITS.

(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".

The grant price of the restricted shares shall be RMB6.38 per share, not less than the higher of:

(1) RMB6.377 per share, being 50% of the average trading price of DCITS shares on the last trading day before the announcement of the draft DCITS Incentive Scheme (i.e. RMB12.753 per share); and

(2) RMB5.953 per share, being 50% of the average trading price of DCITS shares for the last 120 trading days before the announcement of the draft DCITS Incentive Scheme (i.e. RMB11.905 per share).

According to the rules 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. As at 1 January 2022, 31 December 2022, there are no awards available for grant pursuant to the DCITS Restricted Share Incentive Scheme. During the year ended 31 December 2022, no restricted shares were outstanding, granted, cancelled,vested or lapsed under the DCITS Restricted Share Incentive Scheme.

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 DCITS Restricted Share Incentive Scheme of DCITS during the year ended 31 December 2021 and the number of Restricted Shares outstanding as at 31 December 2021 and 2022:

	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	Lapsed during the year	Outstanding as at 31/12/2021 and 31/12/2022	Date of grant	Closing price of the shares immediately before the date of grant RMB
DCITS Director	500,000	-	-	(500,000)	-	-	17/9/2019	12.89
DCITS other employees	2,825,000	-	-	(2,825,000)	-	-	17/9/2019	12.89

There is no outstanding number of restricted shares as at 31 December 2021 and 2022.

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 year ended 31 December 2021, the Group recognised the total expenses of RMB3,594,000 (2022: nil) in relation to restricted shares granted by DCITS.

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As at 31 December 2022, the Group's indirect equity interests in DCITS was 40.51% (2021: 40.29%), 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:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
DCITS	**59.49%**	59.71%

	2022 **RMB'000**	2021 RMB'000 (Restated)
Profit for the year allocated to non-controlling interests:		
DCITS and its subsidiaries	**128,395**	162,832
Accumulated balances of non-controlling interests at the reporting date:		
DCITS and its subsidiaries	**3,567,357**	3,511,079

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	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Revenue and other income	**12,016,291**	11,144,718
Total cost and expenses	**(11,800,349)**	(10,864,950)
Profit for the year	**215,942**	279,768
- attributable to equity holders of DCITS and subsidiaries	**215,254**	271,936
Total comprehensive income for the year	**150,885**	266,820
- attributable to equity holders of DCITS and subsidiaries	**150,197**	258,988
Dividend paid to non-controlling interest	**(23,126)**	(28,703)
Current assets	**9,724,083**	9,556,997
Non-current assets	**2,588,520**	2,681,350
Current liabilities	**6,002,304**	6,089,027
Non-current liabilities	**153,650**	112,293
Net cash from operating activities	**201,251**	371,594
Net cash (used in) from investing activities	**(33,606)**	18,734
Net cash used in financing activities	**(24,692)**	(685,421)
Net increase (decrease) in cash and cash equivalents	**142,953**	(295,093)

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 2022 RMB'000 (Restated)	Financing cash flows RMB'000	Finance costs incurred RMB'000	New lease recognised RMB'000	Termination of lease RMB'000	Exchange realignment RMB'000	31 December 2022 RMB'000
Interest-bearing bank and other borrowings	3,281,454	295,651	-	-	-	38,553	3,615,658
Interest payable	-	(71,620)	71,620	-	-	-	-
Lease liabilities	178,338	(112,705)	7,691	50,703	(1,966)	-	122,061
Other financial liability	744,155	-	42,000	-	-	-	786,155
	4,203,947	111,326	121,311	50,703	(1,966)	38,553	4,523,874

			Non cash changes				
	1 January 2021 RMB'000 (Restated)	Financing cash flows RMB'000 (Restated)	Finance costs incurred RMB'000 (Restated)	New lease recognised RMB'000 (Restated)	Termination of lease RMB'000 (Restated)	Exchange realignment RMB'000 (Restated)	31 December 2021 RMB'000 (Restated)
Interest-bearing bank and other borrowings	3,700,621	(415,442)	-	-	-	(3,725)	3,281,454
Interest payable	-	(70,578)	70,578	-	-	-	-
Lease liabilities	113,051	(122,571)	10,350	200,971	(23,463)	-	178,338
Other financial liability	495,385	210,000	38,770	-	-	-	744,155
	4,309,057	(398,591)	119,698	200,971	(23,463)	(3,725)	4,203,947

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) 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 approximately RMB2,240,000 (2022: nil) at an aggregate cash consideration of RMB3,120,000 (2022: nil) from the non-controlling interests. The difference arising from such acquisitions of approximately RMB880,000 (2022: nil) was charged to capital reserve.

(b) Deemed acquisition of additional interests in non-wholly-owned subsidiaries

During the year ended 31 December 2022, DCITS repurchased in aggregate 9,280,391 (2021: 4,089,268) shares from the public at an aggregate consideration of approximately RMB100,014,000 (2021: RMB60,824,000), represented 0.94% (2021: 0.42%) of DCITS's issued capital as at 31 December 2022. This resulted in an increase of the Group's equity interest in DCITS by 0.38% (2021: 0.17%).

The difference between the change in non-controlling interest and the consideration paid arising from such transaction of approximately RMB17,655,000 (2021: RMB14,880,000) was charged to capital reserve.

(c) Capital contribution from non-controlling interests of subsidiaries

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

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.

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(c) Capital contribution from non-controlling interests of subsidiaries (Continued)

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 Agrement"), 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 (2022: nil). This resulted in the Group's interest in Internetware decreased from 93.55% to 82.99%, an increase in non-controlling interests of RMB33,402,000 (2022: nil) and a decrease in equity attributable to owners of the parent of RMB33,402,000 (2022:nil). A schedule of the effect of capital contribution from non-controlling interests of Internetware is as follow:

	2021 RMB'000 (Restated)
Carrying amount of non-controlling interest	33,402
Consideration received from non-controlling interests	210,000
Less: Redemption financial liability *(note 45)*	(210,000)
	33,402

(ii) Release of restricted shares and exercise of share options of DCITS

During the year ended 31 December 2021, 3,325,000 (2022: nil) 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% (2022: nil) and resulted in an increase in non-controlling interests of approximately RMB20,181,000 (2022: nil) and an increase in equity attributable to owners of the parent of approximately RMB437,000 (2022: nil).

In addition, 3,909,285 (2021: 3,975,601) share options of DCITS have been exercised during the year ended 31 December 2022. This resulted in a dilution of the Group's equity interest in DCITS by 0.16% (2021: 0.17%) and resulted in an increase in non-controlling interests of approximately RMB39,277,000 (2021: RMB39,877,000) and an increase in equity attributable to owners of the parent of approximately RMB10,604,000 (2021: RMB11,311,000).

40. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

(c) Capital contribution from non-controlling interests of subsidiaries (Continued)

A schedule of the aggregated effect of the above deemed disposal of interest in DCITS without loss of control is as follow:

	2022 **RMB'000**	2021 RMB'000 (Restated)
Carrying amount of non-controlling interest	**39,277**	60,058
Consideration received from non-controlling interests	**(49,881)**	(51,188)
Reversal of repurchase liabilities of restricted shares	**-**	(20,181)
	(10,604)	(11,311)

The transactions set out in note (b) and note (c) above resulted the change of the Group's equity interest in DCITS from 40.29% to 40.51% (2021: 40.42% to 40.29%).

(d) Others

During the year ended 31 December 2022, an insignificant subsidiary has been liquidated / deregistered and resulted in a decrease in non-controlling interest of RMB13,870,000 (2021: RMB3,767,000) and net cash outflow of RMB1,500,000 (2021:RMB3,767,000).

41. OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms of ranging from one to ten years. The terms of the leases generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2022 **RMB'000**	2021 RMB'000 (Restated)
Within one year	**417,279**	240,491
In the second year	**299,197**	143,629
In the third year	**110,477**	81,967
In the fourth year	**36,641**	46,070
In the fifth year	**22,707**	30,940
After five years	**80,911**	91,433
	967,212	634,530

42. COMMITMENTS

	2022 RMB'000	2021 RMB'000 (Restated)
Contracted, but not provided for, in the consolidated financial statements:		
Capital contributions payable to joint ventures	**21,580**	26,580
Capital contributions payable to associates	**20,472**	24,510
Capital contributions payable to financial assets at FVTOCI	**429**	429
	42,481	51,519

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	2022 RMB'000	2021 RMB'000 (Restated)
Transactions with joint ventures			
Sales of products to joint ventures	(i)	**–**	2,896
Provision of services to joint ventures	(ii)	**683**	422
Purchases of products from joint ventures	(iii)	**116**	-
Provision of services from joint ventures	(ii)	**–**	804
Interest income on loans to joint ventures	(v)	**10,296**	9,932
Transactions with associates			
Sales of products to associates	(i)	**13,090**	10,906
Purchases of products from associates	(iii)	**723**	7,583
Provision of services to associates	(ii)	**3,539**	3,216
Provision of services by associates	(ii)	**379,856**	292,721
Rental income from associates	(iv)	**5,582**	5,915
Transactions with related companies (note (vi))			
Sales of products to related companies	(i)	**18,964**	42,657
Provision of services to related companies	(ii)	**440,043**	407,991
Purchases of products from related companies	(iii)	**382,326**	178,787
Provision of services by related companies	(ii)	**58,129**	60,136
Rental income from related companies	(iv)	**50,755**	40,074

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

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.

(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:

	2022	2021
	RMB'000	RMB'000
		(Restated)
Short term employee benefits	**9,319**	9,133
Share-based compensation	**6,394**	43,804
Post-employment benefits	**155**	774
	15,868	53,711

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Further details of directors' and the chief executives' emoluments are included in note 9.

44. DEFERRED INCOME AND GOVERNMENT GRANTS

Government grants of approximately RMB103,578,000 (2021: RMB97,448,000) 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 RMB28,341,000 (2021: RMB18,706,000) is classified as non-current liabilities and approximately RMB1,955,000 (2021: RMB6,069,000) is classified as current liabilities (included in other payables and accruals (note 33)), respectively.

During the year ended 31 December 2022, deferred income of approximately RMB18,711,000 (2021: RMB26,020,000) 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 RMB84,867,000 (2021: RMB71,428,000) 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(c)(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.

45. OTHER FINANCIAL LIABILITY (CONTINUED)

The movements in the redemption financial liability are as follow:

	2022 RMB'000	2021 RMB'000 (Restated)
At the beginning of year	**744,155**	495,385
Capital contribution from non-controlling interests (note 40(c)(i))	**-**	210,000
Interest expense	**42,000**	38,770
At the end of year	**786,155**	744,155

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation / registration and operation	Legal form	Issued ordinary / registered share capital	Percentage of equity attributable to the Company 2022 Direct	2022 Indirectly	Percentage of equity attributable to the Company 2021 Direct	2021 Indirectly	Principal activities
Digital China (BVI) Limited	British Virgin Islands	N/A	US$5,125	100	-	100	-	Investment holding
Digital China Limited	Hong Kong	N/A	HK$2	-	100	-	100	Investment holding
E-Olympic International Limited	British Virgin Islands	N/A	US$1	-	100	-	100	Patent holding
Grace Glory Enterprises Limited	British Virgin Islands	N/A	US$1	-	100	-	100	Investment holding
Instant Technology Logistics Limited	PRC/Mainland China	Limited liability company	RMB100,000,000	-	87.2	-	87.2	Provision of logistics services
Talent Gain Developments Limited	British Virgin Islands	N/A	US$1	-	100	-	100	Investment holding
Digital China Software Limited	PRC/Mainland China	Limited liability company	US$200,000,000	-	100	-	100	Investment holding
Digital China Xi'an Industrial Co., Limited	PRC/Mainland China	Limited liability company	RMB300,000,000	-	100	-	100	Development and construction of Science and Technology Park
Digital China (Nanjing) Information and Technology Park Limited	PRC/ Mainland China	Limited liability company	HK$367,000,000	-	100	-	100	Development and construction of Science and Technology Park
Tianjin Digital China Financing Lease Co., Ltd.	PRC/ Mainland China	Limited liability company	US$30,000,000	-	100	-	100	Finance lease business
Cellular Investments Limited	Hong Kong	N/A	HK$1	-	100	-	100	Investment holding

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 2022		Percentage of equity attributable to the Company 2021		Principal activities
				Direct	Indirectly	Direct	Indirectly	
DC Cityverse Limited	Hong Kong	N/A	HK$400		100		100	Data processing and manpower outsourcing services
Internetware	PRC/ Mainland China	Limited liability company	RMB120,964,997	-	82.99	-	82.99	Data integration and management software sales
DCITS	PRC/ Mainland China	Limited liability company	RMB983,653,713 (2021: RMB979,744,428)	-	40.51*	-	40.29*	Systems integration services, software development and technical services
Digital China Jinxin Technology Co., Ltd.	PRC/ Mainland China	Limited holding company	RMB200,000,000	-	40.51**	-	40.29**	Sales of financial specialised equipment
Beijing Zhongnong Xinda Information Technology Limited	PRC/ Mainland China	Limited liability company	RMB100,000,000	-	40.51**	-	40.29**	Surveying service software sales
Digital China Advanced Systems Limited	Hong Kong	N/A	HK$531,750,000	-	40.51**	-	40.29**	Systems integration services
Nanjing Howso Technology Co., Ltd. ("Howso Technology")	PRC/ Mainland China	Limited liability company	RMB102,340,000	-	40.47***	-	40.25***	Network optimisation services
北京雲核網絡技術有限公司	PRC/ Mainland China	Limited liability company	RMB13,333,333	-	40.51**	-	40.29**	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	-	40.51**	-	40.29**	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 40.51% (2021: 40.29%) equity interest in this company based on the factors explained in notes 4 and 38 to the consolidated financial statements. As at 31 December 2022, certain borrowings of the Group were secured by 194,770,000 (2021: 128,884,000) ordinary shares issued by DCITS with an aggregate fair value of RMB2,097,673,000 (2021: RMB 1,639,404,000).

** These companies are wholly-owned subsidiaries of DCITS and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

*** Howso Technology is 99.90% owned subsidiary of DCITS and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2022 RMB'000	2021 RMB'000 (Restated)
Financial assets at amortised cost		
Accounts and bills receivables	**3,864,861**	3,301,781
Financial assets included in prepayments, deposits and other receivables	**1,640,372**	1,646,385
Finance lease receivables	**31,405**	38,236
Restricted bank balances	**54,879**	72,019
Cash and cash equivalents	**2,522,006**	2,295,103
	8,113,523	7,353,524
Financial assets at FVTPL		
Listed equity securities	**78,297**	122,708
Unlisted wealth management financial products	**664,298**	763,871
	742,595	886,579
Financial assets at FVTOCI		
Unlisted equity investments designated as FVTOCI	**780,328**	963,672

Financial liabilities

	2022 RMB'000	2021 RMB'000 (Restated)
Financial liabilities at amortised cost		
Accounts and bills payables	**3,490,296**	3,601,632
Financial liabilities included in other payables and accruals	**1,220,131**	1,334,691
Interest-bearing bank and other borrowings	**3,615,658**	3,281,454
Other financial liability	**786,155**	744,155
	9,112,240	8,961,932

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 2022:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVTPL				
-Listed equity securities	**78,297**	**-**	**-**	**78,297**
-Unlisted wealth management financial products	**-**	**-**	**664,298**	**664,298**
Financial assets at FVTOCI				
-Unlisted equity investments	**-**	**-**	**780,328**	**780,328**

As at 31 December 2021:

	Fair value hierarchy			
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Financial assets at FVTPL				
-Listed equity securities	122,708	-	-	122,708
-Unlisted wealth management financial products	-	-	763,871	763,871
Financial assets at FVTOCI				
-Unlisted equity investments	-	-	963,672	963,672

48. FAIR VALUE MEASUREMENT AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

There were no transfers between all levels of fair values during the year ended 31 December 2022 and 2021.

The fair values of the wealth management products and unlisted equity investments were determined using the income approach and the significant unobservable inputs included discount rates and growth rates. The lower the discount rates and higher the growth rates, the higher will be the fair value.

The Group engaged an external valuation specialist to perform valuation of these investments where quoted market prices are not available. The management of the Group has discussion with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Reconciliation of Level 3 fair value measurements of financial assets at FVTPL and financial assets at FVTOCI on recurring basis:

	Unlisted wealth management financial products	Unlisted equity investments
	RMB'000	RMB'000
As at 1 January 2021 (restated)	780,008	603,698
Transfer from interest in an associate *(note 21)*	-	460,679
Acquisition	1,017,153	-
Redemption	(1,063,303)	(47,420)
Total gain in profit or loss	30,013	-
Total losses in other comprehensive income	-	(52,408)
Exchange alignment	-	(877)
As at 31 December 2021 and 1 January 2022 (Restated)	**763,871**	**963,672**
Acquisition	**885,440**	**2,400**
Redemption	**(918,276)**	**(65,514)**
Total losses in profit or loss	**(66,737)**	**-**
Total losses in other comprehensive income	**-**	**(122,463)**
Exchange alignment	**-**	**2,233**
As at 31 December 2022	**664,298**	**780,328**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts and bills receivables, other receivables, finance lease receivables, restricted bank balances, cash and cash equivalents, financial assets at FVTPL, financial assets at FVTOCI, accounts and bills payables, other payables, interest-bearing bank and other borrowings and other financial liability. The main purpose of these financial instruments is to raise finance for the Group's capital expenditure and operations. The Group has various other financial assets and liabilities such as accounts and bills receivables and accounts and bills payables, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk, currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates and foreign exchange rates.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank and other borrowings with floating interest rates. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. It is the Group's policy to keep a balanced portfolio of its borrowings to manage both the cash flow and fair value interest rate risk

At 31 December 2022, the Group's interest-bearing borrowings of RMB1,929,556,000 (2021: RMB1,595,439,000) 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 2022, the Group's interest-bearing bank balances and time deposits of RMB2,508,006,000 (2021: RMB2,283,403,000) and RMB14,000,000 (2021: RMB11,700,000) bore interest at floating rates respectively.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2021: 100 basis points) increase (decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

	Increase (decrease) in basis points	Increase (decrease) in profit before tax for the year RMB'000
31 December 2022		
Borrowings with floating interest rates	**100**	**(19,296)**
Borrowings with floating interest rates	**(100)**	**19,296**
31 December 2021 (Restated)		
Borrowings with floating interest rates	100	(15,954)
Borrowings with floating interest rates	(100)	15,954

Currency risk

The Group's foreign currency exposures mainly arise from net monetary liabilities in currencies other than the functional currencies of approximately RMB109,109,000 (2021: RMB212,638,000) as at 31 December 2022.

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% (2021: 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 2022 would decrease/increase by approximately RMB1,091,000 (2021: RMB2,126,000). This is mainly attributable to the Group's exposure to foreign currency on its bank balances, accounts payables and bank borrowings.

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

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from cash and cash equivalents, restricted bank balances, accounts and bills receivables, contract assets, finance lease receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For accounts and bills receivables, contract assets and finance lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually and collectively by using a

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables except for loan receivables with carrying amount of approximately RMB1,006,125,000 in note 29(i), the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Management considered loans to joint ventures to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and wealth management products is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Since the Group only trades with recognised and creditworthy third parties, there is no requirement for collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by industry sector and customer.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other available sources of finances. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022				
	On demand or within 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts and bills payables	3,490,296	-	-	3,490,296	3,490,296
Financial liabilities included in other payables and accruals	1,220,131	-	-	1,220,131	1,220,131
Interest-bearing bank and other borrowings	1,859,692	1,297,393	916,060	4,073,145	3,615,658
Other financial liability	-	922,626	-	922,626	786,155
	6,570,119	2,220,019	916,060	9,760,198	9,112,240
Lease liabilities	72,631	57,551	-	130,182	122,061

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2021				
	On demand or within 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Accounts and bills payables	3,601,632	-	-	3,601,632	3,601,632
Financial liabilities included in other payables and accruals	1,334,691	-	-	1,334,691	1,334,691
Interest-bearing bank and other borrowings	1,544,425	1,159,803	1,098,265	3,802,493	3,281,454
Other financial liability	-	922,626	-	922,626	744,155
	6,480,748	2,082,429	1,098,265	9,661,442	8,961,932
Lease liabilities	94,877	92,119	-	186,996	178,338

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

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	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Interest-bearing bank and other borrowings	**3,615,658**	3,281,454
Accounts and bills payables	**3,490,296**	3,601,632
Other payables and accruals	**1,695,319**	1,796,563
Lease liabilities	**122,061**	178,338
Less: Cash and cash equivalents	**(2,522,006)**	(2,295,103)
Less: Restricted bank balances	**(54,879)**	(72,019)

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

	Group	
	2022 RMB'000	2021 RMB'000 (Restated)
Net debt	**6,346,449**	6,490,865
Equity attributable to equity holders of the parent	**8,361,918**	8,383,485
Total capital	**8,361,918**	8,383,485
Total capital and net debt	**14,708,367**	14,874,350
Gearing ratio	**43%**	44%

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000 (Restated)
Non-current assets		
Property, plant and equipment	**–**	7
Investments in subsidiaries	**1,728,757**	1,601,312
	1,728,757	1,601,319
Current assets		
Prepayments, deposits and other receivables	**41,183**	15,889
Amounts due from subsidiaries	**3,300,210**	4,070,630
Cash and cash equivalents	**7,423**	18,833
	3,348,816	4,105,352
Current liabilities		
Other payables and accruals	**13,155**	11,913
Amounts due to subsidiaries	**646,365**	1,317,078
Dividend payable	**198**	158
Interest-bearing bank borrowings	**262,855**	219,813
	922,573	1,548,962
Net current assets	**2,426,243**	2,556,390
Total assets less current liabilities	**4,155,000**	4,157,709
Non-current liability		
Interest-bearing bank borrowings	**31,562**	31,850
Net assets	**4,123,438**	4,125,859
Capital and reserves		
Issued capital	**163,826**	163,820
Reserves	**3,959,612**	3,962,039
Total equity	**4,123,438**	4,125,859

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 RMB'000	Contributed surplus RMB'000	Employee share trust RMB'000	Employee share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021(Restated)	4,134,732	500,541	(542,787)	106,109	(308,264)	607,692	4,498,023
Loss and total comprehensive expense for the year	-	-	-	-	-	(121,470)	(121,470)
Dividends paid	-	-	-	-	-	(152,474)	(152,474)
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	(124,205)	-	(124,205)
Share-based compensation	-	-	-	84,829	-	-	84,829
Exercise of share options	4,636	-	-	(1,020)	-	-	3,616
Contribution to employee shares trusts	-	-	(226,280)	-	-	-	(226,280)
Vesting of shares under the restricted share award scheme	-	-	3,154	(3,154)	-	-	-
At 31 December 2021 and 1 January 2022 (Restated)	**4,139,368**	**500,541**	**(765,913)**	**186,764**	**(432,469)**	**333,748**	**3,962,039**
Loss and total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(38,004)**	**(38,004)**
Exchange difference arising on translation of financial statement from functional currency to presentation currency	**-**	**-**	**-**	**-**	**274,293**	**-**	**274,293**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(199,239)**	**(199,239)**
Share-based compensation	**-**	**-**	**-**	**26,670**			**26,670**
Exercise of share options	**341**	**-**	**-**	**(75))**	**-**	**-**	**266**
Contribution to employee shares trusts	**-**	**-**	**(66,413)**	**-**	**-**	**-**	**(66,413)**
Vesting of shares under the restricted share award scheme	**-**	**-**	**5,971**	**(5,971)**	**-**	**-**	**-**
	-	**-**					
At 31 December 2022	**4,139,709**	**500,541**	**(826,355)**	**207,388**	**(158,176)**	**96,505**	**3,959,612**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act of Bermuda (as amended) and the Bye-Laws of the Company, the contributed surplus can be distributed to the shareholders, provided that the Company will be able to pay its liabilities as they fall due, and subsequent to the distribution, the aggregate amount of its total liabilities as well as the issued share capital and premium is less than the realisable value of its assets.

The employee share-based compensation reserve comprises the fair value of options or RSUs granted under the share-based incentive schemes which are yet to be exercised, as further explained in the accounting policy for employee benefits in note 3 to the financial statements.

Particulars of Properties

Investment properties as at 31 December 2022:

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 2022 RMB'000	Year ended 31 December 2021 RMB'000 (Restated)	Year ended 31 December 2020 RMB'000 (Restated)	Year ended 31 December 2019 RMB'000 (Restated)	Year ended 31 December 2018 RMB'000 (Restated)
REVENUE	**17,749,982**	17,104,557	17,498,974	15,699,784	13,051,307
PROFIT (LOSS) BEFORE TAX	**500,811**	952,081	1,012,782	489,715	233,236
Income tax expense	**(34,315)**	(139,065)	(157,269)	(86,176)	(52,923)
PROFIT (LOSS) FOR THE YEAR	**466,496**	813,016	855,513	403,539	180,313
Attributable to:					
Equity holders of the parent	**310,370**	592,364	551,028	270,104	124,145
Non-controlling interests	**156,126**	220,652	304,485	133,435	56,168
	466,496	813,016	855,513	403,539	180,313

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000 (Restated)	Year ended 31 December 2020 RMB'000 (Restated)	Year ended 31 December 2019 RMB'000 (Restated)	Year ended 31 December 2018 RMB'000 (Restated)
TOTAL ASSETS	**24,767,761**	24,451,357	23,687,228	22,814,239	22,367,820
TOTAL LIABILITIES	**12,455,290**	12,167,112	12,048,883	11,596,134	11,488,427
NON-CONTROLLING INTERESTS	**3,950,553**	3,900,760	3,671,462	3,240,943	3,117,396
	8,361,918	8,383,485	7,966,883	7,977,162	7,761,997

Company Information

BOARD OF DIRECTORS

Executive Directors

Mr. GUO Wei (Chairman and Chief Executive Officer)

Mr. LIN Yang (Vice Chairman)

Non-executive Directors

Mr. ZENG Shuigen

Ms. CONG Shan

Independent Non-executive Directors

Mr. WONG Man Chung, Francis

Miss NI Hong (Hope)

Dr. LIU Yun, John

Mr. KING William

Mr. CHEN Timothy Yung-Chung

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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PLACE OF LISTING OF SHARES AND STOCK CODE

The Stock Exchange of Hong Kong Limited

Stock Code: 00861

Taiwan Stock Exchange Corporation

Taiwan Depository Receipts

Stock Code: 910861

WEBSITE

www.dcholdings.com

神州控股
DC Holdings

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封面圖片來源：藝術家秦鈴森